



City of Pensacola

Agenda Conference

Agenda

Tuesday, January 19, 2021, 3:30 PM

Council Chambers, 1st Floor

Members of the public may NOT attend the meeting in person, as City Hall is closed to the public until further notice. Members of the public may participate via live stream and/or phone cityofpensacola.com/428/Live-Meeting-Video.

ROLL CALL

PRESENTATION ITEMS

1. [21-00052](#) PRESENTATION FROM KIMBERLY KRUPA, EXECUTIVE DIRECTOR, ACHIEVE ESCAMBIA.
Recommendation: That City Council receive a presentation from Kimberly Krupa, Executive Director of Achieve Escambia.
Sponsors: Ann Hill
Attachments: [Executive Summary 2020 Achieving Equity 12.3.2020](#)
2. [21-00078](#) PRESENTATION FROM RICK BYARS, REGIONAL MANAGER EXTERNAL AFFAIRS - GULF POWER COMPANY.
Recommendation: That City Council receive a presentation from Rick Byars, Regional Manager External Affairs with Gulf Power Company.
Sponsors: Jared Moore
3. [21-00086](#) PRESENTATION FROM GARY PETERSON, CEO PUBLIC SECTOR SEARCH & CONSULTING, INC. REGARDING THE POLICE CHIEF SEARCH AND PROCESS.
Recommendation: That City Council accept a presentation from Gary Peterson, CEO of Public Sector Search & Consulting, Inc. regarding the Police Chief search and process.
Sponsors: Sherri Myers
Attachments: [Presentation: Search & Selection Process – Chief of Police](#)

4. [21-00054](#) PRESENTATION - CLIMATE MITIGATION AND ADAPTATION TASK FORCE RECOMMENDATIONS
- Recommendation:** That City Council receive a presentation from a member of the Climate Mitigation and Adaptation Task Force discussing the recommendations made by the Task Force.
- Sponsors:** Sherri Myers
- Attachments:** [Climate Mitigation and Adaptation Final Report](#)

REVIEW OF CONSENT AGENDA ITEMS

5. [21-00033](#) PORT TARIFF REVISIONS
- Recommendation:** That City Council approve the proposed revisions to Port of Pensacola Tariff No. 5A. Further, that City Council authorize the Mayor to take all actions necessary to implement the changes.
- Sponsors:** Grover C. Robinson, IV
- Attachments:** [Proposed Revised Port Tariff No. 5A - markup version](#)
6. [21-00047](#) SPRING STREET PIPE REHABILITATION
- Recommendation:** That City Council award a contract to Vortex Companies of Houston for stormwater system rehabilitation utilizing Houston Galveston Area Co-Operative (HGAC) Contract#TPO7-18 in the amount of \$231,284.25 plus a 10% contingency of \$23,128.43 for a total amount of \$254,412.68. Further, that City Council authorize the Mayor to execute the contract and take all actions necessary to complete the project.
- Sponsors:** Grover C. Robinson, IV
- Attachments:** [Proposal - Spring Street Culvert Rehabilitation](#)
[Brochure - Vortex HGAC Buy](#)
7. [21-00079](#) APPROVING THE EAST GARDEN DISTRICT STREETScape PROJECT SCHEDULE
- Recommendation:** That the City Council approve the attached project schedule for the East Garden District Streetscape project.
- Sponsors:** Delarian Wiggins
- Attachments:** [Project Scedule - East Garden District Streetscape Project](#)
[Master Redevelopment Agreement - East Garden District Streetscap](#)

8. [21-00088](#) TREE PLANTING AND MEMORIAL PLAQUE AT MALLORY HEIGHTS
PARK # 3 IN MEMORY OF FRANK CUTRONE

Recommendation: That City Council approve the Scenic Highway Foundation's request to plant a tree and place a plaque in Mallory Heights Park #3 in memory of Frank Cutrone. Further that the tree and plaque will be purchased by the Foundation. This request was approved by the Parks & Recreation Board 6-0 with 3 absent.

Sponsors: Casey Jones

Attachments: [20-12-17 Unapproved P&R Brd mins](#)
[Park Amenity Dedication Proposal Form - Mallory Heights Park #3](#)

9. [21-00061](#) APPOINTMENTS - BOARD OF TRUSTEES - POLICE OFFICERS'
RETIREMENT FUND

Recommendation: That City Council appoint two (2) individuals to the Board of Trustees - Police Officers' Retirement Fund for a term of two (2) years, expiring December 31, 2022.

Sponsors: Jared Moore

Attachments: [Member List](#)
[Application of Interest - Bryan Ball](#)
[Application of Interest - Stephanie Taylor](#)
[Ballot](#)

REVIEW OF REGULAR AGENDA ITEMS (Sponsor)

10. [21-00059](#) APPOINTMENTS - ENVIRONMENTAL ADVISORY BOARD

Recommendation: That City Council appoint two (2) individuals who are employed or retired environmental professionals, or members of local environmental organizations or businesses with an interest in City environmental issues to fill two (2) unexpired terms ending March 1, 2022; and appoint one individual to fill an unexpired at large term ending March 1, 2022.

Sponsors: Jared Moore

Attachments: [Member List](#)
 [Nomination Forms - Kristin Bennett](#)
 [Application of Interest - Kristin Bennett](#)
 [Nomination Forms - Kelly Hagen](#)
 [Application of Interest - Kelly Hagen](#)
 [Nomination Form - Cheryl Kelsch](#)
 [Application of Interest - Cheryl Kelsch](#)
 [Nomination Forms - P Jay Massey](#)
 [Application of Interest - P Jay Massey](#)
 [Resume - P Jay Massey](#)
 [Ballots](#)

11. [21-00060](#) APPOINTMENT - ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

Recommendation: That City Council appoint one individual to the Escambia-Pensacola Human Relations Commission to fill an unexpired term ending June 1, 2021.

Sponsors: Jared Moore

Attachments: [Member List](#)
 [Nomination Form - Antonio Bruni](#)
 [Application of Interest - Antonio Bruni](#)
 [Nomination Forms - Jewel Cannada-Wynn](#)
 [Application of Interest - Jewel Cannada-Wynn](#)
 [Nomination Form - Ashley McDonald](#)
 [Application of Interest - Ashley McDonald](#)
 [Ballot](#)

12. [21-00089](#) GUN BUY BACK INITIATIVE AND PROGRAM

Recommendation: That City Council authorize the establishment of a Gun Buy Back initiative / program for the City of Pensacola. Further that the City Council direct the Council Executive to develop the program in conjunction with the Pensacola Police Department and that the Council Executive bring back a supplemental budget resolution at a subsequent meeting regarding the funding for this initiative.

Sponsors: Delarian Wiggins

13. [2021-01](#) SUPPLEMENTAL BUDGET RESOLUTION NO. 2021-01 LAW ENFORCEMENT TRUST FUND (LETF) PURCHASES FOR THE PENSACOLA POLICE DEPARTMENT

Recommendation: That the City Council adopt Supplemental Budget Resolution No. 2021-01.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

Sponsors: Grover C. Robinson, IV

Attachments: [Supplemental Budget Resolution No. 2021-01](#)
 [Supplemental Budget Explanation 2021-01](#)
 [Letter of Certification](#)

14. [2021-05](#) SUPPLEMENTAL BUDGET RESOLUTION NO. 2021-05 - "FOLDING PLANES SCULPTURE" DONATION FOR BARTRAM PARK

Recommendation: That City Council adopt Supplemental Budget Resolution No. 2021-05.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

Sponsors: Grover C. Robinson, IV

Attachments: [Supplemental Budget Resolution No. 2021-05](#)
 [Supplemental Budget Explanation No. 2021-05](#)
 [Folding Planes Sculpture Donation Letter](#)

15. [2021-06](#) RESOLUTION NO. 2021-06 SUPPORTING AN APPLICATION FOR
TRANSPORTATION ALTERNATIVES PROGRAM FUNDING
- Recommendation:* That City Council adopt Resolution No. 2021-06:
- A RESOLUTION OF THE CITY OF PENSACOLA SUPPORTING AN
APPLICATION FOR TRANSPORTATION ALTERNATIVES
PROGRAM FUNDING TO DESIGN AND CONSTRUCT
MULTI-MODAL FACILITIES ALONG SEVERAL CITY ROADS;
PROVIDING FOR AN EFFECTIVE DATE.
- Sponsors:* Delarian Wiggins
- Attachments:* [Proposed Resolution 2021-06](#)
16. [03-21](#) PROPOSED ORDINANCE NO. 03-21 - REMOTE VEHICLE SALES
- Recommendation:* That City Council approve Proposed Ordinance No. 03-21 on first
reading:
- AN ORDINANCE CREATING ARTICLE V OF CHAPTER 7-9,
SECTION 7-9-56 OF THE CODE OF THE CITY OF PENSACOLA,
FLORIDA; PROHIBITING REMOTE MOTOR VEHICLE SALES;
PROVIDING DEFINITIONS; PROVIDING FOR SEVERABILITY;
REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.
- Sponsors:* Jared Moore
- Attachments:* [Proposed Ordinance No. 03-21](#)
17. [05-21](#) PROPOSED ORDINANCE NO. 05-21 - AMENDING SECTION 4-2-7 AND
4-2-42 OF CITY CODE PROVIDING EXCEPTIONS AND ADDITIONS
FOR LIVESTOCK AND HOUSEHOLD PETS. KEEPING OF MINIATURE
GOATS ADDED.
- Recommendation:* That City Council approve Proposed Ordinance No. 05-21 on first
reading:
- AN ORDINANCE AMENDING SECTION 4-2-7 AND SECTION 4-2-42
OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA;
PROVIDING EXCEPTIONS AND ADDITIONS FOR LIVESTOCK AND
HOUSEHOLD PETS; PROVIDING FOR SEVERABILITY; REPEALING
CLAUSE; AND PROVIDING AN EFFECTIVE DATE.
- Sponsors:* Sherri Myers
- Attachments:* [Proposed Ordinance No. 05-21 - Goat Ordinance 1-8-2021 - stike-th](#)
[Proposed Ordinance No.. 05-21 - Goat Ordinance 1-8-2021 - clean](#)

18. [49-20](#) REVISED PROPOSED ORDINANCE NO. 49-20 AMENDING SECTION 9-5-72 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA FIREFIGHTERS' DEFERRED COMPENSATION PROHIBITING ADDITIONAL FUNDING

Recommendation: That City Council adopt the revised Proposed Ordinance No. 49-20 on second reading.

AN ORDINANCE AMENDING SECTION 9-5-72 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROHIBITING ADDITIONAL FUNDING OF THE FIREFIGHTERS DEFERRED COMPENSATION PLAN; PROVIDING FOR APPLICABILITY OF ORDINANCE; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; PROVIDING AN EFFECTIVE DATE.

Sponsors: Grover C. Robinson, IV

Attachments: [Proposed Ordinance No. 49-20](#)
 [Revised Proposed Ordinance No. 49-20](#)

FOR DISCUSSION

19. [21-00057](#) ST AEROSPACE - PROJECT TITAN FUNDING AND METRICS FOR SUCCESS

Sponsors: Sherri Myers

Attachments: [Triumph Pre-Application Response Letter](#)
 [Application](#)
 [Revised Application](#)
 [Signed Term Sheet - City of Pensacola](#)
 [Signed Term Sheet - VT](#)
 [Application Update](#)
 [City of Pensacola Triumph Board Resolution](#)
 [Score Sheet](#)
 [Grant Award Agreement](#)
 [Executed Grant Award Agreement](#)
 [Performance Agreement](#)
 [Executed Performance Agreement](#)
 [2019 Annual Report](#)

20. [21-00032](#) DISCUSSION - FUTURE OF THE TECHNOLOGY PARK PROPERTY

Sponsors: Sherri Myers

21. [21-00056](#) NOTIFICATION TO THE CITY COUNCIL OF LAWSUITS INVOLVING
 THE CITY

 Sponsors: Sherri Myers

CONSIDERATION OF ANY ADD-ON ITEMS

READING OF ITEMS FOR COUNCIL AGENDA

COMMUNICATIONS

CITY ADMINISTRATOR'S COMMUNICATION

CITY ATTORNEY'S COMMUNICATION

CITY COUNCIL COMMUNICATION

ADJOURNMENT

If any person decides to appeal any decision made with respect to any matter considered at such meeting, he will need a record of the proceedings, and that for such purpose he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

The City of Pensacola adheres to the Americans with Disabilities Act and will make reasonable accommodations for access to City services, programs and activities. Please call 435-1606 (or TDD 435-1666) for further information. Request must be made at least 48 hours in advance of the event in order to allow the City time to provide the requested services.



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00052

City Council

1/21/2021

PRESENTATION ITEM

FROM: City Council Vice President Ann Hill

SUBJECT:

PRESENTATION FROM KIMBERLY KRUPA, EXECUTIVE DIRECTOR, ACHIEVE ESCAMBIA.

REQUEST:

That City Council receive a presentation from Kimberly Krupa, Executive Director of Achieve Escambia.

SUMMARY:

Achieve Escambia is a collective impact partnership that brings together parents, educators, business owners, health providers, faith-based leaders, community organizers, residents, philanthropists, government employees, first responders and elected officials to significantly improve cradle to career outcomes.

To do this, Achieve Escambia creates the space to have authentic dialogue, rooted in data and action, where the needs of children, students and families are prioritized.

This presentation will be given by the Executive Director of Achieve Escambia, Kimberly Krupa. Ms. Krupa received the 2020 Children's Funding Champion Award from Funding the Next Generation and the Washington, D.C.-based Children's Funding Project.

The presentation will provide City Council with an update and better understanding of Achieve Escambia, its mission, and its goals.

PRIOR ACTION:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) Executive Summary 2020 Achieving Equity 12.3.2020

PRESENTATION: Yes



Executive Summary

Achieving Equity: Achieve Escambia 2020 Community Report

December 2020

Achieve Escambia's latest community report, **Achieving Equity**, examines a set of 45 indicators impacting education, health, and a career-ready workforce in Escambia County, Florida. The 2020 report measures the gap between the Black population and the white, non-Hispanic population to highlight disparities between the two and look for ways to reduce them.

The full report is available on the Achieve Escambia website, www.AchieveEscambia.org/Data.

Throughout the report, the racial disparities are stark. Economic outcomes for people of color show that they are more likely to rent, be part of the working poor, live in poverty, or face unemployment. Indicators related to youth preparedness—specifically the rate of youth disconnection, juvenile incarceration and in-school performance—foreshadow that the situation is not likely to improve without significant sustained intervention.

The report is clear that (1) people of color in Escambia County are not accessing the same opportunities as the white, non-Hispanic population, and (2) the situation has been largely stagnant over the past few years, with a few isolated pockets of improvement.

KEY FINDINGS

The main findings of the research reflect the latest data from publicly available sources including the U.S. Census Bureau's American Community Survey and state sources such as the Florida Department of Education, Florida Health Charts and Florida Department of Juvenile Justice. Highlights include:

- **Homeownership**: In the short term, Escambia County's 19%-point gap between white (65%) and Black (46%) homeownership affects housing stability for these families. But the real danger is in the long term. Homeownership disparities impact the accumulation of wealth from one generation to the next. Today's lag in Black homeownership is a direct result of years of unfair policies and discrimination. Nationally, there is a nearly 30%-point gap between white and Black homeownership.
- **Child Poverty**: Black children in Escambia County are more than three times as likely to be living in poverty compared to white children. The poverty rate for black children under 18 is 39%, compared to 13% for white children.
- **Income**: On average, white households earn more than \$20,000 more than Black households. White median household income is \$55,100, compared to \$34,500 for Black households.
- **In-school Performance**: When studying indicators in public education, keep in mind that the Escambia County school district racial breakdown is 47% white; 35% Black; 8% Hispanic; 8% multiracial; and 2%

Achieve Escambia | 1000 College Boulevard | Pensacola, Florida 32504

WEB: AchieveEscambia.org EMAIL: kimberly@achieveescambia.org PHONE: (850) 462-4790



Asian. Compared to the population as a whole, Black students are disciplined more and promoted less than their white peers. Black students made up 64% of disciplinary infractions, compared to 25% of white students, in the 2018-2019 school year.

- Juvenile Arrests and Disconnected Youth: Escambia County now ranks #3 in juvenile arrests out of all 67 counties in Florida, an all-time low. Broken down by race, the most recent data from 2019 shows that Black youth comprise 74% of total arrests among juveniles ages 10-17. The racial disparity in juvenile arrests also shows up in the rate of disconnected youth, or “opportunity youth,” defined as youth ages 16-24 who are not employed and not working. One in 5 Black young adults in Escambia County are disconnected, compared to one in 10 white youth.
- Inexperienced Teachers: Teacher equity indicates the extent to which students, in particular students of color, are assigned uncertified or inexperienced teachers. In the 2018-2019 school year, 54% of inexperienced teachers worked in “high minority schools” in Escambia County, defined as schools with a minority membership in the state's top quartile, compared to 31% of inexperienced teachers in “low minority schools.”
- Health Equity: The health data shown in the report provides a clear picture of the challenges Escambia County families are experiencing. The starkest racial disparities in health outcomes can be seen in:
 - Births to single mothers (40% of births to single white mothers compared to 81% single Black mothers)
 - Low birthweight (8% of white infants weighed less than 5 pounds, 8 ounces at birth compared to 15% of Black infants)
 - Infant mortality (5 out of every 1,000 white infants born in 2019 died, compared to 14 Black infants)

RECOMMENDATIONS AND NEXT STEPS

We must seize this opportunity to intentionally reignite our economy in ways that build bridges and scaffolding to lift up our most vulnerable youth and families. In his opening letter to the report, Achieve Escambia Leadership Council Chair Mark T. Faulkner, president and CEO of Baptist Health Care, reflects on the gravity of the education, health and economic disparities affecting everything from infant mortality to life expectancy. Across schools, jobs, housing, transportation, criminal justice – and certainly health care – institutional and structural racism has shaped systems that underserved people of color.

Since its inception in 2016, Achieve Escambia has been a partnership organization with a desire to create a pathway to opportunity paved by the values of equity, inclusion, student success and innovation. In the midst of the coronavirus pandemic, this mission has become even more urgent. As Faulkner states, the pandemic’s disproportionate toll on communities of color is no surprise. Well before COVID-19, we have known that there are long-standing racial inequities in the social determinants of health including poverty, healthcare access, nutrition, housing conditions and more.



In terms of solutions, Faulkner writes, “We have a responsibility to act on our pledges for equity and opportunity. As this report shows, we have much work to do. It will not be easy. But the silver lining of this moment is that it has made the social inequalities in our community, our region and our country so starkly visible in ways that are very difficult to deny.”

Several efforts are under way to dedicate the resources to put equity into practice and continue the foundational and transformative work developed across the Achieve Escambia partnership. These include:

- Escambia Children’s Trust: With 61% of voter approval, the Children's Services Council ballot referendum passed on November 3, 2020. The Escambia Children’s Trust will sustainably fund child and youth services that close many of the equity and opportunity gaps noted in this report. The needs assessment to be completed in 2021 will complement the ***Achieving Equity*** report.
- Achieve Healthy EscaRosa: In the coming year, Achieve Healthy EscaRosa is supporting a coordinated approach to addressing the immediate challenge of COVID-19 among minority populations in our community and the longer-term root causes of racial disparities that adversely impact vulnerable populations. In partnership with the UWF Haas Center, Achieve Escambia will be launching a regional equity dashboard in 2021 that (1) emphasizes the importance of public health and wellness; (2) defines a community-wide goal of reducing disparities in health outcomes; and (3) outlines a path forward to reduce these disparities.
- Inclusive Development Network: The Pensacola Inclusive Development Network is a partnership with a “prosperity plan” based on a vision for a future where everyone has an opportunity to advance economically. Achieving this vision will take reskilling displaced workers, educating workers in new skills and technologies, and committing to the long-term work of reducing equity gaps among four vulnerable groups, including those with low to no skills; those with a high school diploma or less; those who have had an interaction with the criminal justice system; and the lower income 16- to 24-year-olds not regularly in school or work commonly called “opportunity youth.”
- The 32505 Project: A bright spot in Escambia County is the work under way in partnership with numerous organizations including the school district, providers, and the UWF Public History Program to reduce disparities in the 32505 ZIP code, where several outcomes are improving at the population level, including median income and overall poverty, and within 5 elementary schools, where 3rd-grade reading scores are on the rise.

Measuring what matters, identifying effective practices, aligning resources and being committed to continuous improvement are necessary actions for the achievement of better outcomes for Escambia County youth and families. To learn more about Achieve Escambia, and read past community reports, visit www.AchieveEscambia.org.



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00078

City Council

1/21/2021

PRESENTATION ITEM

FROM: City Council President Jared Moore

SUBJECT:

PRESENTATION FROM RICK BYARS, REGIONAL MANAGER EXTERNAL AFFAIRS - GULF POWER COMPANY.

REQUEST:

That City Council receive a presentation from Rick Byars, Regional Manager External Affairs with Gulf Power Company.

SUMMARY:

Rick Byars, Regional Manager External Affairs will provide an update on Gulf Power Company. The update will include a brief summary of Gulf Power's merger with Florida Power & Light (FP&L), Gulf Power's investments in clean technology and generation, reliability improvements, as well as the Company's continued commitment in economic development and charitable giving in the community. The presentation will include a timeline of significant improvements that Gulf Power has made since the acquisition of the Company by FP&L.

PRIOR ACTION:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) None

PRESENTATION: Yes



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00086

City Council

1/21/2021

PRESENTATION ITEM

FROM: City Council Member Sherri Myers

SUBJECT:

PRESENTATION FROM GARY PETERSON, CEO PUBLIC SECTOR SEARCH & CONSULTING, INC. REGARDING THE POLICE CHIEF SEARCH AND PROCESS.

REQUEST:

That City Council accept a presentation from Gary Peterson, CEO of Public Sector Search & Consulting, Inc. regarding the Police Chief search and process.

SUMMARY:

The City is beginning the process of a nationwide search to fill the vacant Police Chief's position created by the departure of previous Chief, Tommi Lyter.

To this end, the City has engaged the services of Public Sector Search & Consulting, Inc.

This presentation will be given by Mr. Gary Peterson, CEO of Public Sector Search & Consulting, Inc. wherein he will discuss the process, potential time line and subsequent deliverables.

PRIOR ACTION:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) Presentation: Search & Selection Process - Chief of Police

PRESENTATION: Yes

Search & Selection Process – Chief of Police





Background

- Gary Peterson, MS JD - Chief of Police (ret.)
President/CEO Public Sector Search & Consulting, Inc.
- Retired 2014 - Mid-sized firm – 15 searches a year
- Founded PSSC in 2017 to focus on police executive searches
- 35 Police Executive Searches including seven (7) major U.S. cities: Dallas, Nashville, Seattle, Kansas City, MO, and CA cities: San Francisco, San Jose, and Sacramento.



Track Record

- 2020 Projects

San Jose, CA (1m pop.)*

Tiburon, CA (9,100 pop.)

Sonoma State U (8,500 pop.)

Northglenn, CO (40,000 pop.)

Thornton, CO (145,000 pop.)

Opa-Locka, FL (16,000 pop.)

Beacon, NY (15,000 pop.)

Boulder, CO (195,000)

Charles S. Mott CC, Flint, MI (10,000 pop.)

Nashville, TN (650,000 pop.)*

Bellevue, WA (148,000 pop.)

Dallas, TX (1.3m pop.)*

San Luis Obispo, CA (47,000 pop.)

Grand Rapids, MI (195,000 pop.)

Long Beach, NY (35,000 pop.)



The Search Process

1

Review of Project Management

2

Develop Position Profile

3

Community Engagement

4

Outreach & Recruiting

5

Candidate Evaluation

6

Review of Candidates

7

Selection Process

8

Final Selection



Develop Position Profile

- Community Input
- Community Forums
- Input Survey – Department
 - What personal qualities do you think are most important for the next leader of the Pensacola Police Department?
 - What changes do you hope the next leader will bring to the department?
 - What should be the top priorities for the next leader of the Pensacola Police Department?
 - What other things do you want the hiring authority to consider when they select the next police chief?
- **Advisory Board**
- **City Council**
- **Police Command Staff**



Develop Candidate Specifications or Position Profile

Position profile

- Responsibilities of the position
- Opportunities and challenges
- Final document serves as a roadmap to finding the ideal candidate
- Color brochure
- Recruitment Officially Opens – 4-5 wk period

Recent Brochures

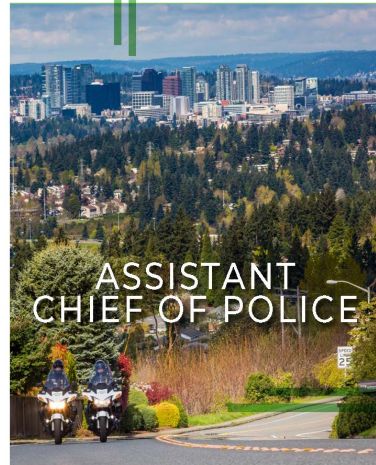
A NATIONAL SEARCH
is underway for a
new Chief of Police

Metropolitan Government of Nashville
& Davidson County



A NATIONAL SEARCH
is underway for a new
Assistant Chief of Police

Bellevue, WA



A SEARCH IS UNDERWAY
in New York State for a new
Police Chief

City of Beacon, NY



A NATIONAL
SEARCH IS
underway for a
new Police Chief

Dallas, TX





Advertising Campaign

- Police Executive Research Forum (PERF)
- Florida State Police Chiefs Association
- Hispanic American Police Command Officers Association
- International Association of Chiefs of Police (IACP)
- National Association of Women Law Enforcement Executives (NAWLEE)
- National Organization of Black Law Enforcement Executives (NOBLE)
- Major City Chiefs Association (MCCA)
- National Black Police Officers Association (NBPOA)



Original Research

Develop a list of potential Candidates - Recruit

- Match the position profile in terms of size of organization and scope of duties/responsibilities
- Obtain Nominations from our National Network of Police Executives
- Internet research tool that helps us locate candidates
- Email and telephone contact information
- Discuss the position with internal candidate(s)



Candidate Evaluation - Screening

- The candidates that closely match the desired skills, experience and attributes identified in the **Position Profile** are recommended by PSSC for consideration by the Search Committee as possible Semifinalists
- Screening Interview – Recommended, Qualified, Minimally Qualified and Not Qualified
- First Check Background Screening
- Social Media Screening



Selection Process

- Panel Interviews (Virtual)
- Candidate Forum (Public, Department)
- Recommendations to the Mayor

Chief of Police - Suggested Recruitment Schedule

Elements	Estimated Completion / Timing
Beginning Recruitment Process	
• Introduction / Discussion /Interviews via Zoom/Teams	Week of Dec. 28
• Stakeholder Engagement • Community Forums • Complete Position Profile • Develop brochure	Jan. 6 – Feb. 1
• Stage Advertising Placements ➢ Posting of Position Announcement / Brochure	
Recruitment Opens on Monday, Feb. 1	
• Social Media Campaign and Begin Outreach to Candidates ▸ Locally / Regionally / Nationally	Feb. 1 – Mar. 11
Recruitment Closes on Friday, Mar. 5 - Open Period of Five Weeks	
• Verifications / Reference Checks / Articles Searches	Concurrent with Recruiting
• Review Applicant List with Hiring Authority and Human Resources to Select Candidates to Interview	Thursday or Friday, March 11-12
• Interview Process - Round #1 (Usually 1 week)	Thursday or Friday, March 18-19
• Finalist Process (Usually 10-14 days later)	TBD - Onsite
• Formal Announcement / Public Release	To Be Determined
• Selected Candidate Starts or Transitions to Pensacola	2-4 Weeks



Questions?

Thank you!



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00054

City Council

1/21/2021

PRESENTATION ITEM

FROM: City Council Member Sherri Myers

SUBJECT:

PRESENTATION - CLIMATE MITIGATION AND ADAPTATION TASK FORCE RECOMMENDATIONS

REQUEST:

That City Council receive a presentation from a member of the Climate Mitigation and Adaptation Task Force discussing the recommendations made by the Task Force.

SUMMARY:

In December of 2015, City Council directed the Council Executive to work with the EAB to organize a Climate Mitigation and Adaptation Task Force. In October of 2016, the City Council appointed members to the Task Force and in January of 2017 the Task Force began meeting.

In November of 2018, the Task Force delivered its final report and recommendations to the City Council in presentation form, with no formal action being taken

This presentation provides an opportunity for the City Council to receive an update and overview on the Task Force findings and recommendations.

PRIOR ACTION:

November 8, 2018 - Climate Mitigation and Adaptation Task Force delivered its report and recommendations to the City Council.

January 26, 2017 - Climate Mitigation and Adaptation Task Force holds its first meeting

October 13, 2016 - City Council appoints members to the Climate Mitigation and Adaptation Task Force

December 9, 2015 - City Council directed the Council Executive to work with the Chairperson of the EAB to organize the Climate Mitigation and Adaptation Task Force based on the recommendations sent to the City Council by the EAB

June 18, 2015 - City Council voted to hold a workshop to receive recommendations from the EAB to

establish a Climate Mitigation and Adaptation Task Force

August 28, 2014 - City Council adopted Resolution No. 29-14 referring the matter of creating a Climate Change Task Force to the Environmental Advisory Board for recommendation to the City Council

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) Climate Mitigation and Adaptation Final Report

PRESENTATION: Yes

Climate Action Recommendations

A Blueprint for Addressing
Climate Change
at the Municipal Level

City of Pensacola Climate Mitigation and Adaptation Task Force

2018



PHOTO CREDITS

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Duncan McCall: Live oaks on shoreline

City of Pensacola: Aerial view of downtown featuring Plaza DeLuna and Palafox

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City of Pensacola Climate Mitigation and Adaptation Task Force

2018

Climate Action Recommendations

A Blueprint for Addressing
Climate Change
at the Municipal Level

Climate Mitigation and Adaptation Task Force
City of Pensacola

2018

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City of Pensacola Climate Mitigation and Adaptation Task Force

2018

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City of Pensacola Climate Mitigation and Adaptation Task Force

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Introduction

The imperative for climate adaptation and mitigation planning stems from overwhelming evidence of climate change and the effects on coastal cities and regions. Researchers and scientists point to the changing climate as a direct result of human activities with devastating consequences for communities around the world. The climate-related threats include intense rain and flood events, sea level rise, droughts, and heat waves. Addressing climate change is imperative for communities to pursue and is based on unique characteristics of communities and local governments and threats they are facing.

The City of Pensacola and its regional partners, including counties and other local governments, are pursuing an aggressive and overarching climate-planning objective to address underlying climate change threats. The planning process included an appointment of the Climate Mitigation and Adaptation Task Force. The report produced by the Task Force provides a general outline of the direction for the City of Pensacola and the region to undertake specific actions to counter threats and impacts of climate change and extreme weather.

Task Force Goals and Objectives

The goals and objectives of the Climate Mitigation and Adaptation Task Force shall include, and are not limited to:

- Advance adaptation and mitigation strategies to enhance the City's and regional resilience and preparedness for withstanding the likely adverse effects of climate change, including flooding resulting from heavy precipitation, rising sea levels, intense hurricanes, heat waves, and other extreme weather events.
- Promote a program of education, incentives, and public outreach to encourage residents, business owners, governments, and organizations to participate in the Climate Adaptation and Mitigation Plan.
- Generate suggestions to obtain federal and state grants, investments in energy efficiency and other financial resources to offset program costs. Measures may include initiatives to conserve energy and reduce greenhouse gas (GHG) emissions within government operations and incentives for homeowners, businesses and organizations to save energy, reduce costs and decrease GHG emissions.

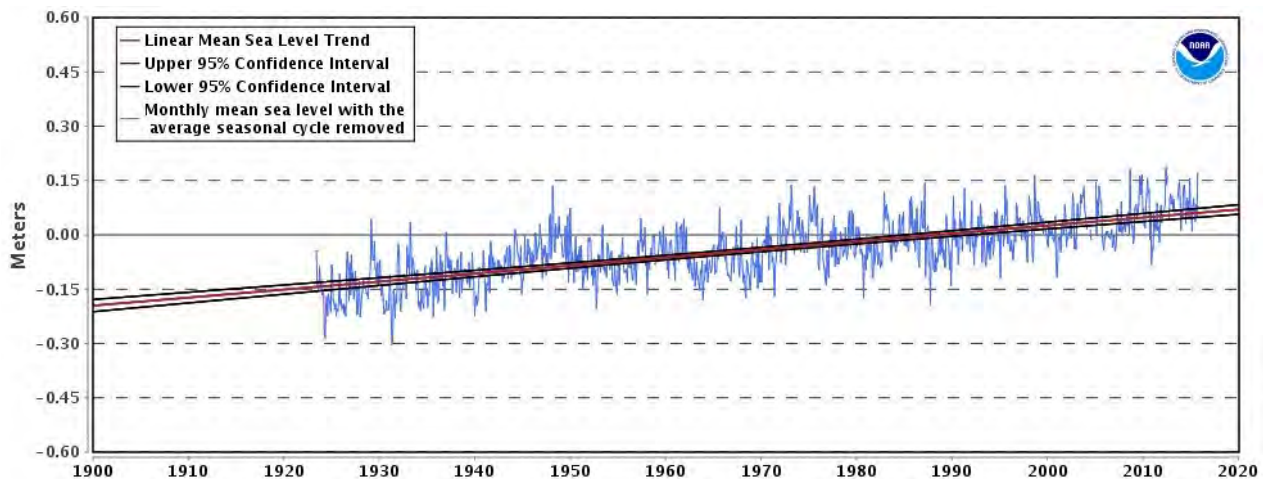
The Climate Change Threats to Northwest Florida and the City of Pensacola

Climate change is a driving force in Florida's growing weather extremes. Florida is becoming hotter and more humid (Climate Central, 2016, July 13). Northwest Florida is threatened by sea level rise, record-breaking heat indexes, increasing frequency and duration of extreme heat and drought, heavier rain, wildfires, inland and coastal flooding, storm surges exacerbated by stronger hurricanes, and decreasing freshwater availability (Climate Central and ICF International 2015) (Carter et al. , p. 397).

These risks threaten natural and built environments, the economy, and human health. Our region has already been affected by the kind of economic and social disruptions that extreme heat, heavy rain, and flooding can create. As noted in the Climate Central report and projections, Pensacola faces several risks associated with global warming, including sea level rise, multiplying extreme flood risk in the Pensacola region (Strauss et al. 2014, p. 51).

A Blueprint for Addressing Climate Change at the Municipal Level

Local governments are typically the first responders when an extreme weather event affects their communities. Coastal communities in particular have long dealt with the aftermath of disastrous hurricanes and floods, with devastating consequences to local economies. Continuing and expanding the efforts to be better prepared to proactively address these events will result in a highly resilient community.



Historical water level records from Pensacola, Florida have established a representative long-term historical SLR trend of 0.73 ft/century (source: NOAA Center for Operational Oceanographic Products and Services).



: Planning for : Energy Efficiency : and Climate : Change Mitigation

- Greenhouse gas (GHG) emissions
- have undeniably been affecting
- the climate. The reduction of GHG
- emissions can decrease the extent
- and severity of climate change.
- Remaining at the status quo or
- increasing GHG emissions will
- escalate changes in climate. Climate
- change mitigation includes actions to
- decrease GHG emissions, reducing
- the ultimate magnitude of climate
- change. Some of these actions also
- have the potential to contribute to
- cost savings, green jobs, and local
- economic development. The City of
- Pensacola and surrounding area can
- take actions to assess energy use and
- GHG emissions to achieve the carbon
- footprint reductions.
- The recommendations provide a
- blueprint for moving forward.

-
- Adopt a pledge to reduce the GHG emissions and join and actively participate in programs that provide planning tools such as: The Northwest Florida Clean Cities Coalition, Transformative Actions Program (TAP), Be Ready Alliance Coordinating for Emergencies (BRACE), United States Geological Survey (USGS) Sea-level Rise Simulation and Inundation Models, USGS Wetland Change Models, USGS Surface Elevation and Shoreline Erosion Models, and the Gulf Tools for Resilience Exploration Engine (Gulf TREE) through Northern Gulf of Mexico Sentinel Site Cooperative.



- The mayor should join the Mayors Climate Protection Agreement in solidarity with other cities in Florida. Joining the Climate Protection Agreement will support a mitigation initiative to reduce future impacts of climate change through pledge reductions in GHG emissions.
- Join the International Council for Local Environmental Initiatives (ICLEI)—Local Governments for Sustainability. ICLEI provides guidance for local climate action, including ClearPath™—“an online software platform for completing greenhouse gas inventories, forecasts, climate action plans, and monitoring at the community-wide or government-operations scales.” (icleiusa.org/clearpath/)
- Commit to meet a 30% renewable energy target by 2030 for city-owned facilities and operations, with a goal of 100% renewable by 2040.
- Support and encourage energy efficiency efforts, including the ENERGY STAR® labeling program and Leadership in Energy and Environmental Design™ (LEED).
- Encourage the start of a special adaptation action area group similar to the Southeast Florida Regional Compact. This group could be called the Northwest Florida Regional Compact and would study the outcome of adaptation strategies.
- Complete an inventory of city-wide GHG emissions and prepare a climate adaptation plan, as have many municipalities and counties around the state.
- Incorporate language about climate change in updated comprehensive plans, and pass local laws or codes that uphold those values.
- Include the following sectors: transportation, water resources/ utilities, natural resources, agriculture, and disaster risk as part of the climate change planning process.
- Reduce GHG emissions from municipal facilities and operations, including increasing energy efficiency and conservation measures. In addition to reducing negative environmental impact, these efforts may provide for cost avoidance and savings.
- Install or purchase renewable energy, such as solar panels or other renewable power on municipal buildings, and incorporate LEED design.
- Educate the public about the changing climate, and involve and engage local citizens and volunteers in the processes of adaptation and mitigation. Encourage and incentivize local businesses and residents to reduce their energy consumption.
- Support regional and statewide policies to promote and develop renewable energy systems, net-metering, and installation of solar and geothermal projects.

Planning for Resilience and Climate Change Adaptation

The City of Pensacola has the opportunity and responsibility to start planning to ensure the community is resilient to climate change. The first course of action is to better understand what changes are likely at the local (and regional) level and to continue to make sure to prepare for these changes. Climate change adaptation refers to the actions organizations adopt and implement to reduce the impacts of the climate changes that either have already occurred or will inevitably occur. Resilience is the capacity of communities and organizations to withstand stress and catastrophe, and to recover and adapt successfully in the face of threats or disaster.

Here are some of the initiatives that the City of Pensacola can undertake to increase the community's resilience to climate change impacts.

- Develop emergency management plans and Federal Emergency Management Agency (FEMA) all-hazard mitigation plans that include climate change projections and adaptation strategies, and participate in the National Flood Insurance Program as well as FEMA's Community Rating System (CRS). The City of Pensacola is currently ranked 7 out of 10 on the FEMA CRS scale, resulting in a 15% annual discount in flood insurance for all insured properties. Surrounding communities have reached levels 5 (Pensacola Beach, Santa Rosa County) and 6 (Escambia County). The City should continue making a concerted effort to improve its CRS rating. Acting on the suggestions made in this report would contribute significantly to improving this rating.

- Consider current and subsequent updates to sea level rise (SLR) projections to inventory and map municipal infrastructure that may be vulnerable to climate change, and make plans and budget to replace, move or harden, or add supportive infrastructure at appropriate times as those models indicate.
- Utilize local authority to protect open space, wetlands, and riparian buffers to increase resilience to extreme weather events.
- Become an active participant on the policy board of the Pensacola and Perdido Bay's Estuary Program; encourage climate resilience strategies in addition to water quality management and improvement.
- Incorporate Better Site Design, Low Impact Development (LID) and green infrastructure principles into local codes and planning decisions to increase resilience of streams, bayous and floodplains to heavy precipitation events. Protect the natural riparian (natural shoreline) zones of these water bodies and incentivize restoration of living shorelines instead of hardening (stone, wood and concrete seawalls). Utilize Escambia County's LID Reference Manual and create incentives for its use within the City and region.
- Use a watershed-level rather than site-level approach to manage stormwater runoff and flooding. Wide-scale watershed management can reduce impacts of flooding from stormwater downstream through the use of better urban planning and design principles including a multi-jurisdictional approach.
- Encourage higher density development where appropriate as an urban stormwater best-management practice. More compact development patterns generate less stormwater runoff overall than low-density development.

Areas of Emphasis for Climate Preparedness

Comprehensive Plan Climate Mitigation and Adaptation Element

Goal: Achieve a sustainable, climate resilient community by promoting energy efficiency and greenhouse gas reduction strategies; protecting and adapting public infrastructure, services, natural systems and resources from climate change impacts; and continuing to coordinate and communicate locally and regionally to monitor and address the changing needs and conditions of the community.

Greenhouse Gas Emissions Reduction Goals

Transportation

Built Environment

Emergency Planning

Local Utilities

Public Health

Outreach

Economic Development and Resilience

Greenhouse Gas Emissions Reduction Goals

Objective: Mitigate the causes of climate change while providing clean energy solutions and a more energy efficient way of life for residents, business interests, and visitors.

Policy Recommendations:

- The City of Pensacola shall mitigate its contribution to global climate change by reducing municipal operations greenhouse gas emissions to 30% by 2030, based on the data from the City's inventory of GHG emissions (see inventory recommendation, page 4). The long-term goal shall be zero GHG emissions. The City will continue to regularly monitor and track the progress of programs and initiatives that contribute to the final reaching of these goals.
- The City of Pensacola shall encourage research for increasing the proportion of electricity generated by alternative and renewable energy sources within the City, such as solar, wind, geothermal and ocean energy technologies.
- The City of Pensacola should plan for and facilitate the development of infrastructure that provides public access to alternative fuels and electric vehicle charging stations by 2025. Actions should include:
 - Preparing for deployment and optimal distribution of a regional system
 - Negotiating inter-local agreements with County, State, and private entities to share existing and proposed infrastructure
 - Incentivizing and improving processes and programs for installation of alternative fuel and electric vehicle charging infrastructure (including city-owned parking lots and buildings)



Transportation

Objective: Advance transportation and land-use choices that reduce fossil fuel use and vehicle miles traveled; improve the mobility of people, goods, and services; provide a diverse, efficient and equitable choice of transportation options; and increase the City’s resilience to the impacts of climate change.

Policy Recommendations:

- The City of Pensacola shall continue to encourage mixed land uses which promote functional, walkable mixed-use development designs and projects by providing flexibility in development review and requirements for these projects, revising the zoning and land development codes to support such projects, and promoting the adoption of land development codes that support and establish sustainable development patterns, especially in areas identified as high risk to sea level rise. Discourage and/or prevent development in flood zones and areas near wetlands and coastal zones. Reduce future development in areas prone to flooding. Preserve and grow mixed-use and dense development neighborhoods in low hazard (non-historically flooded) areas, making essential services and businesses accessible through multimodal means of transportation.
- The City of Pensacola shall continue to seek to diversify fuel options for public transit and fleet vehicles, expand infrastructure for charging electric and hybrid electric vehicles and incentivize parking for alternative fuel vehicles. Adopt a policy that discourages expansion of roadways that add more lanes to grow capacity. Focus on the maintenance and the improvements of “vital streets” or existing roads where appropriate. Evaluate the adoption of a complete streets concept, looking at street design from a pedestrian/biking perspective as well as the importance of traffic calming. Any new road project would need to meet the following criterion before approval: Roadway will serve as a connector between areas to reduce driving miles, consequently decreasing carbon footprint and emissions.
- The City of Pensacola shall review and support new city codes that help to create more bicycle and pedestrian-friendly infrastructure for our communities.

Built Environment

Objective: Improve the climate resilience and energy-efficiency of new and existing buildings and public infrastructure, and develop adaptation strategies for areas vulnerable to climate change-related impacts.

Policy and Initiative Recommendations:

The City of Pensacola shall encourage greener, more efficient and climate resilient construction practices.

- Build all new construction of city or public facilities to LEED standards.
- Utilize national guidelines and performance benchmarks for sustainable land design, construction and maintenance practices, as developed by The Sustainable Sites Initiative™ (SITES).
- Reevaluate the base finish floor elevation standards concerning projected sea level rise scenarios and flooding potential.
- Install solar panels on City buildings.
- Use ENERGY STAR rated appliances and HVAC equipment within City buildings.
- Incorporate building design specifications city-wide for commercial and residential developments to increase resistance to impacts from more intense storm events.
- Encourage all building/construction personnel to have National Pollutant Discharge Elimination System (NPDES) training and erosion/sediment control training.
- Encourage sustainable practices for site design, construction and maintenance. These regulations help reduce urban runoff and mitigate the effect of new development, redevelopment, or infill development on the existing drainage system. Develop a new unified Stormwater Building Code. The new code would contain requirements to protect the City's drainage system during construction, as well as post-construction stormwater management requirements.

- Develop permeable surfaces and green incentives for residents and businesses throughout the City of Pensacola. Encourage stormwater fee reduction based on beneficial pervious surface area and development incentives during the process of applying for development permits for zoning upgrades. Explore grant opportunities to provide direct funding to property owners and/or community groups for implementing a range of green infrastructure projects and practices. Develop a rebate program or provide installation financing to provide funding, tax credits or reimbursements to property owners who install specific practices, and promote an awards and recognition program that would provide marketing opportunities and public outreach for exemplary projects. This may include financial incentives.

Policy Recommendations:

- Work cooperatively to review and re-evaluate current zoning codes, regulations and policies according to sustainable community development practices, such as those outlined in the criteria recommended by the United States Green Building Council's Leadership in Energy and Environmental Design for Neighborhood Development (LEED-ND) certification, or by application of a national rating system for local governments, such as the STAR Community Index™ (STAR), and NPDES stormwater permit.

- Identify areas of frequent “nuisance flooding” and create a public database for future reference, which will disincentivize construction in historically and newly flooded area.
- Create an Inland Flooding Adaptation Action Area.
- Create a mechanism for transfer of ownership for properties in high hazard areas to create green space and mitigate flood risks.
- Limit public expenditures in coastal high hazard areas.
- Reduce development density in high flood zones/coastal high hazard areas.

Policy Recommendation:

The City of Pensacola shall continue to review policies and promote programs which advance GHG reduction and energy conservation strategies; promote compact, transit-oriented, pedestrian-friendly development; further green construction practices and the design of climate-sensitive and energy efficient buildings; encourage cluster development in order to retain or create native vegetative communities; and address the resilience and survivability of buildings and infrastructure to rising sea levels, tropical storms, storm surge, and other climate change impacts, thoroughly evaluate and re-evaluate coastal land use.

Policy Recommendation:

The City of Pensacola shall evaluate the costs and benefits of adaptation alternatives in the location and design of new infrastructure as well as the fortification or retrofit of existing infrastructure.

Policy Recommendation:

Assess and quantify the multiple environmental, social, and economic benefits of green infrastructure, as trees, forests, wetlands, and waterways provide natural protection and increase resilience by improving air quality, providing shade, reducing heat, storing surface water and retaining stormwater runoff through green stormwater initiatives. Furthermore, conservation and expansion of green infrastructure decisions should include measurements of meeting the GHG mitigation targets, public health, and safety goals, and climate change adaptation priorities.

- The City of Pensacola shall utilize the City Tree Ordinance fund to maximize the benefits of trees throughout the community to absorb carbon dioxide, rebuild urban riparian zones, provide passive cooling for buildings, and provide shade for more walkable streets.
- The City of Pensacola shall continue to maintain annual certification as a Tree City USA Community in partnership with the Florida Forest Service and the Arbor Day Foundation. Tree City USA designation demonstrates the commitment of the city in protecting, conserving, and managing trees on the city-owned property to ensure that the benefits of healthy, native, urban forests and trees are fully utilized.
- The City of Pensacola shall partner with other area organizations by joining the Six Rivers Cooperative Invasive Species Management Area (CISMA) as a partner-member. The Six Rivers CISMA Partnership is comprised of local, private, and public partners who work together to control invasive species in the NW Florida region. The City of Pensacola has many wetlands and stormwater treatment areas that are predominantly comprised of invasive species. Controlling these species followed by the establishment of native species will improve the effectiveness of stormwater management in wetlands.



Emergency Planning

Objective: Ensure exceptional planning and coordinated emergency preparedness and post-disaster management in the context of climate change.

Policy and Initiative Recommendations:

- The City of Pensacola shall coordinate with Escambia County and regional planning agencies to ensure adequate planning and response for emergency management in the context of climate change by maximizing the resilience and self-sufficiency of, and provide access to, public structures, schools, hospitals and other shelters and critical facilities.
- The City of Pensacola shall develop plans and monitor programs to address the impacts of climate change on households and individuals especially vulnerable to health risks attributable to or exacerbated by rising temperatures, to include low-income families and the elderly.
- The City of Pensacola shall continue to communicate and collaboratively plan with other local, regional, state and federal agencies on emergency preparedness and disaster management strategies. This includes incorporating climate change impacts into updates of local mitigation plans, water management plans, shelter placement and capacity, review of significant traffic ways and evacuation routes, and cost analysis of post-disaster redevelopment strategies.
- The City of Pensacola shall work to encourage dialogue between residents, businesses, insurance companies and other stakeholders, through public education campaigns and workshops to increase understanding regarding the potential impacts of climate change on our coastal communities and evaluate the shared costs of action or inaction in human, ecological and financial terms.
- The City of Pensacola shall work with the Florida Division of Emergency Management and other agencies to incorporate sea level rise and increasing storm surge impacts into the remapping of potential hazard areas in coastal zones by 2020. Revised hazard area designations should better reflect the risks to communities associated with climate change and allow reevaluation of suitability for development or redevelopment in these areas.
- The City of Pensacola shall cooperatively develop model codes and policies to encourage post-hazard redevelopment in areas with less vulnerability to storm surge, inundation, flooding, sea level rise and other impacts of climate change, and incentivize locally appropriate mitigation and adaptation strategies.

Local Utilities

Objective: Ensure the resilience of existing water resources, and water and wastewater infrastructure to the impacts of climate variability and change to protect water quality and quantity, and minimize the potential for flood damage and water shortages, while improving the energy efficiency of utilities and reducing carbon emissions and climate impacts. Work with energy provider utilities on mitigation of climate change by transitioning to zero GHG emission energy sources (e.g., renewable energy).

Policy Recommendations:

- The City of Pensacola shall, by 2020, coordinate with local service providers to ensure that water and wastewater service planning and policy development consider methods for reducing utilities' "carbon footprint," including the best management practices recommended in American Waterworks Association Florida Vision 2030, which have been recognized by utilities as appropriate utility responses to climate change. Also, additional means of reducing demand for traditional energy sources at the water and wastewater treatment facilities, such as through the production of energy through cogeneration systems, should be explored.
- The City of Pensacola shall develop, implement and coordinate water conservation initiatives, in partnership with water and wastewater utilities, as part of long-term water supply planning, and seek the continued support of the Northwest Florida Water Management District and other agencies. Recognizing the fragility of our community's sole water source, the Sand-and-Gravel Aquifer, the City should strive to protect the groundwater resource along with both existing and future public drinking water supply wells. The City should consider a uniform approach, in conjunction with Escambia County, to protection of the groundwater resource and the drinking water supply by adoption of the County's Wellhead Protection Areas (WHPAs) and the applicable development standards for those WHPAs.
- The City of Pensacola shall support recurring and continued development of local integrated models and continuous data collection, to help predict and track the impacts of sea level rise on groundwater levels, saltwater intrusion, and drainage infrastructure through enhanced development and application of local aquifer and hydraulic models and the use of down-scaled climate models.
- The City of Pensacola shall work in coordination with local utilities to maintain and advance infrastructure protection, utility location, and adaptation through infiltration and inflow program development to reduce the flow of groundwater and stormwater to wastewater collection and treatment facilities.
- The City of Pensacola shall work with utility services to investigate the feasibility of relocating above-ground utilities underground in areas vulnerable to high winds and frequent power disruption due to storms.
- The City of Pensacola shall send to electric utilities that provide power to the area within the City of Pensacola a formal statement declaring the City's desire to receive electric energy from zero GHG emission sources (e.g., renewable energy). The City shall also send a request to these utilities to transition to renewable energy sources, with a goal of zero GHG emissions. Furthermore, the City shall request a long-term plan from these utilities for making this transition.

Public Health

Climate change influences public health in Florida through higher average temperatures and an increase of the frequency, intensity, and duration of extreme weather—heat waves, heavy rains, drought, tornadoes, hurricanes, and storm surge. The impacts to public health include an increase in aeroallergen-related asthma and other respiratory diseases, vector-borne and water-related diseases, heat-related deaths and illnesses, and mental health issues related to dealing with disasters such as hurricanes and flooding. Power grid/power outages and infrastructure failures due to severe weather compound the effects on public health. All communities are impacted, but the most vulnerable are the poor, the elderly, young children, the sick, households of color, and people with disabilities. (Luber, G. et al., 2014, pp. 221-233)

Objective: Prepare for and protect the public from adverse health impacts of climate change.

Policy Recommendations:

- The City of Pensacola and City subcontractors shall follow Federal guidelines and best practices to prevent injuries, cognitive difficulties, and other hazards related to working outside in weather extremes such as high temperature and humidity. The guidelines may require providing shade, rest, or cooling to outdoor workers. The City shall also encourage local businesses to follow the recommendations.
- The City of Pensacola shall increase the resilience of critical infrastructure when appropriate to support human health and well-being.
- The City of Pensacola shall work with other governmental agencies and the Escambia County Health Department to support drinking water quality monitoring and source water protection.
- The City of Pensacola shall work with other governmental agencies and the Escambia County Health Department to support enhanced surveillance of mosquitos to mitigate vector-borne disease. Long-term and consistent vector mosquito surveillance can create a baseline to identify periods with heightened risk.
- The City of Pensacola shall partner with the Escambia County Health Department, emergency management organizations such as BRACE, and public utilities to prepare and protect the safety, health and well-being of the public in the event of a hurricane or other severe weather event.
- The City of Pensacola shall partner with Escambia County and the Escambia County Health Department to notify the public of heat advisories, pollen alerts, and other climate-related health warnings.



Outreach

Objective: Increase opportunities in the community to learn about climate change, participate in decision-making, engage in a green economy, utilize green infrastructure, study health impacts, and reduce population vulnerability.

Policy Recommendations:

- The City of Pensacola shall continue to engage stakeholders, regional, state and federal partners, academia, practitioners and climate scientists, in exchanging information, best practices, and policy solutions regarding local climate change impacts and mitigation and adaptation strategies.
- The City of Pensacola shall promote partnerships between local government agencies, universities, professionals and practitioners, to foster an environment for connecting scientific research and education with practical applications that will contribute to the resilience and adaptation within the built and natural environments to the impacts of climate change. Work with University of West Florida and University of Florida Institute of Food and Agricultural Sciences (UF IFAS) Extension faculty to promote climate education events.
- The City of Pensacola shall partner with innovative construction projects to showcase the changes they incorporate in new construction to mitigate for flooding and other climate impacts.
- The City of Pensacola shall promote partnerships between local middle and high school career and academic academies to encourage student internships and learning opportunities to develop and educate local talent in the green jobs sector.
 - Beulah Middle School Pre-Engineering/STEM
 - Escambia High Engineering Academy
 - Pine Forest High Home Builders Association of West Florida Green Construction Trades Academy
 - West Florida High School Academies of Civil Engineering & Architecture, Cox Telecommunications, and Gulf Power
 - Washington High School Marine Science Academy



Economic Development and Resilience

Objective: Strengthen the local economy through green job opportunities, expand renewable energy and the market for energy efficient products and services, and incentivize energy conservation and retrofits.

Policy Recommendations:

- The City of Pensacola shall encourage the development of green industry and business which diversify the local economy and contribute benefits towards a sustainable future.
- The City of Pensacola shall continue to develop plans and programs in coordination with local municipalities, power companies, and private partners to reduce GHG emissions and create green job opportunities throughout the community, by
 - Expanding the market for energy efficient products and services;
 - Supporting alternative and renewable energy production through innovative financing; and
 - Promoting and incentivizing energy conservation retrofits.
- The City of Pensacola shall seek to strengthen the local economy by promoting green economic growth and green-collar work training programs in order to: create resilience; reduce reliance on fossil-fuel-based economies; provide a positive focus for economic development; advance the use of sustainable materials, technologies and services; and encourage local jobs in sustainable businesses which offer a living wage and make it possible for regional climate change goals to be met.
- The City of Pensacola shall review codes and regulations to enable and encourage eco-industrial development and business practices in line with the concept of the circular economy. Specifically, businesses models and land development patterns should be supported which promote by-product exchanges (so that one company's waste stream is another's source of raw materials) as to more efficiently use resources (materials, water, energy) throughout society.

: Task Force : Findings and : Recommendations

- Incorporate a Climate Mitigation and Adaptation Element into the City's Comprehensive Plan (as opposed to updating each element of the Comp plan with climate adaptation and mitigation policies).
- Seek funding to develop a Climate Action Plan or Climate Resilience Plan.
- Complete an inventory of city-wide GHG emissions to begin the mitigation plan. The establishment of a baseline measurement of GHG emissions is a fundamental step in addressing climate change and the community's resilience.
- Conduct a Vulnerability Assessment and establish resilience strategies based on those findings. Utilize the existing Florida Department of Economic Opportunity (FDEO) Vulnerability Assessment of Escambia County, which includes detail related to the City of Pensacola.
- Reestablish and fund the City of Pensacola Office of Sustainability (or similar program) to implement the Climate Action Plan and to provide an annual review and assessment of climate adaptation and mitigation of policies and strategies.
- Engage the Environmental Advisory Board (or appropriate entity) to work with City Council and city planning staff to ensure the city's Land Development Code addresses mitigation and adaptation policies.
- Pursue grant opportunities for City and regional partners to develop climate adaptation programming.



Addendum

Community Concerns and Priorities

- Develop Task Force priorities, for example, clean energy solutions, to start discussion with the community.
- Gather community feedback on the Task Force's proposed climate change policies and establish priorities based on that feedback.
- Create and implement a community-wide survey (see Satellite Beach report) and prioritize action areas based on resident feedback.
- Create a page on the City website dedicated to climate resilience information.

Find stakeholders' comments to the Task Force draft report at: www.cityofpensacola.com/2900/Climate-Mitigation-and-Adaptation-Task-F

Appendix

Resolution of the Pensacola City Council
Creating a Climate Change Task Force:
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City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00033

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

PORT TARIFF REVISIONS

RECOMMENDATION:

That City Council approve the proposed revisions to Port of Pensacola Tariff No. 5A. Further, that City Council authorize the Mayor to take all actions necessary to implement the changes.

HEARING REQUIRED: No Hearing Required

SUMMARY:

As a public seaport, the Port of Pensacola is required under Federal Maritime Commission rules and regulations to maintain a publicly available tariff that sets forth the rules, regulations, policies, procedures, rates, charges, and fees applicable to conduct business at the Port.

Additionally, the Port of Pensacola is a member of the Gulf Seaport Marine Terminals Conference (GSMTC). This rate-setting conference is registered with the Federal Maritime Commission and enjoys anti-trust immunity under the United States laws.

Per section 10-3-17 (b) of the City of Pensacola Code of Ordinances, changes to the tariff may be made by the Mayor with City Council approval.

The specific tariff revisions being proposed:

- Increase vessel dockage fee rates to current GSMTC rates

PRIOR ACTION:

January 16, 2020 - City Council approved an administrative revision regarding the Gulf Seaports Marine Terminal Conference as well as increases in rates for the following: wharfage, dockage, security surcharge, and other miscellaneous charges. Further, City Council authorized the Mayor to amend Port of Pensacola Terminal Tariff No. 5A to reflect the changes

FUNDING:

N/A

FINANCIAL IMPACT:

The proposed tariff revisions increasing rates will result in increased revenue to the Port.

CITY ATTORNEY REVIEW: Yes

12/28/2020

STAFF CONTACT:

Keith Wilkins, City Administrator

Richard Barker, Jr., Deputy City Administrator - Administration & Enterprise

Amy Miller, Port Director

ATTACHMENTS:

- 1) Proposed Revised Port Tariff No. 5A - markup version

PRESENTATION: No

Terminal Tariff 5-A

Containing Rates, Charges, Rules and Regulations Applicable to Facilities at the

PORT OF PENSACOLA

(An Enterprise Department of the City of Pensacola)

Originally Issued: September 15, 2005

Revisions Effective: **February 1, 2021**

PORT OF PENSACOLA
TARIFF NO. 5-A
P.O. Box 889
Pensacola, FL 32594-0889

Issued by:

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Port Director
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Reference Federal Maritime Commission Carrier List FMC1
Marine Terminal Operator Organization #002049

Revisions Effective: **February 1, 2021**

PORT TERMINAL TARIFF 5-A

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Port Terminal Tariff 5-A

SECTION ONE – DEFINITIONS

ITEM #:	DEFINITION
100	GULF SEAPORTS MARINE TERMINAL CONFERENCE (Effective: April 25, 2016) GULF SEAPORTS MARINE TERMINAL CONFERENCE FEDERAL MARITIME COMMISSION AGREEMENT NO. 224-200163 APPROVED DECEMBER 2, 1988 PARTICIPATING MEMBERS: 1. Board of Commissioners of the Port of New Orleans 2. Board of Commissioners of Lake Charles Harbor and Terminal District 3. Greater Baton Rouge Port Commission 4. Orange County Navigation and Port District, Orange, Texas 5. Mississippi State Port Authority at Gulfport 6. Board of Commissioners of the Port of Beaumont, Navigation District of Jefferson County, Texas 7. Port Commission of the Port of Houston Authority of Harris County, Texas 8. Board of Trustees of the Galveston Wharves 9. Alabama State Docks - Port of Mobile 10. South Louisiana Port Commission, LaPlace, Louisiana 11. Brownsville Navigation District of Cameron County, Texas 12. Port of Port Arthur Navigation District of Jefferson County, Texas 13. Tampa Port Authority 14. Port of Corpus Christi Authority 15. Panama City Port Authority 16. Port of Pensacola 17. Brazos River Harbor Navigation District, Freeport, Texas 18. Port of Pascagoula, Pascagoula, Mississippi 19. Manatee Port Authority 20. St. Bernard Port, Harbor and Terminal District Notice: The Gulf Seaports Marine Terminal Conference Agreement permits the participating members to discuss and agree upon port terminal rates, charges, rules, and regulations. Any such rates, charges, rules, and regulations, adopted pursuant to said agreement, shall be published in the respective tariffs of said members and so identified by proper Symbol and explanation. <u>SHIPPER'S REQUESTS AND COMPLAINTS:</u> Shippers, or other users of the facilities and services of the members of said conference, desiring to present requests or complaints with respect to any such rates, charges, rules and regulations, adopted pursuant to said Conference agreement, should submit the same, in writing, to the chairman of the Conference, at the address below, giving full particulars, including all relevant facts, conditions and circumstances pertaining to the request or complaint. Should further information be required by the Conference for full consideration of the request or

	complaint, the Conference Chairman will so advise by mail. The said chairman will notify such shipper or complainant of the docketing of the matter and the date and time of the proposed meeting, and if said shipper or complainant desires to be heard, he shall make request therefore upon the Conference Chairman in advance of the meeting. Bill Inge, Conference Chairman c/o Alabama State Port Authority P.O. Box 1588 Mobile, AL 36633
102	AGENT OR VESSEL AGENT (Effective: September 15, 2005)
	The party or entity which submits the application for berth.
104	APRON, APRON WHARF, WHARF APRON (Effective: September 15, 2005)
	That part of the wharf structure lying between the outer edge of the guard rail and the transit shed; or, as to open wharves, that part of the wharf structure carried on piles beyond the fill.
106	ARRIVAL DATE; DATE OF ARRIVAL; ARRIVAL (Effective: September 15, 2005)
	The date and time at which a vessel arrives at the Port of Pensacola and is moored at her berth.
108	BERTH (Effective: September 15, 2005)
	The water area at the edge of a wharf, including mooring facilities, used by a vessel while docked.
110	BONDED STORAGE (Effective: September 15, 2005)
	Storage accomplished under bond payable to the United States Treasury Department until cleared for entry by United States Customs.
112	CHECKING (Effective: September 15, 2005)
	The service of counting and checking cargo against appropriate documents for the account of the cargo or the vessel, or other person requesting same.
114	CONTAINER (Effective: September 15, 2005)
	A standard (I.S.O.) seagoing container 20 feet in length or over.
116	DAY (Effective: September 15, 2005)
	A consecutive 24-hour period or fraction thereof.
118	DOCKAGE (Effective: September 15, 2005)
	The charge assessed against a vessel for berthing at a wharf, pier, bulkhead structure, or bank or for mooring to a vessel so berthed.
120	END OF SHIP'S TACKLE (Effective: September 15, 2005)

	Wherever in this tariff the term end of ship's tackle is used, it means that immediate moment in time that a container or cargo is on hook or gear of ship or stevedore simultaneous with fastening of the container or cargo to or release of the container or cargo from the hook or gear.
121	ESCORT (Effective: May 1, 2014) An individual who has been issued a TWIC, who engages in escorting, as defined, and who assumes the responsibility for accompanying authorized non-TWIC holder(s) into a Secure Restricted Area.
122	ESCORTING (Effective: May 1, 2014)
	Ensuring that the escorted individual is continuously accompanied while within a Secure Restricted area in a manner sufficient to observe whether the escorted individual is engaged in activities other than those of which escorted access was granted.
123	FREE TIME (Effective: September 15, 2005)
	The specified period during which cargo may occupy space assigned to it on terminal property free of wharf demurrage or terminal storage charges immediately prior to the unloading or subsequent to the discharge of such cargo on or off the vessel.
124	FREIGHT HANDLER (Effective: September 15, 2005)
	As used in this tariff, the term freight handler refers to and includes persons, firms, corporations, or other business entities and their subsidiaries, engaged in the physical loading or unloading of trucks or railcars, or engaged in any other cargo handling operations. Freight handlers may not load/unload commercial cargo vessels or barges.
126	GRT/LOA (Effective: September 15, 2005)
	Whenever used in this tariff with respect to a vessel the term "GRT" means the tonnage figure, or if more than one, the highest tonnage figure, appearing in Lloyd's Register of Shipping as the official gross registered tonnage of the vessel; "LOA" designation refers to the length overall of a vessel as reflected in Lloyd's Register of Shipping.
128	HANDLING (Effective: September 15, 2005)
	The service of physically moving cargo between point of rest and any place on the terminal facility, other than the end of ship's tackle.
130	HARBOR FEE (Effective: September 15, 2005)
	The charge assessed against a vessel for use of the harbor and waterways of the port.
132	HEAVY LIFT (Effective: September 15, 2005)
	The service of providing heavy lift cranes or equipment for lifting cargo.
134	HEAVY LIFT CARGO (Effective: September 15, 2005)
	A single unit of cargo exceeding a weight of 75,000 pounds.
136	LINER SERVICE

	(Effective: September 15, 2005)
	Vessels making regularly-scheduled calls for the receipt and delivery of cargo or passengers at this port.
138	LOADING OR UNLOADING (Effective: September 15, 2005)
	The service of loading or unloading cargo between any place on the terminal and railroad cars, trucks, or any other means of conveyance to or from the terminal facility. All loading and unloading rates contained in this tariff are exclusive of any securing, blocking and/or bracing required to be performed by the cargo handling permittee.
140	MARGINAL TRACKS (Effective: September 15, 2005)
	Railroad tracks on the wharf apron within reach of ship's tackle.
142	POINT OF REST (Effective: September 15, 2005)
	The area of the terminal facility which is assigned for the receipt of inbound cargo from the ship and from which inbound cargo may be delivered to the consignee and that area which is assigned for the receipt of outbound cargo from shipper for loading of vessel.
144	PORT DIRECTOR (Effective: September 15, 2005)
	As used in this tariff, the term port director includes the port director's duly-authorized representative.
146	PORT OF PENSACOLA (Effective: September 15, 2005)
	As used in this tariff, the term Port of Pensacola includes, when applicable, the City of Pensacola as the port's parent agency and/or the Pensacola City Council as the port's governing body.
148	SAILING DATE; DATE OF SAILING; DEPARTURE DATE (Effective: September 15, 2005)
	The date and time at which a vessel releases her final mooring line and is underway.
149	SECURE RESTRICTED AREA (Effective May 1, 2014)
	The area over which an owner/operator has implemented security measures for limited access and a higher degree of security protection.
150	SHIPSIDE (Effective: September 15, 2005)
	The location of cargo within reach of ship's tackle or in berth space, in accordance with the customs and practices of this port.
151	STEVEDORE (Effective: September 15, 2005)
	As used in this tariff, "stevedore" includes persons, firms, corporations, or other business entities and their subsidiaries engaged in the activity of loading and/or unloading commercial cargo vessels and/or barges, providing the organization, labor, equipment and necessary experience to load and unload said commercial cargo vessels and/or barges.

152	STORAGE (Effective: September 15, 2005)
	A charge assessed for providing storage in or upon designated areas of the wharves, transit sheds and terminal facilities owned or operated by the Port of Pensacola after expiration of free time.
154	STORAGE PERIOD (Effective: September 15, 2005)
	A period of storage based on each 30 days or fraction thereof unless otherwise specified.
156	SWITCHING (Effective: September 15, 2005)
	A charge made for the movement of cars within the switching limits of the terminal, made usually on a flat per car basis.
158	TERMINAL STORAGE (Effective: September 15, 2005)
	The service of providing warehouse or other terminal facilities for the storage of inbound or outbound cargo after the expiration of free time, including wharf storage, shipside storage, closed or covered storage, open or ground storage, bonded storage, and refrigerated storage, after storage arrangements have been made.
159	TRANSPORTATION WORKER IDENTIFICATION CREDENTIAL (TWIC) (Effective: September 15, 2005)
	A government issued, biometric, photo identification card issued to qualified individuals only after a criminal background check has been completed. This card is required for any individual to gain unescorted authorized access to the secure areas of a vessel or facility regulated by 33 CFR 101-105.
160	TON (Effective: September 15, 2005)
	Unless otherwise specified in individual tariff items, the term ton as used in this tariff is equal to a short ton of 2,000 pounds or a measurement ton of 40 cubic feet, whichever results in the greatest revenue to the port.
162	UNITIZED CARGO (Effective: September 15, 2005)
	Shipments of commodities – whether pre-palletized, skidded, crated, boxed or packaged – to permit free access of forklift tines.
164	USER (Effective: September 15, 2005)
	A user of the terminal facilities owned, leased, and/or controlled by the Port of Pensacola shall include any vessel, consignor, consignee, beneficial owner of cargo , stevedore firm, or other person: (1) who uses any Port of Pensacola properties, facilities or equipment; or (2) to whom or from whom any service, work or labor is furnished, performed, done or made available by the Port of Pensacola at the port; or (3) who owns or has custody of cargo moving over the port.
166	VESSEL (Effective: September 15, 2005)
	Every description of water craft or other artificial contrivance whether self-propelled or not self-propelled, used or capable of being used as a means of transportation on water and shall include in its meaning the owner thereof.

168	VOLUME RATES (Effective: September 15, 2005)
	Volume rates will be based on equal rates for equal volumes for all exporters or importers. Volume rates will be quoted upon request.
170	WHARF OR WHARVES (Effective: September 15, 2005)
	Any wharf, pier, quay, landing or other stationary structure to which a vessel may make fast or which may be utilized in the transit or handling of cargo or passengers and shall include other port terminal facility areas alongside of which vessels may lie or which are suitable for and are used in the loading, unloading, assembling, distribution or handling of cargo.
172	WHARF DEMURRAGE (Effective: September 15, 2005)
	A charge assessed against cargo remaining in or on terminal facilities after the expiration of free-time unless arrangements have been made for storage.
174	WHARFAGE (Effective: September 15, 2005)
	A charge assessed against any cargo passing or conveyed over, onto or under wharves or between vessels (to or from barge, lighter or water) when berthed at wharf or when moored in slip adjacent to wharf. Wharfage is due even if cargo is not handled to or from a vessel, and whether or not the wharf is used. Wharfage does not include charges for any other services.

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190	EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS USED IN TARIFF (Effective: September 15, 2005)	
	\$	Dollars
	%	Percent
	BBL	Barrel
	(C)	Change in wording resulting in neither an increase nor reduction in charges
	Cont'd	Continued
	Cu. Ft.	Cubic feet
	CWT	Hundredweight
	DHS	U.S. Department of Homeland Security
	ETA	Estimated time of arrival
	ETD	Estimated time of departure
	FMC	Federal Maritime Commission
	FTZ	Foreign Trade Zone
	GRT	Gross registered ton
	GSMTC	Rate Adopted in Accordance with Official Action of the Gulf Seaports Marine Terminals Conference
	(I)	Increase in rate
	ISO	International Standardization Organization
	LBS	Pounds
	LOA	Length overall
	MIN	Minimum
	MISC	Miscellaneous
	MFB	Thousand board feet
	MT	Metric ton
	(N)	New item or addition
	NO	Number
	NOS	Not otherwise specified
	O/T	Other than
	(R)	Reduction in rate
	SFTB	Southern Freight Traffic Bureau
	Sq. Ft.	Square Feet
	UFC	Uniform freight classification
	USCG	United States Coast Guard
	Wt.	Weight

192	METRIC CONVERSION TABLES (Effective: September 15, 2005)		
	TO FIND	GIVEN	MULTIPLY
	Short Tons	Metric Tons	Metric Tons by 1.102
	Metric Tons	Long Tons	Long Tons by 1.016
	Long Tons	Metric Tons	Metric Tons by 0.984
	Kilos	Pounds	Pounds by 0.4536
	Pounds	Kilos	Kilos by 2.2046
	Cubic Meters	Measurement Tons	Tons by 1.133
	Measurement Tons	Cubic Meters	Cubic Meters by 0.883
	MFB's	Cubic Meters	Cubic Meters by 0.424
194	METRIC EQUIVALENTS (Effective: May 1, 2014)		
	Measure	Metric Equivalent	
	1 Pound	0.4536 Kilograms	
	1 CWT (US - 100 Pounds)	45.359 Kilograms or 0.04536 Metric Tons	
	1 CWT (British - 112 Pounds)	50.802 Kilograms or 0.0508 Metric Tons	
	1 Ton of 2000 Pounds	907.2 Kilograms	
	2 Metric Ton	1,000 Kilograms	
	1 Inch	2.54 Centimeters	
	1 Foot	0.3048 Meters	
	1 Yard	0.9144 Meters	
	1 Cubic Foot	0.0283168 Cubic Meters	
	40 Cubic Feet	113.27 Cubic Meters	
	1 Bushel Grain	27.216 Kilos	
	1 Barrel (US - 42 Gallons)	158.987 Liters	
	Measure	English Equivalent	
	1 Kilogram	2.2046 Pounds	
	1000 Kilograms	2204.6 Pounds or 1.1023 Short Tons	
	1 Centimeter	0.3937 Inches	
	1 Meter	39.37 Inches	
	1 Cubic Meter	35.314 Cubic Feet	
	1,000 Feet, Board Measure	83.333 Cubic Feet	
	1 Cubic Meter	423.792 Feet, Board Measure	

Terminal Tariff 5-A

SECTION TWO – GENERAL INFORMATION, RULES AND REGULATIONS

200a	ACCESS - TO HARBOR (Effective: September 15, 2005)
	Notwithstanding any other provision of this Tariff, the Port Director may refuse entry of any vessel to the Port of Pensacola when, in his discretion, such refusal shall be in the best interest of the Port of Pensacola.
200b	ACCESS - TO PORT PROPERTY (Effective: July 1, 2019)
	The Port of Pensacola is designated as a “Secure Restricted Area,” which includes all land, facilities, buildings and offices; open and covered cargo-storage areas; cargo sheds; all docks, including their entry and exit ways; all equipment, machinery, railroad right-of-ways, and roadways which are owned, controlled or operated by the Port. In effect, the “Restricted Area” is all property south of the main entrance to the port located on Barracks Street. Access Control Policies for the Port of Pensacola are developed in accordance with federal guidelines, and any amendments to these laws. The Port of Pensacola Seaport Security Plan establishes all guidelines for access to the “Secure Restricted Area.” This plan is maintained by the Seaport Security Administrator. All STEVEDORES, FREIGHT HANDLERS, INDUSTRIAL VENDORS, PEDDLERS, CASUAL VENDORS, DAY LABORERS, and SHIPS' CREW MEMBERS AND OTHER SEAGOING PERSONNEL are subject to access control procedures identified in the Seaport Security Plan. "Industrial vendors" includes vessel agent; line-handling contractors, ship chandlers; fuel and bunkering merchants servicing vessels; radio- and related electronic-repair firms servicing vessels; ship-repair firms; certified for-hire motor carriers of property and passengers, including licensed taxicabs; non-profit maritime support organizations; and, construction contractors. It shall be unlawful for any person or firm to conduct or carry on any business activity on Port of Pensacola property without first obtaining the necessary licenses from the City of Pensacola. <u>TWIC & TWIC ESCORT POLICY:</u> In accordance with U.S. Coast Guard regulation CFR § 101.514 TWIC Requirement and CFR § 101.515 TWIC/Personal Identification, all persons requiring unescorted access to secure restricted areas of facilities regulated by the USCG must possess a Transportation Worker Identification Credential (TWIC) before such access is granted. Persons requesting access to Port of Pensacola facilities who do not have a TWIC must make advance arrangements for escorting by a person holding a valid TWIC who has been approved for access to Port facilities and who has been granted escorting privileges. Such escorting must be side-by-side or line of sight for the duration of the visit. Details of the current Port escort policy may be obtained from the Port Administration Office. It is the port user's responsibility to make sure they are following these regulations. Escorts by Port of Pensacola personnel may be provided when suitable personnel are available, and at the sole discretion of the Port, at a rate of \$50.00 per hour (or part) with a minimum charge of \$50.00 per

individual escort. The Port of Pensacola makes no representation that escorts will be available or will be able to remain with persons requesting the service for the duration of their visit.

Only checks, cash, or money orders are acceptable payment methods (billing/invoicing is not authorized).

**RESPONSIBILITY FOR PERSONAL INJURY, DEATH, OR LOSS
AND DAMAGE TO PERSONAL PROPERTY:**

Except for personal injury, death or loss and damage to personal property caused by its own liability, the Port of Pensacola will not be responsible for personal injury, death or loss and damage to personal property of persons granted permission to enter upon Port property as provided in this ITEM. Persons who are granted permission to enter upon Port property as provided in this ITEM agree to defend, indemnify and save harmless the Port of Pensacola from and against all losses, claims, demands and suits for losses and damages to property, death and personal injury, including court costs and attorney's fees, incident to or resulting from their entry upon Port of Pensacola property.

OPERATION OF MOTOR VEHICLES ON PORT PROPERTY:

Vehicular Access Control procedures are outlined in the Port of Pensacola Seaport Security Plan, which is maintained by the Seaport Security Administrator.

If, in the judgment of the Port, the use, driving, operation or parking of a vehicle does, will or could interfere with the efficient or safe operations of Port property, designated Port representatives, including Port security personnel, may order such vehicle or vehicles out of the area of interference or off Port property. The Port may order the removal of vehicles not in compliance with this provision with all towing and storage at owner's expense.

~~Certain areas have been or may be designated for parking and are or will be so marked. Automobiles or other vehicles must park in these areas.~~

~~No owner or driver of any automobile, truck, trailer or other vehicle shall allow same to remain parked on any wharf, apron or dock, parking lot or in any approach to same, for a period longer than reasonably necessary to load or unload cargo or passengers.~~

No vehicles shall be driven closer than 100 feet to any vessel handling flammable cargo or materials without specific permission from the Port Director.

Parking areas within the Secured Area are designated with signs. Vehicles entering the Secured area should be directed by security officers to park in one of the Secured parking areas. Vehicles may ONLY access docks if it is necessary to park in these areas. The primary Port parking area is situated outside of the fenced Port Secured Area, north of the administration building. Parking for vehicles authorized in the Port's Secured Area is for personnel with an essential need. Parking within the seaport is restricted. Parking for employees, dock workers, and visitors is restricted to designated areas, off dock and outside of fenced operational, cargo handling, and designated storage areas (unless they have an essential need to park in a non-designated area). Parking for vehicles authorized on port grounds is restricted largely to port authority, carrier, tenants, maintenance, commercial and government vehicles which are essential

within the seaport or marine terminal. Parking for these vehicles is restricted to clearly mark designated parking areas within the perimeter of the port.

No unaccompanied baggage is accepted at this facility at any time.

SEARCHES:

All vehicles entering the Port are subject to search.

ENTERING the Port: If the driver of a vehicle refuses to permit a search, access will be denied.

EXITING the Port: If the driver of a vehicle refuses to permit a search, local law enforcement will respond and conduct the search. The individual will also be placed on the “Revocation Roster” and banned from accessing the Port for a time specified by the Port Director.

PROHIBITED ITEMS:

Except as otherwise provided herein, all persons entering upon Port property may not be in possession of the following items, for whatever reason, while on Port property: firearms of any type (subject to the provisions of Florida Statutes 740.06 and 790.251), or any other items considered to be dangerous weapons; alcoholic beverages; illegal drugs, narcotics or illegal controlled substances. Persons found to be in possession of any of these restricted items may be subject to arrest and/or the prohibited items confiscated by proper authority.

EXCEPTIONS:

- FIREARMS: (Class G Licensed) Port security personnel, civil law enforcement personnel and federal government personnel required to carry firearms in the official performance of their duties may do so while on Port property.
- ALCOHOLIC BEVERAGES: With regard to the respective definitions provided by Florida Statutes, Chapter(s) 561.01 and 561.02. Vessel crewmembers are authorized to bring alcoholic beverages aboard the respective vessel, provided that the Master/Captain of the respective vessel, or their designated authorized representative has communicated authorization to the Port Director, or designee. Additionally, the Port Director may approve alcoholic beverages to be on premise for certain special events or for tenant’s private use. In the case of special events, Special Event Insurance with Liquor Liability Coverage may be required, if applicable. At no time may alcoholic beverages be sold on Port without Port Director approval.

200c

ACCESS - TO RECORDS
(Effective: September 15, 2005)

All users of the Port of Pensacola facilities and waterways shall be required to permit access to their files, manifests of cargo, transportation documents, charter parties, contracts of affreightment, and all other documents for the purpose of audit, determining fulfillment of vessel obligations and compliance with Port Tariff requirements, and for ascertaining the correctness of reports filed, documents furnished, and assessment of published charges. Any such information so acquired shall not be disclosed to any unauthorized person other than a member of the Port of Pensacola or its staff in carrying out official duties.

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ADMINISTRATION

	(Effective: September 15, 2005)
	The administration, operation, maintenance and development of the Port of Pensacola are under the direction and control of the Port Director, but certain operating responsibilities have been delegated to stevedore firms.
202	ANCHORAGE (Effective: September 15, 2005)
	Pensacola Bay offers a safe natural harbor with good holding ground.
203	ANCHORAGE, TURNING BASIN AND CHANNEL (Effective: September 15, 2005)
	No person, firm or corporation, whether as principal, servant, agent, employee or otherwise, shall anchor any vessel in the Port of Pensacola, except in cases of emergency.
205	BERTH ASSIGNMENTS (Effective: May 1, 2014)
	No vessel (vessels in duress or distress accepted) shall enter the Port of Pensacola without having first made assignment and without such assignment having been granted. Applications for berth assignment must specify arrival and departure times and dates and the nature and quantity of freight, if any, to be loaded or discharged. The Berth Application Request should be made in as far advance as practical, but not less than 72 hours prior to the time of docking. All vessels must provide a firm 24-hour Estimated Time of Arrival (ETA). The Port of Pensacola requires that all ships be represented by an agent, owner or charterer of the vessel. All agents requesting berth space for a vessel and or representing a vessel while it is in the Port must be approved by the Port of Pensacola. As part of its application for berth, the vessel, its owners or agents shall advise the Port of Pensacola of the PROTECTION AND INDEMNITY ASSOCIATION (P & I CLUB) which affords the vessel indemnity coverage, as well as the name and telephone number of the local legal representative thereof who is knowledgeable with regard to such coverage. Any vessel that does not conform with the 72-hour berth application or the 24-hour ETA requirements and such vessel conflicts with berth assignments previously made may be assigned to an alternate berth or, alternatively, await the vacancy of a preferred berth. All working vessels--including coastwise or foreign sea-going barges; but not including internal barge movements--will be assigned berth facilities by the Port Director on a "first-come, first served" basis. At the sole discretion of the Port Director, when there is no congestion or threat of congestion, vessels not engaged in commerce may make application to the Port Director for a berth; specifying the date and time of arrival, sailing date and all such vessels are subject to all applicable port rules, regulations and charges. Should such vessels not have a licensed agent, the Port may at its discretion act as the vessel's temporary agent and assign agent's fee in the amount of \$150.00 for each 30-day period, in addition to the dockage charge. Additionally, the Port Director reserves the right to assign berths for the best utilization of the Port facilities.

	The Port Director reserves the right to refuse entry to any vessel carrying explosives or hazardous cargo or determined to be hazardous or not in seaworthy condition. No vessel will be allowed to remain idle in berth if other vessels are awaiting berthage and prepared to work; except as otherwise provided for in existing leases or agreements. ALL DECISIONS OF THE PORT DIRECTOR ARE FINAL.
206	BONDED STORAGE (Effective: July 1, 2019)
	Bonded storage can be made available at the Port of Pensacola through prior arrangement with a licensed general cargo stevedore.
208a	CARGO- ARRIVING AT THE PORT OR DEPARTING FROM THE PORT IN RAILCARS (Effective: September 15, 2005)
	Within twenty four (24) hours of the departure of cargo via rail bound for the Port of Pensacola, the shipper or consignee must provide written notification to the Port Director or his designee of the car numbers, car contents and estimated time of arrival of the cargo at the Port. All shippers or consignees shall be required to furnish and/or permit access to any electronic railcar tracking files or programs for cargo destined for the Port of Pensacola by rail. If upon arrival at the Port, there is insufficient space in the Port facilities to handle the cars, or for other reasons the receipt of such railcars will interfere with Port operations, the railcars shall be held at the terminating rail carrier's rail yard subject to demurrage payable by the shipper/consignee/vessel or agent thereof. Railcars with cargo arriving at the Port before the scheduled arrival date, as supplied by the shipper or consignee, will be handled on a space-available basis only. The Port of Pensacola reserves the right and privilege to hold such railcars out of the Port until the scheduled arrival date, with all demurrage for the account of the shipper/consignee. It is the obligation of the shipper/consignee to arrange for space allocation with the Port of Pensacola and for loading/unloading of cargo (freight handling) with their designated freight handler prior to shipping of cargo.
208b	CARGO - CONDITIONS GOVERNING RECEIPT, PLACEMENT AND HANDLING (Effective: September 15, 2005)
	The Port of Pensacola does not engage in the warehouse/storage business. Transit sheds and open terminal facilities are provided only for the temporary placement of waterborne cargo prior to final disposition and for the assembling and expediting of waterborne commerce at the Port of Pensacola. The acceptance of cargo is at the option and discretion of the Port Director and application for space and handling must be made in advance of the arrival of the cargo and vessel. No cargo will be received or handled without consignment to a specific vessel booked for berthing at the terminal facilities. Any cargo left in or on Port of Pensacola terminal facilities or premises in excess of free time will be subject to storage charges in addition to any other charge published herein. The Port Director reserves the right to order cargo sent to a commercial storage facility at the expense and risk of the owner (reference ITEM 209).
208c	CARGO- HANDLING, RECEIPT AND DELIVERY (Effective: September 15, 2005)

	Without preference or discrimination, and in order to promote the orderly receipt and dispatch of railcars and trucks, the Port reserves the right to control the loading and unloading of all cargo handled on Port facilities, and the rates to be charged. With the exception of the shunting of railcars within the Port facilities after initial placement and prior to pick up for removal from the Port, all handling of cargo on the Port will be performed by general-license stevedores or freight handlers which have been issued a franchise to operate at the Port of Pensacola and selected by the shipper, consignee or vessel. Specific warehouse space and outside storage space will be assigned by the Port for scheduled cargo and leased space. Freight handling maximum rates are governed by the Port. Lower handling rates than those published in this Tariff may be negotiated with the designated freight handler. As per the provisions of ITEM 246 (5), billing for freight handling charges will be the responsibility of the general-license freight handler. Only the Port may shunt railcars (switch cars after initial placement by rail carrier and before pickup by rail carrier for removal from Port) within Port facilities. See ITEM 426 for governing terms and charges. Shippers, consignees and freight handlers may not shunt railcars within Port facilities.
208d	CARGO – HEAVY LIFT (Effective: September 15, 2005)
	Any single unit of cargo exceeding 75,000 pounds shall be considered a heavy lift cargo and shall be assessed port costs associated with each project. Rates shall be quoted on a case by case basis, as determined by the Port Director.
208e	CARGO – NON-WATERBORNE (Effective: September 15, 2005) (I)
	Cargo delivered to the Port of Pensacola by any means of conveyance other than waterborne transportation and placed in or on Port of Pensacola-owned or operated land or facilities which are not re-shipped from the Port of Pensacola by waterborne transportation will be assessed wharfage, handling and storage charges. No free time will be allowed and full charges will be billed for each day the cargo is in or on Port of Pensacola property or facilities beginning with the day the cargo arrived and including the day it is removed unless said charge is waived by the Port Director. The storage charge for non-waterborne cargo is \$1.50 per ton per day.
208f	CARGO – OR FREIGHT LIKELY TO DAMAGE OTHER CARGO OR FREIGHT (Effective: September 15, 2005)
	Any freight or cargo likely to damage other freight or cargo will be transferred to another location on the terminal facilities or to private facilities at the risk and expense of the owner if so determined by the Port Director. Prior notification to the owner, agent or forwarder will not be required if time is of the essence to protect the other freight or cargo from damage or contamination.
208g	CARGO - RESPONSIBILITY FOR (Effective: September 15, 2005)
	Export cargo, while on terminal facilities, is in the care, custody and control of its owner, owner's agents and/or shipper/consignee/supplier. Import cargo, while on terminal facilities is in the care, custody and control of the vessel, the consignee, its agents, importer or agents of importer thereof and full responsibility for forwarding rests with one or the other of these parties.

208h	CARGO – SCHEDULING MOVEMENT THROUGH THE PORT (Effective: September 15, 2005)
	All cargo moving through the Port facilities and arriving via rail, truck or vessel must be scheduled in advance with the Port Director or his designee. Cargo is “scheduled” when the shipper or consignee advises the Port Director, or his designee, of the type and volume of cargo, the mode of transport to the Port with the expected date of arrival, and receives the consent of the Port Director or his designee, to move the cargo through the Port as scheduled. Unscheduled cargo movements will be handled on a space-available basis only, and at the option of the Port Director without recourse on the part of the shipper/consignee against the Port (see ITEM 208a). No export cargo will be scheduled or received at the Port without consignment to a specific vessel scheduled for berthing at the terminal facilities or without a shipping date established and approved by the Port Director. No export cargo may be consigned to the Port, unless merely as a “care-of” agent for the consignor, consignee, vessel, beneficial owner of the cargo or other person. The Port has the right to seek proof from a shipper or consignor of export cargo that compliance with this requirement has been or is being met. All export cargo is scheduled with the full understanding and agreement of the shipper/consignee that the vessel fixed or nominated to lift such cargo will be ready, willing and able to do so within cargo free-time rules and regulations applicable under this Tariff. When vessels fail to lift cargo on schedule, the shipper, consignee or vessel, or agents thereof, will be responsible for any resulting demurrage and detention charges and will indemnify and hold harmless the Port against any such demurrage and detention charges and related costs and expenses, including attorney’s fees and court costs.
208i	CARGO - DISPOSITION OF UNDELIVERED (Effective: September 15, 2005)
	The Port of Pensacola shall have a lien on the cargo, goods or other personal property stored or located on premises owned by the Port. The Port of Pensacola reserves the right, at its option, to sell said cargo, goods or other personal property whenever the payment for charges assessed by the Port is delinquent or the items are unclaimed for a period in excess of 3 months. When enforcing the terms of this ITEM, the Port of Pensacola shall: 1. Give notice by registered or certified mail to the person last known by the Port of Pensacola to claim an interest in the cargo, goods, or other personal property. a. Said notice shall include a description of the goods, a statement of the claim, and a demand for payment within a specified time and must state that the goods will be sold at a specified date, time and place if the claim is not paid within the specified period. 2. Satisfy its lien from the proceeds of the sale.
209	CARGO STATEMENT REQUIRED (Effective: September 15, 2005)
	The owner, agent, operator or Master (or the importer, exporter, freight forwarder, customs house broker, shipper or its agent) of any vessel loading or discharging cargo shall furnish to the Port of Pensacola within 4 days after the sailing of each vessel a certified statement with a description of all cargo loaded aboard or discharged from said vessels. The Port of Pensacola may require such other information and data or

	documents as may be necessary to ensure correct assessment of terminal charges and to develop statistical records.
210	CARGO STATEMENT/SHIPS' MANIFESTS (Effective: July 1, 2019)
	All users of Port of Pensacola facilities including but not limited to steamship agents, steamship lines, shippers, stevedores, freight handlers, barge lines, importers, exporters, and/or their agents or assignees, shall, upon arrival (Import)*, or not later than 10 working days (Export) after departure, furnish the Port of Pensacola with (1) a manifest, and (2) a Load List (Export Only – must be submitted with, or in conjunction with, the manifest by the party responsible for compiling the information) or (3) a Cargo Discharge Receipt (Import Only - must be submitted with, or in conjunction with, the manifest by the party responsible for compiling the information) containing data sufficient to assure the correct assessment of charges and information necessary to maintain statistical records. At a minimum, submitted documents must include a description of the cargo; weight, board feet or number of units, whichever is applicable; shipper or consignee details (exports); receiver or consignee details (imports); and any and all other information the Port of Pensacola deems necessary. Failure to submit required documents in accordance with the stated deadlines may result in assessment of a Documentation Delinquency Penalty of \$100 per day for each day the documentation is delinquent. * AMS Manifest does not substitute this requirement.
211	CHANGE OF LOCATION OF VESSELS (Effective: September 15, 2005)
	Whenever it is deemed necessary that any vessel be moved, or its position changed, in order to facilitate navigation and commerce or for the protection of other vessels or property, the Port Director may order and enforce the removal or shifting of such vessel to such place as may be determined by the Port Director at the expense and risk of the vessel. Notice of such order shall be given to the Master of the vessel, or the person in charge of the vessel who shall take immediate steps to comply with the order, the Port Director may take the action necessary to cause the vessel to be moved as originally ordered.
212	CHANGE OF OWNERSHIP (Effective: September 15, 2005)
	The Port of Pensacola reserves the right to accept or reject a request for a change of title or ownership of cargo received or in storage at the Port of Pensacola for the purpose of invoicing a new owner. All requests must be in writing, addressed to the Port Director. If the request is approved by the Port Director, it is with the full understanding that initial billing will be made to the new owner effective at the start of the next regular billing period and the original owner will be held responsible for payment of all charges should they not be paid by the new owner. All accrued charges must be paid to date by the owner-of-record prior to the transfer of title of ownership.
213	COLLISION (Effective: May 1, 2014)
	In the event of a grounding or a collision between two vessels or between a vessel and any wharf, dock, pier, or any structure owned by the Port of Pensacola, written report of such collision or grounding, shall within twenty-four hours, be furnished to the Port Director separately by the pilot and the master, owner or agent of said vessel, provided that in the case of a minor collision where a vessel is underway and proceeding to the open seas, there being no need of repair to Port facilities, vessel (s) or environmental

	resources, said report may be mailed by the master of such vessel from the next port which it enters, and provided further that in all cases of collision or grounding, report of an owner or agent shall not relieve the pilot of the duty of rendering his report within the specified time.
214	COMPLIANCE WITH GOVERNMENTAL REGULATIONS (Effective: September 15, 2005)
	All Port users shall comply with all governmental regulations, statutes, ordinances, rules and directives of any Federal, State, County or Municipal governmental units or agencies having jurisdiction over the Port of Pensacola or the business being conducted thereon and all rules and regulations now in effect or hereafter imposed by the Port of Pensacola shall be imposed uniformly against all businesses or industries located or providing services at the Port of Pensacola. If any Port user incurs any fines and/or penalties imposed by Federal, State, county or Municipal Authorities as a result of the acts or omissions of the Port user, its partners, officers, agents, employees, contractors, subcontractors, assigns, subtenants, or anyone acting under its direction and control, then the Port User shall be responsible to pay or reimburse the Port for all such costs and expenses.
215	CRANE OPERATIONS ON PORT PROPERTY (Effective: September 15, 2005)
	Cranes with tractor lugs will not be permitted on Port property without proper protection of the pier, as provided to the satisfaction of the Port Director. Any and all safety rules and regulations pertaining to the operation of cranes must be observed at all times. The operation of a crane on Port property establishes verification by the owner thereof that the crane is suitable to perform the work for which it is hired and that the operator of such crane is qualified and competent to operate said crane in accordance with all applicable standards. Except as may be caused by the Port's own negligence, the Port of Pensacola shall not be responsible for any damages occasioned as a result of the operation of cranes on Port property. Crane owners/operators shall be considered users of the Port facilities and shall be bound by the provisions of ITEM 265b, in addition to other applicable items contained in this Tariff. Cranes will not be permitted to remain on Port property overnight without the prior approval of the Port Director; nor are they permitted to block rail tracks or the movement of other wheeled vehicles.
218	DELIVERY ORDERS (Effective: September 15, 2005)
	All persons whomsoever (truck companies; rail carriers; owners; shippers; etc.) must present a written Delivery Order for each truck or railcar (or other) to be loaded at the Port of Pensacola. The Delivery Order should be on an order form or letterhead of the firm owning the cargo and it must be signed by an official of the company, or a person authorized to sign such orders. The Delivery Order must describe the cargo, the amount to be loaded, the ship, bill of lading, and the numbers and marks, if any. Any truck company, rail carrier, shipper, or others not having a written Delivery Order will not be permitted to load or leave the terminal premises without surrendering a copy of the order to the appropriate Port representative.
219	DEMURRAGE OR DETENTION (Effective: September 15, 2005)
	The Port of Pensacola is not responsible for any delays, detention or demurrage on railcars, vessels, or trucks.

	Parties responsible for ordering and/or scheduling vessels and railcars shall be responsible for the payment of rail demurrage which is caused by or arises out of, directly or indirectly, the ordering and/or scheduling of vessels and railcars, and such parties will indemnify and hold harmless the Port for any rail demurrage and related costs and expenses, including attorney's fees and court costs, caused by or arising out of such parties' ordering and/or scheduling of vessels and railcars. Nothing contained herein shall be deemed to exculpate or relieve the Port from liability for its own negligence. (Issued in compliance with FMC Regulation 46 CFR §525.2 (a)(1)).
220	DISCHARGING BALLAST, REFUSE OR SIMILAR OFFENSIVE MATTER (Effective: July 1, 2019)
	No person, firm or corporation shall deposit, place or discharge into the waterways of the Port of Pensacola, either directly or through private or public sewers, any sanitary sewage, butchers' offal, garbage, dead residuum of gas, calcium carbide, trade wastes, tar or refuse, or any other matter which is capable of producing floating matter or scum on the surface of the water, sediment in the bottom of the waterways, hazards or obstructions to navigation or the odors and gasses of putrefaction. Vessels discharging pollutants into the waters of the Port of Pensacola will be reported to the U.S. Coast Guard National Response Center (NRC) hotline at (800) 424-8802. All matters relating to pollutant discharges shall be handled in accordance with applicable laws governing such discharge. Should any vessel cause pollution of any kind of character within the Port, the vessel shall have the first responsibility for taking effective corrective action. It shall be the responsibility of the vessel to have on hand, at all times, adequate personnel to eliminate or mitigate any contamination caused by pollutants being discharged into the waters of the Port of Pensacola. Any penalties imposed by the United States of America or the State of Florida upon the vessel, Master, person, firm or corporation shall be administered in accordance with applicable law. All vessels, firms and persons using the terminal facilities shall take every precaution practical to prevent pollution of the environment. Rules and regulations of the U.S. Coast Guard and any other Federal, State, County or City agency pertaining to pollution of any kind shall be applicable in addition to the rules and regulations set forth above.
221a	DOCKAGE - BASIS OF CHARGES (Effective: September 15, 2005)
	1. Dockage shall be based on the overall length of the vessel as shown in LLOYD's REGISTER. If length is not shown in LLOYD's REGISTER the ship's Certificate of Registry showing length of vessel will be accepted. 2. Vessels for which the overall length is not available in either LLOYD's REGISTER or the Certificate of Registry named in Paragraph 1 of this ITEM, shall be measured at the direction of the Port Director. When necessary to measure a vessel, the linear distance in feet shall be determined from the most forward point on the bow of the vessel to the aftermost part of the stern of the vessel. 3. In computing dockage charges based on overall length of vessel, the following will govern in the disposition of fractions:

	a. Less than one-half foot (1/2'), discard. One-half foot (1/2') or more, increase to the next whole figure. 4. When a vessel is shifted directly from one wharf (berth) to another wharf (berth), the total time at such berths will be considered together in computing the dockage charge. 5. Dockage rates are assessed each 24-hour period or fraction thereof. 6. Unless advised to the contrary in advance of docking, dockage on river barges will be assessed against the owner of the cargo.
221b	DOCKAGE – DURATION (Effective: September 15, 2005)
	The period of time upon which dockage will be assessed shall commence when the vessel is made fast to the wharf, pier, bulkhead structure, or bank or for mooring to a vessel so berthed, and shall continue until such vessel is completely free from and has vacated such facilities.
221c	DOCKAGE – UNAUTHORIZED (Effective: September 15, 2005)
	Any vessel berthed in an unauthorized manner, unassigned berth or shifted without the approval of the Port Director shall be subject to payment of dockage in an amount equal to (3) three times the published rate. Such vessel may be moved at the Port Director's option to a properly designated berth without notice at the owner's risk and expense.
221d	DOCKAGE – VESSELS EXEMPT FROM (Effective: September 15, 2005)
	At the sole discretion of the Port Director, when there is no congestion or threat of congestion, vessels engaged in non-commercial exhibition, educational or training endeavors, owned or operated by charitable institution that qualify for exemption pursuant to the provision of the Internal Revenue Code and are accordingly exempt from taxes, may moor to public wharves free of charge, with advance approval.
222	DOCK RECEIPTS (Effective: September 15, 2005)
	At the time export outbound cargo is received at the pier facility, a dock receipt shall be issued evidencing receipt of the cargo. The receipt will show the date of receipt and shall identify the vessel on which the goods are to move. The dock receipt is executed by the agent and/or its designated representative. All completed dock receipts must be delivered to the Port of Pensacola at the close of each business day.
224	EMERGENCY SHIP MOVEMENT POLICY (Effective: July 1, 2019)
	TO MASTERS, PILOTS, TOWBOAT COMPANIES, STEAMSHIP AGENTS, VESSEL OWNERS OR CHARTERERS AND ALL OTHER CONCERNED PARTIES: 1. All vessels will provide wire ropes from the bow and stern with eyes that can be reached by tugs coming alongside. Pilots will make sure wires are in proper position before leaving the vessel. 2. All vessels and/or vessel agents will immediately report any spillage of petroleum or chemical products on the wharf or on the water and the extent of such spill to the U.S. Coast Guard National

	Response Center (NRC) hotline at (800) 424-8802. If spillage is considerable, all cargo operations within the port must stop immediately and vessels prepared to undock. 3. All vessels will undock and proceed to anchorage or open sea when so ordered by the Port Director in the event of: • A severe petroleum or chemical spill; • Fire discovered on board a vessel laden with petroleum, explosives, chemicals or other dangerous commodities; • Vessel in jeopardy due to conditions on shore; 4. Tugboats proceeding to a vessel laden with petroleum, chemicals, explosive or other dangerous cargoes and/or through a spill composed of such products floating on the water surface will stop all smoking on board, put out cooking fires, burners, pilot lights and extinguish all open lights or flames. 5. Vessels discovering fire on board or on shore will sound repeated long whistle-blast signals and use every other available means to report the fire to shore side personnel. The Security Division of the Port of Pensacola monitors Channel 16 (156.8 MHz) for emergency calls. 6. Emergency vessel movements will be made with able sea watches and without waiting for the return of its other ship's personnel when necessary to protect life and property (reference ITEM 288d).
225	ENVIRONMENTAL MATTERS (Effective: October 20, 2009)
	All persons and entities in possession of facilities at the Port of Pensacola pursuant to an agreement, lease, license or other arrangement with the Port or otherwise using the Port facilities shall comply with all federal, state, municipal and county laws, statutes, ordinances, codes, administrative orders, SWPPP (current Port version), rules and regulations and permits relating to environmental matters, storm water, and other pollution control applicable to the construction, occupancy and operation of said facilities. All such persons and entities shall furnish to the Port Director or his designee at the time same are filed, received, submitted or tendered, a copy of every permit application, permit, notice, order or other document sent to or received from any regulatory agency responsible for environmental matters, storm water, or other pollution control. All such persons and entities are prohibited from allowing, causing, condoning, licensing, permitting or sanctioning any activities, conduct or operations that enable or result in any pollutants, contaminants, hazardous materials or substances or other waste to be accumulated, deposited, placed, released, spilled, stored or used upon or under any portion of said facilities or adjacent waters contrary to or in violation of any of said laws, statutes, ordinances, codes, administrative orders, SWPPP (current Port version), rules, regulations or permits. All such persons and entities that violate this prohibition shall be solely responsible for any and all reporting, cleanup, remediation, fines and penalties in accordance with said laws, statutes, ordinances, codes, administrative orders, SWPPP (current Port version), rules, regulations or permits. <u>NATIONAL RESPONSE CENTER (NRC):</u> (Effective May 1, 2014)

	Oil and chemical spills entering or having the potential to enter navigable waters must be reported immediately to the NRC. Users are responsible for notifying the NRC of unauthorized releases and providing the Port's Spill Response Coordinator (SRC) with a copy of the incident report within 24 hours. The phone number for the NRC is: 1-800-424-8802.					
226a	FACILITIES – BERTHING (Effective: July 1, 2019)					
	The Port of Pensacola has 2,570 linear feet of berthing facilities as follows:					
	Berth #	Depth	Length	Apron	Rail	Use
	1	33'	540'	100'	Yes	All Purpose
	2	33'	398'	Open	Yes	All Purpose
	3	33'	344.5'	Open	Yes	All Purpose
	5	33'	507.5'	50'	Yes	All Purpose
	6	33'	580'	50'	No	All Purpose
	7	16'	200'	0	No	Dockage Only
226b	FACILITIES – BUNKERING (Effective: September 15, 2005)					
	None of the berths are equipped with pipeline-hose connections for bunker fuels. Bunker fuels may be delivered by barge or tank truck. No vessel will be permitted to take bunkers while cargo operations are being performed.					
226c	FACILITIES – DAMAGE TO (Effective: July 1, 2019)					
	All vessels, their owners or agents, stevedores and all other users of the Port terminal facilities will be held responsible for all damages to the facilities caused by or arising out of their use of such facilities. It is the responsibility of the users of the Port facilities to <u>immediately</u> notify the Port Director or his designated representative of damages to the facilities caused by or arising out of their use of such facilities and to confirm same in writing within three (3) working days. The Port of Pensacola will acknowledge the reported damages in writing, either electronic or via letter. Any damages to the Port facilities will be for the account of the vessel, its owner or agent, the stevedore, freight handler or other user of the terminal facility and repairs must be undertaken as expeditiously as possible with the prior approval of the Port Director. The Port Director, or designee, shall review and approve all repairs in advance of repairs or construction beginning. Responsible parties will be given up to thirty (30) calendar days from the date the damage occurred to initiate required repairs, after which the Port of Pensacola reserves the right to repair the damage on a cost basis plus 25% overhead. Failure to notify the Port of damages to the facilities will result in the cost of repairs of such damages plus 50%. Any damage caused by the vessel to the wharf or any installation or equipment which is the property of the Port of Pensacola, whether it be through incompetence or carelessness on the part of the Pilot or Officer of the ship carrying out operations or for any other reason, shall be the responsibility of the master and the owner of the ship causing the damage. The Port of Pensacola shall be able to detain the ship until it has received satisfactory guarantee for payment of the amount of damage caused or a reasonable estimate thereof.					
226d	FACILITIES – SPACE ASSIGNMENTS					

(Effective: July 1, 2019)

The Port Director has the authority to grant nonexclusive space assignments for use of harbor lands to assignees on the following terms and conditions.

Space assignments are granted on the Port's standard space assignment forms and shall describe the area granted. Leased areas are excluded from Space assignment requests. See [ITEM 243](#) for Lease Information.

Short Term Operating Agreements (STOA's) may be exempt from the minimum charge and negotiated with the Port Director, but the Space Assignment Request must still be on file with Port Operations.

General license stevedores shall be required to submit the required space assignment forms for allocation of space to their transient cargo operations. However, transient cargo evoking free time shall not be eligible for the space assignment rates noted below and shall, instead, be subject to Storage Charges as outlined in [ITEM 436b](#) after expiration of free time.

Space assignments will be issued in thirty (30) day periods. Upon application and if conditions and circumstances warrant, one or more renewals for an additional thirty (30) days or longer or shorter period may be granted.

If a space assignment exceeds 30 days or is revoked by the Port Director, charges will be prorated on a daily basis.

Charges for space assignments are:

Type of Area	Cents per Sq. Ft. (Per 30-day Period)
Covered Area - On Dock	\$ 0.45
Covered Area - Off Dock	\$ 0.35
Uncovered Area	\$ 0.25
Minimum Charge	\$375.00

All other applicable tariff charges shall also be paid. Charges shall begin to accrue on the day the space assignment is made available for assignee's occupancy.

An electrical power surcharge may be levied on the above charges at the discretion of the Port Director after reviewing the proposed use of the space. The rate shall be agreed to in advance of any party occupying approved space.

Property placed in a space assignment area shall be stored, stacked, palletized, or high piled in accordance with customary and operational safety procedures. The Port Director has the right to examine and review all property placed on Port premises under a space assignment.

The grant of such assignment shall not interfere with the prompt loading or unloading of vessels.

**226e FACILITIES - TRANSIT CARGO SHEDS
(Effective: July 1, 2019)**

The Port of Pensacola owns 457,000 square feet of transit cargo storage facilities as follows, some of which may be committed to private usage through lease, contract or other obligation from time to time.

Subject to [ITEM 208b](#) and to space availability based on prior commitments, the Port of Pensacola assigns general cargo moving through the Port to storage facilities on a first-come-first-served basis.

Use of facilities marked with an asterisk (*) involves special circumstances. Contact Port Administration at 850.436.5070 for details.

Facility	Sq. Ft.
Warehouse No. 1	72,000 sq. ft. (leased)
Warehouse No. 4	45,000 sq. ft.
Warehouse No. 5	72,000 sq. ft.
Warehouse No. 6	90,000 sq. ft. (leased)
Warehouse No. 8	83,000 sq. ft.
Warehouse No. 9	40,000 sq. ft. (leased)
Warehouse No. 10	55,000 sq. ft. (leased)

228a **FREE TIME - COMPUTATION OF
(Effective: July 1, 2019)**

The free time allowed for assembling export shipments shall commence at 0700 hours on the day after said cargo or each portion thereof (i.e. each truck or railcar) is received at the terminal facility and it shall terminate at 2359 hours on the final day of free time allowed.

The free time allowed for removal of import shipments shall commence at 0700 hours on the day following the day the vessel completes discharging and it shall terminate at 1859 hours on the final day of free time allowed.

The Port Director reserves the right to grant extensions of free time to regular and/or high volume shippers on a case-by-case basis when space availability permits.

The time cargo is held in railcars (under demurrage rules) will be deducted from the free time allowed for said cargo, when railcars are held at the direction of the Port Director (reference [ITEM 208i](#) for additional information).

228b **FREE TIME - DISPOSITION OF CARGO AFTER EXPIRATION OF
(Effective: September 15, 2005)**

Cargo remaining on terminal premises after the expiration of free time (reference [ITEM 228a](#), [228c](#) and [228d](#)) and cargo shut out at clearance of vessel from berth (reference [ITEM 271](#)) may, at the discretion of the Port Director, be allowed to remain where situated, be piled or re-piled to make space; be transferred to other locations or terminal premises; or, be removed to public or private warehouse with all expenses and risk of loss and/or damage for the account of the owner, agent, consignee or carrier. In any event, the agent for such cargo will be responsible for payment of all expenses regardless of when payment is received by them from the owner, consignee or carrier.

All such cargo remaining on Port property will be assessed storage charges in accordance with the applicable rates published in this Tariff.

228c **FREE TIME**

	(Effective: July 1, 2019)								
	Except as otherwise provided, the free time allowed for assembling export cargo shipments or removing import cargo shipments, inclusive of Saturdays, Sundays and Legal Holidays, shall be as follows: <table> <tr> <th>Shipment Type</th><th>No. Days</th></tr> <tr> <td>Exports</td><td>30</td></tr> <tr> <td>Imports</td><td>30</td></tr> <tr> <td>Transshipment</td><td>30</td></tr> </table> Upon expiration of the free-time period, storage charges (as provided elsewhere in this Tariff) will be assessed or, at the option of the Port Director, cargo may be removed to private storage facilities at the expense and risk of the owner. NOTE: Shipments handled direct from shipside to railcars or trucks, or vice versa, shall not be entitled to free time. NOTE: Shipments not properly booked with the Port Director in advance in accordance with ITEM 209 shall not be entitled to free time specified herein.	Shipment Type	No. Days	Exports	30	Imports	30	Transshipment	30
Shipment Type	No. Days								
Exports	30								
Imports	30								
Transshipment	30								
228d	FREE TIME - AND STORAGE DURING WORK STOPPAGE OR INTERRUPTION (Effective: September 15, 2005)								
	In the event of a work stoppage that prevents the loading and/or unloading of vessels, the following will apply: 1. Free time will cease at 0700 hours on the day after a work stoppage occurs. Free time will commence or resume at 0700 hours on the day after a work stoppage officially ends. 2. Cargo on hand will be assessed storage charges prorated for that period of time of the work stoppage. Credit for unused time will be deducted from storage charges. 3. Cargo received during a work stoppage will be received on a space-available basis only. Storage charges will commence immediately and free time will begin at 0700 hours on the day following the day of the termination of the work stoppage. 4. When the terminal facilities reach maximum capacity for efficient operations and Port safety, rail and truck operations will cease, with demurrage accruing for the account of the shipper. The Port Director may waive storage charges per this ITEM if cargo is removed within ordinary free time allowed.								
228e	FREE TIME – NON WATERBORNE CARGO (Effective: May 1, 2014)								
	Per ITEM 208e , no free time is allowed on non-waterborne cargo and full charges will be billed for each day the cargo is in or on Port of Pensacola property or facilities beginning with the day the cargo arrived and including the day it is removed unless said charge is waived by the Port Director.								
230	FUMIGATION REQUIREMENT (Effective: September 15, 2005)								
	Bagged agricultural products that remain in transit sheds for a period of 45 days must be fumigated at that time; and again after each 45-day period thereafter, as long as the cargo remains in the transit sheds.								

	All expense of fumigation will be for the account of the cargo owner, shipper, consignee, or whomever has care, custody and control of the cargo. If fumigation is not performed as required herein, the Port reserves the right to fumigate such bagged agricultural products and will bill the cargo owner, shipper, consignee, or whomever has care, custody and control of the cargo for the cost therefore.
232	GENERAL RESTRICTIONS AND LIMITATIONS (Effective: September 15, 2005)
	Under application of this Tariff, the Port of Pensacola is not obligated to provide storage for cargo that has not been scheduled with the Port Director, or which has not been transported by water to or from the Port or terminal facilities; nor is it obligated to provide facilities beyond reasonable capacity.
233	GROUND RUBBER TIRE ADDITIVES (Effective: September 15, 2005)
	The use of Ground Rubber Tire (GRT) Additives in the processing and/or production of asphalt and other materials is strictly prohibited on Port property and on or in Port facilities.
234	GUNS; EXPLOSIVES; OTHER HAZARDOUS COMMODITIES (Effective: September 15, 2005)
	Explosives and hazardous or highly-flammable commodities or material may be handled over, under, or received on the wharves or other terminal facilities of the Port of Pensacola only by special arrangement with and at the option of the Port Director. The receiving, handling or storage of such commodities shall be subject to Federal, State, Municipal, County and City of Pensacola laws, ordinances, rules and regulations. The agent or charterer of a vessel is responsible for informing the Port Director whenever a vessel plans to load, discharge or is transporting as in transit cargo any manifested cargo classified as a gun, firearm, deadly weapon, explosives, and ammunition, flammable or hazardous commodity. No action to load or discharge such cargo shall be taken without approval of the Port Director in advance. Detailed information as to the description, packaging and stowage location of explosives, flammable and hazardous materials must be provided to the Port of Pensacola to enable planning for fire protection and security watches necessary for these items.
235	HARBOR CHANNEL (Effective: September 15, 2005)
	The entrance to the main channel to Pensacola Bay is by the Caucus Channel. The channel is 500' wide at its seaward end and dredged to 35'. The approach channel to the Port of Pensacola, 300' wide with a control depth of 33', intersects Pensacola Bay in a generally northeasterly direction. The distance from sea buoy to pier is 11 miles.
236	HARBOR SAFETY (Effective: September 15, 2005)
	1. Minimum bottom clearance shall be established by the Harbor Pilot prior to vessel entry of departure in consideration of weather conditions, tidal stage, vessel equipment and time of day. 2. All vessels shall establish radio communication with the Port of Pensacola prior to entry or departure and no vessel shall be permitted to enter, leave or shift berths in the Port of Pensacola

	jurisdictional area without the authorization of the Port Director or his duly-authorized representative. 3. All heavy oil transfer operations to or from a vessel with a heavy oil storage capacity greater than 10,000 gallons shall be required to adequately boom or seal off the area between the vessel and the dock, bulkhead or land during transfer or bunkering operations. 4. All vessels with a storage capacity to carry 10,000 gallons or more of pollutants as fuel and cargo shall maintain an adequate written ship-specific spill prevention and control contingency plan, and have on board a “discharge officer” designated in the plan. Published pursuant to Chapter 313.23; Chapter 376.07 and 376.071, Florida Statutes, as amended.														
237	HOLIDAYS – LIST OF (Effective: July 1, 2019) When reference is made in this Tariff to "legal holidays," it means those days listed below, which are observed as holidays by the City of Pensacola and on which Port Administration will be closed. Holidays marked with an asterisk (*) denote holidays observed by the Port’s licensed stevedores and on which vessel and cargo operations are conducted by special arrangement only. <table border="1"> <thead> <tr> <th colspan="2">Holidays – 12 Total</th></tr> </thead> <tbody> <tr> <td>New Year's Day (*)</td><td>Labor Day (*)</td></tr> <tr> <td>Martin Luther King’s Birthday</td><td>Veteran’s Day (*)</td></tr> <tr> <td>President’s Day (*)</td><td>Thanksgiving Day (*)</td></tr> <tr> <td>Good Friday (*)</td><td>Friday after Thanksgiving (*)</td></tr> <tr> <td>Memorial Day (*)</td><td>Christmas Day (*)</td></tr> <tr> <td>Independence Day (*)</td><td>Day after Christmas</td></tr> </tbody> </table> When any of the above referenced holidays falls on a Sunday, it will be observed on the Monday following. Other holidays may be observed by the stevedoring companies but are not necessarily observed by the Port of Pensacola.	Holidays – 12 Total		New Year's Day (*)	Labor Day (*)	Martin Luther King’s Birthday	Veteran’s Day (*)	President’s Day (*)	Thanksgiving Day (*)	Good Friday (*)	Friday after Thanksgiving (*)	Memorial Day (*)	Christmas Day (*)	Independence Day (*)	Day after Christmas
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President’s Day (*)	Thanksgiving Day (*)														
Good Friday (*)	Friday after Thanksgiving (*)														
Memorial Day (*)	Christmas Day (*)														
Independence Day (*)	Day after Christmas														
239	INTRACOASTAL WATERWAY (Effective: September 15, 2005) The Gulf Intracoastal Waterway intersects Pensacola Bay. The waterway is 150' wide and 12' deep. On the intra-coastal, the Port of Pensacola is 185 miles east of Harvey Lock, Louisiana; and 51.4 miles east of the entrance to the Mobile Ship Channel.														
240	INDEMNIFICATION AND HOLD HARMLESS (Effective: September 15, 2005) All users shall indemnify and hold harmless the Port, its subsidiaries or affiliates, elected and appointed officials, employees, volunteers, representatives and agents from any and all claims, suits, actions, damages, liability and expenses in connection with loss of life, bodily or personal injury, property damage, including loss of use of property, or demurrage, directly or indirectly caused by, resulting from, arising out of, or occurring in connection with their presence on the Port or their operations, whether arising solely														

	out of the negligence of the User or not. This obligation shall not be limited by, or in any way to, any insurance coverage or by any provision in exclusion or omission from any policy of insurance. The user agrees to pay on behalf of the Port, as well as provide a legal defense for the Port, both of which will be done only if and when requested by the Port, for all claims as described in the above paragraph. Such payment on the behalf of the Port shall be in addition to any and all other legal remedies available to the Port and shall not be considered to be the Port's exclusive remedy. Nothing contained herein shall be deemed to exculpate or relieve the Port from liability for its own negligence. (Issued in compliance with FMC Regulation 46 CFR §525.2 (a) (1)).
241a	INSURANCE (Effective January 1, 2015)
	All persons or firms using or conducting business operations on terminal facilities or other port-owned or operated property are required to procure and maintain Commercial General Liability, Business Auto, and Workers' Compensation insurance. Unless specified otherwise in this tariff or otherwise required by the City, minimum limits for commercial general liability and business auto of \$1,000,000 per occurrence, and per accident, combined single limit for liability must be provided, with umbrella insurance coverage making up any difference between the policy limits of underlying policies coverage and the total amount of coverage required. The Commercial General Liability policy must provide bodily injury and property damage coverage for premises, operations, products and completed operations, and independent contractors. Broad Form Commercial General Liability coverage, or its equivalent shall provide at least, broad form contractual liability applicable to this tariff, as well as personal injury liability and broad form property damage liability. Coverage must be written on an occurrence type basis. The Business Auto policy must include coverage for bodily injury and property damage arising out of the operation, maintenance, or use of owned, non-owned, and hired autos including non-ownership employee use. Umbrella Liability Insurance coverage shall not be more restrictive than the underlying insurance policy coverage. Worker's Compensation must be provided as legally required and must include Employers Liability coverage of at least \$100,000 each person-accident, \$100,000 each person-disease, \$500,000 aggregate-disease. At the option of the City, coverage must be included for the Longshore and Harbor Workers Act and Maritime (Jones) Act exposures. Required insurance policies shall be documented in Certificates of Insurance. The policies shall contain an endorsement that provides that the City of Pensacola shall be notified at least thirty (30) days in advance of cancellation, nonrenewal or adverse change or restriction in coverage. The City of Pensacola shall be named on each commercial general liability certificate as an Additional Insured. If required by the City, the User shall furnish copies of the User's insurance policies, forms, endorsements, jackets and other items forming a part of, or relating to such policies. Certificates shall be on the "Certificate of Insurance" form equal to, as determined by the City, an ACORD 25. Any wording in a Certificate which would make notification of cancellation, adverse change or restriction in coverage to the City an option shall be deleted or crossed out by the insurance carrier or the insurance carrier's agent or employee. The User shall replace any canceled, adversely changed, restricted or non-renewed policies with new policies acceptable to the City and shall file with the City Certificates of Insurance under the new policies prior to the effective date of such cancellation, adverse change or restriction. If any policy is not timely replaced, in a manner acceptable to the City, the User shall, upon instructions of the City, cease all operations on terminal facilities or other port-owned or operated property until directed by the City, in writing, to resume operations. The "Certificate Holder" address should read: City of Pensacola Department of Risk Management

	Post Office Box 12910 Pensacola, FL 32521-0063
241b	INSURANCE – CARGO (Effective: September 15, 2005)
	The Port of Pensacola does not insure or provide insurance for any cargo. Any insurance required must be furnished by the party desiring such coverage.
241c	INSURANCE - STEVEDORES AND FREIGHT HANDLERS (Effective: September 15, 2005)
	Each stevedoring company or freight handler filing an application for a Stevedore License or Freight Handling Permit with the Port of Pensacola, in accordance with ITEM 276 , shall furnish with such application evidence of insurance as described in ITEM 241a and as listed in Appendix A of this Tariff. Application for Stevedore License or Freight Handling Permit as well as specific policy, rules and regulations, and insurance requirements are included in Appendix A of this Tariff.
242	INVENTORY, REQUIREMENTS FOR (Effective: July 1, 2019)
	Each Freight Handling Licensee shall be required to submit an end-of-month inventory reflective of the last day of each calendar month for any and all cargo and commodities remaining in inventory at any General Cargo facility or warehouse. Licensees shall submit said inventory reports to the Cargo Operations Superintendent no later than the fifth (5th) day of the following month. An Export Cargo Inventory shall be submitted listing all commodities on hand, broken down by shipper, and at a minimum shall provide: 1. Shipper name; 2. Commodity; 3. Date received; 4. Quantity on hand; 5. Type units; 6. Weight in pounds (board feet for export lumber); 7. Service Order #, mark, or other identifier; and 8. Location; An Import Cargo Inventory shall be submitted listing all commodities on hand, broken down by shipper, and at a minimum shall provide: 1. Vessel name with arrival date; 2. Shipper and/or Receiver name; 3. Commodity; 4. Quantity on hand; 5. Type units; 6. Weight in pounds (board feet for export lumber); 7. Bill of Lading #, mark, or other identifier; and 8. Location; For all cargo sold or released to other parties, the Permittee must identify:

	1. The receiving Permittee; 2. The party responsible for payment of the Authority's charges; 3. A copy of the release instructions from the original shipper; All shippers will be billed storage charges for cargoes remaining in inventory beyond the allotted FREE TIME based upon the inventory information provided by Permittees, and as such the information must be accurate and submitted as described. Failure to submit required documents in accordance with the stated deadlines may result in assessment of a Documentation Delinquency Penalty of \$100 per day for each day the documentation is delinquent.
243	LEASING OF REAL PROPERTY (Effective: July 1, 2019)
	Leasing of real property, including costs for warehouse and/or open ground storage areas, shall be negotiated on a case by case basis with the Port Director. To the extent practicable, these rates will be in conformity with the most recent land appraisals or comparable commercial real estate market assessment. However, space constraints, cargo volumes and other market conditions may dictate price changes at the discretion of the Port Director. Leases do not provide for paving, electricity, water, housekeeping services, maintenance, or other improvements to the area leased. These items may be provided for within the individual lease. All requests to lease space should be directed to the Port Director who reserves the right to employ the use of a licensed Commercial Real Estate Broker as/if warranted. Final approval for all long-term leases rests with the Pensacola City Council via formal Council action that will be presented to Council through the Mayor's Office. Port Staff will provide guidance on the Council process during initial Lease negotiations.
244	LESSEES' AND RENTERS' RESPONSIBILITY (Effective: September 15, 2005)
	When equipment is rented or leased to others by the Port of Pensacola, it is expressly understood that the equipment will be operated under the direction and control of the renter or lessee, and the renter or lessee shall be responsible for the operation thereof and assumes all risk for injuries or damages which may arise or grow out of the use or operation of said equipment. It is hereby understood and agreed that in the event the renter or lessee uses the operator of said equipment employed by the Port of Pensacola, such operator shall be under the direction of the renter or lessee and the operator shall be considered as the agent or servant of the renter or lessee, and the renter or lessee shall be responsible for the acts of such operator during the time of the rental or lease. It is incumbent upon the renter or lessee to make a thorough inspection and satisfy himself as to the physical condition and capacity of the unit, as well as the competency of the operator, there being no representation or warranties by the Port of Pensacola with reference to such matters.
245	LIABILITY: EXCULPATORY PROVISION (Effective: September 15, 2005)
	No provision or sub-rule in this tariff shall relieve or limit the PORT OF PENSACOLA from liability for its own negligence nor require any user or lessee to indemnify or hold harmless the Port of Pensacola from liability for its own negligence. ISSUED IN COMPLIANCE WITH FMC REGULATION 46 CFR §525.2 (a)(1).
246	LIABILITY AND PAYMENT OF CHARGES (Effective: July 1, 2019)

1. Except as otherwise provided, all carriers, vessels, their owners, or agents, and all other users of the services or facilities of the Port are responsible for the payment of charges as provided for in this Tariff.
2. On all vessels utilizing Port facilities, the agent shall be responsible for the payment of all dockage and other terminal charges assessed against the vessel as provided for in this Tariff. The Port of Pensacola reserves the right to hold the vessel, its owners, operators, despondent owners, charterers, sub-charterers, and/or agent or sub-agent liable for payment of all terminal charges not otherwise paid.
3. The arrest or attachment of any vessel by court order will not relieve or diminish the responsibility of the agent for the payment of dockage and related port terminal charges. The arrest or attachment of any cargo by court order will not relieve or diminish the responsibility of the party booking the cargo for the payment of all terminal charges including, but not limited to handling, storage and wharfage, assessed by the Port in accordance with the provisions of this Tariff.
4. All invoices are due upon presentation. Presentation of invoice shall be deemed to occur and user's financial responsibility to port for payment of invoice shall commence when port deposits invoice in United States mail service. The Port of Pensacola, at its option, may at any time extend credit to any user conducting business with the Port pursuant to provisions of this Tariff or amendments or re-issues thereof subject to user establishing and maintaining a single transaction or period or annual surety bond with the corporate surety acceptable to the Port, and in an amount equal to 125% of maximum liability. The form and contract of such bond shall be acceptable to the Port.
5. [All handling charges](#) will be billed by the applicable licensed cargo handler with payment in full to be remitted to the cargo handler. The port shall bill to all cargo handlers the applicable cargo handling franchise fee(s) as described in [ITEM 222](#) of this Tariff with these funds to be remitted to the Port by the cargo handler in accordance with the payment terms as set out in this [ITEM 246](#). If, at any time, any cargo handler falls in arrears on his accounts payable to the port by 60 or more days, the port reserves the right to bill and receive payment for all handling charges and remit any amounts due to the cargo handler only after said arrearage is paid and all accounts brought current.
6. Extension and continuation of credit shall be conditioned upon payment of invoice charges within 30 days from the date of presentation.* An interest charge of 12% per annum will be assessed against unpaid invoices over 30 days for each day over 30 days and added to the amount due each month until the amount of arrearage is paid. Written notice of any invoice in dispute must be furnished to the Port of Pensacola billing department within 20 days from the date of invoice or else interest charges will apply.
7. The Port of Pensacola reserves the right to suspend or cancel the privilege of being billed on account previously granted to users who are habitually delinquent.
8. Any carrier, vessel, owner, shipper, receiver, stevedore, forwarder, agent, or other users of the Port facilities who fails to pay any invoice on the 30th day following the date on which the invoice was presented will be subject to the conditions outlined in Paragraph 9 herein below.

	9. In the event of failure to pay invoices within 90 days from the date of presentation, the vessel, owner, shipper, receiver, forwarder, stevedore, agent or other user shall be placed on a cash basis under which further use of the Port facilities may be denied except upon advance payment by Cashier's/Certified Check or Wire Transfer of all charges which may be incurred under this Tariff, as estimated by the Port Director. The Port Director reserves the right to deny use of the Port's facilities to any such vessel, owner, charterer, agent, shipper, receiver, forwarder, stevedore or any user until all outstanding delinquent charges have been paid in full. 10. The Port of Pensacola reserves the right to apply any payment received against the oldest bills rendered against vessels, their owners and agents, or other users of facilities, except that payment made on behalf of specific vessels and/or owners will be applied as specified by the payor. 11. The Port of Pensacola reserves the right to estimate and collect in advance all charges which may accrue against vessels or cargo utilizing Port facilities. 12. Issued pursuant to agreement of Gulf Port members of the GULF SEAPORTS MARINE TERMINAL CONFERENCE. Refer to ITEM 100 for further details of the CONFERENCE and its members.												
247	LOCATION (Effective: July 1, 2019)												
	The Port of Pensacola is situated in Pensacola Bay on the Gulf of Mexico and is located generally at latitude 30 degrees, 24 minutes north, longitude 87 degrees, 13 minutes west.												
248	LOITERING ON PREMISES (Effective: September 15, 2005)												
	It shall be unlawful for any person to loiter upon or in any of the terminal facilities or properties of the Port of Pensacola. It shall be unlawful for any unauthorized persons to enter cargo-handling areas.												
249	LOSS CONTROL AND SAFETY (Effective: September 15, 2005)												
	All Port users shall retain control over their employees, agents, servants and subcontractors, as well as control their invitees, and their activities on and about the Port and the manner in which such activities shall be undertaken and to that end, they shall not be deemed to be an agent of the City. Precaution shall be exercised at all times by the users for the protection of all persons, including employees, and property. The users shall make special effort to detect hazards and shall take prompt action where loss control/safety measures should reasonably be expected.												
252	MINIMUM BILLING CHARGES (Effective: July 1, 2019)												
	<table> <tr> <th>Billing Item(s)</th><th>Minimum Charge</th></tr> <tr> <td>Dockage, per vessel</td><td>\$100.00</td></tr> <tr> <td>Wharfage, per shipment</td><td>\$ 50.00</td></tr> <tr> <td>Handling Franchise, per shipment</td><td>\$15.00</td></tr> <tr> <td>Shore Power, per vessel</td><td>\$ 50.00</td></tr> <tr> <td>Stevedoring Franchise, per vessel</td><td>\$150.00</td></tr> </table>	Billing Item(s)	Minimum Charge	Dockage, per vessel	\$100.00	Wharfage, per shipment	\$ 50.00	Handling Franchise, per shipment	\$15.00	Shore Power, per vessel	\$ 50.00	Stevedoring Franchise, per vessel	\$150.00
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Stevedoring Franchise, per vessel	\$150.00												

	Storage, per invoice	\$ 25.00
	Water, per vessel	\$ 75.00
	All Other Charges	\$ 25.00
253	NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) (Effective: October 20, 2009)	
	All tenants and users shall comply with the requirements of the National Pollutant Discharge Elimination System (NPDES) program delegated by the United States Environmental Protection Agency (EPA) to the state of Florida and administered in part by the Florida Department of Environmental Protection (FDEP). The Port and Tenants are required to be covered by a Multi-Sector Generic Permit (MSGP) which is currently identified as “co-located permittee”, and the Port shall submit the required Notice of Intent (NOI) to FDEP and provide a copy of the NOI and related Storm Water Pollution Prevention Plan (SWPPP) to the Tenants and users. The Port Administrative Office maintains copies of the most current SWPPP for Tenants. All Tenants and users are responsible for obtaining and maintaining a current copy of the SWPPP, as well as informing and familiarizing Tenant and user employees of the SWPPP contents and Tenant and user responsibilities there under. The Port of Pensacola has control over the establishment and implementation of all policies relating to storm water activates associated with port docks and tenant areas, including leased premises. All tenants and users shall comply with the most current version of the SWPPP and with the most current Best Management Practices (BMP) applicable to their facilities and operations contained in the document entitled “Port Pensacola BMP’s for Potential Pollutant Sources”, copies of which are available from the Port Director.	
254	NORMAL WORKING HOURS (Effective: September 15, 2005)	
	The normal working hours of the Port of Pensacola are from 0800 hours to 1200 hours and 1300 hours to 1700 hours, Monday through Friday, holidays excepted. Cargo arriving at the Port by truck must be prepared for loading and/or unloading during the normal working hours of the Port unless prior special arrangements have been made and approved by the Port Director and freight handler (reference ITEM 284). Cargo services performed by the freight handler during other than normal working hours, holidays excepted, will be assessed 165% of the applicable charge provided for in SECTION III or the applicable schedule of rates provided for in ITEM 430 of this Tariff, whichever is greater. When such services are performed by the Port during holiday hours (reference ITEM 237) they will be assessed 250% of the applicable charge provided in SECTION III or the applicable schedule of rates provided in ITEM 430 of this Tariff, whichever is greater, when such service is performed on request.	
256	OILY WASTE DISPOSAL/SHIPS WASTE DISPOSAL (Effective January 1, 2015)	
	Under the provision of ANNEX I of the INTERNATIONAL CONVENTION FOR THE PREVENTION OF POLLUTION FROM SHIPS, known as MARPOL 73/78, and the United States Coast Guard implementing regulation, PART 158 of TITLE 33 of the CODE of FEDERAL REGULATIONS (33 CFR 158), all terminals and ports which receive tankers or other ocean-going vessels of 400 gross tons or more must make provisions for adequate oily-waste-reception facilities. The application of the Port of Pensacola for its public wharves and facilities for a Certificate of Adequacy (COA) for reception facilities for receipt of oily waste was approved and the COA was issued February 11, 1986.	

The firms listed below have indicated to the Captain of the Port that they are interested in contracting their services in receipt of the oily waste. Listing herein does not indicate a preferential recommendation on the part of the Port of Pensacola but merely reflects the firms' desire to function in the above-mentioned capacity and the Captain of the Port's recognition of the firms with respect to the application of the Port of Pensacola. All inquiries should be directed to the Captain of the Port, United States Coast Guard. Any contractor is subject to the applicable regulations for the transfer of oil (33 CFR 154.156).

OILY WASTE RECEPTION FACILITIES:
Oil Recovery Company Inc.
1101 S. Conception Street
Mobile, AL 36603
PHONE: 251-690-9010

Under the provision of ANNEX V of MARPOL 73/78 PORT RECEPTION FACILITIES FOR **SHIP'S GARBAGE** and separation onboard vessel of various waste and required. Garbage is defined as "all kinds of victual, domestic and operational waste excluding fresh fish and parts thereof, generated during the normal operation of the ship and liable to be disposed of continuously or periodically." In order to accommodate the need of shipping and commerce through facilities of the Port of Pensacola, the Port has filed an application for a Certificate of Adequacy (COA) with the Captain of the Port, United States Coast Guard, for garbage reception facilities. Applicants for berth at any facility of the Port of Pensacola shall provide, upon request, the reception facilities which meet the requirements contained in 33 CFR, PARTS 151, 158. Berth applicants shall provide a 24-hour notice of vessel's intent to discharge garbage at any facility of the Port of Pensacola and reception facilities for food, plant, meat, and other potentially infectious waste shall be provided by the berth applicant in accordance with the above and with the requirements set forth in 7 CFR 330 and 9 CFR 94.

Regulated food waste must be handled at the facility approved by the Animal and Plant Health Inspection Service (APHIS). Berth applicants or their designees shall provide the necessary reception facilities when requested to do so for other than APHIS-regulated garbage from any commercial, full-service solid waste form. The firm listed below has indicated to the Captain of the Port that it is interested in contracting its service in this regard and is approved by the United States Department of Agriculture (USDA), APHIS. The listing below does not indicate preferential recommendation on the part of the Port of Pensacola but merely reflects the company's desire to function in the above-mentioned capacity. Qualified contractors are subject to the applicable regulations for the collection and disposal of ship's waste (33 CFR, PART 151, 155, and 158; 46 CFR, PART 25).

SHIP'S REGULATED FOOD WASTE FACILITY:
Dockside Services Inc.
2910 North Palafox Street
Mobile, AL 36633
PHONE: 251-438-2362
GENERAL GARBAGE FACILITY:
Waste Pro
401 West Burgess Road
Pensacola, FL 32503
PHONE: 850-474-0800

258	PALLET RENTAL AND USAGE (Effective: September 15, 2005)		
	As a non-operating, landlord port, the Port of Pensacola does not maintain available for rent or otherwise provide pallets for cargo handling operations. Licensed stevedores and cargo handlers should be prepared to provide sufficient pallets to support their operations at the Port of Pensacola. The Port expressly disclaims liability for any damages, demurrage and/or detention charges, costs, and expenses related to or arising out of any inadequate supply of pallets for cargo-handling operations at the Port. Each user (reference ITEM 164) of the Port whose use of Port facilities for cargo-handling operations causes or gives rise to damages, demurrage and/or detention charges resulting from an inadequate supply of pallets agrees to defend, indemnify and hold harmless the Port from and against any and all such damages, demurrage and/or detention charges, costs and expenses, including attorney’s fees related thereto.		
259	PERMIT AND FRANCHISE FEES (Effective: July 1, 2019)		
	Except as published in ITEMS 404a and 404b , the Port of Pensacola does not require the payment of a permit or franchise fee for the privilege of conducting business on Port property. Any person, firm, or business desiring to conduct business at the Port of Pensacola must obtain a Business Tax Receipt (business license) issued by the City of Pensacola before engaging in any commercial activity at the Port.		
260	PILOT SERVICE (Effective: October 20, 2009)		
	PENSACOLA BAY PILOTS provide 24-hour service for all vessels entering or leaving the Port of Pensacola. For information concerning pilotage rates, contact:		
	<u>Pilot Service</u>	<u>Pilot Name</u>	<u>Phone No.</u>
	Pensacola Bay Pilots	Capt. Brian McGee	850-481-4222
261	POTABLE WATER (Effective: September 15, 2005)		
	All berths have or are accessible to pipeline hose connections for potable water (ITEM 440).		
262	PROJECT CARGO RATES AND RATES FOR SPECIAL SERVICES (Effective: September 15, 2005)		
	Project rates and rates for special services not covered in this Tariff will be quoted upon request by the Port Director or designated stevedore or freight handler, if applicable.		
264	RADIO EQUIPMENT (Effective: September 15, 2005)		
	The following radio channels are designated for radio communication at the Port of Pensacola:		
	<u>Radio Channel</u>	<u>Use</u>	
	Channel 10	Commercial	
	Channel 12	Port Operations	
	Channel 14	Port Operations	
	Channel 16	International Distress, Safety & Calling	
265a	RESERVED (Effective: July 1, 2019)		

265b	RAILCARS - PLACING, LOADING AND UNLOADING (Effective: September 15, 2005)
	Each freight handler will communicate directly with the delivering rail carrier and/or shippers/consignees regarding the placement of loaded railcars at the Port, the pickup of empty railcars from the Port and the loading and unloading of railcars at the Port. Each freight handler will be responsible for all railcar traffic functions (excluding shunting of railcars within Port facilities, see ITEMS 208c and 426) for all cargo it handles including, but not limited to receipt, handling and payment of demurrage bills.
266	RAILROADS (Effective: September 15, 2005)
	The Port of Pensacola facilities are served by the CSX Transportation Inc. (CSX) and Burlington Northern Santa Fe (BNSF) and Alabama Gulf Railroad (AGRR) by reciprocal switching arrangements.
267	REQUIREMENT TO WORK OVERTIME (Effective: September 15, 2005)
	Agents, owners, despondent owners and/or charterers of vessels which have been authorized and accepted for berthing may be required to work overtime on weekdays, Saturdays, Sundays, and Legal Holidays when ordered and to the extent determined by the Port Director in order to expedite the handling of cargo and to avoid cargo and/or vessel congestion. Such order may include the requirement to work continuously* until completion when considered necessary in the judgment of the Port Director. Vessels failing to arrive on schedule as published, anticipated or actual facilities congestion and transit-shed overcrowding, including railcar backlog, shall be considered justifiable reasons for requiring vessels to work overtime. All expenses incurred as a result of the requirement to work overtime shall be for the account of the vessel and the Port shall not be liable for any costs associated therewith. *Excluding meal periods. ALL DECISIONS OF THE PORT DIRECTOR ARE FINAL.
268	RESPONSIBILITY FOR LOSS OR DAMAGE (Effective: September 15, 2005)
	Except for its own proven negligence, the Port of Pensacola will not be responsible for any damages to or delays from freight or cargo being loaded, unloaded, handled, stored or otherwise present on its facilities; or for loss of any freight or cargo; or for any delay of same caused by or resulting from fire; flood; leakage or discharge from sprinklers, fire-protection systems, water supply pipes, gutters, or downspouts; collapse of buildings; rats, mice, termites, moths, weevils or other insects; frost; rust; mold; corrosion; evaporation; shrinkage; leakage from containers; decay; contamination; discoloration; the elements; or, insufficient notification; nor will it be responsible for any delay, loss or damage arising from insurrections, riots, commotions or strikes of any persons in its employ, or in the service of others; nor for any consequence arising therefrom; nor will it be responsible for freight or cargo on its wharves, or in its transit sheds or warehouses or in the open against the risk of theft, pilferage or non-delivery. All cargo, ships' supplies, ship's gear and equipment, regardless of its location on Port property, will remain in the care, custody and control of the vessel, its agents or the shipper and full responsibility therefore shall be assumed by the vessel, its agents or the shipper.
269	RIGHT TO REFUSE CARGO (Effective: September 15, 2005)

	The Port of Pensacola reserves the right, without responsibility for demurrage, detention, loss or damage attaching, to refuse to accept, receive or unload or to permit a vessel to discharge and/or load: 1. Cargo for which previous arrangements with the Port Director for space, receiving, unloading or handling have not been made by shipper, consignee or carrier; or 2. Cargo deemed extra offensive, perishable, hazardous, or detrimental to the safety and health of the public, public property and/or adversely affecting the environment. Where not prohibited by law, the movement of such articles or commodities over or in connection with facilities of the Port of Pensacola is subject strictly to the making of prior arrangement there or with and at the option and convenience of the Port of Pensacola. Loading, unloading, handling, storage and heavy-lift services required or requested on the following cargo will be subject to special quotation. 1. Cargo, the value of which may be determined to be less than the probable terminal charges; 2. Cargo not packed in packages or containers suitable for ordinary handling incident to its transportation. Such cargo, however, may be repacked or reconditioned at the discretion of the Port of Pensacola; and all expense, loss or damage incident thereto will be for the account of the shipper, consignee, owner or charterer.
270	SHIPPERS REQUESTS AND COMPLAINTS (Effective: September 15, 2005)
	Any interested party may initiate requests or complaints on matters relating to rates, rules and regulations contained in this Tariff by filing a statement fully documenting the request or complaint and mailing to the Port of Pensacola as follows: PORT OF PENSACOLA ATTN: Office of the Port Director Post Office Box 889 Pensacola FL 32594-0889
271	SHUT-OUT CARGO (Effective: September 15, 2005)
	The ocean carrier is responsible for the payment of all storage charges on cargo not lifted by nominated vessels as scheduled. Carriers are required to furnish statements of cargo not lifted within 5 days after departure of vessel. The Port Director reserves the right to order shut-out cargo removed from the terminal facilities at the expense and risk of the vessel, its owners and/or agents upon 24-hours notification to the vessel, its owners and/or agents (reference ITEM 228b).
272	SIGNS (Effective: October 20, 2009)
	Any signage erected on Port property must be approved in advance by the Port Director (or designee) and must comply with any and all locale sign ordinances and regulations.
273	SMOKING (Effective: September 15, 2005)
	It shall be unlawful for any person to smoke or to light any match upon or in any Port facility where such is prohibited by the Port of Pensacola, the Pensacola Fire Department or the United States Coast Guard.

274	SPECIAL SERVICES (Effective: September 15, 2005)												
	Special services such as bulking, heavy-lift, separating, sorting, stenciling, tagging, checking, recouping, etc. will be performed and billed by general license stevedores to the party requested such service.												
275	STEVEDORES/FREIGHT HANDLERS and STEAMSHIP AGENTS (Effective: July 1, 2019) (C)												
	The Port of Pensacola requires that the loading or unloading of cargo to or from trucks, railcars, vessels and ocean-going barges from or to the place of rest be performed by stevedoring companies or freight handlers which are duly-licensed and authorized by the Port of Pensacola to perform such activities. The Port of Pensacola does not perform or arrange for any loading or unloading of cargo at the Port. All vessels engaged in coastwise and foreign trade calling at the Port of Pensacola must be represented by an agent duly-authorized to do business at the Port of Pensacola. <table><tr><td colspan="2">Licensed Stevedore/Freight Handlers</td></tr><tr><td colspan="2">PATE STEVEDORE COMPANY (a member of the LOGISTEC family of companies)</td></tr><tr><td colspan="2">720A South Barracks Street</td></tr><tr><td colspan="2">Pensacola, FL 32575</td></tr><tr><td colspan="2">Phone: 850-438-3648 / Fax: 850-438-5214</td></tr><tr><td colspan="2">Email: mpate@patestevedore.com</td></tr></table>	Licensed Stevedore/Freight Handlers		PATE STEVEDORE COMPANY (a member of the LOGISTEC family of companies)		720A South Barracks Street		Pensacola, FL 32575		Phone: 850-438-3648 / Fax: 850-438-5214		Email: mpate@patestevedore.com	
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	Participating steamship agents are as follows: <table><tr><td colspan="2">Steamship Agents</td></tr><tr><td>AZTEC MARITIME SERVICE, INC. 303 Saint Louis St. Mobile, AL 36602 Phone: 251-432-7273 Email: ops@aztecmaritime.com</td><td>LOTT SHIPPING AGENCY, INC. 259 Conception St. Mobile, AL 36601 Phone: 251-433-1621 Email: operations@lottship.com</td></tr><tr><td>BIEHL & COMPANY 118 N. Royal St. Suite 705 Mobile, AL 36602 Phone: 251-432-1605 Email: ops-mobile@biehlco.com</td><td>MARITIME ENDEAVERS SHIPPING 1901 Alabama State Docks Blvd. Building 50, Suite 109 Mobile, AL 36602 Phone: 251-434-9600 Email: ops-mobile@mescltd.com</td></tr><tr><td>FILLETTE, GREEN SHIPPING SVC. (USA) CORP. 261 N. Conception St. Mobile, AL 36603 Phone: 251-375-2224 Email: mob@fillettegreen.com</td><td>NORTON LILLY INTERNATIONAL One St. Louis Centre Suite 3002 Mobile, AL 36602 Phone: 251-431-6335 Email: mob-ops@nortonlilly.com</td></tr><tr><td>GENERAL STEAMSHIP CORP 118 North Royal St.</td><td>PAGE & JONES, INC. 3902 N. 9th Ave. Suite 3D</td></tr></table>	Steamship Agents		AZTEC MARITIME SERVICE, INC. 303 Saint Louis St. Mobile, AL 36602 Phone: 251-432-7273 Email: ops@aztecmaritime.com	LOTT SHIPPING AGENCY, INC. 259 Conception St. Mobile, AL 36601 Phone: 251-433-1621 Email: operations@lottship.com	BIEHL & COMPANY 118 N. Royal St. Suite 705 Mobile, AL 36602 Phone: 251-432-1605 Email: ops-mobile@biehlco.com	MARITIME ENDEAVERS SHIPPING 1901 Alabama State Docks Blvd. Building 50, Suite 109 Mobile, AL 36602 Phone: 251-434-9600 Email: ops-mobile@mescltd.com	FILLETTE, GREEN SHIPPING SVC. (USA) CORP. 261 N. Conception St. Mobile, AL 36603 Phone: 251-375-2224 Email: mob@fillettegreen.com	NORTON LILLY INTERNATIONAL One St. Louis Centre Suite 3002 Mobile, AL 36602 Phone: 251-431-6335 Email: mob-ops@nortonlilly.com	GENERAL STEAMSHIP CORP 118 North Royal St.	PAGE & JONES, INC. 3902 N. 9 th Ave. Suite 3D		
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GENERAL STEAMSHIP CORP 118 North Royal St.	PAGE & JONES, INC. 3902 N. 9 th Ave. Suite 3D												

	Suite 508 Mobile, AL 36602 Phone: 251-438-5071 (24 hour) Email: mobops@gensteam.com GREAT CIRCLE SHIPPING 3 W. Garden St. Suite 707 Pensacola, FL 32501 Phone: 850-429-0510 Email: tom@greatcircleship.com INCHCAPE SHIPPING SERVICES 11 N. Water St. Suite 9290 Mobile, AL 36602 Phone: 251-461-2747 Email: iss.mobile@iss-shipping.com	Pensacola, FL 32503 Phone: 850-432-4954 Email: agency@pageandjones.com SEAGULL MARINE, INC. 115 Canvasback Dr. St. Rose, LA 70087 Phone: 504-465-1017 Email: Ops@seagullmarine.com WILHELMSSEN SHIPS SERVICES 2614 Hals Mill Rd. Mobile, AL 36606 Phone: 251-471-2661 Email: wss.mobile@wilhelmsen.com									
276	STEVEDORE LICENSE OR FREIGHT HANDLING PERMIT (Effective: July 1, 2019) Each company providing stevedoring or freight handling services and desiring to do business on or in connection with the facilities of the Port of Pensacola shall file a completed Stevedore License or Freight Handling Permit Application accompanied by the necessary supporting information called for therein. See Appendix A of this Tariff for Application, Policy, Rules and Regulations and additional insurance requirements. License/Permit. Fees shall be as follows: <table border="1"> <thead> <tr> <th>Purpose</th><th>Original Application</th><th>Annual Fee</th></tr> </thead> <tbody> <tr> <td>Stevedore License</td><td>\$5,000.00</td><td>\$1,000.00</td></tr> <tr> <td>Freight Handling Permit (may not load and unload ships/vessels)</td><td>\$2,500.00</td><td>\$ 750.00</td></tr> </tbody> </table> From and after the effective date of this provision, no stevedoring company or freight handler, whether currently doing business on or in connection with the facilities of the Port of Pensacola or whether applying for authority to so perform, shall be permitted to conduct business thereon until such Stevedore License or Freight Handlers Application, accompanied by the appropriate application fee and other required documents, has been received and approved by the Port of Pensacola.		Purpose	Original Application	Annual Fee	Stevedore License	\$5,000.00	\$1,000.00	Freight Handling Permit (may not load and unload ships/vessels)	\$2,500.00	\$ 750.00
Purpose	Original Application	Annual Fee									
Stevedore License	\$5,000.00	\$1,000.00									
Freight Handling Permit (may not load and unload ships/vessels)	\$2,500.00	\$ 750.00									
277a	STORAGE INVOICES (Effective: July 1, 2019) The Port of Pensacola will invoice storage charges to the agent or company shown on the manifest or fright waybill records in the Port office. When billing is rendered to an owner of cargo on instructions of the agent, such agent assumes full guarantee of the owner's credit and after 60 days will remit all unpaid charges, including delinquency penalties, to the Port of Pensacola. Changes of title for the purpose of invoicing another person or company for any or all charges contained in this Tariff will be subject to the provisions of ITEM 209.										

	Except as otherwise provided in this Tariff, storage charges will be for the account of the cargo owner. In the event storage charges are not paid, the Port of Pensacola reserves the right to refuse to accept any future cargo from the delinquent cargo owner until such time as all outstanding storage invoices have been paid. The Port further reserves the right, at the discretion of the Port Director, to hold and refuse to release any cargo upon which there are any unpaid storage charges. When a vessel fails to meet the announced date of arrival/sailing, for any reason, storage charges accruing after such date shall be assessed for the account of the vessel until the vessel commences to load. Any arrangements for the payment of storage charges in conflict with the regulations stated herein must be approved in advance by the Port Director.
277b	STORAGE, STAGING AND ASSEMBLY OF NON-CARGO AND MATERIALS (N) (Effective: May 1, 2014)
	The Port of Pensacola, at its sole discretion, shall determine what constitutes cargo and what constitutes non-cargo equipment and materials. Staging, storage, and assembling of non-cargo equipment and materials on Port terminal facilities will be subject to adherence to directives of the Port's Director or designee. Storage, staging and assembling of materials and equipment as required for vessel repair or alterations and other materials not deemed as cargo, will be allotted a "Free Time" period of no more than 72 hours prior to the arrival of the vessel and of not more than 72 hours after the departure of the vessel. In recognition of emergencies, congestion of facilities, or other similar factors, free time may be reduced or extended at the discretion of the Port Director, or designee. Free Time is defined as a specified number of days or hours during which materials and equipment may remain on wharf or terminal premises without incurring Port Charges. See ITEM 228a-228e for details. The Port retains the right to enter into agreement with consignees and their agents concerning rates and services relating to staging, storage and assembling of equipment materials at Port facilities.
278	STORM PROTECTION (Effective: September 15, 2005)
	The owners and/or agents of all cargo stored in open areas at the Port of Pensacola shall be responsible for securing it so as to avoid damage to it or other property resulting from hurricanes or other disturbances. If the owner and/or agents fail to provide such security, the Port of Pensacola shall have the right to secure such cargo, or order the last stevedoring company handling the cargo to protect it against such possible damage and to charge the cost thereof against the owner and/or agent of the cargo, plus 25%. The Port of Pensacola assumes no responsibility for damage to cargo resulting from hurricanes, floods or other disturbances.
279	SUBSTITUTION OF VESSELS (Effective: September 15, 2005)
	When, in the opinion of the Port Director, circumstances arise that are considered beyond the control of the steamship owner or agent and are such so as to prevent a vessel from lifting her assigned outward cargo, then another vessel may be substituted to lift such cargo, provided that the substitute vessel and/or charterer/operator accepts the loading date of the original vessel and pays all applicable charges based on such loading date.

	Once a vessel begins to load her outward cargo, any quantity of such cargo not lifted shall be classified as "shut-out cargo" (reference ITEM 271).
282a	TARIFF - APPLICATION AND INTERPRETATION OF (Effective: May 1, 2014)
	The charges, rates, rules and regulations published in this Tariff shall apply equally to all users of, and all traffic on the waterways and facilities owned by, operated by or under the jurisdiction of the Port of Pensacola, on or after the effective date of this Tariff or any supplements thereto. The Port of Pensacola reserves the right to negotiate and establish rates through separate contracts, terminal leases, or operating agreements, or to offer volume or frequency discounts as may be deemed appropriate by the Port Director. The Port Director shall be the sole judge to interpret and determine the applicability of any of the rates, rules, regulations or services provided for in this Tariff.
282b	TARIFF - CONSENT TO TERMS (Effective: September 15, 2005)
	The use of waterways, piers, wharves, bulkheads, docks, transit sheds and/or other facilities under the jurisdiction of the Port of Pensacola shall constitute consent to the terms and conditions of this Tariff, and such use establishes an agreement regarding the port facilities to promptly pay all charges specified in this Tariff upon presentation of invoices. All users agree to be bound by and governed by all rules and regulations published herein.
283	TIDES (Effective: September 15, 2005)
	The normal mean tidal range in Pensacola Bay is 0.6'. The extreme tidal range is about 2'. Strong southeasterly winds sometimes raise the water level approximately 1' in the bay, while strong northeasterly winds lower the level about 1' in the bay.
284	TRAFFIC VIA MOTOR CARRIER (Effective: September 15, 2005)
	To ensure efficiency in the use of Port facilities shippers/receivers are urged to give 24-hour advance notice of their intention to pick up cargo from or deliver cargo to the Port. The Port reserves the right to postpone the pickup or delivery of cargo until an opportune time in the event of an unscheduled request for pick-up or delivery but the Port will make every reasonable effort to accommodate all pick-up and delivery requests. Unless special arrangements have been approved by the Port Director or designated representative and the designated cargo handler, pickup and delivery activities should commence not later than 1500 hours, Monday through Friday. The freight handler is responsible for notifying the Port Director or his designated representative for approval prior to the commencement of any activity outside of normal working hours. The Port of Pensacola assumes no responsibility for demurrage associated with motor carrier pick-up or delivery. ITEM 245 LIABILITY, EXCULPATORY PROVISION, of this Tariff applies to this disclaimer.
285	TRESPASSING (Effective: September 15, 2005)
	Unless otherwise specified in a contractual agreement between a user of the Port and the Port of Pensacola, the Director of the Port of Pensacola or his designee has the authority to restrict or prohibit any person's access to any portion of Port property.

	To enhance security, promote public safety and efficient operations, the Director of the Port of Pensacola may restrict or prohibit any individual's access to any portion of Port property. This includes all land, facilities, buildings and offices; open and covered cargo storage areas; cargo sheds; all docks, including entry and exit ways; all equipment, machinery, railroad right-of-ways and roadways which are owned, controlled or operated by the Port. Persons entering Port facilities without proper authorization shall be considered trespassers and may be subject to civil or criminal action as appropriate. The Port Director or his designee may initiate the enforcement of the trespass laws of the State of Florida against any person or persons who the Port Director or his designee determines is a threat to the peace, security, public safety or efficient operations of the Port of Pensacola.
286	TUG SERVICE (Effective: July 1, 2019)
	The Port of Pensacola performs no tug assistance in docking and undocking vessels at berths or slips. Such service is performed by licensed towing companies. Port of Pensacola has a mandatory tug utilization policy. All vessels in excess of 350' LOA are required to use at least one (1) tug to assist with channel transit, docking and undocking upon arrival and departure. At the discretion of the harbor pilot when warranted by tide, current and weather conditions, vessels 399' LOA and below AND equipped with DP2 or better dynamic positioning system technology may be exempted from this mandatory tug requirement. Outside of this requirement, all other tug use shall remain at the discretion of the vessel and harbor pilot. The resident harbor tug service provider at the Port of Pensacola is Portside Marine & Towing (850-777-1285).
288a	VESSEL(S) - SPEED (Effective: September 15, 2005)
	No vessel shall proceed at a speed which will endanger other vessels or structures. Any official signs indicating limited speeds through critical portions of the waterways shall be strictly obeyed. All applicable Federal, State, and local rules and regulations apply.
288b	VESSEL(S) - TO VACATE (Effective: July 1, 2019)
	The Port may order any vessel to vacate any berth when the Port deems that the continued presence of such vessel at berth would be a potential hazard to the vessel, the berth, the Port's facilities, or the rights or property or safety of others, or would unreasonably interfere with the use of the Port's facilities by others. Such situations include, but are not limited to the following: when a potential natural disaster, such as a hurricane, tornado, earthquake or flooding, makes the continued presence of the vessel a threat to the vessel and/or the Port's facilities; when the berth is committed to others under a preferential berth arrangement or other agreement; when the vessel's cargo or other items represent a hazard to other vessels, cargo or facilities; and when the vessel refuses to work continuously to completion of its loading and/or discharge. The Port shall provide written notice (letter, facsimile or electronic transmission, etc.) to the vessel's agents, owners, despondent owners and/or charterers of vessels or party arranging for berthing of the vessel advising of the requirements to vacate and referring to this tariff item in the communication. The notice shall state the time that the berth must be vacated and shall be presented at least four hours prior to said time. If a vessel fails to vacate the berth as ordered, without reasonable excuse, it shall be responsible for any damage or expense which may be incurred by the Port and to others caused by such failure to vacate. The

	Port shall have the option (but not the duty) to move the vessel to other locations at the risk and expense of the vessel. If such movement occurs, the vessel shall hold harmless the Port for any damage or liability it may incur as a result of such movement. Failure to comply with an order to vacate will result in a penalty charge to the vessel of triple the applicable dockage rate. This charge shall not constitute a waiver by the Port of any greater actual damages it may sustain as a result of the vessel's failure or refusal to vacate. Refusal to vacate may result in denial of future berthing privileges. When a working vessel is required to vacate an assigned berth for the purpose of making way for another vessel which has preferential berthing privileges at such berth and subsequently returns to that berth to complete loading or discharging of cargo, dockage charges will be assessed on the total time the vessel actually occupies that berth and the separate berthing's will be treated as one continual berthing.
288c	VESSEL(S) - LIGHTS AT NIGHT (Effective: July 1, 2019)
	All vessels, barges, or other water craft, while anchored in the waterways or moored at the docks of the Port of Pensacola, must at all times of the night show proper lights as determined by the U.S. Coast Guard.
288d	VESSEL(S) - MANNING OF AND MOBILE CONDITION (Effective: July 1, 2019)
	Every vessel must at all times have on board at least one licensed officer in charge to take any action as may be directed by the Port Director, and every vessel must at all times be kept in a mobile condition and have on board sufficient crew members to operate or handle the vessel should movement of the vessel be ordered by the Port Director. Written request must be made to and approved by the Port Director prior to any complete shutdown of all propulsion machinery for repairs or otherwise. Vessels calling at Offshore Inland Marine's vessel modification, maintenance, repair & overhaul (MMRO) facility for 30 or more consecutive days may be exempted from the requirements of this section. Such exemption must be requested in writing by Offshore Inland and approved by the Port Director in advance of the subject vessel's scheduled arrival. Such requests must include the specific provision(s) from which the exemption is being sought, the date or dates during which the exemption is requested, and Offshore Inland's plan to address and mitigate any potential issues caused by the exemption. Vessels failing to comply with this provision are subject to three times the normal dockage rate as provided in ITEM 400 and subject to the provisions of ITEM 211.
288e	VESSEL(S) – MOORING (Effective: September 15, 2005)
	All vessels shall be safely moored and properly secured to the dock at all times. Mooring lines are to include rat guards. The Port of Pensacola is not a bailee and does not assume any liability for improperly-moored vessels.
288f	VESSEL(S) – MOVEMENTS, REGULATION OF (Effective: September 15, 2005)

	The Port of Pensacola shall regulate vessel movements within its jurisdiction by: 1. Scheduling vessels for use of berth, anchorage or other facilities at the Port; 2. Ordering and enforcing a vessel to vacate or change position at a berth, anchorage or other facility in order to facilitate navigation, commerce or protection of other vessels or property; 3. Designating port facilities for the loading or discharging of vessels; 4. Assigning berths at wharves for arriving vessels; Published pursuant to Chapter 313.22, Florida Statutes, as amended.
288g	VESSEL(S) - NUISANCE CREATED BY (Effective: September 15, 2005)
	No vessel shall permit excessive smoke, clean boilers, blow tubes, or create similar conditions while the vessel is in the channel, turning basin, or in a berth. Except as provided by law, the blowing of whistles and horns is prohibited.
288h	VESSEL(S) - SUBJECT TO PILOTAGE (Effective: September 15, 2005)
	1. All vessels, except vessels exempted by the laws of the United States or vessels drawing less than 7' of water, shall have a licensed State pilot or certified deputy pilot on board to direct the movements of the vessel when entering or leaving ports of this State; or when underway upon the navigable waters of the bays, rivers, harbors and ports. 2. Nothing contained herein shall be construed to deny the services of a licensed State pilot to a vessel otherwise exempt who applies for such service. Published pursuant to Chapter 310.141, Florida Statutes, 2000.
292	WEIGHING (Effective: February 15, 2009)
	Highway scales are available at the Port of Pensacola and operated by private terminal operators. Contact information for these operators is available upon request.
293	WHARF CLEANING (Effective: July 1, 2019)
	All users of docks, wharves, sheds and other property of the Port of Pensacola shall be held responsible for cleaning of said property which they have been allowed to use or which has been assigned or leased to them, including adjacent aprons, yards open storage areas, rail tracks, roadways and gutters, as directed by the Port of Pensacola. If such user does not clean the docks, wharves or other property he has been using to the standards set by the Port of Pensacola within 72 hours of notice, the Port of Pensacola shall order the property cleaned and shall bill the user responsible at cost plus 20% as set forth in ITEM 430. In the case of docks, wharves and berth aprons used for vessel operations, such facilities must be cleaned to the standards set by the Port of Pensacola within 72 hours of the conclusion of vessel operations and no additional notice from the Port to the vessel's attending stevedore shall be required.

	All litter, dunnage, and refuse of all kinds must be cleaned up and disposed of at the end of each day and freight must be re-stacked as found, otherwise the work will be performed by the Port and the Port will bill the user responsible at cost plus 20% as set forth in ITEM 430 .
294	WHARF OBSTRUCTION (Effective: July 1, 2019)
	Stevedore's, Port tenants and other Port users' tools, appliances, equipment, gear, vehicles or other material or objects which are not part of the cargo or other approved operations will not be permitted to remain on the wharves or terminal facilities except at the discretion of the Port Director. If such obstruction is not removed within 24 hours after notification by the Port Director, such equipment and material will be stored and <u>\$250.00</u> charged for each day it remains unclaimed; together with expense of removal, storage or sale.
295	WHARF/TERMINAL LIGHTS; TRANSIT SHED USE (Effective: July 1, 2019)
	Transit sheds are open for business from 0800 hours to 1700 hours, Monday through Friday, excluding holidays. Requests to utilize sheds on weekends, holidays, and before 0800 hours or after 1700 hours must be made to the Port Operations Superintendent a minimum of four (4) hours preceding the time requested. The agent, stevedore or freight handler making the overtime request is responsible for payment of a charge amounting to \$75.00 per night or fraction thereof. Said charge includes wharf and terminal lights whether or not both are utilized by the requesting party. Nighttime operations conducted by non-cargo vessels must also be approved a minimum of four (4) hours in advance by the Port Operations Superintendent, and these operations will also be subject to a wharf and terminal lights fee of \$75.000 per night or fraction thereof. Vessels ordered to work overtime by the Port Director are exempt from this charge.
296a	WHARFAGE – EARNED (Effective: September 15, 2005)
	All cargo moved over or placed on a wharf, in transit sheds, covered storage sheds, open storage areas, shipside or on any port-owned property, land or facilities shall be considered to have earned wharfage when so placed and wharfage will be collected on it whether or not it is eventually loaded on a vessel. No wharfage charges will be assessed on ships' stores.
296b	WHARFAGE – RATE FOR CARGO MOVING DIRECTLY BETWEEN WATER AND WATER CARRIER (Effective: September 15, 2005)
	Half-wharfage is applicable on any commodity being loaded or unloaded directly between vessels and barges or any combination thereof.
296c	WHARFAGE – RATE FOR TRANSSHIPMENT CARGO (Effective: September 15, 2005)
	Import cargo which is to be reshipped in waterborne commerce from the Port of Pensacola will be assessed one-half (1/2) of the applicable wharfage rate outbound. In order for cargo to be entitled to the transshipment cargo wharfage rate, the owner's agent must designate in writing prior to vessel arrival that such cargo is to be reshipped.

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SECTION THREE – WHARFAGE, LOADING, AND UNLOADING RATES

(All rates are per weight or measurement ton, whichever is greater, unless otherwise specified)

300	ARTICLES NOT OTHERWISE SPECIFIED (NOS) (Effective: July 1, 2019)				
		Specifications	Wharfage	Unloading	Loading
		Loose/Packages	\$2.50	\$7.00	\$7.15
		Pallets/Pre-Palletized	\$2.50	\$4.35	\$4.50
302	ALUMINUM, VIZ (Effective: July 1, 2019) PLATE, SHEET ROOFING, SCRAP WHEN IN BUNDLES OR OTHER PACKAGES WIRE OR CABLE WHEN ON REELS WEIGHING NOT LESS THAT 1,000 POUNDS				
		Specifications	Wharfage	Unloading	Loading
		To/From Trucks or Flat/Rack Cars	\$2.00	\$3.50	\$3.50
		To/From Boxcars	\$2.00	\$5.55	\$5.55
306	BAGGED PRODUCTS, VIZ (Effective: July 1, 2019)				
	GRAIN, GRAIN PRODUCTS, GRAIN FLOUR OR MEAL, BEANS, LENTILS, PEAS, OTHER BAGGED PRODUCTS	Specifications	Wharfage	Unloading	Loading
		Bags/Sacks/Packages –	\$1.50	\$7.00	\$7.00
		Palletized – Flatbed Truck Loading Only	\$1.50	\$3.50	\$3.50
	Product	Specifications	Wharfage	Unloading	Loading
	MILK: (DEHYDRATED/POWERED)	Bags/Sacks/Packages	\$1.50	\$7.00	\$7.00
		Palletized – Flatbed Truck Loading Only	\$1.50	\$3.50	\$3.50
	ROLLED OATS	Bags/Sacks/Packages	\$1.50	\$7.00	\$7.00
	RICE/RICE PRODUCTS	Bags/Sacks/Packages	\$1.50	\$7.00	\$7.00
	MISCELLANEOUS (NOS)	Bags/Sacks/Packages	\$1.75	\$7.00	\$7.00
		Pallets/Pre-Palletized	\$1.75	\$3.50	\$3.50
308	BEVERAGES (Effective: July 1, 2019)				
		Specifications	Wharfage	Unloading	Loading
		All Kinds	\$2.00	\$4.35	\$4.50
310	BULK MATERIALS, DRY (Effective: July 1, 2019)				
	Product	Specifications	Wharfage	Unloading	Loading
	NOT OTHERWISE SPECIFIED (NOS)	Railroad Cars/Dump Trucks	\$2.00	\$5.00	\$5.00

	AGGREGATE, VIZ. (LIMESTONE/GRANITE/DREDGE MATERIAL/RIP RAP/ROCK)	From Self-Unloading Vessels To or From Railcars/Trucks	\$0.75	\$3.00	\$3.00
	BAUXITE	From Self-Unloading Vessels To or From Railcars/Trucks	\$2.00	\$5.00	\$5.00
	CEMENT/CEMENT PRODUCTS, GYPSUM ROCK, PUMICE, SALT AND ALL OTHER	Bulk Covered Hopper Cars/Dump Trucks	\$2.00	\$5.00	\$5.00
312	COTTON/COTTON LINTERS/RESINS IN BALES (Effective: July 1, 2019)				
		Specifications	Wharfage	Unloading	Loading
		Railcars/Vans/Flatbed Trucks	\$2.00	\$6.00	\$6.00
314	IRON/STEEL ARTICLES, VIZ (Effective: July 1, 2019) ANGLES, BARS, BEAMS, BILLETS, CHANNELS, COILS, FLANGES, FLATS, PILING, PIPE, PLATES, RAILS, REBAR'S, ROUNDS, SLABS, AND TIN PLATE				
		Specifications	Wharfage	Unloading	Loading
		Lifts/Bundles – To/From Flatbed Trucks; Proper Skids/Dunnage and Bundled/Packaged Properly for Forklift Equipment;	\$1.90	\$3.20	\$3.20
		To/From Source (Other Than Flat Cars/Flatbed Trucks); Requiring Use of Crane; Proper Dunnage and Bundled/Packaged Properly for Wire Slings.	\$1.90	\$3.65	\$3.65
	NOTE: In connection with above rates and charges, iron or steel articles such as flat stack, angles, reinforcing bars, foot lengths, or other articles that are not sufficiently packaged or reinforced to prevent bending or other damage when handled with forklift, trucks or cranes, will be handled only at owner's risk with no liability for damages resulting from to the Port of Pensacola.				
316	LIME (Effective: July 1, 2019)				
	Product	Specifications	Wharfage	Unloading	Loading
	LIME HYDRATE	Bags/Pallets	\$2.00	\$3.40	\$3.40
	LIME	Jumbo Sacks	\$2.00	\$1.65	\$1.95
		Bulk	\$2.00	\$5.00	\$5.00
318	LUMBER, VENEER/FOREST PRODUCTS				

(Effective: July 1, 2019)					
	Product	Specifications	Wharfage	Unloading	Loading
	LUMBER: (Uniform in Size; Unitized Requiring Only Mechanical Equipment)	All	\$2.40 Per MBF	\$3.50 Per MBF	\$3.75 Per MBF
	PLYWOOD – BUNDLES: (SHEETROCK/DRYWALL/GYPSUM BOARD, etc.)	All	\$2.40 Per MBF	\$3.50	\$3.75
	SHINGLES: (PALLETS/SKIDS)	All	\$2.00	\$3.55	\$3.80
	TIES: (RAIL/CROSS/STITCH) And TIMBERS (6x6 and over)	Flatbed Trucks/Flat Cars	\$2.00	\$3.20	\$3.45
		Open Top Cars	\$2.00	\$5.20	\$5.45
	LOGS/POLES/POSTS/PILING: (65 ft. or Less)	Flatcars/Trucks - Bundles	\$2.00	\$3.50	\$3.75
		Flatcars/Trucks - Loose	\$2.00	\$5.40	\$5.65
		Open Cars/Open Top Flatcars - in bundles	\$2.00	\$4.50	\$4.75
	LOGS/POLES/POSTS/PILING: (Over 65 ft.)	Flatcars/Trucks - Bundles	\$2.00	\$4.05	\$4.30
		Flatcars/Trucks - Loose	\$2.00	\$6.05	\$6.30
		Open Cars/Open Top Flatcars - in bundles	\$2.00	\$5.50	\$5.75
	LUMBER/PLYWOOD: (Exception)	Flatbed Trucks – Bundled and/or Packaged Properly for Fork Handling	\$2.00	\$44.00 (Per Truck)	\$47.00 (Per Truck)
320	MAGNESITE, DEAD/BURNT/CALCINED (Effective: July 1, 2019)				
	Product	Specifications	Wharfage	Unloading	Loading
	POLYBAGS	Flatbed Trucks	\$2.00	\$3.05	\$3.05
	POLYBAGS	Open Top Flatbed Trucks	\$2.00	\$3.15	\$3.15
	BULK	Covered Hopper Cars/Dump Trucks	\$2.00	\$5.00	\$5.00
322	METAL/ALLOY, VIZ (Effective: July 1, 2019) ALUMINUM (BAR, BLOCK, INGOT, PIG OR SLAB), TIN (BAR, BLOCK, PIG, SLAB), ZINC AND ZINC ALLOYS (PIG OR SPELTER) WHEN IN BUNDLES				
		Specifications	Wharfage	Unloading	Loading
		Boxcars/Vans	\$2.00	\$3.50	\$3.50
		Flatbed Trucks	\$2.00	\$2.90	\$2.90
324	PAPER/PAPER ARTICLES/WOOD PULP (Effective: July 1, 2019)				

	Product	Specifications	Wharfage	Unloading	Loading
	PAPER: (WASTE/SCRAP)	Baled	\$2.00	\$3.75	\$4.50
	FIBERBOARD/LINERBOARD/ NEWSPRINT/PULPBOARD, WRAPPING PAPER	Rolled	\$1.90	\$3.50	\$3.50
	WOOD PULP/WOOD FLOUR	Boxcars/Vans and Rolls/Other Units	\$2.00	\$3.50	\$3.50
326	RUBBER (Effective: July 1, 2019)				
	Product	Specifications	Wharfage	Unloading	Loading
	NATURAL/SYNTHETIC (Not LIQUID/LATEX)	Baled/Packaged (Not Palletized)	\$2.00	\$5.40	\$5.40
		Palletized/Unitized	\$2.00	\$3.70	\$3.70
328	VEGETABLE OILS (Effective: July 1, 2019)				
		Specifications	Wharfage	Unloading	Loading
		Barrels, Drums, Boxes or Cases	\$2.00	\$4.10	\$4.35
		Palletized for Mechanical Handling	\$2.00	\$3.50	\$3.75
330	VEHICLES, VIZ (Effective: July 1, 2019) AUTOMOBILES, BUSES, TRACTORS, TRUCKS, MOTORIZED VEHICLES, MOBILE HOMES, CRANES, RAILROAD CARS, PER UNIT, UNLESS OTHERWISE SPECIFIED				
	Product	Specifications	Wharfage	Unloading	Loading
	AUTOMOBILES AND TRUCKS		\$20.00	\$30.00	\$30.00
	TRACTORS / COMBINES / AGRICULTURAL IMPLEMENTS / MILITARY JEEPS & HUMVEES		\$20.00	\$30.00	\$30.00
	ARMORED PERSONNEL CARRIERS / MILITARY TANKS		\$35.00	\$30.00	\$30.00
	MOTOR HOMES/ MOBILE HOMES / HOUSE TRAILERS / PASSENGER BUS/SELF- PROPELLED CAMPING VEHICLE		\$75.00	\$5.00 Per ton	\$5.25 Per ton
	GRADING/ROAD MAKING MACHINERY		\$30.00	\$5.00 Per ton	\$5.25 Per ton
	RAILROAD CARS – EMPTY		\$20.00	\$5.00 Per ton	\$5.25 Per ton
	RAILROAD CARS – LOADED	Per net ton of contents	\$2.00	\$5.00	\$5.25

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SECTION FOUR – GENERAL CHARGES

400	DOCKAGE RATES (GSMTC) (Effective: February 1, 2021) All vessels subject to a <u>\$100</u> minimum:		
	ALL OCEAN-GOING VESSELS - INCLUDING OCEAN-GOING BARGES:		
	LENGTH OVERALL	LENGTH OVERALL	RATE PER FOOT (*) PER 24 - HOURS
	Over (in Feet)	Not Over (in Meters)	(Except as Otherwise Provided)
	0	199	\$ 3.12 \$3.21
	200	399	\$ 4.10 \$4.22
	400	499	\$ 5.58 \$5.74
	500	599	\$ 7.49 \$7.71
	600	699	\$ 8.69 \$8.95
	700	799	\$11.03 \$11.36
	800	899	\$13.29 \$13.69
	900	And Over	\$16.37 \$16.37
	BARGES:		
	LENGTH OVERALL	LENGTH OVERALL	RATE PER 24 - HOURS
	Over (in Feet)	Not Over (in Feet)	
	0	199	\$250.00
	200	And Over	\$325.00
	OTHER:		
	TUGS (not serving the Port), FISHING VESSELS, PLEASURE BOATS and OTHER WATERCRAFT	LENGTH OVERALL	RATE PER FOOT (*) 24 - HOURS
		Over (in Feet)	
		0	\$ 4.00
		And Over	
	(*) Reference ITEMS 221a - 221d.		
	NOTE 1:		

One full day's dockage will be assessed for each 24-hour day or fraction thereof. Any vessel undocking within two (2) hours of expiration of its last 24-hour increment will not be billed an additional day's dockage.

NOTE 2:

Dockage will be computed on length overall as listed in Lloyd's Register of Shipping or Certificate of Registry or other official document deemed acceptable by the Port Director.

NOTE 3:

Ocean-going vessels in "repair" or "layup" status making application for layberth in advance of docking may be granted such ONLY if approved by the Port Director. Layberth dockage will be assessed at 75% of the applicable published tariff rate.

- 1) Vessels permitted to arrive at dock at least 24 hours prior to starting work may apply for layberth status.
- 2) Requests for layberth status will not be considered once a vessel has docked, except that vessels permitted to remain at berth after completion of work may apply for layberth status to commence upon expiration of the last billing period for that vessel's working status. Such requests MUST be made prior to the vessel sailing.

NOTE 4:

Tugs will be exempt from dockage when landing tows. Tugs waiting in assist of ocean-going barges that are working will be exempt from dockage.

NOTE 5:

The Port Director may, subject to berth availability, intended use, length of stay, absence of interference with other Port of Pensacola users and activities, and other criteria as may from time to time be established by the Port Director, grant reduction of dockage.

NOTE 6:

The Port Director may assess additional charges to vessel for various activities conducted while moored at Port of Pensacola.

**404a FRANCHISE FEES – HANDLING GENERAL LICENSE
(Effective: July 1, 2019)**

Each stevedore company and freight handler performing handling operations at the Port of Pensacola in accordance with a franchise issued by the Port, will be allowed to handle cargo and will be assessed the following charges for the privilege of cargo handling and for maintenance of facilities at the Port. Also applicable on self-loading and self-unloading vessels.

Specifications	Fee
All General Cargo (including container contents)	\$0.35 (Per Ton)
Bulk Cargo	\$0.18 (Per Ton)
Minimum Charge Per Rail Car	\$25.00 (Each)
Minimum Charge Per Truck/Van/Container/Trailer	\$6.00 each

404b FRANCHISE FEES – STEVEDORES

(Effective: July 1, 2019)

Each stevedore company loading and/or unloading vessels at the Port of Pensacola in accordance with a franchise issued by the Port will be assessed the following charges for the privilege of conducting their operations and for maintenance of facilities at the Port. Also applicable on self-unloading and self-loading vessels.

Specifications	Fee
All General Cargo (Including Container Contents)	\$0.35 (Per Ton)
Bulk Cargo	\$0.18 (Per Ton)

408

HARBOR FEES

(Effective: February 1, 2020)

All vessels engaged in foreign, coastwise or intra-coastal trade, operating at the Port of Pensacola, shall be assessed a harbor fee based upon the registered length of the vessel, to defray the expense of the administration and maintenance of the port and harbor.

LASH and SEABEE barges are exempt only when the barge-carrying vessel (mother vessel) is assessed the harbor fee.

LENGTH OVERALL	LENGTH OVERALL	RATE PER VESSEL CALL
Over (in Feet)	Not Over (in Feet)	
0	199	\$ 185.00
200	399	\$ 430.00
400	499	\$ 675.00
500	599	\$ 795.00
600	799	\$ 915.00
800	And Over	\$1,015.00

SUPPLEMENT TO HARBOR FEE

All vessels engaged in foreign, coastwise or intra-coastal trade that handle or transfer cargo in midstream or when anchored or moored to mooring facilities, including barge fleet mooring facilities, shall be assessed, in addition to the above regular harbor fees, a supplemental harbor fee of \$0.25 Per Ton, or fraction, based on the weight of the cargo so handled or transferred.

This supplement to the harbor fee shall not be applicable when vessels are docked at regular cargo handling wharves. Vessels desiring to handle or transfer such cargo in midstream must first notify the Port of Pensacola.

410

LINE-HANDLING

(Effective: July 1, 2019)

The service of line handling for mooring, unmooring and shifting of vessels is performed by service providers authorized to conduct business at the Port of Pensacola. Any concern performing line handling services at the Port of Pensacola must be insured in accordance with the policy types and limits specified in [ITEM 241a](#). Firms currently authorized to perform line handling services at the Port of Pensacola are:

	Pate Stevedore Company (850-438-3648), Portside Marine & Towing (850-777-1285), and Offshore Inland Marine (850-912-6966).	
420	PASSENGER WHARFAGE RATES (Effective: July 1, 2019) (I)	
	<u>Specifications</u>	<u>Fee Per Passenger</u>
	Cruise Homeport Operations	\$15.00
	Cruise Port of Call Operations	\$10.00
	Persons aboard cargo, research or other commercial vessels booked as Passengers	\$15.00
	Ferry, day cruise, dinner cruise and other operations using Pensacola Ferry Terminal dock	\$ 5.00
426	RAILCAR SHUNTING (Effective: July 1, 2019)	
	Unless otherwise specified herein, only the Port of Pensacola may shunt (switch) railcars within the terminal facilities or on Port-owned or -operated tracks, land or facilities after initial railcar placement by the rail carrier and prior to pickup of railcars by the rail carrier for removal from the Port. Shippers, consignees and freight handlers may not shunt railcars within the terminal facilities or on Port-owned or -operated tracks, lands or facilities. The first repositioning of loaded railcars to or from the working platform will be provided by the Port at no charge, if requested in a timely manner during normal working hours (ITEM 237). Any shunting requested after the first repositioning, or outside of normal working hours, will be assessed the following rates, plus overtime (ITEM 430) if applicable:	
	<u>Specifications</u>	
		\$90.00 Per Loaded Railcar
		or
		\$450.000 Per Hour, or any fraction thereof
	When the Port is required to shunt railcars alongside vessels or within the Port by means of mechanical equipment, charges for same will be assessed against ocean vessels, their owners, agents, operators, firms or party requesting such service at the following rates, plus overtime if applicable:	
	<u>Specifications</u>	
		\$90.00 Per Loaded Railcar
		or
		\$450.000 Per Hour, or any fraction thereof
	The party ordering shunting services shall have the option of selecting either the per-car or the hourly rate, whichever is most economical, on an order-by-order basis, at the time each order is placed. In cases where no preference is expressed at the time the service order is placed, the per-railcar rate shall automatically apply. NORMAL WORKING HOURS (see ITEM 254): Shippers, consignees and freight handlers desiring a railcar(s) to be shunted within the Port facilities must notify the Port Director or his designee by telephone, fax or in person of the desired shunt. The Port will	

	perform the requested shunt as soon after its receipt of notification as is reasonably practicable in light of all material considerations. OUTSIDE OF NORMAL WORKING HOURS: Shippers, consignees and freight handlers desiring a railcar(s) to be shunted within the Port facilities must notify the Port Security by telephone, fax or in person of the desired shunt. The Port will perform the requested shunt as soon after its receipt of notification as is reasonably practicable in light of all material considerations. EXCEPTION: Lessees and Terminal Operators owning or leasing their own railcar mover(s), track mobile(s), yard engine(s) or other railcar moving devices deemed acceptable by the Port Director, may shunt (switch) railcars consigned to their terminals utilizing their owned or leased equipment and shall do so in accordance with any and all rules, regulations, restrictions, policies or procedures that may be imposed at any time at the full discretion of the Port Director including, but not necessarily limited to, restrictions on the speed, weight or numbers of railcars permitted to be shunted in a single move. Any violation of such rules established by the Port may result in the loss of railcar shunting privileges. Lessees and Terminal Operators conducting their own shunting in accordance with this exception assume and accept all liability and responsibility for any and all injury to persons or damage to property that may be caused as result of the actions of the Lessee or Terminal Operator or its employee(s) or agent(s), including any and all damage to tracks, switches, spurs, turnouts, and other infrastructure regardless of the condition of said infrastructure at the time the damage occurred as well as full responsibility for safely righting any and all derailments, including paying any and all costs for related emergency response that may be required. In any and all cases of injury to person(s) or damage to property, a complete, detailed incident report shall be filed with the Port of Pensacola Cargo Operations Superintendent no later than 0830 the next regular business day. Said report shall include, at a minimum, the date, time and location of the incident, detailed narrative describing the occurrence, a detailed listing of all resulting injuries and property damage, and the full names of all equipment operator(s), signal men, watchmen, and/or shunting crew members involved, and the name and full contact information for the Lessee or Terminal Operator on whose behalf shunting operations were be conducted. All incident reports will be maintained on file with the Port of Pensacola. All incidents will be tracked and, based on incident volumes, incident severities, or a combination thereof, the Port Cargo Operations Superintendent may, at any time, revoke any operator's authority to conduct railcar shunting operations at the Port of Pensacola. Lessees and Terminal Operators conducting their own shunting in accordance with this exception must maintain on file with the Port of Pensacola a Hold Harmless Agreement signed annually by the Lessee or Terminal Operator and all employees or agents authorized to conduct shunting on its behalf as well as a complete, up-to-date listing of all employees and agents authorized to conduct shunting activities on its behalf.
428	RAILCAR STORAGE (Effective: June 23, 2007) Working railcars arriving at the Port of Pensacola for either loading or discharge shall be afforded 5 calendar days free dwell time on port beginning immediately upon arrival in order to allow sufficient

	time for the railcar to be received, worked and removed from the port. After 5 calendar days, storage shall be assessed at a rate of <u>\$1.50 Per Railcar, Per Day</u> .																																																
429	RAIL TRACK USAGE & MAINTENANCE FEE (Effective: July 1, 2019) Lessees and Terminal Operators conducting their own railcar shunting in accordance with ITEM 426 shall pay to the Port a Rail Track Usage & Maintenance Fee of \$25.00 per railcar moved. Rail Track Usage & Maintenance Fees will be invoiced to Lessees and Terminal Operators at the beginning of each month for the prior month’s activity as tracked by the Port Operations Division.																																																
430	SCHEDULE OF MISCELLANEOUS LABOR RATES AND RENTAL CHARGES (Effective: July 1, 2019) The Port of Pensacola does not furnish equipment with labor or supplies, except in the event of a special emergency situation or to perform other-than-normal cargo operations. A specific request for the use of Port labor, equipment, or supplies must be submitted to and approved by the Port Director in advance. When such requests are approved by the Port Director, the following charges will be assessed: LABOR - Per Hour: <table><tr><td></td><td><u>Specifications</u></td><td><u>Fee</u></td></tr><tr><td></td><td>Supervisors</td><td>\$100.00</td></tr><tr><td></td><td>Mechanics & Equipment Operators</td><td>\$ 75.00</td></tr><tr><td></td><td>Laborers</td><td>\$ 50.00</td></tr><tr><td></td><td>Security Officers (With 30 Hours Advance Notice)</td><td>\$ 50.00</td></tr><tr><td></td><td>Security Officers (With Less Than 30 Hours Advance Notice)</td><td>\$ 75.00</td></tr></table> The rate for overtime, including Saturday and Sunday, will be 1 1/2 times the regular rate. The rate for overtime on Legal Holidays (as described in ITEM 237) will be 2 1/2 times the regular rate. Overtime will be subject to a minimum charge of 2 hours, except for Saturday, Sunday and Legal Holidays which will be subject to a minimum charge of 4 hours. After minimum has been met, billing minimum is in 1/2 hour increments. The 2-hour minimum charge will not apply to the hours between 0700 and 0800 and 1700 and 1800, weekdays. EQUIPMENT: <table><tr><td></td><td><u>Specifications</u></td><td><u>Per Day Fee</u></td><td><u>Per Week Fee</u></td></tr><tr><td></td><td>ITEM</td><td>(8 Hours)</td><td>(40 Hours)</td></tr><tr><td></td><td>Forklift (8,000 lb. Capacity)</td><td>\$225.00</td><td>\$1,100.00</td></tr><tr><td></td><td>Forklift (10,000 lb. Capacity)</td><td>\$300.00</td><td>\$1,350.00</td></tr><tr><td></td><td>Forklift Operator</td><td>\$600.00</td><td>\$2,700.00</td></tr><tr><td></td><td>Sweeper with Operator</td><td>\$750.00</td><td>\$3,300.00</td></tr><tr><td></td><td>Work Boat with Operator</td><td>\$1,200.00</td><td>\$5,400.00</td></tr></table> Sweeper/forklift with operator rental and boat with operator rental will be subject to a minimum charge of 2 hours, except for Saturday, Sunday and Legal Holidays, which will be subject to a minimum charge of 4 hours. The Port of Pensacola will not rent sweeper or boat without a Port operator. Forklift rentals commence at 0800 hours and end at 1700 hours, Monday through Friday. Forklifts will be rented with a				<u>Specifications</u>	<u>Fee</u>		Supervisors	\$100.00		Mechanics & Equipment Operators	\$ 75.00		Laborers	\$ 50.00		Security Officers (With 30 Hours Advance Notice)	\$ 50.00		Security Officers (With Less Than 30 Hours Advance Notice)	\$ 75.00		<u>Specifications</u>	<u>Per Day Fee</u>	<u>Per Week Fee</u>		ITEM	(8 Hours)	(40 Hours)		Forklift (8,000 lb. Capacity)	\$225.00	\$1,100.00		Forklift (10,000 lb. Capacity)	\$300.00	\$1,350.00		Forklift Operator	\$600.00	\$2,700.00		Sweeper with Operator	\$750.00	\$3,300.00		Work Boat with Operator	\$1,200.00	\$5,400.00
	<u>Specifications</u>	<u>Fee</u>																																															
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	Work Boat with Operator	\$1,200.00	\$5,400.00																																														

full tank of gas and returned with a full tank. Failure to fill the tank prior to returning will result in a charge of \$6.00 Per Gallon to fill the tank.

CHARGES FOR MISCELLANEOUS SERVICES/MATERIALS

Unless otherwise specifically provided to the contrary in other Rules, Sections, or Items of the Tariff, materials and/or services of a miscellaneous nature may be supplied and/or performed by the Port of Pensacola at its option and convenience on a basis of actual cost of labor, supervision, equipment, supplies and materials, plus 20%.

434

SECURITY FEE (GSMTC) (Effective: February 1, 2020)

A security surcharge, as described in this tariff item, shall be assessed against, and collected from, all vessels, barges and cargo interests utilizing services or facilities at the Port of Pensacola in accordance with notice filed with the Federal Maritime Commission by the Gulf Seaports Marine Terminal Conference.

The security surcharge is assessed to recover costs incurred for security assessments, security plans, equipment purchase, installation and maintenance, and staffing required to implement and maintain surveillance and access controls mandated by the Maritime Transportation Security Act of 2002 and U.S. Coast Guard regulation 33 CFR 105.

At the Port's sole discretion, charges may be assessed to cargo and/or vessels for additional Security costs associated with an increase in MARSEC Level mandated by the U.S. Department of Homeland Security.

The security surcharge will be assessed against vessels and barges as a percentage of total dockage charged, and as a tonnage fee against cargo, with the exception of containers, which will be assessed on a per unit basis. The security surcharge will be assessed in addition to all other fees which may be due under this tariff as follows:

Specifications

	FEE AGAINST	RATE	BASIS
	Vessels/Barges	10.11%	Of Dockage

Specifications

	FEE AGAINST Cargo	CARGO TYPE	RATE	BASIS
		Break Bulk	\$0.210	Per Short Ton
		Bulk (Dry/Liquid)	\$0.048	Per Short Ton
		Containers	\$4.47	Each
		Vehicles	\$1.00	Each
		Passengers	\$1.00	Each

436a

RESERVED

436b

**STORAGE CHARGES - FOR ALL COMMODITIES (INCLUDING N.O.S.)
(Effective: July 1, 2019)**

All commodities listed in [Section III](#) of this Tariff will be assessed storage in accordance with the following schedule of rates upon expiration of free time:

Specifications

	INSIDE:		
		First 15 – Day Period	\$0.30 Per Ton, Per Day
		Second 15 – Day Period	\$0.45 Per Ton, Per Day
		Thereafter	\$0.75 Per Ton, Per Day

Specifications

	OUTSIDE:		
		First 15 – Day Period	\$0.23 Per Ton, Per Day
		Second 15 – Day Period	\$0.38 Per Ton, Per Day
		Thereafter	\$0.68 Per Ton, Per Day

Specifications

	VEHICLES:	Including automobiles, buses, motorcycles, tractors, trucks, trailers, motorized vehicles, mobile homes, cranes, railroad cars (Wharfage ITEM 330) will be assessed storage in accordance with the following schedule of rates upon expiration of free time:	
		First 15 – Day Period	\$2.25 Per Vehicle, Per Day
		Thereafter	\$4.50 Per Vehicle, Per Day

440

WATER

(Effective: July 1, 2019)

Rates for fresh water delivered to vessels at berths, or other locations, shall be as follows:

<u>Specifications</u>	<u>Fees</u>
Per Ton (240 Gallons)	\$1.65
Hookup Fee/Meter Installation	\$30.00
Minimum water charge per vessel/tug/other	\$75.00

An additional fee of \$100.00 will be charged when water is requested during overtime hours.

ONLY PORT OF PENSACOLA PERSONNEL are permitted to make connections and install metering devices to fresh water pumping stations at the Port of Pensacola. The vessel's agent, captain, master or other authorized representative MUST contact Port Maintenance Department Supervisor at (850) 982-0071 a minimum of two (2) hours in advance on weekdays to schedule fresh water connections during regular working hours. Evening, weekend and holiday service must be scheduled no later than 3 p.m. local time the last regular business day proceeding the required service date.

Indicating the need to take on fresh water on berth applications is considered a courtesy notification only and DOES NOT constitute the scheduling of service.

Any vessel taking on water without proper advance scheduling or without having a metering devise properly affixed at the pumping location by Port Personnel will be charged three (3) times the above rate on the vessel's total tank capacity, plus three times the overtime rate, regardless of whether water was taken on during straight-time or overtime hours.

442	WATER HOSE RENTAL (Effective: July 1, 2019)	
	When the Port of Pensacola is requested to furnish a water hose, rental rates will be charged in accordance with the following schedule. All water hose made available by the vessel must be free of leaks or Port of Pensacola water hose must be used when available. The vessel's agent, captain, master, or other authorized representative MUST contact Port Maintenance Department Supervisor at (850) 982-0071 a minimum of two (2) hours in advance on weekdays to schedule water hose rental during regular working hours. Evening, weekend, and holiday service must be scheduled no later than 3 p.m. local time the last regular business day proceeding the required service date.	
	<u>Specifications</u>	<u>Fees</u>
	Per 50-Foot Section	\$10.00
	Minimum Charge	\$20.00

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Terminal Tariff 5-A

SECTION FIVE – CONTAINERS

500	CONTAINER: POINT-OF-REST (Effective: September 15, 2005)
	Except as otherwise provided in this Tariff, all container cargo will be received at and delivered to the terminal at a point-of-rest designated by the Port of Pensacola.
502	HANDLING OF CONTAINERS (Effective: September 15, 2005)
	General-license stevedores and/or freight handlers will exercise physical control and perform container-handling services over the entire time that a container is in the container-marshaling yard or on Port of Pensacola facilities.
504	INTERIM PARKING AREA (Effective: September 15, 2005)
	The term "interim parking area," as used in this Tariff shall refer to a designated parking area, when available, on the terminal where loaded or empty containers on wheels, bogeys, chassis or frames may be temporarily parked during hours or periods of time when the terminal is not open for the receipt or delivery of containers. The Port of Pensacola will not assume responsibility for loss or damage to containers or the contents thereof when placed in the interim parking area.
506	MARSHALING YARD (Effective: September 15, 2005)
	The term "marshaling yard," as used in this Tariff, shall refer to the designated area on the terminal where loaded or empty seagoing containers can be physically exchanged by the inland carrier (or its contractual agent) and the other carrier, through the controlled medium of the Port of Pensacola's marine terminal.
508	RECEIVING/DELIVERING CONTAINER (Effective: September 15, 2005)
	The term "receiving or delivering container," as used in this Tariff, shall refer to physical acceptance or delivery of a container, empty or loaded, at the Port of Pensacola from or to the inland carrier, so as to facilitate physical exchange of the container between the inland carrier and the water carrier from the point-of-rest. Under the term "receiving or delivering container," the Port of Pensacola will, by use of its own mechanical equipment, perform the necessary interim functions to effect the physical exchange of a container between the inland carrier and the water carrier berthing at the terminal.
510	RE-HANDLING CONTAINER (Effective: September 15, 2005)
	The term "re-handling container," as used in this Tariff, shall refer to the moving of a so-called "standard 20', 35' or 40' seagoing container" from or to the point-of-rest to or from a designated point on the terminal including movement to or from container freight station.
512	RELOCATION OF EMPTY CONTAINER (Effective: September 15, 2005)

	The term, "relocation of empty container," as used in this Tariff, shall refer to the removal of any empty container from a stack and placement on steamship-line-owned or leased chassis for movement to container freight station. This also applies to empty containers returned from the container freight station to the stack.
514	SEGREGATION OF CONTAINER (Effective: September 15, 2005)
	The term, "segregation of container," as used in this Tariff shall refer to the movement of a container from one location to another location in close proximity within the marshaling yard, without the use of a yard-jockey or tractor upon instructions from the vessel or its authorized agent.
516a	RECEIVING OF CONTAINER: FROM INLAND CARRIER (Effective: September 15, 2005)
	Upon instructions from the vessel and/or its authorized agent, a wheeled container will be appropriately moved into position in the container-marshaling yard by the inland motor carrier or rail carrier (or its contractual agent) or flatbed trailer by the Port of Pensacola with its own labor and mechanical equipment. In turn, the container will be grounded or stacked by the Port of Pensacola in the marshaling yard at a point-of-rest awaiting movement to the vessel. When so requested, the Port of Pensacola will inform the vessel and/or its authorized agent as to the exact location of the container. The vessel and/or its authorized agent will, in turn, remove the container from the point-of-rest in the marshaling yard and transport the container to the vessel.
516b	RECEIVING OF CONTAINER: HAVING DAMAGE OR VARIANCES WHICH IMPEDE NORMAL MOVEMENT (Effective: September 15, 2005)
	Seagoing containers having damage or variances which may impede normal movement with the Port of Pensacola's mechanical equipment will not be received or handled unless prior arrangements have been made with the Port Director.
518	DELIVERY OF CONTAINER TO INLAND CARRIER (Effective: September 15, 2005)
	The Port of Pensacola will receive a container without wheels from the vessel and/or its authorized agent at a point-of-rest in the container-marshaling yard for delivery to an inland motor carrier or rail carrier (or its contractual agent). The vessel and/or its authorized agent will ground or stack the container in the marshaling yard at a point-of-rest designated by the Port of Pensacola. When so requested by the vessel and/or its authorized agent, the Port of Pensacola, with its labor and mechanical equipment, will remove the container from its point-of-rest and place the container on wheels, bogeys, chassis, frames or flatbed trailer for delivery to the inland motor carrier or rail carrier (or its contractual agent).
520	TRANSFER OF CONTAINERS BETWEEN VEHICULAR CONVEYANCES (Effective: September 15, 2005)
	Upon instructions from the vessel and/or its authorized agent or shipper or consignee or their agents, the Port of Pensacola will perform transfer service between flatbed trailers and bogeys; between flatbed trailers and flatbed trailers; or, between bogeys and bogeys where the movement between vehicles does not require extensive movement by the container-handling equipment as determined by the Port of Pensacola.
522	CONTAINERS LOADED IN EXCESS OF RATED CAPACITY (Effective: September 15, 2005)

	The rates, rules, regulations and charges published in this Section are not applicable to standard seagoing containers loaded in excess of their rated capacity. The Port of Pensacola will not permit its mechanical equipment designated for movement or carriage of containers) to be used in any way to lift, move, or transport a container which is loaded in excess of the container's rated capacity. Should the Port of Pensacola transport a container which is loaded in excess of the rated capacity, the party or parties requesting such use shall be held liable for all losses, claims, demands and suits for damages, including death and personal injury, including court costs and attorneys' fees, incident to or resulting from such unauthorized use.	
524	CHARGES FOR CONTAINER SERVICES DURING OTHER THAN NORMAL WORKING HOURS (Effective: September 15, 2005)	
	Rates and charges for receiving, delivering and/or re-handling containers as set forth in this Tariff are applicable only during recognized working hours and days as set forth in ITEM 237 of this Tariff. Upon written authorization by vessels or their agents, containers will be received, delivered and/or re-handled by the Port of Pensacola at time other than recognized work hours or days, subject to the following charges or conditions: One charge for receiving, delivering and/or re-handling as set forth in this Tariff will be assessed for each service performed subject to a minimum of one container per hour plus the actual total overtime cost. All charges will be for the account of the vessel or its agent.	
528a	FREE TIME: IMPORT CONTAINERIZED TRAFFIC (Effective: September 15, 2005)	
	The free time allowed for removing import containers and container cargo, inclusive of Saturdays, Sundays and legal holidays, shall be as follows:	
	Specifications	
	Import Traffic	30 Days
	On house containers, free time shall not be more than 10 days (inclusive of Saturdays, Sundays and Legal Holidays).	
528b	FREE TIME: EXPORT CONTAINERIZED TRAFFIC (Effective: September 15, 2005)	
	The free time allowed for assembling export containers and container cargo, inclusive of Saturdays, Sundays, and legal holidays, shall be as follows:	
	Specifications	
	Export Traffic	30 Days
	1. LCL TRAFFIC: Upon the request of the export shipper or its agent to the Port of Pensacola, cargo stuffed into containers at the terminal facilities may be granted extended free time not to exceed 15 days (inclusive of Saturdays, Sundays, and Legal Holidays) after loading into container, in addition to the 15-day free time provided above. Cargo upon which such extended free time has been granted shall be designated on dock receipt upon arrival at the terminal facilities as "hold on dock for consolidation." Cargo not so designated and cargo not actually consolidated into containers on the piers will not be entitled to the granting of extended free time. 2. FCL TRAFFIC:	

On consolidated export container shipments, upon request of the export shipper or its agent to the Port of Pensacola, container consolidation time not to exceed 15 days (inclusive of Saturdays, Sundays, and Legal Holidays) may be granted to loaded containers in addition to the free time provided above. Containers upon which such consolidation time has been granted shall be designated on dock receipts as "hold on dock for consolidation." Containers not so designated and containers not actually consolidated on the piers will not be entitled to the granting of consolidation time. As used in this Section, "consolidated export container shipments" shall mean shipments of cargo commodities which move under a single bill-of-lading to overseas consignees in more than one TEU container.

3. Upon request of the export shipper or its agent to the Port of Pensacola, containers stuffed at the terminal facilities in accordance with Paragraph A) above, may be granted additional free time as provided for in Paragraph B, subject to availability of space on approval by the Port Director. In no instance will free time exceed 45 days (inclusive of Saturdays, Sundays, and Legal Holidays).
4. On consolidated export container shipments as defined and provided for in Paragraph A) above, upon written request by the export shipper or its agent and subject to the availability of space, containers delivered to an inland carrier by the Port of Pensacola for ultimate shipment by waterborne transportation may be granted an exemption from [ITEM 208e](#) of this Tariff, provided such charge is waived by the Port Director.
5. On house containers, free time shall not be more than 10 days (inclusive of Saturdays, Sundays and Legal Holidays).

532
**RATES AND CHARGES: CONTAINERIZED TRAFFIC
(Effective: July 1, 2019)**

The following charges apply on containers and/or chassis not exceeding 40' in length or loaded in excess of rated capacity. These charges are assessed against the vessel or its agent unless arrangements to do otherwise have been made with and approved by the Port Director.

Specifications

WHARFAGE	EMPTY CONTAINERS	20' or Less	\$4.50	Per Unit
		More than 20'	\$7.50	Per Unit

Specifications

WHARFAGE	LOADED CONTAINERS	Per Net Ton of Contents Only	\$2.00
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Specifications

HANDLING FEES	To be quoted by the handling Stevedore		

	Note 1: Receiving, delivering or handling underframes or chassis does not include any inspection for visible damage. The Port of Pensacola assumes no responsibility for condition of containers, contents therein, underframes, or road-serviceability of equipment. Note 2: For Handling and Stevedoring Franchise Fees applicable to container cargo, see ITEM 404a and ITEM 404b. Note 3: For Security Fee applicable to container cargo, see ITEM 434.				
534	CONTAINER STORAGE (Effective: July 1, 2019)				
	Storage charges on containers held in excess of free time shall be as follows:				
	<u>Specifications</u>				
	EMPTY				
	Container	Less Than 21' in Length	Per 15-day period or Fraction Thereafter	\$22.00	Per Container
		Over 21' in Length	Per 15-day period or Fraction Thereafter	\$35.00	Per Container
	LOADED				
	Container	Any Size	Per 15-day period or Fraction Thereafter	\$2.50	Per Container

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Terminal Tariff 5-A

SECTION SIX – FOREIGN TRADE ZONE NO. 249

600	ROLE OF THE PORT OF PENSACOLA (Effective: July 1, 2019)																			
	The Port of Pensacola is one of five designated sites within Foreign Trade Zone No. 249 (FTZ #249). Grantee authority for FTZ #249 is through the Pensacola-Escambia Development Commission (PEDC), which resides in the offices of the Escambia County Commission, Office of the County Administrator, 221 Palafox Place, Suite 420, Pensacola, FL 32502; telephone: (850) 595-4947. The role of the Port of Pensacola in the FTZ program is to market the benefits of Zone program participation to present and future port tenants, users and customers in an effort to attract new Zone users and program beneficiaries to Port facilities and other designated sites within the Zone.																			
602	SITE DESCRIPTIONS (Effective: September 15, 2005)																			
	All sites within Foreign Trade Zone #249 are designated as General Purpose Zone Sites unless otherwise specified.																			
	<table border="1"> <thead> <tr> <th>SITE #</th><th>LOCATION</th><th>DESCRIPTION</th></tr> </thead> <tbody> <tr> <td>1</td><td>PORT OF PENSACOLA</td><td>The entire 50-acre commercial port area owned by the City of Pensacola, excluding approximately 10 acres of dredge disposal site currently owned by the US Army Corps of Engineers.</td></tr> <tr> <td>2</td><td>PENSACOLA INTERNATIONAL AIRPORT</td><td>The entire 1,400-acre airport site.</td></tr> <tr> <td>3</td><td>PENSACOLA SHIPYARD</td><td>The entire 70-acre complex, configured for marine waterfront industrial use and zoned M-2 (Heavy Industrial) by the City of Pensacola.</td></tr> <tr> <td>4</td><td>SPRUCE STREET INDUSTRIAL WAREHOUSE</td><td>9.7 acres of the former Florida Drum Corp. manufacturing and warehouse facility, zoned ID-2 (Heavy Industrial) by Escambia County.</td></tr> <tr> <td>5</td><td>CENTURY INDUSTRIAL PARK</td><td>140-acre industrial park in northern Escambia County approximately 45 miles from the City of Pensacola, zoned industrial/mixed use by the City of Century.</td></tr> </tbody> </table>	SITE #	LOCATION	DESCRIPTION	1	PORT OF PENSACOLA	The entire 50-acre commercial port area owned by the City of Pensacola, excluding approximately 10 acres of dredge disposal site currently owned by the US Army Corps of Engineers.	2	PENSACOLA INTERNATIONAL AIRPORT	The entire 1,400-acre airport site.	3	PENSACOLA SHIPYARD	The entire 70-acre complex, configured for marine waterfront industrial use and zoned M-2 (Heavy Industrial) by the City of Pensacola.	4	SPRUCE STREET INDUSTRIAL WAREHOUSE	9.7 acres of the former Florida Drum Corp. manufacturing and warehouse facility, zoned ID-2 (Heavy Industrial) by Escambia County.	5	CENTURY INDUSTRIAL PARK	140-acre industrial park in northern Escambia County approximately 45 miles from the City of Pensacola, zoned industrial/mixed use by the City of Century.	
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5	CENTURY INDUSTRIAL PARK	140-acre industrial park in northern Escambia County approximately 45 miles from the City of Pensacola, zoned industrial/mixed use by the City of Century.																		
604	ZONE SCHEDULE INCORPORATED BY REFERENCE (Effective: September 15, 2005)																			
	The schedule of charges, rates, rules and regulations applicable at FTZ #249, as administered by the PEDC, is incorporated herein, in its entirety, by reference. As a designated site within FTZ #249, the Port of Pensacola and all FTZ program participants operating within or utilizing activated FTZ facilities at the Port of Pensacola are subject to all provisions of said schedule.																			
606	OPERATOR REQUIRED (Effective: September 15, 2005)																			

	The Port of Pensacola serves as a facilitator and provider of facilities only in the FTZ program and, therefore, does not serve as the Operator of its FTZ site. All users of activated FTZ areas at the Port of Pensacola are required to designate a qualified zone Operator to manage cargo flows, documentation, reporting requirements and to insure compliance with all rules, regulations, policies and procedures of the Port of Pensacola, FTZ #249, the US Foreign-Trade Zones Board, US Customs Service (or any successor thereto) and all other relevant local, state and federal regulatory agencies. Users may elect to become designated as their own Operator or may designate an existing Operator for this purpose, provided that, in either case, such designee is qualified under the rules and regulations of FTZ #249, the US Foreign-Trade Zones Board and the US Customs Service (or any successor thereto).
608	PAYMENT OF CHARGES (Effective: September 15, 2005) With the exception of any site annual fee as established by the PEDC as Grantee of FTZ #249, all fees, charges, rates and assessments levied by the PEDC, the US Foreign-Trade Zones Board, and/or the US Customs Service (or any successor thereto) related to FTZ program participation and operations shall be the responsibility of the User, either directly or through his designated Operator. In the case of fees, charges, rates and assessments billed to the account of the Port of Pensacola, the Port shall through-bill all amounts at actual cost to the appropriate User with such through bills to be subject to the standard payment terms of the Port of Pensacola as expressed in ITEM 246 of this Tariff.

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Terminal Tariff 5-A

APPENDIX A – STEVEDORE FRANCHISE LICENSE/FREIGHT HANDLING PERMIT

SECTION I	STEVEDORE LICENSE/FREIGHT HANDLING PERMIT GENERAL (Effective: January 15, 2015)
	No person, firm, corporation or other business entity shall operate as or carry on business of a stevedore or freight handler on Port facilities or on facilities otherwise controlled by the City of Pensacola, Florida unless and until such person, firm, corporation or other business entity shall first have obtained from the Port of Pensacola a license or permit issued authorizing such stevedore or freight handling activity. As used herein “stevedore” includes persons, firms, corporations, or other business entities and their subsidiaries, engaged in the activity of loading and/or unloading commercial cargo vessels and/or barges, providing the organization, labor, equipment and necessary expertise to load and unload said commercial cargo vessels and/or barges. General-license stevedores are automatically dually licensed as both a stevedore and freight handler. As used herein “freight handler” refers to and includes persons, firms, corporations, or other business entities and their subsidiaries, engaged in the physically loading or unloading of trucks or railcars, or engaged in any other cargo handling operations. Freight handlers may not load/unload commercial cargo vessels or barges. Terminal lessees are not required to obtain a Freight Handling Permit. They must however, if engaged in stevedore activities, obtain a Stevedore Franchise License. Each Stevedore License or Freight Handling Permit issued by the City of Pensacola shall be <u>non-exclusive</u> basis and no licensee or permittee has any right to serve as the sole provider of the licensed or permitted service or to any other type of exclusivity.
SECTION II	STEVEDORE LICENSE/FREIGHT HANDLING PERMIT APPLICATION POLICY (Effective: January 15, 2015)
	1. Application for license with accompanying fee shall be submitted to the Port Director. Licensing and permit fees are specified in Section V of this item. New applications may be submitted and new licenses or permits may be issued at any time during the calendar year. 2. Each applicant for a Stevedore License or Freight Handling Permit must furnish a bond or letter of credit in the penal sum of Ten Thousand Dollars (\$10,000.00) payable to the City of Pensacola which shall guarantee the licensee or permittee proper performance and compliance with the Port of Pensacola terminal tariff prior to the conduct of any business operations. In addition to the aforesaid bond or letter-of-credit, each licensee or permittee must file a Certificate of Insurance evidencing insurance coverage in the form and amounts as prescribed in the Port of Pensacola’s Terminal Tariff No. 5-A (or any revisions or reissues thereof or successors thereto): ITEM 241a, “Insurance;” ITEM 241c, “Stevedore and Freight Handling Insurance;” and Section VII of Appendix A.

	3. Cancellation of insurance or aforementioned bond or letter of credit shall be grounds for the immediate revocation of License or Permit.
SECTION III	STEVEDORE LICENSE/FREIGHT HANDLING PERMIT CONSIDERATION (Effective: September 15, 2015)
	The Port Director will review the completed application and may require the applicant to furnish any additional information deemed appropriate. The Port Director may require a personal interview with the applicant or the applicant's officers if deemed necessary. The Port Director will consider the applicant's trustworthiness; competency; financial responsibility; previous experience; whether or not the issuance of the Stevedore License or Freight Handling Permit is desirable for the productive operation of the Port of Pensacola, having specific regard for the commitment to promote commerce, generate economic activity and create employment opportunities; any new business for the Port of Pensacola which the applicant will attract; any specialized equipment or expertise for handling cargo owned by or available to the applicant; and, any other pertinent information.
SECTION IV	STEVEDORE LICENSE/FREIGHT HANDLING PERMIT ISSUANCE (Effective: January 15, 2015)
	<u>Stevedore License (original issue)</u> 1. If the applicant is qualified under the criteria established in Section II above, the Port Director may issue a Stevedore License. 2. Notice of the issuance of a Stevedore License by the Port Director will be filed immediately in the Office of the City Clerk where it will be available for public inspection. 3. The Port Director will send notice of the issuance to the applicant of the Stevedore License, which notice will inform the applicant of the right of any person aggrieved by the decision of the Port Director to appeal to the Mayor of the City of Pensacola and subsequently to the Pensacola City Council in accordance with the process outlined elsewhere herein. Notice of the issuance of the Stevedore License will be advertised in a general-circulation newspaper and by letter to those parties that, in the estimation of the Port Director may have cause to be aggrieved. The Stevedore License issued by the Port Director will become effective 14 days after issuance and is not subject to suspension or revocation except as specifically provided for in this Policy. 4. Any person aggrieved by the decision of the Port Director may appeal to the Mayor of the City of Pensacola by filing a written notice of appeal in the office of the City Clerk within 14 days after the date notice of issuance-decision was sent to the applicant. The notice of appeal shall set forth a short and plain statement alleging the reasons why the Port Director's decision was not in compliance with the provisions of this Policy. The City Clerk shall refer the appeal for a hearing and action by the Mayor. In the event of grievance filed, the effective date of license will be suspended until such date as the Mayor may make a ruling in the matter. 5. The Mayor will consider the properly filed appeal of any person aggrieved and will act to confirm or overturn the decision of the Port Director within 30 days of the filing of the notice of appeal.

6. Upon completion of the Mayoral appeal process outlined above, the aggrieved party may elect to further appeal to the Pensacola City Council by filing a written notice of final appeal in the Office of the City Clerk within 14 days after the date of issuance of the Mayor's appeal decision. The notice of final appeal shall set forth a short and plain statement alleging the reasons why Port Director's and Mayor's decisions were not in compliance with the provisions of this policy. The City Clerk shall refer the appeal for a hearing and action by City Council. In the event of grievance filed, the effective date of license will be suspended until such date as City Council may make a ruling in the matter.
7. City Council will consider the properly filed appeal of any person aggrieved and will act to confirm or overturn the decisions of the Port Director and Mayor at the next scheduled regular meeting of City Council following receipt of the notice of final appeal.

Freight Handling Permit (original issue)

1. If the applicant is qualified under the criteria established in [Sections II](#) and [III](#), the Port Director may issue a Freight Handling Permit.
2. Notice of the issuance of a Freight Handling Permit by the Port Director shall be filed immediately in the Office of the City Clerk where it shall be available for public inspection.
3. The process for appealing Freight Handling Permit application decisions is the same as outlined in items 4 through 7 above.

The acceptance of a Stevedore License or Freight Handling Permit shall signify the consent of the licensee or permittee to be governed by the rules and regulations published in the Port of Pensacola Terminal Tariff filed electronically on the Port of Pensacola's website (www.portofpensacola.com) in accordance with the provisions of the Ocean Shipping Reform Act of 1998.

Each firm licensed under the Stevedore License or Freight Handling Permit in accordance with the provisions with this Policy is required, as a condition of the License or Permit, to establish a local telephone number for the purpose of communicating with representatives of the Port of Pensacola and/or prospective business clients.

**SECTION
V**

**STEVEDORE LICENSE/FREIGHT HANDLING PERMIT
FEES
(Effective: July 1, 2019)**

A separate License or Permit is required for each category of business.

Stevedore License Fee

Initial Processing Fee or Reinstatement Fee (When License is Revoked)	\$5,000.00
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Annual Renewal Fee	\$1,000.00
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Freight Handling Permit Fee

Initial Processing Fee or Reinstatement Fee (When License is Revoked)	\$2,500.00
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	Annual Renewal Fee	\$ 750.00
SECTION VI	STEVEDORE LICENSE AND FREIGHT HANDLING PERMIT RENEWAL APPLICATION POLICY (Effective: January 15, 2015)	
	1. All applications for renewal shall be submitted to the Port Director at least 45 days prior to the expiration date of the License or Permit and shall be accompanied by the Annual Renewal Fee as applicable under Section V in this item. Upon receipt of the application for renewal, the Port Director shall review the licensee or permittee past performance; financial condition; tonnage contracted or sub-contracted; and, such other matters as the Port Director deems appropriate. The Port Director may issue a renewal that the applicant meets existing criteria. If the Port Director fails to grant a renewal public hearing before the Pensacola City Council may be held to appeal the renewal denied, if requested by the applicant. 2. The City Manager may revoke any Stevedore License or Freight Handling Permit after due notice if he finds misconduct, neglect of duty or other cause or complaint sufficient, in his opinion, to justify such revocation. In each instance, the licensee or permittee shall be granted a public hearing before Pensacola City Council, if so desired. 3. No Stevedore License or Freight Handling Permit shall be transferred or assigned or otherwise used by any person other than the named Licensee or Permittee without written approval by the City Manager in advance. All applications for transfer or assignment shall be submitted to the City Manager. Prospective transferee shall provide to the City Manager an application and other information as he may request. Any person, firm, corporation or other business entity acquiring a Stevedore License or Freight Handling Permit shall demonstrate proof of being trustworthy, ready, willing and able to perform stevedore or freight handling services and shall comply with the applicable provisions of this Policy. All license and permit holders shall report any change in names and addresses of individuals and/or firms in writing to the Port Director. Any change in ownership involving more than 20% ownership in a Stevedore License or Freight Handling Permit shall be reported to the Port Director within 30 days.	
SECTION VII	STEVEDORE LICENSE AND FREIGHT HANDLING INSURANCE (Effective: January 15, 2015) (C)	
	Upon Application of Stevedore License and Freight Handling Permit under Port of Pensacola's Terminal Tariff No. 5-A ITEM 241a "Insurance" and ITEM 241c "Stevedore and Freight Handler Insurance," the applicant shall furnish a bond or letter-of-credit in the penal sum of Ten Thousand Dollars (\$10,000.00) payable to the City of Pensacola which shall guarantee the applicant's proper performance and compliance with the Port of Pensacola terminal tariff prior to the conduct of any business operations. In addition to the aforesaid bond or letter-of-credit, each applicant shall file a Certificate of Insurance evidencing insurance coverage in the form and amounts as delineated below. Applicable to both Stevedore Licenses and Handling Permits except as noted:	
	TYPE OF COVERAGE	LIMITS
	Workman's Compensation	Statutory
	Longshore and Harbor Workers	Statutory*

	Stevedore Legal Liability (With City of Pensacola Listed as an <u>Additional Insured</u>)	\$ 500,000.00
	Employer's Liability	\$ 500,000.00
	Automobile	\$1,000,000.00**
	Commercial General Liability (With City of Pensacola Listed as an <u>Additional Insured</u>)	\$1,000,000.00
	Performance Bond/Letter of Credit	\$ 10,000.00
	Umbrella Coverage	To make up the difference between the policy limits of underlying policies and the total amount of coverage required.
NOTES	* Not Required for Freight Handling Permit	
	** Combined Single Limit Bodily Injury and Property Damage	
	Such policy or policies shall contain a clause stating that the Insurer will not cancel or change such insurance without first giving the City of Pensacola/Port of Pensacola thirty (30) days prior written notice of intent to so cancel or change. A copy of such policy or policies of insurance, or certificates of insurance so furnished shall certify that the policy or policies comply with the requirements thereof. Under the General Liability section, policy must show Port of Pensacola/City of Pensacola as additional insured. The Stevedore Franchisee/Freight Handler shall also indemnify and hold harmless the City of Pensacola/Port of Pensacola, its subsidiaries or affiliates, elected and appointed officials, employees, volunteers, representatives, and agents from any and claims, suits, actions, damages, liability and expenses in connection with loss of life, bodily or personal injury , property damage, including loss of use of property, or demurrage, and reasonable attorney's fees directly or indirectly caused by, resulting from, arising out of, or occurring in connection with their presence on the Port or their operations whether arising solely out of the negligence of Stevedore Franchisee/freight Handler or not. This obligation shall not be limited by, or in any way, to any insurance coverage or by any provision in exclusion or omission from any policy of insurance. The Stevedore Franchisee/Freight Handler also agrees to pay on behalf of the City of Pensacola/Port of Pensacola, as well as provide a legal defense for the City of Pensacola/Port of Pensacola, both of which will be done only if and when requested by the City of Pensacola/Port of Pensacola, for all claims as described in the above paragraph. Such payment on the behalf of the City of Pensacola/Port of Pensacola shall be in addition to any and all other legal remedies available to the City of Pensacola/Port of Pensacola and shall not be considered to be the City of Pensacola/Port of Pensacola's exclusive remedy. Cancellation of insurance or aforementioned bond or letter-of-credit shall be grounds for immediate revocation of Stevedore License or Freight Handling Permit.	

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APPLICATION – STEVEDORE FRANCHISE LICENSE/FREIGHT HANDLING PERMIT
(Effective: July 1, 2019)

1.	APPLICANT:			
2.	LOCAL MAILING ADDRESS:			
3.	MAILING ADDRESS OF CORPORATE HEADQUARTERS:			
4.	FORM OF BUSINESS ENTITY: (Check One)	☐ Corporation ☐ Partnership ☐ Proprietorship		
5.	STATE OF INCORPORATION:		DATE OF INCORPORATION:	
6.	FLORIDA RESIDENT AGENT And ADDRESS:			
7.	TYPE OF LICENSE APPLIED FOR: (Check One)	☐ Stevedore Franchise ☐ Freight Handling Permit		
8.	Has applicant ever been refused a Stevedore Franchise, Freight Handling Permit, or Bond?	☐ Yes ☐ No		
9.	List previous business history, including dates and locations: (Use Additional Sheets if Necessary)			
	<u>Date</u>	<u>Previous Business History</u>	<u>Locations</u>	
10.	List names and addresses of all officers, directors, and stockholders of the corporation. If said firm is sole proprietorship or partnership, list principles and their addresses and percentage of ownership: (Use Additional Sheets if Necessary)			
	<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>% of Ownership</u>
11.	Has officer, director, stockholder, or partner of Applicant ever been convicted of a felony or entered a plea of nolo contendere? If so, explain:			☐ Yes ☐ No
12.	List advantages you believe your company can bring to the Port of Pensacola:			

13.	In support of this Application, please provide the following documents:																																															
	1. Ownership or availability of equipment essential to the performance of proffered service, and; 1. Insurance Certificates with City of Pensacola as additional insured (non-cancelable without 30 days notice): <table border="1"> <thead> <tr> <th></th> <th>TYPE</th> <th>MINIMUM</th> </tr> </thead> <tbody> <tr> <td>☐</td> <td>Worker's Compensation Insurance</td> <td>Statutory</td> </tr> <tr> <td>☐</td> <td>Longshoreman & Harbor Works Act (Not Required for Freight Handling Permit)</td> <td>Statutory</td> </tr> <tr> <td>☐</td> <td>Employer's Liability Insurance (Including Jones Act)</td> <td>\$ 500,000</td> </tr> <tr> <td>☐</td> <td>Stevedore's Legal Liability</td> <td>\$ 500,000</td> </tr> <tr> <td>☐</td> <td>Commercial General Liability (Combined Single Limit Bodily Injury & Property Damage)</td> <td>\$1,000,000</td> </tr> <tr> <td>☐</td> <td>Umbrella (To make up the difference between the policy limits of underlying policies and the total amount of coverage required)</td> <td></td> </tr> <tr> <td></td> <td>2. Performance Bond or Letter of Credit</td> <td>\$ 10,000</td> </tr> <tr> <td></td> <td colspan="2">3. Enclose check for applicable license:</td> </tr> <tr> <td></td> <td>TYPE</td> <td>AMOUNT</td> </tr> <tr> <td>☐</td> <td>Stevedore Franchise License Initial Application or Reinstatement</td> <td>\$5,000.00</td> </tr> <tr> <td>☐</td> <td>Stevedore Franchise License Renewal</td> <td>\$1,000.00</td> </tr> <tr> <td>☐</td> <td>Freight Handling Permit Initial Application or Reinstatement</td> <td>\$2,500.00</td> </tr> <tr> <td>☐</td> <td>Freight Handling Permit Renewal</td> <td>\$ 750.00</td> </tr> <tr> <td></td> <td colspan="2">4. Financial Statements – Last two (2) years; Audited Preferred</td> </tr> </tbody> </table>				TYPE	MINIMUM	☐	Worker's Compensation Insurance	Statutory	☐	Longshoreman & Harbor Works Act (Not Required for Freight Handling Permit)	Statutory	☐	Employer's Liability Insurance (Including Jones Act)	\$ 500,000	☐	Stevedore's Legal Liability	\$ 500,000	☐	Commercial General Liability (Combined Single Limit Bodily Injury & Property Damage)	\$1,000,000	☐	Umbrella (To make up the difference between the policy limits of underlying policies and the total amount of coverage required)			2. Performance Bond or Letter of Credit	\$ 10,000		3. Enclose check for applicable license:			TYPE	AMOUNT	☐	Stevedore Franchise License Initial Application or Reinstatement	\$5,000.00	☐	Stevedore Franchise License Renewal	\$1,000.00	☐	Freight Handling Permit Initial Application or Reinstatement	\$2,500.00	☐	Freight Handling Permit Renewal	\$ 750.00		4. Financial Statements – Last two (2) years; Audited Preferred	
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14.	Please write a narrative explaining as to why the Applicant is qualified to hold a Stevedore Franchise or Freight Handling Permit with the Port of Pensacola (Attach as a Separate Piece of Paper).																																															
15.	If Applicant is owned by a holding company, list names and addresses of all officers stockholders and directors of the holding company and percentage of ownership.																																															
	Position	Name	Address																																													
16.	Does Applicant have any affiliated or subsidiary companies? If so, please list:		☐ Yes ☐ No																																													
	Company Name:	Address:																																														

17.	Provide any other information which Applicant thinks might be of value to the Port Director regarding this application (Use Separate Piece of Paper if Necessary).
18.	Rules and Regulations Governing Stevedore/Freight Handling Operations at Port of Pensacola. 1. The Stevedore Franchisee/Freight Handler shall exercise care in the performance of its operations in order to prevent injury or death to any person or damage or loss of property. 2. The Stevedore Franchisee/Freight Handler shall take all necessary safety and fire precautions and comply with recognized commercial and marine safety practices, procedures and regulations. 3. The Stevedore Franchisee/Freight Handler shall conduct its business with all necessary labor and equipment and ensure efficient and expeditious handling practices or vessel loading and discharging operations, including the appointment of at least one qualified supervisor to be present at all times while vessels are loading or unloading. In addition to the qualified supervisor, at least one responsible officer or official representative (with authority to make all operating decisions concerning the stevedoring of vessels at the PORT OF PENSACOLA shall be available for contact by the Port at all times. 4. The Stevedore Franchisee/Freight Handler shall cooperate fully with the Port in all respects by: a) Advising in advance concerning the type of vessel to be loaded or unloaded; the estimated quantity of cargo to be loaded or unloaded; any special problems known in advance; b) Determining the equipment needed for the operation, and; c) Coordinating the sequence and timing of handling or loading/unloading operations for the convenience and efficiency of the PORT OF PENSACOLA; 5. The Stevedore Franchisee/Freight Handler shall promptly restore terminal working areas to a safe and orderly condition upon completion of handling or stevedoring operations. 6. The Stevedore Franchisee/Freight Handler shall comply with all rules and regulations contained in the PORT OF PENSACOLA Terminal Tariff No. 5-A and any revisions or re-issues thereof. 7. The Stevedore Franchisee/Freight Handler shall observe and operate in accordance with all laws, ordinances, rules and regulations applicable in any area within the jurisdictional limits of the CITY OF PENSACOLA. Additionally, the Stevedore Franchisee/Freight Handler shall conduct, observe, operate and comply with rules and regulations promulgated by the Port Director with respect to activities on Port property including, but not limited to: a) Parking or driving; b) Operation of heavy equipment and protection of property, and; c) Servicing or repairing equipment;

8.	The Stevedore Franchisee/Freight Handler shall furnish Certificates of Insurance evidencing continuous coverage as delineated in ITEM 241a , ITEM 241c , and Section VII of Appendix A of this Tariff.
9.	In the event the PORT OF PENSACOLA furnishes equipment for the exclusive use of the Stevedore Franchisee/Freight Handler (subject to conditions, availability and charges), such equipment shall be under the direction and control of the Stevedore Franchisee/Freight Handler and the Stevedore Franchisee/Freight Handler is responsible for the operation thereof and assumes all risk for injuries or damages which may arise or grow out of the use or operation of such equipment except to the extent that such injuries or damages arise directly out of proven negligence by the PORT OF PENSACOLA. It is incumbent upon the Stevedore Franchisee/Freight Handler to make a thorough inspection and satisfy itself as to the physical condition and capacity of the equipment, as well as the competency of the operator, if any; there being no representation or warranty by the PORT OF PENSACOLA with respect to such matters.
10.	It is agreed that all such equipment will be properly used by the Stevedore Franchisee/Freight Handler and not subject to abuse or more-than-normal wear and tear. If there is any such abuse or more-than-normal wear and tear, the Stevedore Franchisee/Freight Handler shall pay for the damage to such equipment.
11.	Upon conclusion of the period of use, all such equipment shall be returned to the PORT OF PENSACOLA in the same condition as when received, normal wear and tear expected.
12.	It shall be incumbent upon the Stevedore Franchisee/Freight Handler to make a reasonable inspection of all accesses permitted to and from a work area and the work areas themselves to satisfy itself that these are safe places for the access and the work to be performed. There is no representation or warranty by the PORT OF PENSACOLA with respect to such matters.
13.	It is understood and agreed that Stevedore Franchisee/Freight Handler will defend, indemnify and hold harmless the City of Pensacola/Port of Pensacola for any and all demurrage and/or detention charges, including costs or attorney's fees, arising out of its freight-handling operations at the Port.

STATEMENT OF UNDERSTANDING

I attest that all information provided in this application is true and accurate to the best of my knowledge. Furthermore, I attest that I have read, understood and agree to be bound by all applicable sections of the Port of Pensacola Tariff No. 5-A and all its revisions and amendments, with particular attention to those items dealing directly with Stevedoring/Freight Handling operations. Agreed to this _____ day of _____, 20____. BY: _____ (Authorized Representative – Notarized Signature Required) _____ (Name of Firm) Receipt Acknowledged: _____ (Port Director or Authorized Representative) _____ (Date)	
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City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00047

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

SPRING STREET PIPE REHABILITATION

RECOMMENDATION:

That City Council award a contract to Vortex Companies of Houston for stormwater system rehabilitation utilizing Houston Galveston Area Co-Operative (HGAC) Contract#TPO7-18 in the amount of \$231,284.25 plus a 10% contingency of \$23,128.43 for a total amount of \$254,412.68. Further, that City Council authorize the Mayor to execute the contract and take all actions necessary to complete the project.

HEARING REQUIRED: No Hearing Required

SUMMARY:

This project consists of rehabilitating an existing 36" stormwater pipe and associated underground structures (manholes) located on Spring Street between Wright and Chase Streets. The existing stormwater pipe and manholes are several decades old and in significant disrepair in numerous locations. As a result, the roadway above the pipe and structures has fallen in several times and has become a maintenance and safety issue to traffic. To minimize disruption to the roadway and to expedite the needed repairs, an in-place pipe lining system will be utilized to avoid excavating the roadway to remove and to replace the existing infrastructure in question. This process will ensure the pipe and structure's longevity for several more decades and will significantly reduce potential public safety issues with the roadway and access to the Downtown Library. The City of Pensacola purchases products and equipment through the Houston Galveston Area Co-Operative (HGAC). It is a co-operative which procures competitive pricing from multiple vendors for a large variety of industry services. Vortex Companies offers a Quadex Lining System (QLS), which is a propriety system consisting of a geopolymer infused pipe lining product. Leon County and other Florida municipalities have used the same company under the HGAC contract for similar projects with good results.

PRIOR ACTION:

None

FUNDING:

Budget: \$ 296,000.00

Actual: \$ 231,284.25 Construction Contract
23,128.43 10% Contingency
3,469.12 Engineering Design (Completed)
30,000.00 Engineering Management/Inspection (Estimate)
5,000.00 Construction Testing/Misc. (Estimate)
\$ 292,881.80 TOTAL

FINANCIAL IMPACT:

This project's total approved budget is \$296,000.00 and is funded within the Stormwater Capital Projects Fund. To date, \$3,469.12 has been expended for completed items related to Engineering design and coordination. The remaining budget balance of \$292,530.88 is sufficient to cover the remaining items that have yet to be completed/expended.

CITY ATTORNEY REVIEW: Choose an item.

1/7/2021

STAFF CONTACT:

Keith Wilkins, City Administrator
Kerrith Fiddler, Deputy City Administrator - Community Development
L. Derrik Owens, Director of Public Works and Facilities/City Engineer

ATTACHMENTS:

- 1) Proposal - Spring Street Culvert Rehabilitation
- 2) Brochure - Vortex HGAC Buy

PRESENTATION: No



To:	THE CITY OF PENSACOLA	Contact:	Roger Williams
Address:	2757 North Palafox Street Pensacola, FL	Phone:	(850) 436-5530
		Email:	RWilliams@cityofpensacola.com>
Project Name:	FL - Pensacola - Spring Street Culvert Rehab (R6) Structure+60'	Bid Number:	HGAC: R6 -TP07-18; 201444
Project Location:	N Springs, Pensacola	Bid Date:	9/22/2020

Item #	Item Description	Estimated Quantity	Unit	Unit Price	Total Price
1-Base Bid					
001 - P35	Travel And Mobilization - Florida	1.00	EACH	\$15,000.00	\$15,000.00
002- A36	36" Clean And TV Storm Sewer	60.00	LF	\$41.40	\$2,484.00
003 - B1	36" STORM PIPE - QLS REHABILITATION - 1." Thickness	60.00	LF	\$405.00	\$24,300.00
004 - A53	21" - 36" Post TV Inspection After Rehabilitation (*Providing Video Using GoPro)	60.00	LF	\$9.00	\$540.00
005 - G26	Manhole - Structure Rehabilitation - 1-inch Geopolymer Liner (S-7 Conflict MH; 6' Dia. MH - 9.5' Deep) (*Does Not Include Vacuum Testing)	179.00	SF	\$100.00	\$17,900.00
006 - B35	INFILTRATION CONTROL- CHEMICAL GROUT - *will Bill As Needed To Stop Heavy Infiltration	0.00	GAL	\$437.93	\$0.00
Total Price for above 1-Base Bid Items:					\$60,224.00
2-Alternate					
007 - O11	Barricades, Signs, And Traffic Diversion (per Setup, For The Duration Of The Project)	1.00	EACH	\$6,500.00	\$6,500.00
008 - O12	Traffic Control Plan (per Setup) *will Bill As Needed	0.00	EACH	\$450.00	\$0.00
009 - O13	Flagmen (2 Men For 10 Hrs/DY) *will Bill As Needed, Incase If Needed To Maintain Traffic Going In And Out Of Site Surrounding Businesses/Parking Lots	0.00	EADY	\$1,100.00	\$0.00
Total Price for above 2-Alternate Items:					\$6,500.00

Notes:

- Entire length and condition of host pipes is unknown. We were not provided with full length inspection video. Therefore, our liner thickness is based on preliminary analysis and assumptions. We reserve the right to revise our thickness and unit price depending on actual field conditions and or ovality. For bidding purposes, ovality was assumed at 0%.

NOTE: Prevailing wage rates have not been provided to QLS and therefore not included in this bid proposal.

Scope of work performed by QLS:

- Provide pre-work submittal
- Manufacturer Calculation for Fully Deteriorated Pipe Conditions
- Field Material testing (compressive only)
- Mobilize equipment and personnel necessary to complete rehabilitation
- Surface Preparation of pipe to receive geopolymer lining
- Spray application of specified structural GeoKrete liner
- Proposal does NOT include following:
 - Cold weather provisions - required when operating in temperatures 40 degrees F or below (no estimated field execution date provided). If site temperatures drop below 40 degrees we will require tents, heaters etc. If required they will be billed at \$5,000 per week for each week onsite.
 - Prevailing Wage Rates
 - Furnishing bid, performance, or payment bonds
 - Invert Repair
 - Bypass Pumping / damming / Flow Control
 - Base bid does not include Traffic control (QLS requires a 20' x 50' (or 10' x 100') working area at primary manhole and a 10' x 10' working area at the secondary manhole during all Pre-Cleaning & lining operations.)
 - **NOTE:** For this project our Primary set up will be in the intersection of Spring St and Chase. Our secondary setup will require diversion of traffic around the Storm manhole located in the intersection of Spring & Gregory. Maintenance of traffic at these locations will include the required Traffic barrels and signage as well as flaggers for the duration of the project. This proposal assumes equipment can be left on location overnight. QLS estimates that the duration of this traffic control setup will be approximately 2 days for Pre-Cleaning and 25 days for lining operations
 - Please refer Alternate-1 for Traffic control unit pricing. Please note, Item 007 - O11 does not include any allowance related to maintenance of any active traffic to and from site surrounding businesses/parking lots. If needed to be charged based on unit pricing established at Item 009 - O13
 - Heavy infiltration control (see note below) or invert repair
 - Point repairs or pipe jacking
 - Dust/Erosion Control
 - Pressure grouting
 - Well point/dewatering to lower water table
 - Material disposal or obstruction removal
 - Site clearing or excavation
 - Site Restoration
 - Permits, Fees (local, state or Federal)
- **General Notes & Conditions:**
 - Non-weather related delays (may include, but NOT limited to: Owner requested changes; Road closures due to community, city or private events; Utility conflicts or relocations not within our scope, any work stoppages outside the control of QLS) will result in additional fees of \$10,000/day.
 - Stop work due to insufficient bypass/water control will result in additional fees of \$10,000/day
 - Customer/Contractor to provide access for equipment within 50ft of pipe. Site access to be determined by physical inspection
 - Customer/Contractor to provide potable water supply (i.e. hydrant & meter in place) at no cost to QLS project team.
 - Pricing based on one (1) shift (10-12 hours/day; 6 days/week) and does not include working holidays and/or Sundays. If site hours are restricted to less than 10 hours a day, we reserve the right to adjust our unit rates accordingly.
 - Quantities and Infrastructure specific details relative to design inputs and installed material thickness are subject to change following field verification.
 - Heavy infiltration means infiltration that meets the definition of a runner or gusher, as defined by NASSCO's Pipeline Assessment Certification Program. Runner - water running into the sewer through a faulty joint or pipe wall. A continuous flow will be visible. Gusher - water entering the pipe under pressure through a defect or faulty joint.
 - QLS advises a minimum 30 day cure time of liner prior to any overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - QLS is not responsible for any damage to the Quadex liner from overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - When installing Geokrete on top of newly poured concrete, we recommend allowing at least 28 days of curing time before installing our Geokrete product to ensure the substrate has cured sufficiently.
 - Bid Proposal is good for 60 Days
 - QLS advises a minimum 30 day cure time of liner prior to any overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - Based on the video's provided by the owner/engineer our proposal includes cost associated with dewatering of water flow up to 1.5. Any efforts to manage/handle/bypass beyond these limits will be charged separately on as needed basis.
 - Based on the video's provided by the owner/engineer our proposal includes cost associated with cleaning storm pipe segments with silt not more than 1.5. Any efforts to clean/remove silt beyond these limits will be charged at \$235.00/Hr. Downtime for CCTV Crew associated with this heavy cleaning will be charged at \$215.00/Hr.

Payment Terms:

- Invoices must be paid 30 days from receipt. Unpaid invoices may be charged with a 6% interest fee.
- If this project is tax exempt, please include certificate with notification of award.

- Our Bid Proposal is valid for 60 days from the bid date.
- This is a unit priced contract and the actual billing will be based on installed quantities. If the installed quantities vary greater than 10% of the bid quantities, QLS reserves the right to adjust our unit price accordingly.
- Our proposal includes mobilization fee. If the Owner choose to allocate/release this project work along with "FL - Pensacola - Joe Pattis Parking Lot Culvert Rehab) IPRIME+; Estimate NO: 203953", then QLS will charge just 1-moblization fee (Higher of the two) for both the projects

ACCEPTED:

The above prices, specifications and conditions are satisfactory and are hereby accepted.

Buyer: _____

Signature: _____

Date of Acceptance: _____

CONFIRMED:

QLS

Authorized Signature: _____

Estimator: Bhaumi Chaurasia
(740) 707-1991 bchaurasia@vortexcompanies.com



To:	THE CITY OF PENSACOLA	Contact:	Brad Hinote
Address:	2757 North Palafox Street Pensacola, FL	Phone:	(850) 436-5530
		Email:	bradhinote@cityofpensacola.com
Project Name:	FL - Pensacola - Rehab - QLS (Wright To Gregory) - P7	Bid Number:	HGAC: R6 -TP07-18; 205451 - P7
Project Location:	Cypress Street, Pensacola	Bid Date:	12/28/2020

Item #	Item Description	Estimated Quantity	Unit	Unit Price	Total Price
002- A36	36" Clean And TV Storm Sewer	405.00	LF	\$28.00	\$11,340.00
003 - B1	36" STORM PIPE - QLS REHABILITATION - 1."	405.00	LF	\$310.00	\$125,550.00
	Thickness				
004 - A53	21" - 36" Post TV Inspection After Rehabilitation (*Providing Video Using GoPro)	405.00	LF	\$0.00	\$0.00
005 - G26	Manhole - Structure Rehabilitation - 1-inch Geopolymer Liner (US MH - 45" X 32" X 6' 3" Deep & DS MH 73" X 48" X 10)	322.27	SF	\$55.00	\$17,724.85
006 - G27	Manhole - Structure Rehabilitation - 1/2-inch Geopolymer Liner	322.27	SF	\$20.00	\$6,445.40
007 - B35	INFILTRATION CONTROL- CHEMICAL GROUT - *will Bill As Needed To Stop Heavy Infiltration	0.00	GAL	\$100.00	\$0.00
008 - O11	Barricades, Signs, And Traffic Diversion (per Setup, For The Duration Of The Project)	1.00	EACH	\$3,500.00	\$3,500.00
009 - O12	Traffic Control Plan (per Setup) *will Bill As Needed	0.00	EACH	\$2,500.00	\$0.00
010 - O13	Flagmen (per Flagger, Per Hour) *will Bill As Needed	0.00	HR	\$40.00	\$0.00

Total Bid Price: \$164,560.25

Notes:

- Entire condition of host structure is unknown. We were not provided with inspection video/reports. Therefore, our liner thickness is based on preliminary analysis and assumptions. We reserve the right to revise our thickness and unit price depending on actual field conditions. For bidding purposes, ovality was assumed at 0% for pipe structures.

NOTE: Prevailing wage rates have not been provided to QLS and therefore not included in this bid proposal.

Scope of work performed by QLS:

- Provide pre-work submittal
- Field Material testing (compressive only)
- Mobilize equipment and personnel necessary to complete rehabilitation
- Surface Preparation of pipe to receive geopolymer lining
- Pressure grouting (To Be Billed as Needed)

Proposal does NOT include by QLS:

- Cold weather provisions - required when operating in temperatures 40 degrees F or below (no estimated field execution date provided). If site temperatures drop below 40 degrees, we will require tents, heaters etc. If required, they will be billed at \$5,000 per week for each week onsite.
 - Prevailing Wage Rates
 - Furnishing bid, performance, or payment bonds
 - Invert Repair
 - Bypass Pumping / damming / Flow Control
 - QLS requires a 20' x 50' (or 10' x 100') working area at primary manhole and a 10' x 10' working area at the secondary manhole during all Pre-Cleaning & lining operations.)
 - Please refer Traffic control unit pricing. Please note, Item 008 does not include any allowance related to maintenance of any active traffic to and from site surrounding businesses/parking lots. If needed to be charged based on unit pricing established at Item 008 - 010
 - Design
 - Heavy infiltration control (see note below) or invert repair
 - Point repairs or pipe jacking
 - Dust/Erosion Control
 - Well point/dewatering to lower water table
 - Material disposal or obstruction removal
 - Site clearing or excavation
 - Site Restoration
 - Permits, Fees (local, state or Federal)
- **General Notes & Conditions:**
 - Non-weather related delays (may include, but NOT limited to: Owner requested changes; Road closures due to community, city or private events; Utility conflicts or relocations not within our scope, any work stoppages outside the control of QLS) will result in additional fees of \$10,000/day.
 - Stop work due to insufficient bypass/water control will result in additional fees of \$10,000/day
 - Customer/Contractor to provide access for equipment within 50ft of pipe. Site access to be determined by physical inspection
 - Customer/Contractor to provide potable water supply (i.e. hydrant & meter in place) at no cost to QLS project team.
 - Pricing based on one (1) shift (10-12 hours/day; 6 days/week) and does not include working holidays and/or Sundays. If site hours are restricted to less than 10 hours a day, we reserve the right to adjust our unit rates accordingly.
 - Quantities and Infrastructure specific details relative to design inputs and installed material thickness are subject to change following field verification.
 - Heavy infiltration means infiltration that meets the definition of a runner or gusher, as defined by NASSCO's Pipeline Assessment Certification Program. Runner - water running into the sewer through a faulty joint or pipe wall. A continuous flow will be visible. Gusher - water entering the pipe under pressure through a defect or faulty joint.
 - QLS advises a minimum 30 day cure time of liner prior to any overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - QLS is not responsible for any damage to the Quadex liner from overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - When installing Geokrete on top of newly poured concrete, we recommend allowing at least 28 days of curing time before installing our Geokrete product to ensure the substrate has cured sufficiently.
 - Bid Proposal is good for 60 Days
 - QLS advises a minimum 30 day cure time of liner prior to any overhead or lateral construction (i.e. excessive vibrations, pile driving, etc.)
 - Our proposal includes standard dewatering for 2" of flow or less. Any additional dewatering / bypass / or flow control beyond these efforts or greater than 200 GPM will be charged separately on as needed basis.

Payment Terms:

- Invoices must be paid 30 days from receipt. Unpaid invoices may be charged with a 6% interest fee.
 - If this project is tax exempt, please include certificate with notification of award.
- Our Bid Proposal is valid for 60 days from the bid date.
 - This is a unit priced contract and the actual billing will be based on installed quantities. If the installed quantities vary greater than 10% of the bid quantities, QLS reserves the right to adjust our unit price accordingly.
 - Our mobilization unit price includes timing this project up with another local project in order to create a full weeks schedule. If the Owner / Contractor is not flexible in with the install schedule and needs us to mobilize sooner, Vortex reserves the right to add our mobilization unit rate accordingly.

ACCEPTED:

The above prices, specifications and conditions are satisfactory and are hereby accepted.

Buyer: _____

Signature: _____

Date of Acceptance: _____

CONFIRMED:**QLS**

Authorized Signature: _____

Estimator: Bhaumi Chaurasia
(740) 707-1991 bchaurasia@vortexcompanies.com



WHAT IS HGACBuy?

WE ELIMINATE THE BID PROCESS

HGACBuy is a “Government-to-Government” procurement service available nationwide. Governmental entities have been procuring products and services through **HGACBuy** for over 30 years. All contracts available to members of **HGACBuy** have been awarded by virtue of a public competitive procurement process compliant with state statutes.

HGACBuy’s role is to conduct product research and surveys, write technical specifications, conduct pre-bid conferences, open bids, and evaluate responses. After contracts are awarded by the **HGACBuy** committee, **HGACBuy** certifies contract validity, and administers contracts.

All units of local government, including non-profits providing governmental services, are eligible to join **HGACBuy**.

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WHEN YOU CAN
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Contract #: TP07-18



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WHY BID... WHEN YOU CAN HGACBuy!



YOU CAN HGACBuy!

HELPING GOVERNMENTS ACROSS THE COUNTRY BUY

HGACBuy strives to make the governmental procurement process more efficient by establishing competitively priced contracts for goods and services. Most states have inter-local cooperation authority or other joint power provisions that allow participation in cooperative activities.

You qualify if you are one of the following:

- Municipality, City, County and/or State Agency
- Council of Government
- School, School District, College, and University
- Hospital or Hospital District
- Emergency Medical Service or Services District
- Prevention District
- Emergency Communication District
- Utility District (MUD, WCID, Irrigation)
- Government Authority (Airport, Port, River, Water, Toll Road)

WRITE PO'S, AVOID THE SOLICITATION OF COMPETITIVE BIDS

HGACBuy provides pre-approved products and services. All contracts have been awarded by virtue of a public competitive procurement process compliant with state statutes. **HGACBuy** receives competitive bids for a wide range of products and services from over 750 contractors.

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It's simple, and once you are a member of the program, the steps to purchasing competitively bid products and services, takes no time at all:

- 1) Execute the **HGACBuy** Inter-Local Contract (ILC).
- 2) Obtain information on the specific Vortex product or services required from the **HGACBuy** website. Then, contact a Vortex representative to finalize the price quotation.
- 3) Prepare and submit your Purchase Order directly to Vortex. Then fax or mail a copy of the P.O. and quote to **HGACBuy**.
- 4) On all contracts, once a copy of the purchase order is received, **HGACBuy** staff sends an Order Confirmation to you and Vortex — authorizing to process the order.
- 5) Vortex completes the specified work.
- 6) Payment for services to Vortex is expected within thirty (30) days, or what has been negotiated.

Make sure to use our HGAC number!

Contract #: **TP07-18**

For more information:

Tel: 1-800-926-0234

Fax: 713-993-4548

www.HGACBuy.org



WHO IS VORTEX?

A PREMIER TRENCHLESS SOLUTIONS CONTRACTOR

The Vortex Companies is the nation's fastest growing turnkey trenchless solutions provider.

HGACBuy FEATURES VORTEX'S TOOL BOX OF TRENCHLESS SOLUTIONS

TURNKEY BYPASS & DEWATERING

- > Design
- > Build
- > Operate

PIPE, CULVERT & TUNNEL RENEWAL

- > CIPP
- > Geopolymer Lining
- > Epoxy Brush Casting

PIPE BURSTING & SLIP LINING

- > Sewer Bursting
- > Water Bursting
- > Replacement or Insertion

ADVANCED REPAIR MATERIALS

- > Hybrid Cements
- > Geopolymer Mortar
- > 100% Solids Epoxies
- > Application Equipment

ROBOTS & PIPE CRAWLERS

- > Advanced Robots
- > Pipe Inspection Crawlers
- > Cutting Heads and Accessories

PIPE & DRAIN TOOLS

- > Mechanical Cleaning
- > Cutting and Reinstatement
- > Small Diameter Lining Tools



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00079

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council Member Delarian Wiggins

SUBJECT:

APPROVING THE EAST GARDEN DISTRICT STREETScape PROJECT SCHEDULE

RECOMMENDATION:

That the City Council approve the attached project schedule for the East Garden District Streetscape project.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On October 19, 2020 and November 12, 2020, the Community Redevelopment Agency and City Council, respectively, approved a Master Redevelopment Agreement with the East Garden District redevelopment project developers to construct streetscape improvements along Jefferson Street from Garden Street to Chase Street.

Per Section 2.6.A of the master redevelopment agreement, "Prior to or upon the completion of the Preconstruction Period, the Developer shall prepare and present to the City and the Agency for review and approval an overall Project Schedule detailing the Construction Period and the Completion Date, and the Developer shall commence construction of the Project in accordance with such schedule and the provisions of this Agreement."

A copy of the proposed project schedule and master redevelopment agreement is attached.

Implementation of this project furthers the goals and objectives set forth in the Urban Core Redevelopment Plan, which expressly contemplates and encourages redevelopment and enhancement of public rights-of-way and pedestrian walkways and provides private sector participation in remediating and preventing blighted conditions. The project also supports key waterfront connectivity, in conjunction with enhancing the remaining Jefferson Street segments of the "Hashtag" Waterfront Connector (Continuous Waterfront Trail System) project.

PRIOR ACTION:

July 15, 2019 - CRA approved Resolution No. 2019-04 CRA authorizing an interlocal agreement

between the City of Pensacola and the CRA pertaining to the Urban Core Redevelopment Refunding and Improvement Revenue Bond, Series 2019.

July 15, 2019 - CRA approved Supplemental Budget Resolution No. 2019-05 CRA appropriating funding in connection with the Urban Core Redevelopment Refunding and Improvement Revenue Bond, Series 2019.

August 5, 2019 - The CRA approved the scheduling of a workshop to discuss the use of the Urban Core Redevelopment Refunding and Improvements Revenue Bond, Series 2019.

February 3, 2020 - The CRA held a workshop to review recommended projects for funding through the Urban Core Redevelopment Refunding and Improvements Revenue Bond, Series 2019.

February 10, 2020 - The CRA approved the “Hashtag” Waterfront Connector improvements, Bruce Beach improvements, Community Maritime Park Day Marina, and Jefferson Road Diet/sidewalk repair and improvements (aka “East Garden District”) projects for funding through the Urban Core Redevelopment Refunding and Improvement Revenue Bonds, Series 2019.

October 19, 2020 - The CRA approved Resolution No. 2020-05 CRA approving and authorizing the Master Redevelopment Agreement to construct streetscape improvements along Jefferson Street from Garden Street to Chase Street.

November 12, 2020 - City Council approved Resolution No. 2020-55, approving and authorizing the Master Redevelopment Agreement to construct streetscape improvements along Jefferson Street from Garden Street to Chase Street.

January 19, 2021 - Approved by the Community Redevelopment Agency Board

FUNDING:

N/A

FINANCIAL IMPACT:

None

STAFF CONTACT:

Don Kraher, Council Executive
M. Helen Gibson, AICP, CRA Administrator
Victoria D'Angelo, Asst. CRA Administrator

ATTACHMENTS:

- 1) Project Schedule
- 2) Master Redevelopment Agreement

PRESENTATION: No

Williams Brown Inc. General Contractors
801 West Romana Street Pensacola, Florida 32502
Phone: (850) 477-7774 Fax: (850) 477-7713

Project Schedule: East Garden District Road Diet

Date: December 17, 2020

Scope Of Work	Duration/Days	Start	Finish
Phase 1A	21	4/5/2021	4/25/2021
Phase 1B	60	4/19/2021	6/25/2021
Phase 1C	21	4/26/2021	5/16/2021
Phase 1D	21	4/12/2021	5/2/2021
Phase 2A	30	5/3/2021	6/1/2021
Phase 2B	60	6/28/2021	9/2/2021
Phase 3	30	9/6/2021	10/5/2021

Substantial Completion Date: October 5, 2021 (184 calendar days) *

Final Completion Date: October 19, 2021 (198 calendar days) *

*** Note > Project construction phases overlap. Therefore the sum of the days listed by phase exceeds the total number of project calendar days.**

**MASTER REDEVELOPMENT AGREEMENT
(EAST GARDEN DISTRICT STREETScape PROJECT)**

By and Between

**THE CITY OF PENSACOLA, FLORIDA,
THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PENSACOLA**

and

**41 N. JEFFERSON STREET, LLC, 2 NORTH PALAFOX, LLC AND
90 E. GARDEN STREET, LLC**

Dated as of ^{DECEMBER}~~November~~ 17, 2020

**MASTER REDEVELOPMENT AGREEMENT
(EAST GARDEN DISTRICT STREETSCAPE PROJECT)**

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**MASTER REDEVELOPMENT AGREEMENT
(EAST GARDEN DISTRICT STREETScape PROJECT)**

THIS MASTER REDEVELOPMENT AGREEMENT (EAST GARDEN DISTRICT STREETScape PROJECT) ("Agreement") is made and entered into this 17th day of ~~November~~ ^{December}, 2020 by and between the CITY OF PENSACOLA, FLORIDA, a municipal corporation (the "City"), the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PENSACOLA, a public body corporate and politic of the State of Florida created pursuant to Part III, Chapter 163, Florida Statutes, (the "Agency"), and 41 N. JEFFERSON STREET, LLC, 2 NORTH PALAFOX, LLC AND 90 E. GARDEN STREET, LLC (collectively, the "Developers").

WITNESSETH:

WHEREAS, pursuant to Resolution No. 54-80 adopted by the City Council on September 25, 1980, and as confirmed and ratified pursuant to Resolution 65-81 adopted by the City Council on September 22, 1981, the City Council found and determined that an area designated therein as the "Pensacola Inner City" is a blighted area as therein described, that a combination of rehabilitation, conservation and redevelopment of the Pensacola Inner City is necessary, that there exists a need for a community redevelopment agency to function in the City to carry out community redevelopment purposes pursuant to Part III, Chapter 163, Florida Statutes (the "Act"), and that the Pensacola Inner City is appropriate for community redevelopment projects and is thereby designated a community redevelopment area; and

WHEREAS, pursuant to Resolution No. 55-80 adopted by the City Council on September 25, 1980, and as readopted and reaffirmed pursuant to Resolution 65-81 adopted by the City Council on September 22, 1981, the City Council declared itself to be the "Community Redevelopment Agency" in the City and vested all rights, powers, duties, privileges and immunities vested in a community redevelopment agency pursuant to Part III, Chapter 163, Florida Statutes, in the City Council; and

WHEREAS, pursuant to Resolution 65-81 adopted by the City Council on September 22, 1981, the City Council designated the boundaries and found and determined that an area designated therein as the "Urban Core Community Redevelopment Area" (the "Redevelopment Area") is a blighted area as therein described and that the rehabilitation, conservation and redevelopment is necessary and in the public interest; and

WHEREAS, pursuant to Ordinance No. 13-84 enacted by the City Council on March 8, 1984, the Urban Core Community Redevelopment Trust Fund was established into which the tax increment paid by each taxing authority each year is deposited in accordance with section 163.387, Florida Statutes, for the purpose of financing community redevelopment in the Redevelopment Area (the "Tax Increment"); and

WHEREAS, on January 14, 2010, the City Council adopted Resolution No. 02-10 approving an "Urban Core Community Redevelopment Plan 2010" for the Redevelopment Area (as may be further amended from time to time, the "Redevelopment Plan"); and

WHEREAS, on July 18, 2019, the City Council adopted Resolution No. 2019-31 which authorized issuance of the City's Urban Core Redevelopment Refunding and Improvement Revenue Bond, Series 2019 (the "Series 2019 Bond") to refinance certain debt obligations then outstanding and to finance new redevelopment projects in the Redevelopment Area, in furtherance of the Redevelopment Plan, and provided that the Series 2019 Bond would be payable from and secured by Tax Increment Revenues paid by the Agency to the City pursuant to interlocal agreement; and

WHEREAS, the Series 2019 Bond was issued on July 25, 2019; and

WHEREAS, the Developer owns certain parcels of real property located in the East Garden District as further described in Appendix A attached hereto (the "Developer Parcels") which parcels are within the boundaries of Redevelopment Area; and

WHEREAS, the Developer is undertaking redevelopment of the Developer Parcels with various uses which may include a hotel, parking facilities, restaurant, retail and other multiuse facilities (collectively, the "Developer Facilities"), all of which are generally contemplated by and are objectives of the Redevelopment Plan; and

WHEREAS, the Developer desires to redevelop and improve the Jefferson Street right of way north of Garden Street and south of Chase Street, which is a City right of way (the "Affected Right of Way"), in conjunction with development and redevelopment of the Developer Parcels which are adjacent or in close proximity to the Affected Right of Way; and

WHEREAS, the Developer has proposed to the City and the Agency that it will undertake all of the design, site work, construction and landscaping to modify the Affected Right of Way and adjoining areas with streetscape improvements so that it is more walkable and pedestrian friendly and to include certain aesthetic enhancements (collectively, the "Project") as further described in the Conceptual Project Plan attached hereto as Appendix B; and

WHEREAS, the total estimated cost of the Project is \$2,203,837 a breakdown of which is included in the Project Cost Estimate attached hereto as Appendix C; and

WHEREAS, the Developer has represented to the City and the Agency that it is willing to pay a substantial portion of the costs of the Project but will require financial assistance from the City and the Agency to undertake and complete the Project as herein set forth; and

WHEREAS, the financial assistance to be provided by the City and Agency includes a grant in the amount of \$1,375,000 (the "Redevelopment Incentive"); and

WHEREAS, the amount of the Redevelopment Incentive is reasonably estimated to be equal to or less than the Tax Increment generated by the Developer Parcels once improved with the Developer Facilities over the duration of the Redevelopment Plan; and

WHEREAS, the financial assistance to be provided by the City and the Agency as an inducement for installation and construction of the Project will result in creation of a vibrant, attractive and pedestrian friendly destination for residents and visitors of the Redevelopment Area; and

WHEREAS, the Developer has proposed that it will install and construct the Project in conjunction with redevelopment of the Developer Parcels; and

WHEREAS, the City has determined that the Project is consistent with the City's comprehensive plan; and

WHEREAS, the Developer Facilities are reasonably expected to generate substantial ad valorem and sales tax revenues through the term of the Redevelopment Plan and beyond; and

WHEREAS, the Project is expected to act as a catalyst for additional high quality redevelopment in the Redevelopment Area, thus significantly benefiting the City's economy and its citizens and significantly advancing the community redevelopment objectives set forth in the Act and the Redevelopment Plan; and

WHEREAS, the construction phase of the Developer Facilities and the Project is expected to create local jobs stemming from construction related activities, and upon completion, the Project is expected to create local jobs related to operation of the residential and commercial uses; and

WHEREAS, construction and operation of the Developer Facilities and Project is further expected to stimulate economic development in the City and to materially benefit the City, the taxing authorities which contribute Tax Increment and their respective residents for many reasons, including but not limited to the increased direct and indirect funds that will be received from ad valorem tax revenue, sales tax revenue, utility revenue, and other revenues; and

WHEREAS, the City and Agency therefore have an interest in the diverse economic benefits which would be created through construction of the Project and redevelopment of the Developer Parcels; and

WHEREAS, the City and Agency desire to facilitate the successful construction of the Project in order to realize the public and community redevelopment benefits identified herein; and

WHEREAS, provision of the Project is a valid and important public purpose in light of the need to redevelop the land within the Redevelopment Area, and the City and the Agency

are authorized by the Act to expend Tax Increment proceeds in furtherance of the community redevelopment objectives of remedying blight and preserving and enhancing the tax base; and

WHEREAS, the City and Agency hereby determine that the economic incentives and contributions contemplated herein are an advantageous means of inducing construction of the Project and which will serve a valid and paramount public purpose in that: (1) construction of the Project will directly promote redevelopment in the Redevelopment Area, as well as the overall economy of the City; (2) the Project will further the development of residential and commercial activities in the Redevelopment Area, thereby achieving essential objectives of the Redevelopment Plan and providing a more balanced and stable area economy and increased opportunities for gainful employment; (3) construction of the Project will stimulate and promote redevelopment in the Redevelopment Area as a whole; and (4) all economic incentives will be used for the public purposes described herein; and

WHEREAS, the parties now desire to enter into this Agreement in order to provide for installation and construction of the Project in furtherance of meeting the redevelopment goals and objectives set forth in the Redevelopment Plan; and

WHEREAS, the City has determined that it is necessary and in the best interests of the health, safety and welfare of the City and its inhabitants that the City make a grant to the Developer in the form of the Redevelopment Incentive to facilitate installation and construction of the Project, and that the Project shall constitute and serve the purposes of "community redevelopment" within the meaning and in accordance with the Act; and

WHEREAS, the parties acknowledge that redevelopment activities in the Redevelopment Area must be coordinated to insure their compliance and consistency with the Act and the Redevelopment Plan, and the parties mutually agree to cooperate to achieve such coordination, and

WHEREAS, this Agreement has been prepared and reviewed by the City, the Agency and the Developer, and all are desirous of entering into this Agreement to effectuate redevelopment of the Project Site upon the terms and conditions as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 **Definitions.** Capitalized terms used herein shall have the meanings set forth in the Recitals above and as follows:

"Act" means Part III, Chapter 163, Florida Statutes known and referred to as the Community Redevelopment Act of 1969, as amended from time to time, and other applicable provisions of law.

"Agency" means the Community Redevelopment Agency of the City of Pensacola, Florida, created pursuant to Resolution No. 55-80 adopted by the City Council on September 25, 1980, as confirmed and ratified by Resolution No. 65-81 adopted by the City Council on September 22, 1981.

"Agreement" means this Master Redevelopment Agreement, including all Appendices and all amendments, modifications, addenda, supplements and revisions to this Agreement or to any of the Appendices.

"Approval Delay" means any delay in achieving a construction or development milestone which is caused by the failure of any applicable governmental authority to timely issue a Building Permit which is required for the construction of the Project.

"Building Permit" means the permit, certificate, license or other approval by the City or other applicable governmental authority required to be obtained, issued, granted, or received as the final such permit, certificate, license or approval prior to commencement of construction, or equipping of any existing structure located on the Project Site.

"City" means the City of Pensacola, Florida, a Florida municipal corporation and its successors or assigns.

"Commencement Date" means the date when the Developer begins the installation and construction of the Project.

"Completion Date" means the date when construction of the Project is completed as provided in Section 2.6 hereof.

"Conceptual Project Plan" means the site plan and narrative description of the conceptual plan for redevelopment of the Project Site prepared by the Developer and included herein as Appendix B.

"Construction Period" means the period of time beginning on the Commencement Date and ending on the Completion Date.

"Contract Documents" means the Design Documents and the general contractor

agreement executed by and between Developer (or any one of them) and a general contractor for the completion of the Project.

"Design Documents" means the Preliminary Design Documents and the Final Design Documents for the Project.

"Developer" means, collectively, 41 N. Jefferson Street, LLC, 2 North Palafox, LLC and 90 E. Garden Street, LLC, and their successors and assigns.

"Developer Facilities" means the various facilities and uses constructed by the Developer on the Developer Parcels which may include a hotel, parking facilities, restaurant, retail and other multiuse facilities.

"Developer Parcels" means the tax parcels owned by the Developer as described in Appendix A.

"Effective Date" means November_____, 2020, the effective date of this Agreement.

"Event of Termination" has the meaning ascribed to it in Article 7.

"Final Design Documents" means the final narrative and graphic description and depiction of the Project, including the final site plan, site elevation, design concept, any recommended streetscape improvements on or adjacent to the Project Site as prepared by or for the Developer.

"Force Majeure" means failure as a result of acts of God, (including fire, flood, earthquake, storm, hurricane or other natural disaster), epidemics, pandemics and related closures, war, invasion, act of foreign enemies, hostilities, civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, or terrorist activities or any other cause which is out of the control of the affected party.

"Warranty Bond" means a warranty bond provided by the Developer prior to receiving final payment for the Project, as further described in Section 2.6.F hereof.

"Preconstruction Period" means the period of time commencing upon the Effective Date of this Agreement and ending upon the sooner to occur of the following: (i) January 4, 2021 (unless extended by consent and agreement of the parties, which consent and agreement by the parties shall not be unreasonably withheld, conditioned or delayed, or by Force Majeure or Approval Delay), and (ii) the Commencement Date.

"Preliminary Design Documents" means a preliminary narrative and graphic description and depiction of the Project, including the preliminary site plan, site elevation, design concept, any recommended streetscape improvements on or adjacent to the Project, a depiction of the pedestrian and streetscape improvements prepared by or for Developer.

"Project" means installation and construction of (i) improvements to the Affected Right of Way and (ii) the Walkway Improvements.

"Project Cost Estimate" means the estimate of all Project Costs included herein as Appendix C.

"Project Costs" means all costs, both direct and indirect, incurred by the Developer in designing, permitting, installing and constructing the Project.

"Project Schedule" means the schedule and sequence of events prepared by the Developer for review and approval by the City and the Agency for the commencement, progression, and completion of the design, construction, rehabilitation, equipping and furnishing of the Project, including revisions, amendments and changes thereto made from time to time as provided herein.

"Project Site" means the site of the Affected Right of Way and Walkway Improvements.

"Termination Date" means the date on which this Agreement is terminated and is no longer of any force and effect as provided herein in Article 6.

"Walkway Improvements" means pedestrian and walkway improvements adjacent to or in proximity to the Affected Right of Way, which may include but are not limited to curbs, sidewalks, lighting, signage, benches, bollards, street art or sculptures, waste receptacles, fountains, street access points and utility relocations, if any, together with associated landscaping improvements, as further described in the Conceptual Project Plan.

Section 1.2 Use of Words and Phrases. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural as well as the singular number and the word "person" shall include corporations and associations, including public bodies, as well as natural persons. "Herein," "hereby," "hereunder," "hereof," "hereinafter," "hereinafter" and other equivalent words refer to this Agreement and not solely to the particular portion thereof in which any such word is used.

Section 1.3 Florida Statutes. All references herein to "Florida Statutes" are to Florida Statutes (2019), as amended from time to time, unless specifically indicated otherwise.

ARTICLE 2

PURPOSE: FINDINGS: INTENT

Section 2.1 Purpose. The purpose of this Agreement is to outline the details of the transaction, and the commitments and responsibilities of each of the parties from conceptual planning through final Project completion, and to provide acceptable releases to each of the parties should the Project fail to proceed, or be terminated pursuant to the provisions of this Agreement, at any point in time.

Section 2.2 Findings.

A. The City and the Agency do hereby find that the Project will advance the community redevelopment goals and objectives set forth in the Redevelopment Plan which expressly contemplates and encourages redevelopment and enhancement of public rights of way and pedestrian walkways in the Redevelopment Area and provides for private sector participation in remediating the blighted conditions therein.

B. The City and the Agency do hereby find that the Developer has represented to City and the Agency that the Developer needs financial assistance from the City and the Agency in order for the Project to proceed.

C. The City and the Agency do hereby find that there is, in fact, a need for financial assistance by the City and the Agency for the Project to proceed.

D. The City and the Agency do hereby find that the City has an interest in the diverse economic benefits resulting from the construction and operation of the Developer Facilities and that the Project is consistent with and furthers the objectives of the Redevelopment Plan and is in the best interest of the citizens of the City.

E. The parties hereto recognize and acknowledge and do mutually find that but for the financial assistance provided for herein, the Developer would not undertake construction of the Project and redevelopment of the Project Site, and such assistance is a critical and important inducement without which such construction and redevelopment would not be undertaken.

Section 2.3 Intent. It is the intent of the parties hereto to efficiently, effectively and economically cause the successful construction of the Project in order to improve the Affected Right of Way, specifically, and the conditions in the Redevelopment Area, in general, as well as implement the Redevelopment Plan and otherwise further the purposes of the Act. It is further the intent of the parties that the Developer shall permit, design, engineer, construct, equip, and otherwise complete the Project by a Completion Date to be mutually agreed upon by the parties. The parties mutually recognize and acknowledge that the Developer will require the City's and the Agency's financial assistance, the extent of which is set forth in Section 2.4.

Section 2.4 Project Funding & Cost Overruns.

A. The cost of the Project is estimated to be \$2,203,837 as further described in the Project Cost Estimate. The Developer shall be responsible for funding and financing installation and construction of the Project, subject to the City contribution described below.

B. Section 163.387 of the Act authorizes "area reinvestment agreements" between a community redevelopment agency and private parties pursuant to which the increment computed for a specific area is reinvested in services or public or private projects, or both, including debt service, supporting one or more projects consistent with the community

redevelopment plan that is identified in the agreement to be constructed within that area. It is the express intent of the parties hereto that this Agreement shall constitute and be construed as an area reinvestment agreement within the meaning of the Act.

C. The City hereby agrees to pay the Redevelopment Incentive to the Developer in accordance with the terms set forth herein, to induce the Developer to install and construct the Project.

D. The City shall contribute the Redevelopment Incentive in a total amount not to exceed \$1,375,000, in accordance with the following terms:

1. \$125,000 upon the Developer's receipt of all necessary permits for the Project.
2. \$312,500 upon completion of 30% of the Project as certified by the Developer's general contractor for the Project.
3. \$312,500 upon completion of 60% of the Project as certified by the Developer's general contractor for the Project.
4. \$312,500 upon completion of 90% of the Project as certified by the Developer's general contractor for the Project.
5. \$312,500 upon completion of 100% of the Project as certified by the Developer's general contractor for the Project and the Developer's delivery to the City of the Warranty Bond described in Section 2.6.F hereof.

E. The foregoing payments shall be made by the City to 90 E. Garden Street, LLC within seven (7) business days of the milestones set forth above.

F. The City intends to finance such contribution with proceeds of the Series 2019 Bond.

G. Except for the contribution of the City described above, all other Project Costs associated with the design, installation and construction of the Project shall be the responsibility of the Developer.

H. Cost overruns, if any, which result from changes to the Project deemed necessary by the Agency for consistency with the Redevelopment Plan or Conceptual Project Plan shall be the responsibility of the Developer. Cost overruns, if any, which result from changes to the Project which are necessary to comply with the City's land development code provisions or requirements of other applicable regulatory boards or agencies shall be the responsibility of the Developer. Cost overruns, if any, resulting from discretionary requests of the City or Agency pertaining to the Affected Right of Way or Walkway Improvements shall be the responsibility of the City and/or Agency.

Section 2.5 Ownership and Operation of Improvements Comprising Project.

The City is and shall continue to be the owner of the Affected Right of Way and Project Site, and shall be solely responsible for the expenses associated with ownership, operation and maintenance of the improvements comprising the Project including the Affected Right of Way and the Walkway Improvements installed and constructed by the Developer hereunder; provided, however, that (i) the City and Agency shall assume no ownership or maintenance responsibility for Walkway Improvements or any other improvements installed or constructed by the Developer located or situated on the Developer Parcels or any other privately owned property, and (ii) the Developer is responsible for providing the Warranty Bond in accordance with Section 2.6.F hereof.

Section 2.6 Project Schedule & Completion Date.

A. Prior to or upon the completion of the Preconstruction Period, the Developer shall prepare and present to the City and the Agency for review and approval an overall Project Schedule detailing the Construction Period and the Completion Date, and the Developer shall commence construction of the Project in accordance with such schedule and the provisions of this Agreement.

B. The planning, design, development, construction, equipping, and completion of the Project by the Developer shall be undertaken, diligently continued and completed in substantial accordance with this Agreement and by the dates set forth in the Project Schedule subject to revision as provided below.

1. Due to changes in circumstances, expectations, or assumptions of the parties not now known to or by the parties, the Project Schedule may be revised by the Developer and/or the City from time to time, by prior written notice of such revision between the parties which revision shall be effective upon approval of such written notice by the other party. Such approval shall not be unreasonably withheld and if not approved or rejected within twenty (20) calendar days of receipt, then such revision shall be deemed approved.

2. Subject to Force Majeure and Approval Delay, in the event of a change in Completion Date of the Project, for whatever reason, the City or Developer may terminate this Agreement; provided, however, that if the City determines that the Developer is reasonably capable of achieving completion of the Project within ninety (90) days beyond the Completion Date set forth in the Project Schedule, the Developer shall have an additional ninety (90) days beyond the Completion Date to complete the Project before the City may terminate this Agreement.

C. Construction of the Project will be considered complete upon:

1. Receipt by the City of an affidavit from the Developer's contractor stating that the Project has been completed, subcontractors have been paid for construction of same and all construction or other liens related to same have been released; and

2. Acceptance of the Project by the City in accordance with City policies and standards for acceptance of public infrastructure by private developers, including but not limited to the provision of sealed as-built plans and a written release of all liens associated with the work. Such acceptance by the City shall not be unreasonably withheld, conditioned or delayed.

D. The Developer will provide periodic construction status updates to the City and will notify the City of impending completion.

E. Notwithstanding anything herein or in the Project Schedule to the contrary, the Completion Date of the Project shall be no later than one (1) year after the Effective Date, subject to Force Majeure and Approval Delays.

F. Correction Period

1. If within five (5) years after the date the City accepts the Project, the City gives the Developer written notice that any portion of the Project has been found to be not in accordance with the requirements of the Contract Documents or the Florida Building Code, or that the Developer's repair of any damages to the Project Site or adjacent areas has been found to be not in accordance with the requirements of the Contract Documents or the Florida Building Code, then after receipt of such notice of the condition the Developer shall promptly, without cost to the City and in accordance with the City's written instructions:

a. furnish to the City a correction/remediation plan within thirty (30) days of the City furnishing its notice of the condition.

b. Upon the City's acceptance of the Developer's correction/remediation plan, the Developer shall correct the condition or such adjacent areas as set forth in Developer's correction/remediation plan.

2. The City shall give any such notice of defect within 30 days of the discovery that such Project work or repairs is defective.

3. If, after receipt of a notice of defect within 30 days and within the correction period, the Developer does not furnish a correction/remediation plan, or in an emergency where delay would cause serious risk of loss or damage, the City may have the defective Project work corrected or repaired or may have the rejected work removed and replaced. The Developer shall pay all costs, losses, and damages (including but not limited to all fees and charges of engineers, architects, attorneys, and other professionals and all court or arbitration or other dispute resolution costs) arising out of or relating to such correction or repair or such removal and replacement (including but not limited to all costs of repair or replacement of work of others). Except in an emergency where delay would cause serious risk

of loss or damage, the City shall not undertake any repairs, review, or studies without first furnishing Developer notice and the opportunity to make corrections or furnish a correction/remediation plan.

4. As a condition precedent to the City's acceptance of the Project and obligation to make final payment, the Developer shall furnish a Warranty Bond in the sum of \$425,000, substantially in the form of EJCDC® C 612, Warranty Bond (2018). The Warranty Bond period will extend to a date five (5) years after the City's acceptance of the Project, and is intended to secure the obligation of the Developer to correct work as provided in this Section 2.6.F. The Warranty Bond must be issued by the same surety that issues the performance bond required under Section 3.3.L hereof. The Developer shall deliver the fully executed Warranty Bond to City prior to or with the final application for payment.

5. The Developer's obligations under this Section 2.6.F are in addition to all other obligations and warranties. The provisions of this Section 2.6.F are not to be construed as a substitute for, or a waiver of, the provisions of any applicable statute of limitation or repose.

Section 2.7 **Conceptual Project Plan.** The Developer shall install and construct the Project in accordance with the Conceptual Project Plan. The Conceptual Project Plan is conceptual only and may be amended as construction unfolds, provided that any such amendment is subject to review by the Agency to ensure consistency and compliance with the Redevelopment Plan. The Agency shall expeditiously review any such modifications and agrees to not unreasonably withhold, condition or delay its approval of same.

ARTICLE 3 **REPRESENTATIONS, WARRANTIES, COVENANTS AND OBLIGATIONS OF THE** **DEVELOPER**

Section 3.1 **Representations and Warranties.** The Developer represents and warrants to the City and Agency that each of the following statements is presently true and accurate as of the date hereof and can be relied upon by the City and Agency:

A. Each constituent of the Developer (41 N. Jefferson Street, LLC, 2 North Palafox, LLC and 90 E. Garden Street, LLC) is a duly organized and validly existing limited liability company under the laws of the State of Florida, has all requisite power and authority to carry on its business as now conducted, to own or hold properties and to enter into and perform its obligations hereunder and each instrument to which it is or will be a party, and is in good standing in the State of Florida.

B. The principal place of business of the Developer is 41 N. Jefferson Street, 4th Floor, Pensacola, Florida 32502. The manager(s) or managing member(s) thereof executing this Agreement on behalf of the Developer are authorized to act on behalf of the Developer and execute this Agreement and on behalf of the Developer and any such actions by such officers shall be binding upon and enforceable against the Developer.

C. Each document in connection with the Project to which Developer is or will be a party has been duly authorized by all necessary action on the part of, and has been, or will be duly executed and delivered by, the Developer and neither the execution and delivery thereof, nor compliance with the terms and provisions thereof or hereof (i) requires the approval and consent of any other party, except such as have been duly obtained, (ii) contravenes and existing law, judgment, government rule, regulation or order applicable to or binding on the Developer, or (iii) contravenes or results in any breach of, default under or results in the creation of any lien or encumbrance upon any property of the Developer other than the Developer Parcel under any indenture, mortgage, deed of trust, bank loan or credit agreement, the Developer's partnership or joint venture agreement, or any other agreement or instrument to which the Developer is a party.

D. This Agreement will constitute a legal, valid and binding obligation of the Developer, and each member thereof, enforceable against the Developer and each member thereof in accordance with the terms thereof, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect which effect creditor's rights generally and subject to usual equitable principles in the event that equitable remedies are involved.

E. There are no pending, or to the knowledge of the Developer, threatened actions or proceedings before any court or administrative agency against the Developer or any partner thereof, which question this Agreement or the validity of any instrument or document contemplated hereunder or which are likely in any case, or in the aggregate, to materially adversely affect the successful development of the Project, the consummation of the transactions contemplated hereunder or the financial condition of the Developer.

F. The Developer, and each member thereof, has filed or caused to be filed all federal, state, local and foreign tax returns, if any, required to be filed by the Developer and each member thereof and has paid all taxes shown to be due and payable on such returns or on any assessments levied against the Developer and each member thereof.

Section 3.2 Covenants of the Developer. The Developer covenants with the City and the Agency that the Developer shall timely fulfill or cause to be fulfilled all of the conditions and obligations expressed herein which are within the control of the Developer or which are the responsibility of the Developer to fulfill. Each constituent member of the Developer (41 N. Jefferson Street, LLC, 2 North Palafox, LLC and 90 E. Garden Street, LLC) shall be jointly and severally obligated for performance under this Agreement.

Section 3.3 Obligations of the Developer.

A. The Developer shall permit, design, construct and improve the Project in accordance with the Design Documents.

B. Upon execution of this Agreement the Developer shall commence the process of

designing the Project and shall forward the Preliminary Design Documents to the City and Agency for review and approval to ensure consistency with City standards for public improvements projects and the Redevelopment Plan.

C. As provided in Section 7.15 hereof, this Agreement shall not be construed as a development approval or to convey development rights upon the Developer. Prior to commencing construction of the Public Improvements, the Developer must submit to the City appropriate development applications for development permits or other entitlements. The City shall accept from the Developer for processing and review all such applications, provided that such applications are submitted in accordance with all City rules and regulations and all fees are timely and properly paid. All required permits and development approvals must be obtained prior to commencing construction. Nothing in this Agreement shall be construed to waive or modify applicable land development code and requirements of the City.

D. The Developer shall be responsible for engaging the professional services required and for the payment of all costs associated with design and construction of the Project.

E. The Developer shall coordinate with the City's engineer and the Agency through the Completion Date to ensure design and construction of the Project in a manner consistent with City standards and the Design Documents. No construction efforts shall commence until the City and Agency have reviewed and accepted the Design Documents in the manner contemplated by this Section 3.3 and Developer has received all required Building Permits.

F. All design, engineering and construction by Developer shall be done in accordance with all applicable laws and regulations of the federal, state and local governments, including but not limited to, compliance with all building codes, planning ordinances and regulations and zoning ordinances and regulations of the City.

G. The Developer shall be responsible for and shall initiate, diligently continue and complete the Project as contemplated by this Agreement, including the preparation of the Design Documents, and the construction, and equipping of the Project substantially in accordance with the approved Building Permit(s).

H. If the Final Design Documents reflect any material changes to the Preliminary Design Documents, then such documents shall be submitted to the City and the Agency for review and approval.

I. The Developer shall ensure that the Project including each component thereof adheres to all applicable building, zoning, parking, life safety, growth management, and all other codes and ordinances that may apply to the Project and Project Site.

J. The Developer shall have no authority to borrow money secured by the Affected Right of Way or Walkway Improvements (except and only to the extent any portion of the Walkway Improvements is located on a Developer Parcel) or incur any debt or liability on

behalf of the City or the Agency.

K. The Developer shall contract with a licensed and insured general or roadway contractor for the construction phase, and ensure that the contractor chosen by the Developer uses its proper skill and care in constructing the Project. The Developer shall also ensure that such contractor obtains a performance bond reasonably acceptable to the City.

L. The Developer hereby indemnifies the City and Agency against all claims, costs, losses, demands, actions, proceedings, judgments, settlements and liability arising out of any breach or non-observance of the Developer's obligations in this Agreement.

M. The Developer shall obtain and deliver to the City evidence of commercial general liability insurance in amounts reasonably satisfactory to the City, which insurance the Developer shall maintain at all times during the construction of the Project.

ARTICLE 4
REPRESENTATIONS, WARRANTIES, COVENANTS
AND OBLIGATIONS OF THE CITY

Section 4.1 **Representations and Warranties.** The City represents and warrants to Developer that each of the following statements is presently true and accurate as of the date hereof and can be relied upon by Developer:

A. The City is a validly existing municipal corporation of the State of Florida, has all requisite corporate power and authority to carry on its business as now conducted and to perform its obligations under this Agreement and each document contemplated hereunder to which it is or will be a part.

B. This Agreement has been duly authorized by all necessary action on the part of, and has been or will be duly executed and delivered by, the City and neither the execution and delivery thereof, nor compliance with the terms and provisions thereof or hereof (i) requires the approval and consent of any other party, (ii) contravenes any existing law, judgment, governmental rule, regulation or order applicable to or binding on the City or (iii) contravenes or results in any breach of, default under or result in the creation of any lien or encumbrance upon any party or the City, under any indenture, mortgage, deed of trust, bank loan or credit agreement, any special acts, ordinances, resolutions or any other agreement or instrument to which the City is a party, specifically including any covenants of any bonds, notes, or other forms of indebtedness of the City outstanding on the Effective Date.

C. This Agreement will constitute, a legal, valid and binding obligation of the City enforceable against the City in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect which affect creditors' rights generally and subject to usual equitable principles in the event that equitable remedies are involved.

D. This Agreement does not violate any laws, ordinances, rules, regulations, orders, contracts or agreements that are or will be applicable thereto.

Section 4.2 Covenants of the City. The City covenants with Developer that:

A. The City shall timely fulfill or cause to be fulfilled all of the conditions and obligations expressed herein which are within the control of the City or which are the responsibility of the City to fulfill.

B. The City shall not violate any laws, ordinances, rules, regulations, orders, contracts or agreements that are or will be applicable thereto, or, to the extent permitted by law, enact or adopt or urge or encourage the enactment or adoption of any laws, ordinances, resolutions, rules, regulations or orders or approve or enter into any contracts or agreements, including issuing any bonds, notes, or other forms of indebtedness, that will result in any provision of this Agreement to be in violation thereof or which would materially impair the City's ability to perform its obligations under this Agreement.

Section 4.3 Obligations of the City.

A. The City agrees to timely and expeditiously process all applications received by the Developer for construction approvals and permits for the Project, provided that such applications are submitted in accordance with all City rules and regulations and all fees are timely and properly paid. All required permits and construction approvals, whether issued by the City or any other governmental agency, must be obtained prior to commencing construction. Nothing in this Agreement shall be construed to waive or modify applicable land development code provisions and requirements of the City. The Developer shall be solely responsible for obtaining any construction approvals and permits required by any governmental agency other than the City for construction and completion of the Project.

B. The City agrees to cooperate and expeditiously provide information, approvals and answers to the Developer upon written request, and shall not unreasonably withhold, condition or delay any such approvals.

ARTICLE 5
REPRESENTATIONS, WARRANTIES, COVENANTS
AND OBLIGATIONS OF THE AGENCY

Section 5.1 Representations and Warranties. The Agency represents and warrants to Developer that each of the following statements is presently true and accurate as of the date hereof and can be relied upon by Developer:

A. The Agency is a validly existing public body corporate and politic of the State of Florida, has all requisite corporate power and authority to carry on its business as now conducted and to perform its obligations under this Agreement.

B. This Agreement has been duly authorized by all necessary action on the part of, and has been or will be duly executed and delivered by, the Agency and neither the execution and delivery thereof, nor compliance with the terms and provisions thereof or hereof (i) requires the approval and consent of any other party, (ii) contravenes any existing law, judgment, governmental rule, regulation or order applicable to or binding on the Agency or (iii) contravenes or results in any breach of, default under or result in the creation of any lien or encumbrance upon any party or the Agency, under any indenture, mortgage, deed of trust, bank loan or credit agreement, any special acts, ordinances, resolutions or any other agreement or instrument to which the Agency is a party, specifically including any covenants of any bonds, notes, or other forms of indebtedness of the Agency outstanding on the Effective Date.

C. This Agreement will constitute, a legal, valid and binding obligation of the Agency enforceable against the Agency in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect which affect creditors' rights generally and subject to usual equitable principles in the event that equitable remedies are involved.

D. This Agreement does not violate any laws, ordinances, rules, regulations, orders, contracts or agreements that are or will be applicable thereto.

Section 5.2 Covenants of the Agency. The Agency covenants with Developer that:

A. The Agency shall timely fulfill or cause to be fulfilled all of the conditions and obligations expressed herein which are within the control of the Agency or which are the responsibility of the Agency to fulfill.

B. The Agency will not violate any laws, ordinances, rules, regulations, orders, contracts or agreements that are or will be applicable thereto, or, to the extent permitted by law, enact or adopt or urge or encourage the enactment or adoption of any laws, ordinances, resolutions, rules, regulations or orders or approve or enter into any contracts or agreements, including issuing any bonds, notes, or other forms of indebtedness, that will result in any provision of this Agreement to be in violation thereof or which would materially impair the Agency's ability to perform its obligations under this Agreement.

Section 5.3 Obligations of the Agency.

A. The Agency agrees to timely and expeditiously review the Design Documents and to negotiate in good faith any changes or revisions deemed by the Agency as necessary for the Design Documents to be consistent with the Redevelopment Plan.

B. The Agency agrees to cooperate and expeditiously provide information, approvals and answers to the Developer upon written request.

ARTICLE 6

EVENTS OF TERMINATION AND DEFAULT

Section 6.1 Events of Termination During the Preconstruction Period. Upon written notice to the other party during the Preconstruction Period, the respective party shall have the right to terminate this Agreement for any of the following Events of Termination. In any such Event of Termination, each party shall be responsible for its own costs.

A. Should the Developer fail to receive financing commitments, then the Developer may choose to terminate this Agreement.

B. Should the Developer fail to obtain all necessary development approvals and/or permits during the Preconstruction Period, subject to extension for Force Majeure and/or Approval Delay, then any of the parties hereto may choose to terminate this Agreement.

C. Should the parties fail to reach agreement on the Design Documents or any of its material components after good faith efforts to do so, then either party may terminate this Agreement.

D. Determination by any of the parties that the costs estimated for the Project component are too high or not economically feasible, provided, however, that each of the parties acknowledges that the costs set forth in the Budget are economically feasible.

Section 6.2 Events of Default; Notice, Cure and Remedies.

A. Each of the following is hereby declared an "Event of Default" with respect to this Agreement:

1. A default by any party in the due and punctual performance of the covenants, conditions, agreements and provisions contained in this Agreement.

2. Any representation or warranty of any party hereto shall prove to have been untrue in any material respect.

3. Any party admits in writing its inability to pay its debts generally as they become due, or files a petition in bankruptcy or makes an assignment for the benefit of its creditors, consents to the appointment of a receiver or trustee for itself or shall file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof.

4. Any party is adjudged insolvent by a court of competent jurisdiction or is adjudged bankrupt on a petition of bankruptcy filed against the party, or an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the party, a receiver or trustee of the party or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof.

5. If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the party or of the whole or any substantial part of its property and such custody or control shall not be terminated within ninety (90) consecutive days from the date of assumption of such custody or control.

B. Notice of Default; Right to Cure. Upon an Event of Default by any party to this Agreement, or said party's successors and assigns, with regard to this Agreement or of any of its terms or conditions, the party alleging such default or breach shall give the breaching party not less than thirty (30) days "Notice of Default" in writing in the manner provided for giving notice as set forth in Section 7.1 of this Agreement. The time of notice shall be measured from the date of certified mailing. The Notice of Default shall specify the nature of the alleged default, and, where appropriate, the manner and period of time in which said default may be satisfactorily cured. During any period for curing the default, the party charged shall not be considered in default for the purposes of termination or institution of legal proceedings. If the default is cured, then no default shall exist, and the noticing party shall take no further action.

C. Remedies. If the default has not been cured after proper notice and the expiration of said period to cure default, the noticing party may elect to terminate this Agreement and, at its option and in addition to any other rights or remedies, may institute legal action to cure, correct or remedy any default, to enforce any covenants or agreements herein, or to enjoin any threatened or attempted violation thereof; to recover damages for any default; or to obtain any remedies consistent with the purpose of this Agreement. Such legal actions must be instituted in the Circuit Court of the County of Escambia, State of Florida. This section shall not be interpreted as a pledge of ad valorem tax or other revenues by the City or the Agency.

D. Waiver. Failure or delay in giving Notice of Default or seeking enforcement of this Agreement, shall not constitute a waiver of any default. Except as otherwise expressly provided in this Agreement, any failure or delay by another party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies or deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

ARTICLE 7 MISCELLANEOUS

Section 7.1 Notices. Unless otherwise specifically provided herein, all notices, demands, requests for approvals or other communications which may be or are required to be given by either party to the other shall be made in writing and shall be deemed given and delivered on the date delivered in person, faxed or on the on the date mailed by registered or certified mail, postage prepaid, return receipt requested, and addressed:

To the City: City of Pensacola
 222 W. Main St.

Pensacola, Florida 32502
Attention: City Administrator

With copy to: Office of the City Attorney
City of Pensacola
222 W. Main St.
Pensacola, Florida 32502

To the Agency: Community Redevelopment Agency of the City of Pensacola
222 W. Main St.
Pensacola, Florida 32502
Attention: CRA Administrator

To the Developer: c/o Chad C. Henderson
41 N. Jefferson Street, 4th Floor
Pensacola, Florida 32502

With a copy to: William H. Mitchem
Beggs & Lane, RLLP
501 Commendencia Street
Pensacola, Florida 32502

The addresses to which notices are to be sent may be changed from time to time by a written notice of such change from the party changing its address delivered to the other parties. Until such a notice is received, a party may rely upon the last address received for the other party.

Section 7.2 Consents and Approvals.

(A) All consents and approvals which may be given under this Agreement shall, as a condition of their effectiveness, be in writing. The granting by a party of any consent to or approval of any act requiring consent or approval under the terms of this Agreement, or the failure on the part of a party to object to any such action taken without the required consent or approval, shall not be deemed a waiver by the party whose consent was required of its right to require such consent or approval for any other act, except as expressly set forth herein to the contrary.

(B) Unless expressly provided otherwise, all consents and approvals which may be given by a party under this Agreement shall not (whether or not so indicated elsewhere in this Agreement) be unreasonably withheld, delayed, or conditioned by such party and shall be given or denied within a reasonable time. Upon disapproval of any request for a consent or approval, the disapproving party shall, together with notice of such disapproval, submit to the requesting party a written statement setting forth with specificity its reasons for such disapproval.

Any amendments to this Agreement will require the approval of the City Council for the City and the governing body of the Agency.

Section 7.3 Invalid Provisions. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected thereby if such remainder would then continue to conform to the requirements of applicable laws and if the remainder of this Agreement can substantially be reasonably performed without material hardship, so as to accomplish the intent and the goals of the parties hereto.

Section 7.4 Applicable Law and Construction. The laws of the State of Florida shall govern the validity, performance and enforcement of this Agreement. The submission of this document to the parties for examination thereby does not constitute an offer to buy, or a reservation of or operation for the Project, the Project Site, or any part thereof. This Agreement has been negotiated by the City, Agency and the Developer, and this Agreement, including the appendices, and each of them, the City, the Agency, and the Developer shall be deemed to have participated in the preparation thereof.

Section 7.5 Submission to Jurisdiction.

A. Each party to this Agreement hereby submits to the jurisdiction of the State of Florida, Escambia County and the courts thereof for the purposes of any suit, action or other proceeding arising out of or relating to this Agreement and hereby agrees not to assert by way of a motion as a defense or otherwise that such action is brought in an inconvenient forum or that the venue of such action is improper or that the subject matter thereof may not be enforced in or by such courts.

B. If at any time during the term of this Agreement, the Developer is not a resident of the State of Florida or has no officer, employee, or agent thereof available for service of process who is a resident of the State of Florida, or if any permitted assignee thereof shall be a foreign corporation, partnership or other entity or shall have no officer, employee, agent, or general partner available for service of process in the State of Florida, the Developer for itself and its successors or assigns hereby designates the Secretary of State, State of Florida, its agent for the service of process in any court action between it and the Agency arising out of or related to this Agreement and such service shall be made as provided by the laws of the State of Florida for service upon a nonresident; provided, however, that at the time of service on the Secretary of State, a copy of such service shall be mailed by prepaid, registered mail, return receipt requested, to the Developer at the address for notices as provided in Section 7.1 hereof.

Section 7.6 Complete Agreement. This Agreement, including the Appendices, and all of the terms and provisions contained herein, constitute the full and complete agreement between the parties hereto, and supersedes and controls over any and all prior agreements, understandings, representations, and statements, whether written or oral, made with regard to the matters addressed by this Agreement. This Agreement can be modified or amended only by

a writing signed by all parties hereto.

Section 7.7 **Captions.** The section headings and captions of this Agreement and the table of contents preceding this Agreement are for convenience and reference only and in no way define, limit or describe the scope or intent of this Agreement, or any part thereof, or in any way affect this Agreement, or construe any article or section hereof.

Section 7.8 **Successors, Assigns and Grantees.** The terms herein contained shall bind and inure to the benefit of the City, the Agency, the Developer and its successors and assigns, except as may be otherwise specifically provided herein.

Section 7.9 **Holidays.** It is hereby agreed and declared that whenever a notice or performance under the terms of this Agreement is to be made or given or done on a Saturday or Sunday or on a legal holiday observed in the City of Pensacola, Florida, it shall be postponed to the next following business day not a Saturday, Sunday, or legal holiday.

Section 7.10 **Appendices.** Each Appendix referred to in and attached to this Agreement is an essential part of this Agreement. The Appendices, and any amendments or revisions thereto, even if not physically attached hereto, shall be treated as if they are part of and incorporated within this Agreement.

Section 7.11 **No Brokers.** The City, the Agency and the Developer hereby represent, agree and acknowledge that no real estate broker or other person is entitled to claim or to be paid a commission solely as a result of the execution and delivery of this Agreement.

Section 7.12 **Developer Not Agent of Agency or City.** The Developer and any contractor hired by Developer are not individually or collectively and shall not be deemed to be individually or collectively an agent or contractor of the Agency or the City, and are not subject to nor shall be required to comply with any laws, ordinances, regulations, orders, or policies of or applicable to the Agency or the City applicable or relating to public works projects of the Agency or the City or contractors retained by the Agency or the City for such types of projects. Nothing contained in this Agreement shall be construed or deemed to name, designate, or cause (either directly or indirectly) the Developer, or any contractor thereof, to be an agent for the Agency or the City.

Section 7.13 **Public Purpose.** This Agreement satisfies, fulfills, and is pursuant to and for a public purpose and municipal purpose and is in the public interest, and is a proper exercise of the City's and Agency's redevelopment powers and authority under the Act.

Section 7.14 **Technical Amendments.** The Mayor, Chair of the Agency, or his or her designee, as to the City and Agency, is authorized to approve such changes and the Mayor, Chair, his or her designee, and other appropriate City or Agency officials are authorized to execute any amendments to this Agreement to address technical terms or correct scrivener's errors to make and incorporate such amendment or change to this Agreement, or any Appendix or any other agreement contemplated hereby

Section 7.15 Agreement Not a Chapter 86-191 Laws of Florida Development Agreement. The City, Agency, and the Developer acknowledge and agree that it is their mutual intent that this Agreement, including any Appendix, is an agreement contemplated by Part III, Chapter 163, Florida Statutes, and is not a development agreement described in Sections 163.3220-163.3243, Florida Statutes, originally enacted as Chapter 86-191, Laws of Florida, entitled the "Local Government Development Agreement Act." Nothing herein shall be construed as a development approval or to convey development rights upon the Developer.

Section 7.16 Third Parties. This Agreement is solely for the benefit of the Developer and the City, and no right or cause of action shall accrue upon or by reason, to or for the benefit of any third party not a formal party to this Agreement. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person or corporation other than the Developer and the City any right, remedy, or claim under or by reason of this Agreement or any of the provisions or conditions of this Agreement. Nothing contained in this Agreement shall limit or impair the Developer's right to protect its rights from interference by a third party.

Section 7.17 Waiver of Jury Trial. Each party hereto waives all right to trial by jury in any claim, action, proceeding or counterclaim the party may have against the other parties hereto regarding any matters arising out of or in any way connected with this Agreement.

Section 7.18 Compliance with Laws. The Developer will be solely responsible for obtaining all permitting, zoning, building, and other approvals required in conjunction with the proposed Project. The City agrees to cooperate with Developer with respect to obtaining any required approvals; however in entering into this Agreement the City expressly reserves its police power to review and determine all requested zoning and permit approvals in accordance with the City's obligations under federal, state, and local law. The Developer is responsible at all times for complying with all applicable federal, state, and local laws.

Section 7.19 Severability. If any portion of any term or provision of this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent determined by law.

Section 7.20 Time of Essence. Time is of the essence in each and every instance hereunder with respect to the covenants, undertakings, and conditions to be performed hereunder by the parties.

Section 7.21 Effective Date. The Effective Date of this Agreement shall be the day and year first above written.

Section 7.22 Waiver of Consequential Damages. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NEITHER PARTY SHALL BE LIABLE FOR SPECIAL, PUNITIVE, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES OR LOST OPPORTUNITY OR LOST PROFITS, WHETHER BASED IN CONTRACT, TORT, STRICT LIABILITY, OTHER LAW OR OTHERWISE AND NO MULTIPLIER OR SIMILAR CONCEPT SHALL BE APPLIED FOR PURPOSES OF CALCULATING LOSSES.

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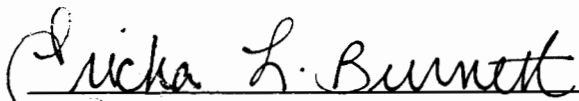
IN WITNESS WHEREOF, the City, the Agency and the Developer, by and through the undersigned, have entered into this Master Redevelopment Agreement as of the day and year first above written.

CITY OF PENSACOLA, FLORIDA

[Seal]

By: 
Mayor

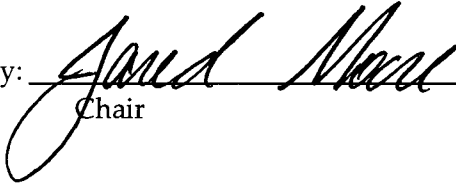
Attest:


City Clerk

IN WITNESS WHEREOF, the City, the Agency and the Developer, by and through the undersigned, have entered into this Master Redevelopment Agreement as of the day and year first above written.

COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF PENSACOLA

[Seal]

By: 
Chair

Attest:


City Clerk

IN WITNESS WHEREOF, the City, the Agency and the Developer, by and through the undersigned, have entered into this Master Redevelopment Agreement as of the day and year first above written.

2 NORTH PALAFOX, LLC, a Florida limited liability company

By: [Signature]
Chad C. Henderson, Manager

41 N. JEFFERSON STREET, LLC, a Florida limited liability company

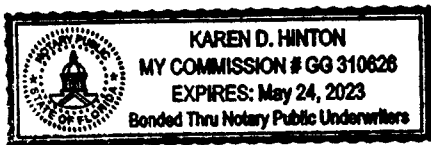
By: [Signature]
Chad C. Henderson, Manager

90 E. GARDEN STREET, LLC, a Florida limited liability company

By: [Signature]
Chad C. Henderson, Manager

STATE OF FLORIDA)
COUNTY OF ESCAMBIA)

The foregoing instrument was acknowledged before me by means of ✓ physical presence or online notarization this 9th day of December, 2020, by Chad C. Henderson, as the Manager of 2 North Palafox, LLC, 41 N. Jefferson Street, LLC, and 90 E. Garden Street, LLC, on behalf of each company. He is personally known to me.



(AFFIX NOTARIAL SEAL)

Karen D. Hinton
Notary Public

My Commission Expires: May 24, 2023

IN WITNESS WHEREOF, the Parties hereto, by and through the undersigned, have entered into this Master Redevelopment Agreement as of the day and year first above written.

Approved as to Content

M. Helen Gibson

M. Helen Gibson, CRA Administrator

Legal in Form and Valid as Drawn:

Susan Woolf

Susan Woolf, City Attorney

DEVELOPER PARCELS



APPENDIX B

CONCEPTUAL PROJECT PLAN



Growing Pensacola ...with a Local Team!



CiviCon, Southtowne, Pensacola's Complete Streets Initiative, & the CRA's mission to Restore, Revitalize, & Renew Pensacola have all inspired the local East Garden District Team to reactivate a historic block with synergistic placemaking & unique community growth projects.

Catalyst
healthcare real estate



Chad Henderson, Founder & CEO of Catalyst HRE, is the local developer of the East Garden District project.

Catalyst HRE is one of the nation's fastest growing healthcare real estate development companies with 40 employees, over \$500M in assets across 18 states, & offices in Pensacola & Ocala, FL, Milwaukee, WI, & Dallas, TX.

Henderson has assembled a local Pensacola team to vision and execute the East Garden District project, and has spent over \$4.5M to date on East Garden District real estate acquisitions and with local professionals on the design & engineering of the Jefferson Street Road Diet Project.



David W. Fitzpatrick, P.E., P.A.
Civil Engineering



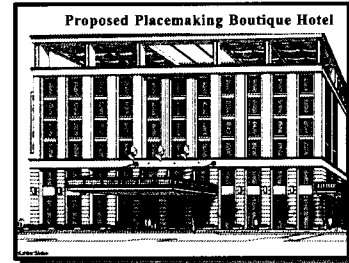
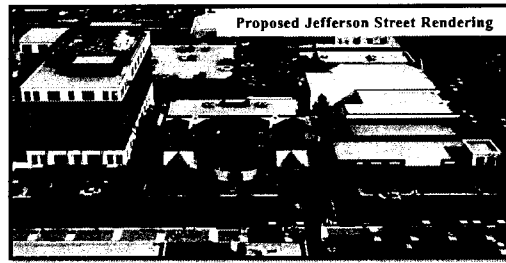
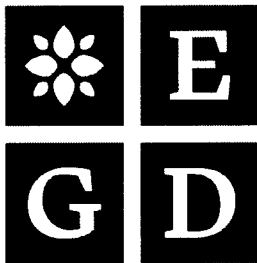
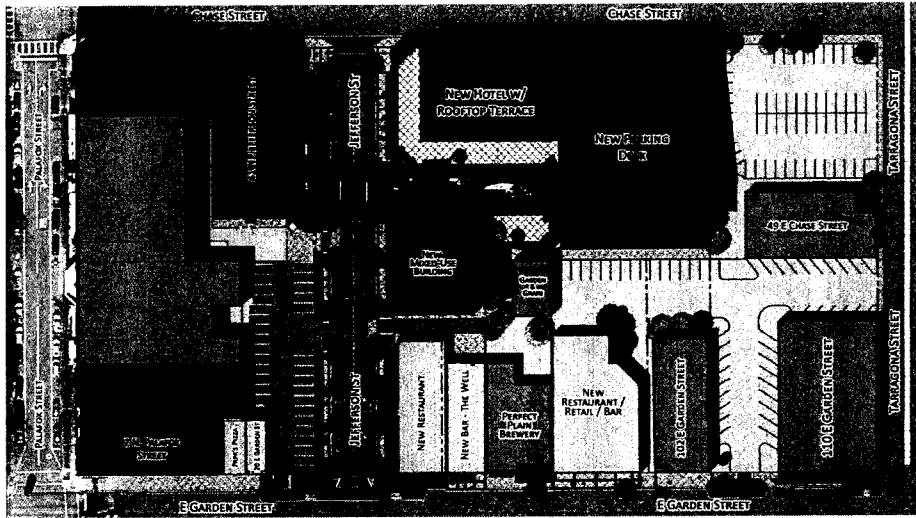
Gulf Power



East Garden District



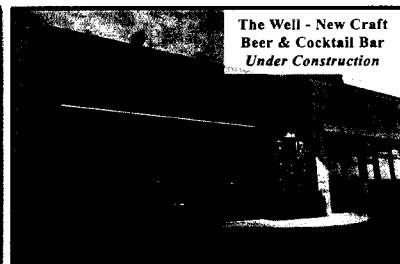
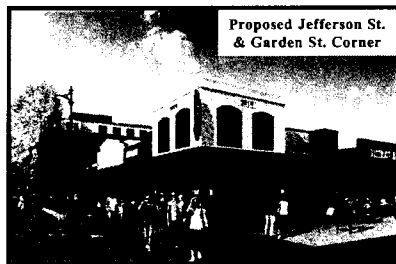
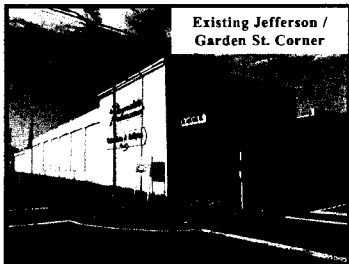
Conceptual Site Plan



 **20,000 SF Repurposed Garden Street Buildings**

 **30,000 SF New Mixed-Use Development**

 **175,000 SF New Hotel & Parking Garage**



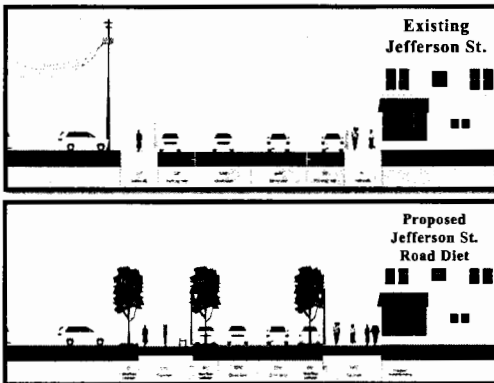
EGD Placemaking Jefferson Street Road Diet Project Goals

East Garden District Placemaking

Placemaking is at the heart of the East Garden District, and the Jefferson Street Road Diet Project is central to the transformational vision of the EGD. The road diet project design calls for the calming of traffic and a beautifully landscaped and pedestrian friendly streetscape that will join seamlessly with the planned new EGD boutique hotel, mixed-use building, and urban plaza.

Road Diet Project Goals

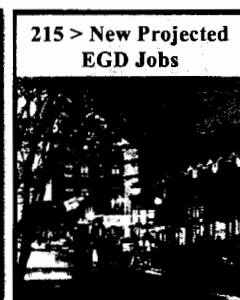
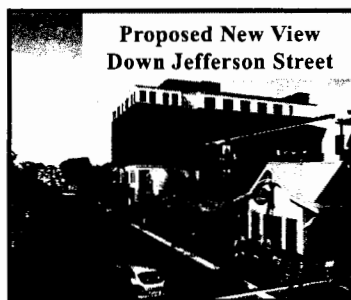
- ❖ Alignment with Pensacola's "Complete Streets Initiative"
- ❖ 120% increase in sidewalks & public areas
- ❖ Planting of over 1,200 new trees and shrubs
- ❖ Elimination all Jefferson Street power poles between Garden Street & Chase Street



Projected EGD Annual Tax Impacts

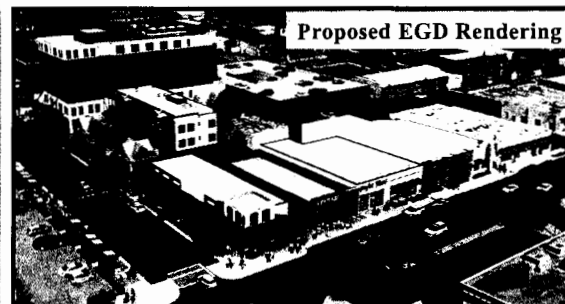
\$247,000 Property Tax
\$2.2M Sales Tax
\$368,000 Bed Tax

\$2.8M Total Projected EGD Annual Tax Impacts



CRA / City Return on Investment

The East Garden District projects new annual tax revenues of \$2.8M. The proposed CRA / City investment of \$1.375M to the EGD Jefferson Street Road Diet Project will be returned in 1 year once the EGD is fully developed. Future EGD tax revenues will help support new Pensacola growth projects for years to come.



Project Status

- ❖ Landscape & Hardscape Construction Drawings are 100% complete & bid.
- ❖ Civil Engineering & Utility Engineering Construction Drawings are 95% complete & bid.
- ❖ FDOT permit received.
- ❖ Target commencement date for Jefferson Street Road Diet Project > Q1 2021.

APPENDIX C

PROJECT COST ESTIMATE

East Garden District Jefferson Street Road Diet Project Project Cost Estimate

Soft Costs	Budget
Site Due Diligence & Conceptual Design	\$31,722
Civil Engineering	\$36,470
Landscape & Hardscape Design	\$81,644
Utilities Engineering - Ruby Engineering	\$38,385
Surveying - (\$7,350 to date + \$10,000 As-built Allowance)	\$17,350
Owner's Representative	\$101,250
Permits & Impact Fees - Allowance	\$10,000
Warranty Bond Allowance	\$20,000
Performance & Payment Bond Allowance	\$20,000
Subtotal	\$356,821
Catalyst HRE Developer / Project Oversight Fee (5%)	\$104,945
Soft Cost Total	\$461,766

Soft Cost Funding	
CRA / City Soft Cost Funding Commitment	\$125,000
Developer Soft Cost Funding Estimate	\$336,766
Developer Soft Cost Funding to Date	\$283,437

Hard Costs - Williams Brown General Contractors	Bid
General Requirements	\$86,200
Mobilization / Erosion Control / Traffic	\$64,250
Demolition	\$59,183
Earthwork	\$73,979
Asphalt & Concrete	\$308,574
Stormwater	\$118,325
Fire	\$56,720
Water	\$89,541
Sewer	\$50,760
Natural Gas > Allowance	\$30,000
Electrical	\$285,000
Hardscaping, Landscaping, Irrigation	\$245,932
Site Amenities	\$9,245
General Conditions	\$103,692
Subtotal	\$1,581,401
GC Fee 8%	\$126,512
Subtotal w/ GC Fee	\$1,707,913
2% Contingency	\$34,158
Road Diet Hard Cost Total	\$1,742,071

Hard Cost Funding	
CRA / City Hard Cost Funding Commitment	\$1,250,000
Developer Hard Cost Funding Estimate	\$492,071

Road Diet Budget & Funding Summary	
Road Diet Total Project Cost Estimate	\$2,203,837
CRA / City Funding Commitment	\$1,375,000
Developer Funding Estimate	\$828,837



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00088

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council Member Casey Jones

SUBJECT:

TREE PLANTING AND MEMORIAL PLAQUE AT MALLORY HEIGHTS PARK # 3 IN MEMORY OF FRANK CUTRONE

RECOMMENDATION:

That City Council approve the Scenic Highway Foundation's request to plant a tree and place a plaque in Mallory Heights Park #3 in memory of Frank Cutrone. Further that the tree and plaque will be purchased by the Foundation. This request was approved by the Parks & Recreation Board 6-0 with 3 absent.

HEARING REQUIRED: No Hearing Required

SUMMARY:

In accordance with City Code 2-3-2 (formerly 2-3-3) - Naming City Property - a request was made by Gena Buchanan, President of the Scenic Highway Foundation, asking permission for the placement of a tree and plaque within Mallory Heights Park #3 in memory of Frank Cutrone.

Within the application, President Buchanan stated: Frank Cutrone serve the community faithfully as Treasurer of the Scenic Highway Foundation, Inc. for seventeen years. His dedication to the enhancement and preservation of the Pensacola Scenic Bluffs Highway may be seen up and down the highway corridor. Frank Cutrone leaves a legacy of lasting significance to the entire community.

During her presentation to the Parks and Recreation Board, President Buchanan added that Mr. Cutrone loved volunteering and headed up several projects including Park and Ride. Mr. Cutrone passed away on October 1, 2020.

The Parks & Rec Board approved the request 6-0 with 3 absent.

PRIOR ACTION:

December 17, 2020 - Parks and Rec Board approved the request

FUNDING:

N/A

FINANCIAL IMPACT:

None - cost to be borne by the Scenic Highway Foundation

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

- 1) 20-12-17 Unapproved P&R Brd mins.
- 2) Park Amenity Dedication Proposal Form - Mallory Heights Park #3

PRESENTATION: No



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Meeting Minutes 3 - Draft

Parks and Recreation Board

Thursday, December 17, 2020

8:00 AM

Whibbs Conference Room, 1st Floor

Members of the public may attend the meeting in person; however, there will be limited seating capacity. Consistent with CDC guidelines, attendees will be required to sit at least 6 feet apart and wear face coverings that cover their nose and mouth.

CALL TO ORDER

The meeting was called to order at 8:05.

ROLL CALL

Present 6 - Chairperson Rand Hicks, Vice Chair Maranda Sword, Antonio Bruni, David Del Gallo, Gabriela Garza, and Michael Wolf
Absent 3 - Alejandra Escobar-Ryan, Leah Harrison, and Jarah Jacquay

APPROVAL OF MINUTES

approved with conditions

Yes: 6 - Chairperson Hicks, Vice Chair Sword, Bruni, Del Gallo, Garza, and Wolf

Absent: 3 - Escobar-Ryan, Harrison, and Jacquay

1. Minutes for the November 19, 2020 meeting

Attachments: [November 19, 2020 Minutes Parks and Recreation Board Unapproved](#)
[Value of Trees Presentation](#)

DIRECTOR'S REPORT

STAFF REPORTS

NEW BUSINESS

2. Dedication Request - Frank Cutrone

Attachments: [Park Amenity Dedication Proposal Form - Frank Cutrone](#)

Gena Buchanan, President of the Scenic Highway Foundation, brought a brief presentation. Frank Cutrone was the Treasurer of the organization for nearly 20 years. He passed away on October 1, 2020. He loved volunteering and headed up several projects including Park and Ride. He was well-liked, and loving.

The Foundation would like permission to plant a tree at Mallory Heights #3.
Approved

Yes: 6 - Chairperson Hicks, Vice Chair Sword, Bruni, Del Gallo, Garza, and Wolf

Absent: 3 - Escobar-Ryan, Harrison, and Jacquay

3. Park Regulations re: people in the parks after hours

4. Bicycle Advisory Committee
Approved

OLD BUSINESS

OPEN FORUM

ADJOURNMENT

The City of Pensacola adheres to the Americans with Disabilities Act and will make reasonable accommodations for access to City services, programs and activities. Please call 435-1606 (or TDD 435-1666) for further information. Request must be made at least 48 hours in advance of the event in order to allow the City time to provide the requested services.

PARK AMENITY DEDICATION POLICY

All requests will be made and considered through a simple application process.

Purpose:

The purpose of this policy is to establish guidelines for dedicating Park amenities including but not limited to park benches, trees, water fountains and other structures located in the City of Pensacola Parks in honor of an individual or organization. The Neighborhood Services Department offers the following guidelines to dedicate such areas to the memory of an individual or organization by granting the installation of a dedication plaque onsite of such facilities. The nominating person(s) shall be entirely responsible for all costs associated with the dedication. The size, style, text and location of the memorial plaque shall be subject to review and approval of the Neighborhood Services Director and the Parks and Recreation Board.

Nomination Criteria:

Nominations for dedicating amenities in the memory of an individual or organization shall be based on the following criteria:

- In honor of organizations or individuals (living or deceased) who have made a contribution to the City or who have played a leading role in advancing the neighborhood the park is located in.
- In honor of a person, place or event that played a significant role in the history of the City or neighborhood.

The individual or organization for which the dedication is sought shall be deemed to be of good general character and should not be associated with unlawful or unseemly activities.

Application Process:

The process for dedicating a recreational amenity to the memory of an individual shall be:

- Submit Application to the Neighborhood Services Department.
- Applications will be reviewed by the Neighborhood Services Department.
- If the application is rejected based on review, the nominating person designated on the application will be notified in writing.
- Nominations that pass review will be forwarded to the Parks and Recreation Board for review at their next regularly scheduled meeting.
- If approved, the recommendation will be forwarded to the Mayors Office and to City Council for final review and approval or denial.
- The Mayors Office and City Council shall have the authority to override this policy when they deem doing so to be in the best interest of the City.
- The dedication of City amenities shall normally be limited to no more than three per year to maintain the stature of the facility dedication honor.

Amenities Cost:

The cost for dedicating a recreational amenity to the memory of an individual shall be:

- Water Fountain- \$3,500.00 for new (if space is available) or \$700 for existing fountain in the park.
- Picnic Table - \$1,500.00 for new bench (if space is available) or \$500 for existing table in the park.
- Park Bench - \$1,000.00 for new bench (if space is available) or \$300 for existing bench in the park.
- Trees - \$700.00 for new tree or \$200.00 for existing tree in the park.

All new amenities will be required to match what is currently located in the park. Neighborhood Services staff will meet onsite with the nominating party to discuss the location or all amenities.

Amenities Damage:

If dedicated amenities becomes damaged or destroyed, The City of Pensacola Neighborhood Services Department will not replace these amenities if there is not a need for them. Any dedicated tree that is lost will not be replaced.

Park Amenity Dedication PROPOSAL FORM

The installation of any plaque as a dedication to an individual or group at a City facility must be approved. Please fill out the form below. You will be notified of the decision.

Nominating Party

NAME: Eugenia R. Buchanan
(INDIVIDUAL OR REPRESENTATIVE OF GROUP)

ADDRESS: 5412 Flintwood Circle, Pensacola, FL 32504

DAY PHONE: (850) 494-9802 **EVENING PHONE:** (850) 494-9802

E-MAIL: gingerlily2718@gmail.com

PERSON/ORGANIZATION/EVENT BEING HONORED

NAME: Frank Cutrone

PARK DEDICATION WOULD BE LOCATED: Mallory Heights Park #3

DESCRIBE THE SIGNIFICANT CONTRIBUTIONS MADE BY THE HONOREE:

Frank Cutrone served the community faithfully as Treasurer of the Scenic Highway Foundation, Inc., for seventeen years. His dedication to the enhancement and preservation of the Pensacola Scenic Bluffs Highway may be seen up and down the highway corridor. Frank Cutrone leaves a legacy of lasting significance to the entire community.

SIGNATURE Eugenia R. Buchanan **DATE** November 5, 2020

PLEASE FORWARD TO THE NEIGHBORHOOD SERVICES DEPARTMENT:

222 West Main Street
Pensacola, FL 32502
Phone: 850.436.5670
Fax: 850.436.5199



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00061

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council President Jared Moore

SUBJECT:

APPOINTMENTS - BOARD OF TRUSTEES - POLICE OFFICERS' RETIREMENT FUND

RECOMMENDATION:

That City Council appoint two (2) individuals to the Board of Trustees - Police Officers' Retirement Fund for a term of two (2) years, expiring December 31, 2022.

HEARING REQUIRED: No Hearing Required

SUMMARY:

This Board oversees administration of the Police Pension Fund and investment of pension funds. The board is composed of five members, two appointed by City Council, two elected by police officers and one appointed by the other four members.

The following are incumbents that wish to be considered for reappointment:

<u>Nominee</u>	<u>Nominated by</u>
Bryan Ball	Incumbent
Stephanie Taylor	Incumbent

PRIOR ACTION:

City Council makes appointments to this board biennially.

FUNDING:

Budget: N/A

Actual: N/A

FINANCIAL IMPACT:

None.

STAFF CONTACT:

Ericka L. Burnett, City Clerk

ATTACHMENTS:

- 1) Member List
- 2) Application of Interest - Bryan Ball
- 3) Application of Interest - Stephanie Taylor
- 4) Ballot

PRESENTATION: No

Board of Trustees - Police Officers' Retirement Fund

Name	Profession	Appointed By	No. of Terms	Year	Exp Date	First Appointed	Term Length	Comments
Ball, Bryan		Council	1	2020	12/31/2020	1/12/2017	2	
Bradley, Patrick	Police	elected-police officers	1	2020	6/1/2019	4/17/2015	2	
Randle, Rodney C.		Other 4 Members	2	2020	12/31/2020	2/11/2010	2	
Taylor, Stephanie	Attorney	Council	4	2020	12/31/2020	12/16/2010	2	
Thompson, Shawn	Police	elected-police officers	1	2020	6/1/2019	8/27/2014	2	

Term Length: TWO YEAR TERMS

COMPOSED OF FIVE MEMBERS OF WHICH TWO ARE APPOINTED BY THE CITY COUNCIL. COUNCIL APPOINTEES MUST BE CITY RESIDENT; NO QUALIFICATIONS.

Ericka Burnett

From: noreply@civicplus.com
Sent: Wednesday, January 6, 2021 8:29 AM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

This application will be utilized in considering you for appointment to a City Council board, authority, or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

Completed applications will be kept on file for a period of one (1) year from the date received in the Office of the City Clerk.

It is necessary to contact a member of Council to obtain a nomination in order to be placed on the ballot for consideration. Please go to cityofpensacola.com/council for Council Member contact information. If you have any questions, contact the City Clerk's Office.

(Section Break)

Personal Information

Name	Bryan Ball
------	------------

Home Address	1990 Drake Rd. Pensacola, FL 32503
--------------	---------------------------------------

Business Address	Field not completed.
------------------	----------------------

To which address do you prefer we send correspondence regarding this application?	Home
---	------

Preferred Contact Phone Number(s)	850-572-4847
-----------------------------------	--------------

Email Address	bryan.ball@assuredpartners.com
---------------	--

Upload Resume (optional)	Field not completed.
--------------------------	----------------------

(Section Break)

Details

Are you a City resident?	Yes
--------------------------	-----

If yes, which district?	4
-------------------------	---

If yes, how long have you been a City resident?	12 years
---	----------

Do you own property within the City limits?	Yes
---	-----

Are you a registered voter in the city?	Yes
---	-----

Board(s) of interest:	PPD Pension Board of Trustees
-----------------------	-------------------------------

Please list the reasons for your interest in this position:	Current Trustee
---	-----------------

Do you currently serve on a board?	Yes
------------------------------------	-----

If yes, which board(s)?	PPD Board of Trustees
-------------------------	-----------------------

Do you currently hold a public office?	No
--	----

If so, what office?	N/A
---------------------	-----

Would you be willing to resign your current office for the appointment you now seek?	N/A
--	-----

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender	Male
--------	------

Race	Caucasian
------	-----------

Physically Disabled	No
---------------------	----

(Section Break)

Acknowledgement of Terms I accept these terms.

Email not displaying correctly? [View it in your browser.](#)

Ericka Burnett

From: noreply@civicplus.com
Sent: Wednesday, January 6, 2021 9:20 AM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

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(Section Break)

Personal Information

Name	Stephanie A Taylor
Home Address	648 E ROMANA ST Pensacola, FL 32502
Business Address	1700 W. Main St, Suite 100 Pensacola, FL 32502
To which address do you prefer we send correspondence regarding this application?	Business
Preferred Contact Phone Number(s)	8507769194
Email Address	staylor@twwlawfirm.com

Upload Resume (optional)	Field not completed.
-----------------------------	----------------------

(Section Break)

Details

Are you a City resident?	Yes
--------------------------	-----

If yes, which district?	6
-------------------------	---

If yes, how long have you been a City resident?	PENSACOLA
---	-----------

Do you own property within the City limits?	Yes
---	-----

Are you a registered voter in the city?	Yes
---	-----

Board(s) of interest:	Pensacola Police Pension
-----------------------	--------------------------

Please list the reasons for your interest in this position:	Public Service
---	----------------

Do you currently serve on a board?	Yes
------------------------------------	-----

If yes, which board(s)?	Pensacola Police Pension
-------------------------	--------------------------

Do you currently hold a public office?	No
--	----

If so, what office?	Field not completed.
---------------------	----------------------

Would you be willing to resign your current office for the appointment you now seek?	N/A
--	-----

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender	Female
--------	--------

Race	Caucasian
------	-----------

Physically Disabled	No
---------------------	----

(Section Break)

Acknowledgement of Terms	I accept these terms.
-----------------------------	-----------------------

Email not displaying correctly? [View it in your browser.](#)

Ballot – **Board of Trustees - Police Officers' Retirement Fund**

January 21, 2021

Two year term expiring December 31, 2022

Member

_____ Bryan Ball

_____ Stephanie Taylor

Vote for Two

Signed: _____
Council Member



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00059

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council President Jared Moore

SUBJECT:

APPOINTMENTS - ENVIRONMENTAL ADVISORY BOARD

RECOMMENDATION:

That City Council appoint two (2) individuals who are employed or retired environmental professionals, or members of local environmental organizations or businesses with an interest in City environmental issues to fill two (2) unexpired terms ending March 1, 2022; and appoint one individual to fill an unexpired at large term ending March 1, 2022.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The Environmental Advisory Board may review and make recommendations to the City Council and Mayor on environmental policy issues as follows:

- (1) Proposed ordinances and codes of an environmental nature.
- (2) Proposed changes to existing environmental ordinances and codes.
- (3) Other environmental matters affecting the city referred to the Board by the City Council and Mayor.
- (4) Other environmental matters affecting the City that are initiated by the Board and approved by the City Council and/or Mayor.

The following individuals have been nominated:

Nominee:

Nominated by:

At-Large

Kelly Hagen
Cheryl Kelsch

Brahier, Wiggins
Hill

Employed or retired environmental professionals, or members of local environmental organizations or businesses with an interest in City environmental issues

Kristin Bennett

Broughton, Hill, Moore

P. Jay Massey

Broughton, Hill

PRIOR ACTION:

City Council makes appointments to this board on a biennial basis.

FUNDING:

Budget: N/A

Actual: N/A

FINANCIAL IMPACT:

None.

STAFF CONTACT:

Ericka L. Burnett, City Clerk

ATTACHMENTS:

- 1) Member List
- 2) Nomination Forms - Kristin Bennett
- 3) Application of Interest - Kristin Bennett
- 4) Nomination Forms - Kelly Hagen
- 5) Application of Interest - Kelly Hagen
- 6) Nomination Form - Cheryl Kelsch
- 7) Application of Interest - Cheryl Kelsch
- 8) Nomination Forms - P. Jay Massey
- 9) Application of Interest - P. Jay Massey
- 10) Resume - P. Jay Massey
- 11) Ballots

PRESENTATION: No

Environmental Advisory Board

Name	Profession	Appointed By	No. of Terms	Year	Exp Date	First Appointed	Term Length	Comments
Avant, Ph.D, Calvin	Environmental Group	Council	1	2020	3/1/2022	7/13/2017	2	
Butts, William "Blase"	Employed Env Professional	Council	1	2020	3/1/2022	4/12/2018	2	
Fox, Katie	Environmental Profession	Council	0	2020	3/1/2022	2/28/2019	2	
Kopytchak, Kyle	At-Large	Council	4	2020	3/1/2022	7/18/2013	2	
Kozmon, Alexander	At-Large/City Resident	Council	0	2020	3/1/2022	2/27/2020	2	
Lynch, Michael	Employed Env Professional	Council	3	2020	3/1/2022	9/25/2014	2	
Richards, Neil	At-large	Council	3	2020	3/1/2022	2/28/2014	2	
VACANT, VACANT	Employed Env Professional	Council	1	2020	3/1/2022		2	
VACANT, VACANT	At-large/City Resident	Council	1	2020	3/1/2022		2	

Term Length: TWO YEAR TERMS

The Environmental Advisory Board may review and make recommendations to the City Council and Mayor on environmental policy issues as follows:

- (1) Proposed ordinances and codes of an environmental nature.
- (2) Proposed changes to existing environmental ordinances and codes.
- (3) Other environmental matters affecting the city referred to the Board by the City Council and Mayor.
- (4) Other environmental matters affecting the City that are initiated by the Board and approved by the City Council and/or Mayor.

The Board shall be composed of nine (9) members appointed by the City Council: Five (5) members who are employed or retired environmental professionals, or members of local environmental organizations or businesses with an interest in City environmental issues. To the extent practicable, members will be residents or property owners of the City. Four (4) at-large members who are residents or property owners of the City.

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Ann Hill, do nominate Kristin Bennett
(Nominee)
2220 E. Lakeview Ave 772-781-3414
(Home Address) (Phone)
TetraTech same
(Business Address) (Phone)
Kristin.Bennett@tetratech.com City Resident: ☒ YES ☐ NO
(Email Address) Property Owner within the City: YES ☐ NO ☒

for appointment by the City Council for the position of:

**MEMBER
EMPLOYED OR RETIRED ENVIRONMENTAL PROFESSIONALS,
OR MEMBERS OF LOCAL ENVIRONMENTAL ORGANIZATIONS
OR BUSINESSES WITH AN INTEREST IN CITY ENVIRONMENTAL ISSUES**

Provide a brief description of nominee's qualifications:

Kristin Bennett is an environmental professional with
25+ years experience and wants to support the
city's efforts regarding environmental concerns.

Ann Hill
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Teniyadi Broughton, do nominate Kristen Bennett
(Nominee)

2220 E. Lakeriew Ave
(Home Address) (Phone)

(Business Address) (Phone)

(Email Address) City Resident: YES NO
Property Owner within the City: YES NO

for appointment by the City Council for the position of:

**MEMBER
EMPLOYED OR RETIRED ENVIRONMENTAL PROFESSIONALS,
OR MEMBERS OF LOCAL ENVIRONMENTAL ORGANIZATIONS
OR BUSINESSES WITH AN INTEREST IN CITY ENVIRONMENTAL ISSUES**

Provide a brief description of nominee's qualifications:

Environmental professional

Teniyadi Broughton
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Jared Moore, do nominate Kristin Bennett
(Nominee)

2220 E Lakeview Ave (772) 781-3414
(Home Address) (Phone)

(Business Address) (Phone)

Kristin.Bennett@tetrattech.com City Resident: ☒ YES NO
(Email Address) Property Owner within the City: YES ☒ NO

for appointment by the City Council for the position of:

**MEMBER
EMPLOYED OR RETIRED ENVIRONMENTAL PROFESSIONALS,
OR MEMBERS OF LOCAL ENVIRONMENTAL ORGANIZATIONS
OR BUSINESSES WITH AN INTEREST IN CITY ENVIRONMENTAL ISSUES**

Provide a brief description of nominee's qualifications:

Invaluable experience related to purview of this board. Ms Bennett is very engaged
regularly attending town halls and other public outreach events for public projects.

Jared Moore
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

Ericka Burnett

From: noreply@civicplus.com
Sent: Thursday, February 20, 2020 4:14 PM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

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It is necessary to contact a member of Council to obtain a nomination in order to be placed on the ballot for consideration. Please go to cityofpensacola.com/council for Council Member contact information. If you have any questions, contact the City Clerk's Office.

(Section Break)

Personal Information

Name	Kristin Bennett
------	-----------------

Home Address	2220 E. Lakeview Avenue
--------------	-------------------------

Business Address	Field not completed.
------------------	----------------------

To which address do you prefer we send correspondence regarding this application?	Home
---	------

Preferred Contact Phone Number(s)	772-781-3414
-----------------------------------	--------------

Email Address	Kristin.Bennett@tetrattech.com
---------------	--

Upload Resume (optional)	Field not completed.
--------------------------	----------------------

(Section Break)

Details

Are you a City resident?	Yes
If yes, which district?	4
If yes, how long have you been a City resident?	1 year
Do you own property within the City limits?	No
Are you a registered voter in the city?	Yes
Board(s) of interest:	Environmental Advisory Board
Please list the reasons for your interest in this position:	I am an environmental professional with over twenty-five years' experience. I want to apply that experience to the board to support the City's continued efforts in addressing environmental concerns.
Do you currently serve on a board?	No
If yes, which board(s)?	<i>Field not completed.</i>
Do you currently hold a public office?	No
If so, what office?	<i>Field not completed.</i>
Would you be willing to resign your current office for the appointment you now seek?	N/A

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender	Female
Race	Caucasian
Physically Disabled	No

(Section Break)

Acknowledgement of
Terms

I accept these terms.

Email not displaying correctly? [View it in your browser.](#)

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Jennifer Brubaker, do nominate Kelly Hagen
(Nominee)
105 S I Street (850) 217-8787
(Home Address) (Phone)
NA
(Business Address) (Phone)
Kellyhagen@gmail.com City Resident: (YES) NO
(Email Address) Property Owner within the City: (YES) NO

for appointment by the City Council for the position of:

AT-LARGE MEMBER

WHO IS A CITY RESIDENT OR PROPERTY OWNER OF THE CITY

Provide a brief description of nominee's qualifications:

Kelly Hagen is the Vice President on
the Sanders Beach NA. She lives and
owns property in an area with many
environmental issues and has been taking
a leadership role in creating alliances and
learning how to
effect change.

John B...
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Erika L. Burnett
Erika L. Burnett, City Clerk

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Delarian Wiggins, do nominate Kelly Hagen
(Nominee)

705 South I street 850-217-8787
(Home Address) (Phone)

(Business Address) (Phone)

kellyohagen@gmail.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

**AT-LARGE MEMBER
WHO IS A CITY RESIDENT OR PROPERTY OWNER OF THE CITY**

Provide a brief description of nominee's qualifications:

Delarian Wiggins
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk



Application for City Council Appointments to Boards, Authorities, and Commissions

Office of the City Clerk, P.O. Box 12910, Pensacola, FL 32521, 850- 435-1606

This application will be utilized in considering you for appointment by City Council to a board, authority or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

- Complete each blank on the application
- Completed applications will be kept on file for a period of one (1) year from the date received in the Office of the City Clerk
- **It is necessary to contact a member of Council to obtain a nomination in order to be placed on the ballot for consideration. Please go to www.cityofpensacola.com for Council Member contact information.** If you have any questions, contact the City Clerk's Office at the number listed above.
- Please type or print legibly.

Name: Kelly Hagen Email Address: kellyohagen@gmail.com

Home Address: 705 S I Street Work Address: _____

Preferred Contact Phone Number(s): (850) 217-8787

To which address do you prefer correspondence regarding this application be sent: ☒ Residence ☐ Business

Are you a resident of the City? ☒ Yes ☐ No If yes, which district: **1 2 3 4 5 6 7** How long? 4 Years
Circle one

Do you own property within the City limits? Yes Are you a registered voter in the City of Pensacola? ☒ Yes ☐ No

Board (s) of interest: Environmental Advisory Board

Please list the reasons for your interest in this position (if necessary, continue on reverse side or on an attached sheet).

I am a resident of Sanders Beach and I currently serve as Vice President on the Sanders Beach Neighborhood Association Board. I have been active here in my neighborhood regarding a couple of different environmental issues that we face, and have been interested in looking into ways that I can become more active here in the city. I would truly enjoy being a part of this very important conversation by serving on the EAB.

Are you currently on a City board, authority, or commission? No If yes, which board? _____

Do you now hold public office: No If so, what is the office? _____

The Florida Constitution, in section 5 (a) of Article II, prohibits simultaneous "dual office holding". If you were already serving on a board, authority, or commission for the City of Pensacola or for another governmental agency, would you be willing to resign in order to accept the appointment you now seek? ☐ Yes ☐ No

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees. Describe yourself within the categories below.

RACE:

☐ African-American ☒ Caucasian
☐ Asian-American ☐ Other
☐ Hispanic-American

GENDER:

☐ Male
☒ Female

PHYSICALLY DISABLED:

☐ Yes
☒ No

I hereby certify that the statements and answers provided are true and accurate. I understand that any false statements may be cause for removal from a board or committee if appointed.

Signature Kelly Hagen Date 12/28/20

THANK YOU FOR YOUR WILLINGNESS TO SERVE

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Ann Hill, do nominate Cheryl Kelsch
32503 (Nominee)
1709 E Maxwell St 850-324-1973
(Home Address) 32501 (Phone)
40 S. Palafox Place Ste 400
(Business Address) (Phone)
ckelsch@gchc.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

AT-LARGE MEMBER
WHO IS A CITY RESIDENT OR PROPERTY OWNER OF THE CITY

Provide a brief description of nominee's qualifications:

Cheryl Kelsch recently graduated with a degree in Global
Sustainability and would like to put her knowledge
to use on this board. She has lived in this area for more
Than 20 yrs. and is passionate + practical about solving
environmental issues.

Ann Hill
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

Ericka Burnett

From: noreply@civicplus.com
Sent: Friday, December 18, 2020 5:30 PM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

This application will be utilized in considering you for appointment to a City Council board, authority, or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

Completed applications will be kept on file for a period of one (1) year from the date received in the Office of the City Clerk.

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(Section Break)

Personal Information

Name	Cheryl Kelsch
Home Address	1709 E Maxwell Street Pensacola Florida 32503
Business Address	40 S Palafox Place Suite 400 Pensacola FL 32501
To which address do you prefer we send correspondence regarding this application?	Home
Preferred Contact Phone Number(s)	850-324-1973
Email Address	ckelsch@gchc.com

Upload Resume (optional)	Field not completed.
-----------------------------	----------------------

(Section Break)

Details

Are you a City resident?	Yes
--------------------------	-----

If yes, which district?	5
-------------------------	---

If yes, how long have you been a City resident?	December 2020
--	---------------

Do you own property within the City limits?	Yes
--	-----

Are you a registered voter in the city?	Yes
--	-----

Board(s) of interest:	Environmental Advisory Board
-----------------------	------------------------------

Please list the reasons for your interest in this position:	Have a passion and interest in solving environmental issues in practical and financially feasible ways. Recently graduated with degree in Global Sustainability and looking to put my knowledge to use. Have lived in the area for over 20 years and desire to give back to the community and city.
---	---

Do you currently serve on a board?	No
---------------------------------------	----

If yes, which board(s)?	Field not completed.
-------------------------	----------------------

Do you currently hold a public office?	No
---	----

If so, what office?	Field not completed.
---------------------	----------------------

Would you be willing to resign your current office for the appointment you now seek?	N/A
---	-----

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender	Female
--------	--------

Race	Caucasian
Physically Disabled	No
(Section Break)	
Acknowledgement of Terms	I accept these terms.

Email not displaying correctly? [View it in your browser.](#)

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Teniacé Broughton, do nominate P Jay Massey
(Nominee)

(Home Address)

(Phone)

(Business Address)

(Phone)

(Email Address)

City Resident: YES NO

Property Owner within the City: YES NO

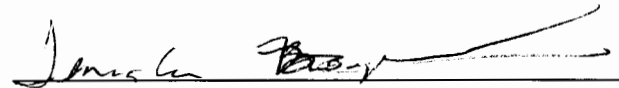
for appointment by the City Council for the position of:

MEMBER

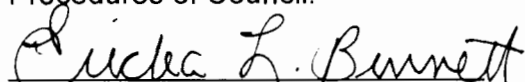
**EMPLOYED OR RETIRED ENVIRONMENTAL PROFESSIONALS,
OR MEMBERS OF LOCAL ENVIRONMENTAL ORGANIZATIONS
OR BUSINESSES WITH AN INTEREST IN CITY ENVIRONMENTAL ISSUES**

Provide a brief description of nominee's qualifications:

See RESUME; environmental ^{organization} ~~professional~~ ~~board member~~


City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.


Ericka L. Burnett, City Clerk

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Ann Hill, do nominate P. Jay Massey
32503 (Nominee)
1216 E Lee St 32502 850-384-1800
(Home Address) (Phone)
282 N. Palafox St
(Business Address) (Phone)
jm11826@gmail.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

**MEMBER
EMPLOYED OR RETIRED ENVIRONMENTAL PROFESSIONALS,
OR MEMBERS OF LOCAL ENVIRONMENTAL ORGANIZATIONS
OR BUSINESSES WITH AN INTEREST IN CITY ENVIRONMENTAL ISSUES**

Provide a brief description of nominee's qualifications:

P. Jay Massey is a board member of The Bream
Fisherman Association and has a degree in Biology /
Chemistry / Wildlife management. He lives, works + owns
a business in Pensacola - for 25 years !

Ann Hill
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

Ericka Burnett

From: noreply@civicplus.com
Sent: Tuesday, December 22, 2020 11:35 AM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

This application will be utilized in considering you for appointment to a City Council board, authority, or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

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(Section Break)

Personal Information

Name	P. Jay Massey
Home Address	1216 E Lee Street Pensacola, FL 32503
Business Address	282 N Palafox Street Pensacola, FL 32502
To which address do you prefer we send correspondence regarding this application?	Home
Preferred Contact Phone Number(s)	8503841800
Email Address	jm11826@gmail.com

Upload Resume (optional)	Field not completed.
-----------------------------	----------------------

(Section Break)

Details

Are you a City resident?	Yes
--------------------------	-----

If yes, which district?	5
-------------------------	---

If yes, how long have you been a City resident?	25 years
--	----------

Do you own property within the City limits?	Yes
--	-----

Are you a registered voter in the city?	Yes
--	-----

Board(s) of interest:	Environmental Advisory Board
-----------------------	------------------------------

Please list the reasons for your interest in this position:	My undergraduate training is Biology/Chemistry/Wildlife Management. I live, work, and own a business in Pensacola for 25 years. I am a board member of the Bream Fishermen Association (BFA). I am also actively involved with Bike Pensacola and Pensacola Slow Ride volunteer.
---	--

I am an active outdoor enthusiast, cyclist, skater, hiker, camper, mountain biker, and rescue scuba diver.

I am also an digital accessibility advocate and compliance trainer. I help organizations learn how to make their online and digital presence accessible for people with disabilities.

Do you currently serve on a board?	No
---------------------------------------	----

If yes, which board(s)?	Field not completed.
-------------------------	----------------------

Do you currently hold a public office?	No
---	----

If so, what office?	Field not completed.
---------------------	----------------------

Would you be willing to resign your current office for the appointment you now seek?	N/A
---	-----

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender	Male
--------	------

Race	Caucasian
------	-----------

Physically Disabled	No
---------------------	----

(Section Break)

Acknowledgement of Terms	I accept these terms.
--------------------------	-----------------------

Email not displaying correctly? [View it in your browser.](#)

BIOGRAPHICAL OVERVIEW

Chief Marketing Communications Officer for Hixardt Technologies, Inc.

Past director of enterprise-level web strategy, policies, and procedures for University of West Florida Web Services team. Focusing 15 years of UI/UX design, application development, and digital marketing team management experience to transition the university from a static, decentralized web presence to a easily-maintained digital marketing communication application targeting potential students and family.

Co-founder Coco Design, a commercial digital design, web/application development, search marketing firm in Pensacola. Focusing on intrapreneurial team development, accessibility advocacy, search/social marketing strategy, customer expectations management, technical support and corporate/investor communications.

Former PC systems consultant with Invesco Funds Group in Denver, Colorado with prior experience with United Parcel Service, founded Video Express (the first full-delivery retail video enterprise in Florida), public radio announcer; and executive director of Slowlane.com, a non-profit, web-based fathering resource and network.

Public speaker to business, professional and educational organizations on topics including digital accessibility, personal branding, reputation management, social media marketing, business networking.

Established the Coco Cares grant program to support and enhance emerging entrepreneurial development in the Northwest Florida region.

EMPLOYMENT EXPERIENCE

2020 - PRESENT	Hixardt Technologies, Inc., Pensacola, Florida CMSCO
2012 - PRESENT	Coco Interactive, LLC, Pensacola, Florida Consulting Partner / Chief Vision Officer Digital Accessibility Trainer / ADA Compliance
2010 - 2017	University of West Florida, Marketing Communications Director, Web Services
1994 - 2010	Coco Design Associates, Inc., Pensacola, Florida Co-founder / President
1992 - 1993	Invesco Funds Group, Denver, Colorado PC Systems Consultant
1983 - 1992	Sun Bandits, Inc., Fort Walton Beach, Florida Founder / President
1980 - 1983	Analysts / Schlumberger, Lafayette, Louisiana Senior Logging Engineer

EDUCATION

Tennessee Tech University, BS, Wildlife Management / Chemistry

HONORS / AWARDS

University of West Florida – President’s Award for Leadership in Diversity
Ford Next Generation Learning Community – Multimedia Industry Partner
Advertising Federation – ADDY Awards
Florida Public Relations Association – Partner Award
Knights of Visio

INTERNSHIP / MENTORSHIP / STUDENT SUPERVISION

University of West Florida, 2002-2017
UWF MEN - Mentor
Interdisciplinary Information Technology
Digital Art / Graphic Design
Communication Arts

West Florida High School, 2005-2006
Academy of Information Technology (AOIT)

COMMUNITY AFFILIATIONS

Appetite for Life, Board of Directors
Bream Fishermen Association, Board of Directors
American Advertising Federation (Fourth District) – Vice-Chair, 2010-2011
American Advertising Federation (Pensacola) – President, 2008-2009
UWF Institute for Innovative Community Learning (ICL), Advisory Board
Jerry Maygarden Leaders in Education, Steering Committee
Pensacola High Growth Business Club, Advisory Board
George Stone Technical Center, Advisory Board
Northwest Florida IT Advisory Council, Member
Slowlane.com – Executive Director, 1997-2007
Pensacola Leaders, Board of Directors
Pensacola Chamber of Commerce:
Small Business Council
Workforce Development Committee
Academic Selection Committees:
University of West Florida, Digital Media Professor
WSRE / Pensacola State College, Web Designer

PRESENTATIONS / TRAINING

ADA Digital Document Accessibility Training for City/County Government
Digital Accessibility for the MarComm Professional
International Website: Things to Consider Before Talking to a Developer
Google Analytics Snapshot for College of Business
Big Project, Small Staff, Tight Deadlines
Web Accessibility for Content Editors
Maximizing Your Web Content for SEO
Easy Marketing Strategy – A strategic marketing plan outline for entrepreneurs
Tips & Traps in Social Media Marketing
Using LinkedIn for Business Development
How to Set Up a Facebook Page for Business
Twitter Ideas for a Small Business – Ten ideas for your organization
Humanizing Social Media Strategy for Business – Where is the love?
Issues in Cross Media Design
Essentials of Internet Marketing – Basic / Advanced

PHILANTHROPY

Coco Cares, Entrepreneurial Grant Program – Founder
Kiva.org – Microfund Lender

SOCIAL

LinkedIn	PJayMassey
Instagram	JM11826
Facebook	JayMassey
Twitter	JayMassey

FUN & FITNESS

Sunrise Tai Chi at Bayview Park, e-skate, travel, juggle, play at didgeridoo, visually documenting moments of joy, and occasionally write less-than-good haiku

Ballot – **Environmental Advisory Board**
January 21, 2022
Two year unexpired term ending March 1, 2022

At Large

_____ Kelly Hagen

_____ Cheryl Kelsch

Vote for One

Signed: _____
Council Member

Ballot – **Environmental Advisory Board**
January 21, 2022
Two year unexpired term ending March 1, 2022

Employed or retired environmental professionals, or members of local environmental organizations or businesses with an interest in City environmental issues

_____ Kristin Bennett

_____ P. Jay Massey

Vote for Two

Signed: _____
Council Member



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00060

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council President Jared Moore

SUBJECT:

APPOINTMENT - ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

RECOMMENDATION:

That City Council appoint one individual to the Escambia-Pensacola Human Relations Commission to fill an unexpired term ending June 1, 2021.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The Escambia-Pensacola Human Relations Commission has been re-established by the Escambia County Board of County Commissioners - County Ordinance 2019-13. The Commission is established 1) to provide local assistance to review and resolve employment and fair housing discrimination complaints and improve community relations for all persons in Escambia County regardless of race, color, national origin, age, disability, family or religious status; and 2) to improve community relations, which shall be defined as programs that promote or improve relations between races and ethnic groups in the community.

Upon the effective date of County Ordinance 2019-13 and for two years thereafter, the Escambia-Pensacola Human Relations Commission shall be composed of nine (9) voting members:

One (1) member of the Escambia County Board of County Commissioners who is appointed by a majority vote of the Escambia County Board of County Commissioners to perform *ex officio* the functions of an additional office;

One (1) member of the City of Pensacola City Council who is appointed by a majority vote of the City of Pensacola City Council to perform *ex officio* the functions of an additional office;

Four (4) members appointed by the Escambia County Board of County Commissioners; and

Three (3) members appointed by the City of Pensacola.

Upon expiration of the initial two-year term, the Escambia-Pensacola Human Relations

Commission shall be composed of seven (7) voting members:

Four (4) members appointed by the Escambia county Board of County Commissioners; and

Three (3) members appointed by the City of Pensacola.

The following have been nominated:

Nominee:**Nominated by:****Member**

Antonio Bruni

Jewel Cannada-Wynn

Ashley McDonald

Brahier

Broughton, Hill

Wiggins

PRIOR ACTION:

City Council appointed three (3) members and one Council Member (ex-officio) to the re-established commission.

FUNDING:

Budget: N/A

Actual: N/A

FINANCIAL IMPACT:

None.

STAFF CONTACT:

Ericka L. Burnett, City Clerk

ATTACHMENTS:

- 1) Member List
- 2) Nomination Form - Antonio Bruni
- 3) Application of Interest - Antonio Bruni
- 4) Nomination Form - Jewel Cannada-Wynn
- 5) Application of Interest - Jewel Cannada-Wynn
- 6) Nomination Form - Ashley McDonald
- 7) Application of Interest - Ashley McDonald
- 8) Ballot

PRESENTATION: No

Escambia-Pensacola Human Relations Commission

Name	Profession	Appointed By	No. of Terms	Year	Exp Date	First Appointed	Term Length	Comments
Boudreaux, Patrick		Council	0	2020	6/1/2021	5/30/2019	2	
Helms, Ron		Council	0	2020	6/1/2021	5/30/2019	2	
Hopson, Joyce		Council	0	2020	6/1/2021	5/30/2019	2	
Myers, Sherri		Council - Ex Officio	0	2020	6/1/2021	12/10/2020	2	

Term Length: INITIALLY - 2 years . See County Ordinance 2019-13 (SEE NOTES SECTION)

Upon the effective date of County Ordinance 2019-13 and for two years thereafter, the Escambia-Pensacola Human Relations Commission shall be composed of nine (9) voting members:

One (1) member of the Escambia County Board of County Commissioners who is appointed by a majority vote of the Escambia County Board of County Commissioners to perform ex officio the functions of an additional office;

One (1) member of the City of Pensacola City Council who is appointed by a majority vote of the City of Pensacola City Council to perform ex officio the functions of an additional office;

Four (4) members appointed by the Escambia County Board of County Commissioners; and

Three (3) members appointed by the City of Pensacola.

Upon expiration of the initial two-year term, the Escambia-Pensacola Human Relations Commission shall be composed of seven (7) voting members:

Four (4) members appointed by the Escambia county Board of County Commissioners; and

Three (3) members appointed by the City of Pensacola.

Upon the expiration of the initial two-year term, two members appointed by the Escambia County Board of County Commissioners and one member appointed by the City of Pensacola shall each serve a three-year term. The remaining two members appointed by the Escambia County Board of County Commissioners and two members appointed by the City of Pensacola shall each serve a two-year term. Thereafter, all Commissioners will serve two-year staggered terms. No term limits for a member to serve on the Commission. All members of the Commission shall be electors of Escambia County.

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Jeanette Brahier, do nominate Antonio Bruni
(Nominee)
5725 Adelon Road (850) 723-6163
(Home Address) (Phone)
501 Brent Lane
(Business Address) (Phone)
antonio-bruni@hotmail.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

MEMBER

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
(Unexpired term ending June 1, 2021)

Provide a brief description of nominee's qualifications:

Antonio Bruni has advocated in numerous ways in this community for many years. He actively works in many community groups and organizations in advocacy for residents. He also has 15 years as a professional advocating for workers' rights.

[Signature]
City Council Member

I hereby certify that the above nomination was submitted to my office within the time limitations prescribed by the Rules and Procedures of Council.

[Signature]
Ericka L. Burnett, City Clerk

Ericka Burnett

From: noreply@civicplus.com
Sent: Tuesday, December 29, 2020 2:48 PM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

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(Section Break)

Personal Information

Name	Antonio Bruni
------	---------------

Home Address	5725 Adelyn Road
--------------	------------------

Business Address	501 Brent Lane
------------------	----------------

To which address do you prefer we send correspondence regarding this application?	Home
---	------

Preferred Contact Phone Number(s)	8507236163
-----------------------------------	------------

Email Address	antonio_bruni@hotmail.com
---------------	--

Upload Resume (optional)	Field not completed.
--------------------------	----------------------

(Section Break)

Details

Are you a City resident? Yes

If yes, which district? 1

If yes, how long have you been a City resident? 16 years

Do you own property within the City limits? Yes

Are you a registered voter in the city? Yes

Board(s) of interest: Escambia-Pensacola Human Relations Commission

Please list the reasons for your interest in this position: I have been an advocate for workers' rights for over a decade and at the same time actively advocate to improve community relations in my neighborhood. I look forward to doing the same for this committee if selected.

Do you currently serve on a board? Yes

If yes, which board(s)? Pensacola Parks and Recreation Board

Do you currently hold a public office? No

If so, what office? *Field not completed.*

Would you be willing to resign your current office for the appointment you now seek? N/A

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender Male

Race Hispanic-American

Physically Disabled No

(Section Break)

Acknowledgement of
Terms

I accept these terms.

Email not displaying correctly? [View it in your browser.](#)

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Tenadi Broughton, do nominate Jewel Cannada-Wynn
(Nominee)

605 W. Blount St
(Home Address)

850) 346-7264
(Phone)

605 W Blount St
(Business Address)

(Phone)

(Email Address)

City Resident: YES NO
Property Owner within the City: YES NO

for appointment by the City Council for the position of:

MEMBER

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
(Unexpired term ending June 1, 2021)

Provide a brief description of nominee's qualifications:

Served on HRC as a council member

Tenadi Broughton
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Ann Hill, do nominate Jewel Cannada-Wynn
(Nominee)

605 West Bloor St 850-346-7264
(Home Address) (Phone)

(Business Address) (Phone)

jacwynn60@yahoo.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

MEMBER

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
(Unexpired term ending June 1, 2021)

Provide a brief description of nominee's qualifications:

Jewel Cannada-Wynn's experience and qualifications are
well-known to this council & community. She has
served on HRC as a council member & was the treasurer.
She would like to continue her work on restructuring the
commission.

Ann Hill
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk

Ericka Burnett

From: noreply@civicplus.com
Sent: Tuesday, December 1, 2020 5:40 PM
To: Ericka Burnett; Robyn Tice
Subject: [EXTERNAL] Online Form Submittal: Application for Boards, Authorities, and Commissions - City Council Appointment

THIS EMAIL IS FROM AN EXTERNAL EMAIL ACCOUNT

Application for Boards, Authorities, and Commissions - City Council Appointment

This application will be utilized in considering you for appointment to a City Council board, authority, or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

Completed applications will be kept on file for a period of one (1) year from the date received in the Office of the City Clerk.

It is necessary to contact a member of Council to obtain a nomination in order to be placed on the ballot for consideration. Please go to cityofpensacola.com/council for Council Member contact information. If you have any questions, contact the City Clerk's Office.

(Section Break)

Personal Information

Name	Jewel Cannada-Wynn
------	--------------------

Home Address	605 West Blount St.
--------------	---------------------

Business Address	605 West Blount St.
------------------	---------------------

To which address do you prefer we send correspondence regarding this application?	Field not completed.
---	----------------------

Preferred Contact Phone Number(s)	18503467264
-----------------------------------	-------------

Email Address	jacwynn60@yahoo.com
---------------	--

Upload Resume (optional)	Field not completed.
--------------------------	----------------------

(Section Break)

Details

Are you a City resident? Yes

If yes, which district? 7

If yes, how long have you been a City resident? Pensacola

Do you own property within the City limits? Yes

Are you a registered voter in the city? Yes

Board(s) of interest: Human Relation Commission

Please list the reasons for your interest in this position: I was a member as a council member and was the treasurer. I would like to continue my work in restructuring the commission

Do you currently serve on a board? No

If yes, which board(s)? *Field not completed.*

Do you currently hold a public office? No

If so, what office? *Field not completed.*

Would you be willing to resign your current office for the appointment you now seek? N/A

(Section Break)

Diversity

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees.

Gender Female

Race African-American

Physically Disabled No

(Section Break)

Acknowledgement of Terms I accept these terms.

Email not displaying correctly? [View it in your browser.](#)

CITY OF PENSACOLA, FLORIDA

NOMINATION FORM

I, Delarian Wiggins, do nominate Ashley McDonald
(Nominee)

1409 Aggie Way Pensacola, FL 850-497-4273
(Home Address) (Phone)

(Business Address) (Phone)

Alp92.ap@gmail.com City Resident: YES NO
(Email Address) Property Owner within the City: YES NO

for appointment by the City Council for the position of:

MEMBER

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
(Unexpired term ending June 1, 2021)

Provide a brief description of nominee's qualifications:

Delarian Wiggins
City Council Member

I hereby certify that the above
nomination was submitted to my
office within the time limitations
prescribed by the Rules and
Procedures of Council.

Ericka L. Burnett
Ericka L. Burnett, City Clerk



Application for City Council Appointments to Boards, Authorities, and Commissions

Office of the City Clerk, P.O. Box 12910, Pensacola, FL 32521, 850- 435-1606

This application will be utilized in considering you for appointment by City Council to a board, authority or commission. Pursuant to Florida Statutes, Chapter 119, all information provided on or with this form becomes a public record and is subject to disclosure, unless otherwise exempted by law.

- Complete each blank on the application
- Completed applications will be kept on file for a period of one (1) year from the date received in the Office of the City Clerk
- **It is necessary to contact a member of Council to obtain a nomination in order to be placed on the ballot for consideration. Please go to www.cityofpensacola.com for Council Member contact information.** If you have any questions, contact the City Clerk's Office at the number listed above.
- Please type or print legibly.

Name: Ashley McDonald Email Address: Alp92.ap@gmail.com

Home Address: 1409 Aggie Way Pensacola, FL Work Address: 151 W Main St, Pensacola, FL

Preferred Contact Phone Number(s): 850-497-4273

To which address do you prefer correspondence regarding this application be sent: X Residence Business

Are you a resident of the City? Yes X No If yes, which district: 1 2 3 4 5 6 7 How long? Circle one

Do you own property within the City limits? No Are you a registered voter in the City of Pensacola? Yes X No

Board (s) of interest: Escambia-Pensacola Human Relations
Commission

Please list the reasons for your interest in this position (if necessary, continue on reverse side or on an attached sheet). I am a licensed realtor in the state of Florida and I have encountered one to many individuals that have experienced unfair treatment when trying to purchase a home and this seems like a real way to help combat this issue. I hope to be able to help those in our community that feel like they are voiceless in these matters.

Are you currently on a City board, authority, or commission? No If yes, which board?

Do you now hold public office: No If so, what is the office?

The Florida Constitution, in section 5 (a) of Article II, prohibits simultaneous "dual office holding". If you were already serving on a board, authority, or commission for the City of Pensacola or for another governmental agency, would you be willing to resign in order to accept the appointment you now seek? Yes X No

In order to encourage diversity in selections of members of government committees, the following information is required by Florida Statute 760.80 for some committees. Describe yourself within the categories below.

RACE: GENDER: PHYSICALLY DISABLED: African-American X Caucasian Male
 Asian-American Other Female X
 Hispanic-American

I hereby certify that the statements and answers provided are true and accurate. I understand that any false statements

may be cause for removal from a board or committee if appointed.

Signature Ashley McDonald Date Dec 28, 2020
THANK YOU FOR YOUR WILLINGNESS TO SERVE

Ballot – Escambia-Pensacola Human Relations Commission

January 21, 2021

Unexpired term ending June 1, 2021

Member

_____ Antonio Bruni

_____ Jewel Cannada-Wynn

_____ Ashley McDonald

Vote for One

Signed: _____
Council Member



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00089

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council Member Delarian Wiggins

SUBJECT:

GUN BUY BACK INITIATIVE AND PROGRAM

RECOMMENDATION:

That City Council authorize the establishment of a Gun Buy Back initiative / program for the City of Pensacola. Further that the City Council direct the Council Executive to develop the program in conjunction with the Pensacola Police Department and that the Council Executive bring back a supplemental budget resolution at a subsequent meeting regarding the funding for this initiative.

HEARING REQUIRED: No Hearing Required

SUMMARY:

In a continued effort to reduce instances of gun violence and crimes, a gun buyback initiative / program allows the opportunity for people to safely dispose of their unwanted firearms. The buyback initiative helps to decrease the chance of unwanted firearms getting stolen or into the wrong hands, whether it be that of a child or a criminal.

The intent of the initiative is to take in the unwanted firearm in exchange for either cash or a gift card.

The location and logistics will be worked on pending Council's approval of such an initiative.

PRIOR ACTION:

None

FUNDING:

N/A - At this time

FINANCIAL IMPACT:

None at this time. A Supplemental Budget Resolution will come at a subsequent Council meeting.

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) None

PRESENTATION: No



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 2021-01

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

SUPPLEMENTAL BUDGET RESOLUTION NO. 2021-01 LAW ENFORCEMENT TRUST FUND (LETF) PURCHASES FOR THE PENSACOLA POLICE DEPARTMENT

RECOMMENDATION:

That the City Council adopt Supplemental Budget Resolution No. 2021-01.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The Law Enforcement Trust Fund was established by the City of Pensacola to allow the Police Department to use money and goods confiscated as a result of criminal activity. Florida State Statute 932.7055, as amended on July 1, 2016, details the circumstances confiscated goods may be used. The Federal Controlled Substance Act, Section 881 (e) (3) of Title 21, United States Code, in accordance with the United States Department of Justice Guide to Equitable Sharing, designates the uses of Federal Law Enforcement Trust Funds.

The Pensacola Police Department is requesting \$18,075.00 from the Law Enforcement Trust Fund to purchase a GrayKey forensic access tool. The GrayKey forensic tool will be used to access cell phones lawfully and extract data during these investigations. It will be used to enhance our investigative capabilities.

PRIOR ACTION:

None

FUNDING:

Budget: \$ 18,075.00

Actual: \$ 18,075.00

FINANCIAL IMPACT:

The funds would be from the Law Enforcement Trust Fund and would have no impact on the City's General Fund. The attached supplemental budget resolution will appropriate funds for these purposes.

CITY ATTORNEY REVIEW: Yes

12/21/2020

STAFF CONTACT:

Keith Wilkins, City Administrator
Kevin Christman, Deputy Chief of Police

ATTACHMENTS:

- 1) Supplemental Budget Resolution No. 2021-01
- 2) Supplemental Budget Explanation No. 2021-01
- 3) Letter of Certification

PRESENTATION: No

**RESOLUTION
NO. 2021-01**

**A RESOLUTION
TO BE ENTITLED:**

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR
THE FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA

SECTION 1. The following appropriations from funds on hand in the fund accounts stated below, not heretofore appropriated, and transfer from funds on hand in the various accounts and funds stated below, heretofore appropriated, be, and the same are hereby made, directed and approved to-wit:

A. LAW ENFORCEMENT TRUST FUND

	Fund Balance	18,075
As Reads:	Operating Expenses	38,456
Amended		
To Read:	Operating Expenses	56,531

SECTION 2. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 3. This resolution shall become effective on the fifth business day after adoption, unless otherwise provided pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk

THE CITY OF PENSACOLA

JANUARY 2021 - SUPPLEMENTAL BUDGET RESOLUTION - LETF FUNDS - NO. 2021-01

FUND	AMOUNT	DESCRIPTION
LAW ENFORCEMENT TRUST FUND		
Fund Balance	<u>18,075</u>	Increase appropriated fund balance
Appropriations		
Operating Expenses	<u>18,075</u>	Increase appropriation for Operating Expenses
Total Appropriations	<u>18,075</u>	

LETF Requests
October 3, 2013

Item Requested	Department	Requestor	Notes	Requested Amount
1 All-in-one Printer	Investigations	Kristin Brown	The computer crimes forensic lab currently using a 3yr old printer. The device has become unreliable. It is necessary for this unit to have its own stand-alone device due to the nature of the files the detectives deal with on a daily basis.	\$500.00
2 Accreditation	Administration	Paul Kelly	For February 2014 Conference (\$2,500); Accreditation fees for three years (CFA and FL PAC) (\$2,100); necessary equipment: legal guidelines, first aid, miscellaneous. (\$5,400)	\$10,000.00
3 Training	Special Projects	Paul Kelly	VIVA online 4 day one-on-one refresher course for Cognitech's certified end-user (20 hours total)	\$1,500.00
4 Telephone Software (?)	V & N	Paul Kelly	Callyo basic system for 3 years; additional lines; Bluetooth Transmitter; headphones with mic and training	\$5,100.00
5 Matching Funds	Administration	Wesley Jones	Funds to be used for grant matching requirements	\$20,000.00
6 Crime Prevention	Adminstration	Chief	Various programs from give away items to support of various community programs	\$50,000.00
7 Hubs and docking stations	Investigations	Jeff Brown	These devices allow several hard drives to be connected at one time and allow additional storage devices to be accessed by our work computers. The ability to analyze several devices at once, increases the speed and efficiency of the Computer Crimes Unit.	\$400.00
8 Hard drives	Investigations	Jeff Brown	These drives allow the Computer Crimes Unit to store contraband collected from suspects computers	\$1,600.00

LETF Requests

October 3, 2013

9	Windows Licenses	Investigations	Jeff Brown	CCU seize and use suspect computers that contain contraband. Once cleaned, these licenses will allow the installation of new, unused Windows programs on these computers and then these computers can be used for multiple purposes by the PD.	\$4,000.00
10	Mac Computer	Investigations	Jeff Brown	This computer is needed to help analyze and locate suspect contraband.	\$4,000.00
Total LETF Requested					<u><u>\$97,100.00</u></u>

City of Pensacola Police Department
Local Law Enforcement Trust Fund (LETF)
Letter of Certification

I hereby certify that the requests contained herein comply in full with the provisions of Florida State Statute 932.7055(5)(b) in reference to the use of Confiscated Funds from a Law Enforcement Trust Fund.

Item	Description of Requested Items	Amount
1	Crime Prevention	\$50,000
2		
3		
4		
5		
6		
7		
8		
Total Requested		\$50,000

David Alexander III, Chief of Police

CITY OF PENSACOLA POLICE DEPARTMENT

Local Law Enforcement Trust Funds

Letter of Certification

I hereby certify that the requests contained herein comply in full with the provisions of Florida State Statute 932.7055 as amended on July 1, 2016, in reference to the use of contraband forfeiture from a State Law Enforcement Trust Fund and/or under the Federal Controlled Substance Act, Section 881 (e)(3) of Title 21, United States Code, in accordance with the US Department of Justice Guide to Equitable Sharing from a designated Federal

Item	Description of Requested Items	Amount
1	GrayKey (forensic access tool)	\$18,075
Total Requested		\$18,075

Kevin Christman, Deputy Chief of Police

Date



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 2021-05

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

SUPPLEMENTAL BUDGET RESOLUTION NO. 2021-05 - "FOLDING PLANES SCULPTURE"
DONATION FOR BARTRAM PARK

RECOMMENDATION:

That City Council adopt Supplemental Budget Resolution No. 2021-05.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE
FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The City of Pensacola received a funding donation from Ms. Anna Holliday Benson to be used toward the beautification of Bartram Park. Funds are to be used for a new art addition called the "Folding Planes Sculpture." The sculpture represents the story of a piece of paper dreaming of flying. Once the sculpture is purchased and installed, it will become the property of the City of Pensacola. Prior to any future movement of the sculpture, a notice must be provided to Ms. Benson.

PRIOR ACTION:

N/A

FUNDING:

Budget: \$57,000

Actual:	\$52,000	Art purchase
	<u>5,000</u>	Shipping costs
	<u>\$57,000</u>	

FINANCIAL IMPACT:

Approval of the supplemental budget resolution will appropriate the revenues and expenditures for

the Folding Planes Sculpture Art Donation to the City of Pensacola.

CITY ATTORNEY REVIEW: Yes

12/21/2020

STAFF CONTACT:

Keith Wilkins, City Administrator
Amy Lovoy, Finance Director

ATTACHMENTS:

- 1) Supplemental Budget Resolution No. 2021-05
- 2) Supplemental Budget Explanation No. 2021-05
- 3) Folding Planes Sculpture Donation Letter

PRESENTATION: No

**RESOLUTION
NO. 2021-05**

A RESOLUTION
TO BE ENTITLED:

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE
FISCAL YEAR ENDING SEPTEMBER 30, 2021; PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA

SECTION 1. The following appropriations from funds on hand in the fund accounts stated below, not heretofore appropriated, and transfer from funds on hand in the various accounts and funds stated below, heretofore appropriated, be, and the same are hereby made, directed and approved to-wit:

A. SPECIAL REVENUE FUND

As Reads	Miscellaneous Revenue	76,495
Amended		
To Read:	Miscellaneous Revenue	133,495
As Reads	Operating Expenses	362,691
Amended		
To Read:	Operating Expenses	367,691
As Reads	Capital Outlay	1,198,941
Amended		
To Read:	Capital Outlay	1,250,941

SECTION 2. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 3. This resolution shall become effective on the fifth business day after adoption, unless otherwise provided pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk

THE CITY OF PENSACOLA**JANUARY 2021 - SUPPLEMENTAL BUDGET RESOLUTION - BENSON CITY ART DONATION- RES NO. 2021-05**

FUND		AMOUNT	DESCRIPTION
SPECIAL REVENUE FUND			
Estimated Revenues			
	Miscellaneous Revenue	57,000	Increase estimated revenue from Miscellaneous Revenue
	Total Revenues	<u>57,000</u>	
Appropriations			
	Operating Expenses	5,000	Increase appropriation for Operating Expense
	Capital Outlay	52,000	Increase appropriation for Capital Outlay
	Total Appropriations	<u>57,000</u>	

Anna Holliday Benson
101 South Ninth Avenue
Pensacola, FL 32502

December 14, 2020

The Honorable Grover C. Robinson, IV
Mayor of the City of Pensacola
222 W. Main Street
Pensacola, Florida 32502

Re: Donation of Sculpture

Dear Mayor Robinson:

I believe public art will make our City even more beautiful, and I would like to donate to the City sufficient funds to purchase and install a particular sculpture. The sculpture is Folding Planes by Kevin Box. It represents the story of a piece of paper dreaming of flying. It begins at the bottom with a blank page and proceeds through seven simple folds to the top where the airplane take flight. Each fold symbolizes a choice or action taken to transform dreams into reality. I think it is well suited for our City where young women and men come to learn how to fly and where all of us work to turn our dreams into reality. I have enclosed a photograph of the sculpture.

I would like the sculpture to be installed at Bartram Park. If possible, I would ask that the City use in-house labor and materials to install the sculpture. If the City determines that we need an outside contractor, I will work with the City to identify a contractor to install the sculpture in line with the City's procedures and will make a donation to fund the installation.

Once we have purchased and installed the sculpture, the sculpture will be the property of the City. The City will have ultimate discretion with regards to decisions about the display and maintenance of the sculpture but will notify me before moving the sculpture. If the City decides that the sculpture is no longer wanted, the City will offer me the right of first refusal to purchase the sculpture at the price originally paid for the sculpture adjusted for inflation. The duty to notify and the right of first refusal will only inure to me and not to my heirs or any designees.

If these terms are acceptable to you and the City, I will work with your staff to arrange the donation of the funds and the installation of the sculpture. Thank you for your leadership of our City. I hope this will be a gift that beautifies our City for generations to come.

Sincerely,



Holly Benson

/hb
Enclosure

CC: Keith Wilkins, City Administrator
Susan A. Woolf, City Attorney
George Maiberger, Purchasing Manager

RECEIVED ON

DEC 14 2020

CITY ATTORNEY'S OFFICE



Folding Planes by Kevin Box, 2013
Powder coated cast bronze on steel base
138" x 62" x 39"



Memorandum

File #: 2021-06

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council Member Delarian Wiggins

SUBJECT:

RESOLUTION NO. 2021-06 SUPPORTING AN APPLICATION FOR TRANSPORTATION ALTERNATIVES PROGRAM FUNDING

RECOMMENDATION:

That City Council adopt Resolution No. 2021-06:

A RESOLUTION OF THE CITY OF PENSACOLA SUPPORTING AN APPLICATION FOR TRANSPORTATION ALTERNATIVES PROGRAM FUNDING TO DESIGN AND CONSTRUCT MULTI-MODAL FACILITIES ALONG SEVERAL CITY ROADS; PROVIDING FOR AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

For the past two (2) years, the City of Pensacola Community Redevelopment Agency (CRA) applied for Florida Department of Transportation (FDOT) Transportation Alternatives Program (TAP) funding to support the Multi-Modal Connectivity to Legion Field Park and Global Learning Academy project located within the City of Pensacola's Westside redevelopment district. This application requests TAP funding for the design and construction of pedestrian and bicycle improvements along L Street from Cervantes Street to Gregory Street (Priority Segment #1), Gregory Street from Pace Boulevard to I Street (Priority Segment #2), and Wright Street from Pace Boulevard to P Street (Priority Segment #3) in support of enhancing connectivity to Legion Field Park, the Westside Library, and the Global Learning Academy. Concepts for each segment are attached.

Although the submitted project ranked within the Florida-Alabama Transportation Planning Organization's (TPO) top two (2) priorities for the past two cycles, FDOT has been unable to award funding toward the project due to limited funding associated with transitioning management of the TAP program. Recently, FDOT also advised staff that components of the project will need to be funded locally, including the pedestrian lighting along all segments, specific sidewalk replacement segments along Gregory Street and the traffic calming, sidewalk bump-outs included in the yield street design along "L" Street.

To meet the program's requirements and increase the likelihood that the CRA can leverage TAP

funding to construct the project to the maximum extent, the required modifications have been incorporated into the application. To ensure the application remains competitive, funding will need to be sought through current and future budgets and other sources to complete the required project components. Installation of the pedestrian lighting will require further assessment by a lighting specialist during the project's design phase and may be phased, dependent upon available funding. If funding is awarded, the project will likely be programmed for construction in the FDOT Work Program's fifth year.

Due to this application's time-sensitive nature, the CRA and City Council will need to consider and adopt a resolution of support for the proposed project during their January 2021 meetings to resubmit this project successfully.

PRIOR ACTION:

January 14, 2019 - The CRA adopted Resolution No. 2019-01 CRA supporting applications for transportation alternatives program funding for multi-modal facilities.

January 17, 2019 - City Council adopted Resolution No. 2019-02 supporting applications for transportation alternatives program funding for multi-modal facilities.

December 12, 2019 - City Council adopted Resolution No. 2019-71 supporting applications for transportation alternatives program funding for multi-modal facilities.

FUNDING:

Budget: \$ 1,365,020

Actual:	\$ 332,858	TAP Request - L Street
	432,566	TAP Request - Gregory Street
	55,829	TAP Request - Wright Street
	236,216	Pedestrian Lighting - L Street (Est.)
	50,000	Bump Outs - L Street (Est.)
	179,352	Pedestrian Lighting - Gregory Street (Est.)
	43,931	Sidewalk Replacement - Gregory Street (Est.)
	34,269	Pedestrian Lighting - Wright Street (Est.)
	<u>\$1,365,020</u>	

FINANCIAL IMPACT:

Partial funding to support the pedestrian lighting, sidewalk replacement, and bump-outs is currently available in the Fiscal Year 2021 Community Redevelopment Agency budget. However, additional funding will be needed through future budget cycles, grant funds, and other sources to complete the project.

STAFF CONTACT:

Don Kraher, Council Executive
M. Helen Gibson, AICP, CRA Administrator
Victoria D'Angelo, Asst. CRA Administrator

ATTACHMENTS:

- 1) Resolution No. 2021-06

PRESENTATION: No

RESOLUTION
NO. 2021-06

A RESOLUTION
TO BE ENTITLED:

A RESOLUTION OF THE CITY OF PENSACOLA
SUPPORTING AN APPLICATION FOR
TRANSPORTATION ALTERNATIVES PROGRAM
FUNDING TO DESIGN AND CONSTRUCT MULTI-MODAL
FACILITIES ALONG SEVERAL CITY ROADS; PROVIDING
FOR AN EFFECTIVE DATE.

WHEREAS, the City of Pensacola has an interest in promoting and encouraging alternative modes of transportation to support revitalization in accordance with the City's adopted Westside Community Redevelopment Area Plan; and

WHEREAS, many citizens of the City of Pensacola have expressed a desire for additional multi-modal facilities within the City of Pensacola's community redevelopment areas; and

WHEREAS, the following proposed multi-modal project is endorsed by the City of Pensacola:

Pedestrian and bicycle improvements, which may include sidewalks and/or multi-use paths, lighting, traffic calming elements, crosswalks, pedestrian signalization and bicycle and pedestrian signage along North "L" Street from West Cervantes Street to West Gregory Street, West Gregory Street from North Pace Boulevard to North "A" Street, and within immediate proximity to the Global Learning Academy along Pace Boulevard and West Wright Street. Such project providing for enhanced connectivity and safety improvements to Legion Field, a City park, the Westside Library, and Global Learning Academy, a public elementary school.

WHEREAS, such Project is substantially contained within the twenty-five (25) highest ranked projects list, and fill a documented gap, as defined within the adopted 2018 Florida-Alabama Transportation Planning Organization (TPO) Pedestrian/Bicycle Master Plan; and

WHEREAS, such Project is consistent with the City of Pensacola's adopted Comprehensive Plan and the Westside Community Redevelopment Plan; and

WHEREAS, Federal Transportation Alternatives Program (TAP) funds are now available for transportation alternatives projects through the State of Florida Department of Transportation; and

WHEREAS, the Project meets the eligibility requirements for funding; and

WHEREAS, in order that these improvements may be constructed to the fullest extent, the City of Pensacola supports filing an application with the State of Florida Department of Transportation to design and construct the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF PENSACOLA, FLORIDA THAT:

Section 1. That the above stated recitals are true and correct and incorporated herein by this reference.

Section 2. That the Project is endorsed by the City of Pensacola as serving an unmet vital transportation need for the public health, safety and welfare of the citizens of the City of Pensacola.

Section 3. That the City of Pensacola, in furtherance of such purpose, supports filing an application with the State of Florida Department of Transportation for Federal Transportation Alternatives Program (TAP) funding for the Project.

Section 4. The City of Pensacola hereby authorizes the Mayor to take all actions necessary to effectuate the provisions of this Resolution.

Section 5. This Resolution shall become effective on the fifth business day after adoption, unless otherwise provided pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

ATTEST:

City Clerk



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 03-21

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council President Jared Moore

SUBJECT:

PROPOSED ORDINANCE NO. 03-21 - REMOTE VEHICLE SALES

RECOMMENDATION:

That City Council approve Proposed Ordinance No. 03-21 on first reading:

AN ORDINANCE CREATING ARTICLE V OF CHAPTER 7-9, SECTION 7-9-56 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROHIBITING REMOTE MOTOR VEHICLE SALES; PROVIDING DEFINITIONS; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On occasion there are held within the City limits of Pensacola, remote motor vehicle sales. Some of these remote motor vehicle sales are conducted on property, within the City, by individuals and entities which have no established business within the boundaries of the City or of Escambia County.

The individuals and entities which conduct these transactions normally depart the area after completion of the event and there is limited or no ability for purchasers of the motor vehicles to seek necessary information and recourse from the sellers. However, sales conducted by businesses, individuals and entities which have an established business within City and/or Escambia County provide a meaningful opportunity for the seller to seek recourse in the event that problems occur with the vehicle.

The creation of this ordinance will assist in that effort by prohibiting remote vehicle sales unless such sale is conducted by a licensed dealership with sales premises located within the boundaries of Escambia County.

PRIOR ACTION:

None

FUNDING:

N/A

FINANCIAL IMPACT:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

- 1) Proposed Ordinance No. 03-21

PRESENTATION: No

PROPOSED
ORDINANCE NO. 03-21

ORDINANCE NO. _____

AN ORDINANCE TO
BE ENTITLED:

AN ORDINANCE CREATING ARTICLE V OF CHAPTER 7-9,
SECTION 7-9-56 OF THE CODE OF THE CITY OF PENSACOLA,
FLORIDA; PROHIBITING REMOTE MOTOR VEHICLE SALES;
PROVIDING DEFINITIONS; PROVIDING FOR SEVERABILITY;
REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY OF PENSACOLA, FLORIDA:

SECTION.1 Section 7-9-56 of the Code of the City of Pensacola, Florida is hereby
created to read as follows:

ARTICLE V. REMOTE MOTOR VEHICLE SALES.

Sec. 7-9-56. – Remote Motor Vehicle Sales Prohibited.

(a) - Definitions.

As used in this section, except as otherwise provided:

Licensed dealership means a business licensed by the State of Florida, Escambia County or City of Pensacola in which the primary endeavor is the sale of new or used motor vehicles.

Motor vehicle means “motor vehicle” as defined in sec. 320.01(1), Florida Statutes.

Permanent motor vehicle sales business means a business that operates out of a structure and has received a city or Escambia County occupational license for that location.

Premises means and includes all lands, structures, places, equipment and appurtenances connected or used therewith in any business, or as is otherwise used in connection with any such business conducted on such premises.

(b) - Prohibited actions.

It shall be unlawful for any person to conduct a sale, either directly or indirectly, of a new or used motor vehicle in or on a location in the city other than a permanent motor vehicle sales business unless it is conducted by a licensed dealership with sales premises located within the boundaries of Escambia County, Florida. This prohibition shall not apply to the sale of a motor vehicle by a person at a location other than the individual residence for which the motor vehicle is individually titled to that person (not including titled as part of a dealership

or commercial business) provided no person shall sell more than three (3) such motor vehicles per year. This prohibition also shall not apply to the online sales of new or used motor vehicles or to the interstate sales of motor vehicles.

SECTION 2. If any word, phrase, clause, paragraph, section or provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provision or applications of the ordinance which can be given effect without the invalid or unconstitutional provisions or application, and to this end the provisions of this ordinance are declared severable.

SECTION 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 4. This ordinance shall take effect on the fifth business day after adoption, unless otherwise provided, pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 05-21

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: City Council Member Sherri Myers

SUBJECT:

PROPOSED ORDINANCE NO. 05-21 - AMENDING SECTION 4-2-7 AND 4-2-42 OF CITY CODE PROVIDING EXCEPTIONS AND ADDITIONS FOR LIVESTOCK AND HOUSEHOLD PETS. KEEPING OF MINIATURE GOATS ADDED.

RECOMMENDATION:

That City Council approve Proposed Ordinance No. 05-21 on first reading:

AN ORDINANCE AMENDING SECTION 4-2-7 AND SECTION 4-2-42 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROVIDING EXCEPTIONS AND ADDITIONS FOR LIVESTOCK AND HOUSEHOLD PETS; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

In 2014, City Council amended the ordinances regarding Livestock and Household Pets to include the keeping of pot-bellied pigs. This amendment includes the keeping of miniature goats as household pets.

Miniature goats are considered excellent pets due to their good-natured personalities, friendliness, faithfulness, and hardy constitution. Miniature goats tend to be no bigger than a number of species of larger domestic dogs.

Female and neutered male goats do not generate significant odors and can be cared for in much the same way as other household pets.

PRIOR ACTION:

March 13, 2014 - City Council amended Ordinance to include allowing pot-bellied pigs

FUNDING:

N/A

FINANCIAL IMPACT:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

- 1) Proposed Ordinance No. 05-21 - Goat Ordinance 1-8-2021 - strike-through
- 2) Proposed Ordinance No. 05-21 - Goat Ordinance 1-8-2021 -- Clean

PRESENTATION: No

PROPOSED
ORDINANCE NO. 05-21

ORDINANCE NO. _____

AN ORDINANCE
TO BE ENTITLED:

AN ORDINANCE AMENDING SECTION 4-2-7 AND SECTION 4-2-42 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROVIDING EXCEPTIONS AND ADDITIONS FOR LIVESTOCK AND HOUSEHOLD PETS; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY OF PENSACOLA, FLORIDA:

SECTION 1. Section 4-2-7 of the Code of the City of Pensacola, Florida, is hereby amended to read as follows:

Sec. 4-2-7. - Livestock.

It shall be unlawful to keep any horse, mule, donkey, goat, sheep, hogs and cattle in any stable, shed, pen or enclosure within the city limits with the exception of pot-bellied pigs and miniature goats as set forth in Sec. 4-2-42.

SECTION 2. Section 4-2-42 of the Code of the City of Pensacola, Florida, is hereby amended to read as follows:

Sec. 4-2-42. - Keeping pot-bellied pigs and miniature goats as household pets.

- (a) The term "pigs" as used herein shall mean ~~P~~pot-bellied ~~P~~pigs and "goats" shall mean miniature goats.
- (b) The number of such pigs shall be limited to one per each residence. The number of such goats shall be limited to two per each residence.
- (c) The breeding of such pigs and goats is prohibited.
- (d) Male pigs four (4) weeks of age or older shall be neutered. Male miniature goats seven (7) months of age or older shall be neutered.
- (e) Such pigs and goats shall be controlled by a leash, tether, harness or adequate enclosure any time said animals are outside the residence of the owner or other person harboring, keeping or maintaining said pig or goat. Goats must be kept at a residence that has a securely fenced back yard with a fence at least four feet in

height. Outdoor shelter must be provided and consist of a roof and three walls with an adequate amount of food, water and clean, dry bedding. Goats shall not be tied or tethered unless attended by a person harboring, keeping or maintaining the goat and if the tether is used only as a leash for walking.

- (f) The owner shall display, upon request from ~~the an~~ an animal control, ~~officer or any code enforcement or law~~ enforcement officer, a current certification from a veterinarian licensed in the State that all necessary and appropriate vaccinations have been administered and that ~~the~~ said pig or goat has been tested and demonstrated free of parasitic disease. Such certification shall be obtained on a yearly basis.
- (g) It shall be unlawful for any pig or goat owner or person in charge of a pig or goat, to fail to remove deposits of ~~pig~~ excreta made by a pig or goat in that person's charge when the deposit of the ~~pig's~~ excreta occurred in the presence of the ~~pig's~~ owner or person in charge of the pig or goat on any property not belonging to the owner or a person in charge of the pig or goat. If such depositing of excreta occurs, the owner or person in charge of the pig or goat shall immediately cause its removal for disposal.
- (h) It shall be unlawful for any pig or goat owner or person in charge of a pig or goat to allow the area in which the pig or goat is kept or allowed to roam to become the source of odors which are detectable on adjoining properties where such odors are the result of the pig or goat being kept or allowed to roam on the subject property.
- (i) All other animal control and nuisance laws applicable to animals within the City of Pensacola shall apply to pot-bellied pigs and goats.
- (j) A homeowners' association formed in accordance with State Statute may prohibit ownership of pot-bellied pigs and goats through a formal inclusion in the association's covenants.

SECTION 3. If any word, phrase, clause, paragraph, section or provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provision or applications of the ordinance which can be given effect without the invalid or unconstitutional provisions or application, and to this end the provisions of this ordinance are declared severable.

SECTION 4. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 5. This ordinance shall take effect on the fifth business day after adoption, unless otherwise provided, pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk

PROPOSED
ORDINANCE NO. 05-21

ORDINANCE NO. _____

AN ORDINANCE
TO BE ENTITLED:

AN ORDINANCE AMENDING SECTION 4-2-7 AND SECTION 4-2-42 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROVIDING EXCEPTIONS AND ADDITIONS FOR LIVESTOCK AND HOUSEHOLD PETS; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY OF PENSACOLA, FLORIDA:

SECTION 1. Section 4-2-7 of the Code of the City of Pensacola, Florida, is hereby amended to read as follows:

Sec. 4-2-7 - Livestock.

It shall be unlawful to keep any horse, mule, donkey, goat, sheep, hogs and cattle in any stable, shed, pen or enclosure within the city limits with the exception of pot-bellied pigs and miniature goats as set forth in Sec. 4-2-42.

SECTION 2. Section 4-2-42 of the Code of the City of Pensacola, Florida, is hereby amended to read as follows:

Sec. 4-2-42. - Keeping pot-bellied pigs and miniature goats as household pets.

- (a) The term "pigs" as used herein shall mean pot-bellied pigs and "goats" shall mean miniature goats.
- (b) The number of such pigs shall be limited to one per each residence. The number of such goats shall be limited to two per each residence.
- (c) The breeding of such pigs and goats is prohibited.
- (d) Male pigs four (4) weeks of age or older shall be neutered. Male miniature goats seven (7) months of age or older shall be neutered.
- (e) Such pigs and goats shall be controlled by a leash, tether, harness or adequate enclosure any time said animals are outside the residence of the owner or other person harboring, keeping or maintaining said pig or goat. Goats must be kept at a residence that has a securely fenced back yard with a fence at least four feet in

height. Outdoor shelter must be provided and consist of a roof and three walls with an adequate amount of food, water and clean, dry bedding. Goats shall not be tied or tethered unless attended by a person harboring, keeping or maintaining the goat and if the tether is used only as a leash for walking.

- (f) The owner shall display, upon request from an animal control, code enforcement or law enforcement officer, a current certification from a veterinarian licensed in the State that all necessary and appropriate vaccinations have been administered and that said pig or goat has been tested and demonstrated free of parasitic disease. Such certification shall be obtained on a yearly basis.
- (g) It shall be unlawful for any pig or goat owner or person in charge of a pig or goat, to fail to remove deposits of excreta made by a pig or goat in that person's charge when the deposit of the excreta occurred in the presence of the owner or person in charge of the pig or goat on any property not belonging to the owner or a person in charge of the pig or goat. If such depositing of excreta occurs, the owner or person in charge of the pig or goat shall immediately cause its removal for disposal.
- (h) It shall be unlawful for any pig or goat owner or person in charge of a pig or goat to allow the area in which the pig or goat is kept or allowed to roam to become the source of odors which are detectable on adjoining properties where such odors are the result of the pig or goat being kept or allowed to roam on the subject property.
- (i) All other animal control and nuisance laws applicable to animals within the City of Pensacola shall apply to pot-bellied pigs and goats.
- (j) A homeowners' association formed in accordance with State Statute may prohibit ownership of pot-bellied pigs and goats through a formal inclusion in the association's covenants.

SECTION 3. If any word, phrase, clause, paragraph, section or provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provision or applications of the ordinance which can be given effect without the invalid or unconstitutional provisions or application, and to this end the provisions of this ordinance are declared severable.

SECTION 4. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 5. This ordinance shall take effect on the fifth business day after adoption, unless otherwise provided, pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 49-20

City Council

1/21/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

REVISED PROPOSED ORDINANCE NO. 49-20 AMENDING SECTION 9-5-72 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA FIREFIGHTERS' DEFERRED COMPENSATION PROHIBITING ADDITIONAL FUNDING

RECOMMENDATION:

That City Council adopt the revised Proposed Ordinance No. 49-20 on second reading.

AN ORDINANCE AMENDING SECTION 9-5-72 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROHIBITING ADDITIONAL FUNDING OF THE FIREFIGHTERS DEFERRED COMPENSATION PLAN; PROVIDING FOR APPLICABILITY OF ORDINANCE; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The Social Security Replacement Program for Firefighters was established effective June 15, 2015 as part of the Pensacola Professional Firefighters International Association of Firefighters (IAFF) Local 707 Collective Bargaining Agreement for Fiscal years 2015 - 2017. The Social Security Replacement Plan was provided to offset the reduction in the spousal benefit approved in the Firefighters' Relief and Pension Plan Special Act and agreed upon in the IAFF Collective Bargaining Agreement. The Collective Bargaining Agreement beginning October 1, 2020 through October 1, 2023 will restore the spousal benefit back to 75% of the retiree's benefit amount with no reduction to the retiree's pension. Therefore, the Social Security Replacement Plan is no longer needed to replace the spousal benefit reduction and is being closed.

Due to recodification of the Code of the City of Pensacola that was published January 1, 2021, the Section of the Code was renumbered to 9-5-72.

PRIOR ACTION:

February 12, 2015 - City Council ratified the Pensacola Professional Firefighters International

Association of Firefighters (IAFF) Local 707 Collective Bargaining Agreement for Fiscal Years 2015 through 2017 providing the Social Security Replacement Plan to firefighters hired after the date of the pension changes.

December 10, 2020 - City Council voted to approve Proposed Ordinance No. 49-20 on first reading.

FUNDING:

N/A

FINANCIAL IMPACT:

Costs associated with the restoration of the spousal benefit have been estimated to be approximately \$5,000 per year and the cost for the 300 hours of pensionable overtime is approximately \$27,691 as determined by the Fire Pension Actuary. However those costs will not occur in Fiscal Year 2021 but will be incorporated in future year proposed budgets.

CITY ATTORNEY REVIEW: Yes

11/24/2020

STAFF CONTACT:

Keith Wilkins, City Administrator
Amy Lovoy, Finance Director
Ted Kirchharr, Human Resources Director

ATTACHMENTS:

- 1) Proposed Ordinance No. 49-20
- 2) Revised Proposed Ordinance No. 49-20

PRESENTATION: No

PROPOSED
ORDINANCE NO. 49-20

ORDINANCE NO. _____

AN ORDINANCE
TO BE ENTITLED:

AN ORDINANCE AMENDING SECTION 9-6-23 OF THE CODE OF
THE CITY OF PENSACOLA, FLORIDA; PROHIBITING
ADDITIONAL FUNDING OF THE FIREFIGHTERS' DEFERRED
COMPENSATION PLAN; PROVIDING FOR SEVERABILITY;
REPEALING CLAUSE; PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY OF PENSACOLA, FLORIDA:

SECTION 1. Section 9-6-23 of the Code of the City of Pensacola, Florida is hereby amended to read as follows:

Sec. 9-6-23. - Funding.

- (a) The deferred compensation plan shall be funded with contributions of both the city and the employee in the following manner:
 - (1) If the employee elects to participate, he must contribute a mandatory amount equal to one (1.0) percent of his compensation.
 - (2) The city shall contribute a mandatory amount equal one (1.0) percent of compensation for each participating employee.
 - (3) The employee may contribute an additional amount on a voluntary basis up to the maximum amount allowed by law.
 - (4) The city shall contribute an additional amount equal to the amount of the voluntary contribution of each employee up to but not exceeding five and seven-tenths (5.7) percent of compensation.
- (b) The contributions to fund the deferred compensation plan shall be distributed in the following manner:
 - (1) Each employee's contribution, both the one (1.0) percent of compensation mandatory contribution and the up to five and seven-tenths (5.7) percent of compensation additional voluntary contribution, shall be deposited in the plan's deferred compensation account for each employee in accordance with the terms of the deferred compensation plan.

- (2) The first one (1.0) percent of the city's one (1.0) percent of compensation mandatory contribution shall be used to fund first the deferred compensation plan disability and survivor plan, provided for in Division 2 of this chapter, on behalf of all participants; the remaining city contributions after funding the deferred compensation plan disability and survivor plan shall be deposited in the defined contribution plan account of employees in accordance with the terms of the defined contribution plan.
- (3) The city's contribution of up to an additional five and seven-tenths (5.7) percent of compensation to match employee's voluntary contribution of up to an additional five and seven-tenths (5.7) percent of compensation shall be deposited in the defined contribution plan account of employees in accordance with the terms of the defined contribution plan.
- (4) City contributions to an employee's defined contribution plan account shall cease during any calendar year at the time such employee contributions to that account cease.
- (c) Effective December 10, 2020, all additional and future contributions to this fund by the city and the employee shall cease.

SECTION 2. If any word, phrase, clause, paragraph, section or provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provision or applications of the ordinance which can be given effect without the invalid or unconstitutional provisions or application, and to this end the provisions of this ordinance are declared severable.

SECTION 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 4. This ordinance shall take effect on the fifth business day after adoption, unless otherwise provided, pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk

PROPOSED
ORDINANCE NO. 49-20

ORDINANCE NO. ____

AN ORDINANCE
TO BE ENTITLED:

AN ORDINANCE AMENDING SECTION 9-5-72 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROHIBITING ADDITIONAL FUNDING OF THE FIREFIGHTERS' DEFERRED COMPENSATION PLAN; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY OF PENSACOLA, FLORIDA:

SECTION 1. Section 9-5-72 of the Code of the City of Pensacola, Florida is hereby amended to read as follows:

Sec. 9-5-72. - Funding.

- (a) The deferred compensation plan shall be funded with contributions of both the city and the employee in the following manner:
 - (1) If the employee elects to participate, he must contribute a mandatory amount equal to one (1.0) percent of his compensation.
 - (2) The city shall contribute a mandatory amount equal one (1.0) percent of compensation for each participating employee.
 - (3) The employee may contribute an additional amount on a voluntary basis up to the maximum amount allowed by law.
 - (4) The city shall contribute an additional amount equal to the amount of the voluntary contribution of each employee up to but not exceeding five and seven-tenths (5.7) percent of compensation.
- (b) The contributions to fund the deferred compensation plan shall be distributed in the following manner:
 - (1) Each employee's contribution, both the one (1.0) percent of compensation mandatory contribution and the up to five and seven-tenths (5.7) percent of compensation additional voluntary contribution, shall be deposited in the plan's deferred compensation account for each employee in accordance with the terms of the deferred compensation plan.

- (2) The first one (1.0) percent of the city's one (1.0) percent of compensation mandatory contribution shall be used to fund first the deferred compensation plan disability and survivor plan, provided for in Division 2 of this chapter, on behalf of all participants; the remaining city contributions after funding the deferred compensation plan disability and survivor plan shall be deposited in the defined contribution plan account of employees in accordance with the terms of the defined contribution plan.
 - (3) The city's contribution of up to an additional five and seven-tenths (5.7) percent of compensation to match employee's voluntary contribution of up to an additional five and seven-tenths (5.7) percent of compensation shall be deposited in the defined contribution plan account of employees in accordance with the terms of the defined contribution plan.
 - (4) City contributions to an employee's defined contribution plan account shall cease during any calendar year at the time such employee contributions to that account cease.
- (c) Effective December 10, 2020, all additional and future contributions to this fund by the city and the employee shall cease.

SECTION 2. If any word, phrase, clause, paragraph, section or provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provision or applications of the ordinance which can be given effect without the invalid or unconstitutional provisions or application, and to this end the provisions of this ordinance are declared severable.

SECTION 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 4. This ordinance shall take effect on the fifth business day after adoption, unless otherwise provided, pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: _____

Approved: _____
President of City Council

Attest:

City Clerk



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00057

City Council

1/21/2021

DISCUSSION ITEM

SPONSOR: City Council Member Sherri Myers

SUBJECT:

ST AEROSPACE - PROJECT TITAN FUNDING AND METRICS FOR SUCCESS

SUMMARY:

Funding for this project comes from a number of different sources to include:

The City of Pensacola -- LOST IV, ST Aerospace Engineering, State Legislature, Governor's Job Growth, FDOT Grant, Escambia County, Federal U.S. Economic Development Administration, Triumph Gulf Coast and Florida DEO Grant for a total project cost of \$210,125,000.

This item seeks to get an update and overview of the ST Aerospace / Project Titan Funding as well as a look at the metrics being used to measure success.

PRIOR ACTION:

June 13, 2013 - City Council adopted a resolution to support the acceptance of a grant offered by the Florida Department of Transportation as a Joint Participation Agreement # 43360229401 in the amount of \$11,090,000 for air commerce park phases I and IA - Infrastructure Development.

February 13, 2014 - City Council Discussion Item and Presentation on the ST Aerospace Economic Development Project at the Pensacola International Airport.

February 27, 2014 - City Council approved the Interlocal Agreement with Escambia County and the City of Pensacola for Funding of Economic Development Project - ST Aerospace of Mobile, Inc.

September 9, 2014 - City Council approved the lease with VT Mobile Aerospace Engineering.

July 16, 2015 - City Council approved the selection of Greenhut Construction and authorized the Mayor to execute the contract.

September 17, 2015 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreement # 43571729401 in the amount of \$1,531,546 for construction funding to expand the cargo apron and construct a taxiway connector at the Pensacola International Airport of which \$1,121,242 will be used towards taxiway connecting

future VT MAE facility to runway 17-35.

March 17, 2016 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreements # 42030029401, # 42960929401, and # 42960939401 in the amount of \$2,975,305 for construction of a taxiway connector at the Pensacola International Airport.

April 14, 2016 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreement # 43571769401 in the amount of \$8,599,600 for construction of a hangar at the Pensacola International Airport.

September 22, 2016 - City Council authorized the Mayor to execute Amendment No. 1 to the lease the VT Mobile Aerospace Engineering.

September 22, 2016 - City Council authorized the Mayor to execute Amendment No. 1 to the contract with Atkins North America.

February 8, 2017 - City Council authorized the Mayor to execute Amendment No. 2 and Amendment No. 3 to the contract with Atkins North America.

March 8, 2018 - City Council authorized the Mayor to execute acceptance of the State of Florida Department of Economic Opportunity Grant Agreement G0009 in the amount of \$4,000,000 for construction of infrastructure related to MRO expansion.

September 13, 2018 - City Council authorized the Mayor to accept and execute the State of Florida Department of Transportation Public Transportation Grant Agreement Financial Project 441494-2-94-01 in the amount of \$3,000,000 for Pensacola International Airport Facilities Development related to MRO expansion.

September 13, 2018 - City Council committed funding in the amount of \$10 million from Local Option Sales Tax Series IV in support of the aerospace maintenance repair and overhaul (MRO) campus expansion.

February 6, 2019 - City Council approved the amended Interlocal Agreement between the Escambia County Board of County Commissioners and the City of Pensacola related to additional funding requirements for the aerospace maintenance, repair, and overhaul (MRO) campus expansion at the Pensacola International Airport, and approved additional Local Option Sales Tax IV funding of \$5 million for the City's share of the aerospace maintenance, repair, and overhaul (MRO) campus expansion at the Pensacola International Airport.

March 28, 2019 - City Council authorized the Mayor to accept and execute the Project Development Agreement, the Master Lease of Real Property, the Triumph Grant Award Agreement, and a State of Florida Dept. of Economic Opportunity Grant in the amount of \$10,000,000.

August 8, 2019 - City Council authorized the Mayor to accept and execute Financial Award No. 04-79-07378 from the U.S. Department of Commerce, Economic Development Administration in the amount of \$12,250,000 for the MRO expansion, and authorized the Mayor to accept and execute State of Florida Dept. of Transportation Amendment to the grant agreement for Financial Project

441494-2-94-01 in the amount of \$8,000,000 for the MRO expansion.

January 16, 2020 - City Council approved the selection of Brasfield & Gorrie, LLC, as the Construction Manager at Risk for Hangar 2 and authorized the Mayor to execute the contract.

March 26, 2020 - City Council authorized the Mayor to execute acceptance of the State of Florida Department of Economic Opportunity Florida Job Growth Infrastructure Grant Agreement in the amount of \$4,875,000 related to the MRO aviation campus expansion project.

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

- 1) Triumph Pre-Application Response Letter
- 2) Application
- 3) Revised Application
- 4) Signed Term Sheet - City of Pensacola
- 5) Signed Term Sheet - VT
- 6) Application Update
- 7) City of Pensacola Triumph Board Resolution
- 8) Score Sheet
- 9) Grant Award Agreement
- 10) Executed Grant Award Agreement
- 11) Performance Agreement
- 12) Executive Performance Agreement
- 13) 2019 Annual Report

PRESENTATION: No

Cori Henderson
Program Administrator
850.387.9405

chenderson@myfloridatriumph.com

March 22, 2018

Eric Olaon
City of Pensacola
222 W. Main St.
Pensacola, FL 32502

RE: Triumph Pre-Application No. 120

Dear Mr. Olaon:

Thank you for submitting a Pre-Application to Triumph Gulf Coast, Inc.

Based on an initial review by the staff of Triumph Gulf Coast, Inc., ("TGC") and a concurrence of the Board, the project or program outlined in your Pre-Application meets the minimum requirements for further consideration. As a result, you are invited to submit a full Application for formal consideration.

There is no deadline for submission of formal Applications. Applications will be considered as they are received; however, because Applications require varying levels of due diligence, there is no way to provide any additional information on how quickly any specific Application will receive final action.

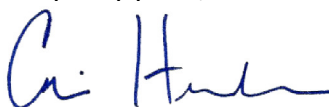
This letter is not a representation or guarantee that the project or program will receive any funding from TGC; nor is it a guarantee that the project or program will remain eligible if changes are made during the Application process.

Triumph Gulf Coast funding is intended to support programs that generate maximum economic activity. Applicants have asked how best to document the economic activity that would likely result from their proposed project. At the January Triumph Board of Directors meeting, Dr. Rick Harper discussed characteristics most often associated with higher levels of economic activity. These factors include things like amount of matching funds, and whether the project will become self-sustaining as Triumph dollars are used up. An audio transcript of Dr. Harper's remarks is available at <https://www.myfloridatriumph.com/meetings/> under the tab for the January 29th, 2018 meeting.

If you have any questions, comments or concerns regarding this letter or the TGC Application process, please do not hesitate to contact me at chenderson@myfloridatriumph.com.

Thank you for your continued interest.

Very truly yours,



Cori Henderson
Program Administrator

Triumph Gulf Coast, Inc. Trust Fund Application for Funds

Proposal Instructions: The Triumph Gulf Coast, Inc. Trust Fund Grant Application (this document) must be completed by the entity applying for the grant and signed, as applicable, by either the individual applying for funds, an individual authorized to bind the entity applying for funds, a chief elected official, the administrator for the governmental entity or their designee. Please read the Application carefully as some questions may require a separate narrative to be completed. In addition, please complete all Addendums that may be applicable to the proposed project or program.

Triumph Gulf Coast, Inc. will make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. Triumph Gulf Coast, Inc. may make awards for:

- Ad valorem tax rate reduction within disproportionately affected counties;
- Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
- Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
- Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
- Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education; encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
- Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
- Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

Pursuant to Florida Law, Triumph Gulf Coast, Inc. will provide priority consideration to Applications for projects or programs that:

- Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- Increase household income in the disproportionately affected counties above national average household income.
- Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.
- Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- Benefit the environment, in addition to the economy.
- Provide outcome measures.
- Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- Are recommended by the board of county commissioners of the county in which the project or program will be located.
- Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

Additionally, the Board of Triumph Gulf Coast, Inc. may provide discretionary priority to consideration of Applications for projects and programs that:

- Are considered transformational for the future of the Northwest Florida region.
- May be consummated quickly and efficiently.
- Promote net-new jobs in the private sector with an income above regional average household income.
- Align with Northwest Florida FORWARD, the regional strategic initiative for Northwest Florida economic transformation.
- Create net-new jobs in targeted industries to include: aerospace and defense, financial services/shared services, water transportation, artificial intelligence, cybersecurity, information technology, manufacturing, and robotics.
- Promote industry cluster impact for unique targeted industries.
- Create net-new jobs with wages above national average wage (*e.g.*, similar to EFI QTI program, measured on graduated scale).
- Are located in Rural Area of Opportunity as defined by the State of Florida (DEO).
- Provide a wider regional impact versus solely local impact.
- Align with other similar programs across the regions for greater regional impact, and not be duplicative of other existing projects or programs.
- Enhance research and innovative technologies in the region.
- Enhance a targeted industry cluster or create a Center of Excellence unique to Northwest Florida.

- Create a unique asset in the region that can be leveraged for regional growth of targeted industries.
- Demonstrate long-term financial sustainability following Triumph Gulf Coast, Inc. funding.
- Leverage funding from other government and private entity sources.
- Provide local investment and spending.
- Are supported by more than one governmental entity and/or private sector companies, in particular proposed projects or programs supported by more than one county in the region.
- Provide clear performance metrics over duration of project or program.
- Include deliverables-based payment system dependent upon achievement of interim performance metrics.
- Provide capacity building support for regional economic growth.
- Are environmentally conscious and business focused.
- Include Applicant and selected partners/vendors located in Northwest Florida.

Applications will be evaluated and scored based on compliance with the statutory requirements of the Triumph Gulf Coast legislation, including but not limited to the priorities identified therein and the geographic region served by the proposed project or program.

Applicant Information

Name of Individual (if applying in individual capacity): Eric Olson, Office of the Mayor, City of Pensacola

Name of Entity/Organization: City of Pensacola, Florida

Background of Applicant Individual/Entity/Organization: City Administrator, City of Pensacola on behalf of Mayor Ashton Hayward and the Pensacola International Airport.

(If additional space is needed, please attach a Word document with your entire answer.)

Federal Employer Identification Number: 59-6000406

Contact Information:

Primary Contact Information: Eric Olson

Title: City Administrator

Mailing Address: City Hall, Office of the Mayor, 222 West Main Street

Pensacola, Florida 32502

Phone: 850-435-1696

Email: eolson@cityofpensacola.com

Website: www.cityofpensacola.com

Identify any co-applicants, partners, or other entities or organizations that will have a role in the proposed project or program and such partners proposed roles.

State of Florida, Florida Department of Economic Opportunity, Florida Department of Transportation,

Florida West, Escambia County, VT-MAE and Pensacola International Airport each will have a role in the proposed project.

(See attached document Response #1 for further information)

(If additional space is needed, please attach a Word document with your entire answer.)

Total amount of funding requested from Triumph Gulf Coast: \$130 million over 4 years. \$60 million in 2018; \$0 in 2019; \$38 million in 2020, \$32 million in 2021.

Has the applicant in the past requested or applied for funds for all or part of the proposed project/program?

☐ Yes ☒ No

If yes, please provide detailed information concerning the prior request for funding, including:

- the date the request/application for funding was made;
- the source to which the request/application for funding was made,
- the results of the request/application for funding, and
- projected or realized results and/or outcomes from prior funding.

(If additional space is needed, please attach a Word document with your entire answer.)

Describe the financial status of the applicant and any co-applicants or partners:

The financial status of the City of Pensacola is described in the Comprehensive Annual Financial Report (CAFR), dated February 1, 2018, for the period ending September 30, 2017. According to the Independent Auditors Report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, in accordance with accounting principles generally accepted in the United States of America.

(If additional space is needed, please attach a Word document with your entire answer.)

In a separate attachment, please provide financial statements or information that details the financial status of the applicant and any co-applicants or partners.

The Comprehensive Annual Financial Report (CAFR) for City of Pensacola for the year ended September 30, 2017 may be found at the following site:

<https://www.cityofpensacola.com/ArchiveCenter/ViewFile/Item/937>

The Annual Report to Bondholders for the year ended September 30, 2016 may be found at the following site:

<https://www.cityofpensacola.com/ArchiveCenter/ViewFile/Item/840>

Has the applicant or any co-applicants, partners or any associated or affiliated entities or individuals filed for bankruptcy in the last ten (10) years?

☐ Yes ☒ No

If yes, please identify the entity or individual that filed for bankruptcy and the date of filing.

(If additional space is needed, please attach a Word document with your entire answer.)

Eligibility

Pursuant to Section 288.8017, Triumph Gulf Coast, Inc. was created to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. The disproportionately affected counties are: Bay County, Escambia County, Franklin County, Gulf County, Okaloosa County, Santa Rosa County, Walton County, or Wakulla County. *See*, Section 288.08012.

1. From the choices below, please check the box that describes the purpose of the proposed project or program (check all that apply):
 - ☐ Ad valorem tax rate reduction within disproportionately affected counties;
 - ☐ Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
 - ☒ Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
 - ☐ Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
 - ☐ Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education, encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
 - ☐ Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
 - ☐ Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

- See attached Response #2

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3. Explain how the proposed project or program is considered transformational and how it will effect the disproportionately affected counties in the next ten (10) years.

See attached Response #3.

(If additional space is needed, please attach a Word document with your entire answer.)

4. Describe data or information available to demonstrate the viability of the proposed project or program.

See attached Response #4

(If additional space is needed, please attach a Word document with your entire answer.)

5. Describe how the impacts to the disproportionately affected counties will be measured long term.

See attached Response #5

(If additional space is needed, please attach a Word document with your entire answer.)

6. Describe how the proposed project or program is sustainable. (Note: Sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)

See attached Response #6

(If additional space is needed, please attach a Word document with your entire answer.)

7. Describe how the deliverables for the proposed project or program will be measured.

See Response to #5 above

(If additional space is needed, please attach a Word document with your entire answer.)

Priorities

1. Please check the box if the proposed project or program will meet any of the following priorities (check all that apply):

- ☒ Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- ☒ Increase household income in the disproportionately affected counties above national average household income.
- ☒ Leverage or further enhance key regional assets, including educational

institutions, research facilities, and military bases.

- ☒ Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- ☐ Benefit the environment, in addition to the economy.
- ☒ Provide outcome measures.
- ☐ Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- ☒ Are recommended by the board of county commissioners of the county in which the project or program will be located.
- ☐ Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

2. Please explain how the proposed project meets the priorities identified above.

See attached Response #8, wherein each checked box item is addressed in detail.

(If additional space is needed, please attach a Word document with your entire answer.)

3. Please explain how the proposed project or program meets the discretionary priorities identified by the Board.

See attached Response #9

(If additional space is needed, please attach a Word document with your entire answer.)

4. In which of the eight disproportionately affected county/counties is the proposed project or program located? (Circle all that apply)

Escambia Santa Rosa Okaloosa Walton Bay Gulf Franklin Wakulla

5. Was this proposed project or program on a list of proposed projects and programs submitted to Triumph Gulf Coast, Inc., by one (or more) of the eight disproportionately affected Counties as a project and program located within its county?

☒ Yes ☐ No

If yes, list all Counties that apply: Escambia County

6. Does the Board of County Commissioners for each County listed in response to question 5, above, recommend this project or program to Triumph?

☒ Yes ☐ No

****Please attach proof of recommendation(s) from each County identified.**

See attached minutes from the Escambia County Commissioners board meeting dated December 14, 2017 wherein the proposed project was approved (See Exhibit 1).

Approvals and Authority

1. If the Applicant is awarded grant funds based on this proposal, what approvals must be obtained before Applicant can execute an agreement with Triumph Gulf Coast, Inc.?

Approval by Pensacola City Council

(If additional space is needed, please attach a Word document with your entire answer.)

2. If approval of a board, commission, council or other group is needed prior to execution of an agreement between the entity and Triumph Gulf Coast:
- A. Provide the schedule of upcoming meetings for the group for a period of at least six months.
 - B. State whether that group can hold special meetings, and if so, upon how many days' notice.

Please see attached Response #10

(If additional space is needed, please attach a Word document with your entire answer.)

3. Describe the timeline for the proposed project or program if an award of funding is approved, including milestones that will be achieved following an award through completion of the proposed project or program.

Please see attached Response #11

(If additional space is needed, please attach a Word document with your entire answer.)

4. Attach evidence that the undersigned has all necessary authority to execute this proposal on behalf of the entity applying for funding. This evidence may take a variety of forms, including but not limited to: a delegation of authority, citation to relevant laws or codes, policy documents, etc. In addition, please attach any support letters from partners.

The Pensacola City Charter describes the roles and responsibilities of the Mayor and City Council. This proposal is executed by the Mayor of the City of Pensacola in the exercise of his executive authority granted by the Pensacola City Charter. The Pensacola City Charter may be found at:

<https://www.cityofpensacola.com/ArchiveCenter/ViewFile/Item/222>

Funding and Budget:

Pursuant to Section 288.8017, awards may not be used to finance 100 percent of any project or program. An awardee may not receive all of the funds available in any given year.

1. Identify the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested.

Total funding requested is \$130 million over four years. The five year time period over which funds are requested is as follows: \$60 million in 2018, \$0 in 2019, \$38 million in 2020 and \$32 million in 2021.

(If additional space is needed, please attach a Word document with your entire answer.)

2. What percentage of total program or project costs does the requested award from Triumph Gulf Coast, Inc. represent? (Please note that an award of funding will be for a defined monetary amount and will not be based on percentage of projected project costs.)

The amount of funds requested from Triumph is 65% of the total project cost.

(If additional space is needed, please attach a Word document with your entire answer.)

3. Please describe the types and number of jobs expected from the proposed project or program and the expected average wage.

See Response #12

(If additional space is needed, please attach a Word document with your entire answer.)

4. Does the potential award supplement but not supplant existing funding sources? If yes, describe how the potential award supplements existing funding sources.

☒ Yes ☐ No

See Response #13

(If additional space is needed, please attach a Word document with your entire answer.)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs: **[NUMBERS ARE ALL PRELIMINARY]**

Example Costs (Note: Not exhaustive list of possible Cost categories.)

	In Millions
Construction	\$ <u>168.0</u>
Reconstruction	\$ <u>none</u>
Design & Engineering	\$ <u>17.0</u>
Land Acquisition	\$ <u>none</u>
Land Improvement	\$ <u>15.0</u>
Equipment	\$ <u>none</u>
Supplies	\$ <u>none</u>
Salaries	\$ <u>none</u>
Other (specify)	\$ _____

Total Project Costs: \$ 200.0

B. Other Project Funding Sources:

Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)

City/County	\$ <u>10.0</u>
Private Sources	\$ <u>35.0</u>
Other (e.g., grants, etc.)	\$ <u>25.0</u>
Total Other Funding	\$ <u>70.0</u>
Total Amount Requested:	\$ <u>130.0</u>

Note: The total amount requested must equal the difference between the costs in 3A. and the other project funding sources in 3.B.

C. Provide a detailed budget narrative, including the timing and steps necessary to obtain the funding and any other pertinent budget-related information.

See Response #14

(If additional space is needed, please attach a Word document with your entire answer.)

Applicant understands that the Triumph Gulf Coast, Inc. statute requires that the award contract must include provisions requiring a performance report on the contracted activities, must account for the proper use of funds provided under the contract, and must include provisions for recovery of awards in the event the award was based upon fraudulent information or the awardee is not meeting the performance requirements of the award.

☒ Yes ☐ No

Applicant understands that awardees must regularly report to Triumph Gulf Coast, Inc. the expenditure of funds and the status of the project or program on a schedule determined by Triumph Gulf Coast, Inc.

☒ Yes ☐ No

Applicant acknowledges that Applicant and any co-Applicants will make books and records and other financial data available to Triumph Gulf Coast, Inc. as necessary to measure and confirm performance metrics and deliverables.

☒ Yes ☐ No

Applicant acknowledges that Triumph Gulf Coast, Inc. reserves the right to request additional information from Applicant concerning the proposed project or program.

☒ Yes ☐ No

ADDENDUM FOR INFRASTRUCTURE PROPOSALS:

1. Program Requirements

- A. Is the infrastructure owned by the public?
☐ ☒ Yes ☐ No
- B. Is the infrastructure for public use or does it predominately benefit the public?
☐ ☒ Yes ☐ No (See Response 15 for additional explanation)
- C. Will the public infrastructure improvements be for the exclusive benefit of any single company, corporation or business entity?
- D. ☐ Yes ☐ ☒ No (See Response 15 for additional explanation)
- E. Provide a detailed explanation of how the public infrastructure improvements will connect to a broader economic development vision for the community and benefit additional current and future businesses.

See Response #3 in the attached Detailed Response to Questionnaire.

(If additional space is needed, please attach a Word document with your entire answer.)

- F. Provide a detailed description of, and quantitative evidence demonstrating how the proposed public infrastructure project will promote:
- Economic recovery,
 - Economic Diversification,
 - Enhancement of the disproportionately affected counties,
 - Enhancement of a Targeted Industry.

See Response #3 in the attached Detailed Response to Questionnaire.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Is this project an expansion of existing infrastructure project?
☐ ☒ Yes ☐ No (See Response #16 for additional explanation)
- B. Provide the proposed beginning commencement date and number of days required

to complete construction of the infrastructure project.

See Response #17 in the attached Detailed Response to Questionnaire

(If additional space is needed, please attach a Word document with your entire answer.)

- C. What is the location of the public infrastructure? (Provide the road number, if applicable.)

The public infrastructure is located entirely on the grounds of Pensacola International Airport.

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Who is responsible for maintenance and upkeep? (Indicate if more than one are applicable.)

The infrastructure will be subject to a real property lease agreement with VT MAE. The lease will be a triple net lease, accordingly VT MAE is responsible for maintenance and upkeep.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. What permits are necessary for the infrastructure project?

1. **Stormwater Environmental Resource Permit (ERP) – should be FDEP modification to regional pond, but may need to involve Northwest Florida Water Management District (NFWMD)**
2. **Building Permit – City of Pensacola**
3. **Water and Sewer Connection Permits – Escambia County Utility Authority**
4. **Driveway Connections / Traffic Signal(s) – City of Pensacola**

(If additional space is needed, please attach a Word document with your entire answer.)

Detail whether required permits have been secured, and if not, detail the timeline for securing these permits. Additionally, if any required permits are local permits, will these permits be prioritized?

Permits have not been secured. Permitting will occur during the Planning/Design/Specification/Bidding phase of the program as shown on the Response 2e Proposed timeline for the proposed project - Planning/Design/Specification/Bidding phase that will occur between July 2018 and December 2019. The building and Driveway Connection Permits are under

the jurisdiction of the City of Pensacola and will be prioritized by the City.

(If additional space is needed, please attach a Word document with your entire answer.)

- F. What is the future land use and zoning designation on the proposed site of the Infrastructure improvement, and will the improvements conform to those uses?

The zoning classification for the proposed site is Airport Restriction Zone (ARZ) and the Future Land Use designation is Airport Land Use District. The proposed improvements and uses conform to the current zoning and future land use requirements.

(If additional space is needed, please attach a Word document with your entire answer.)

- G. Will an amendment to the local comprehensive plan or a development order be required on the site of the proposed project or on adjacent property to accommodate the infrastructure and potential current or future job creation opportunities? If yes, please detail the timeline
☐ Yes ☒ No
-

(If additional space is needed, please attach a Word document with your entire answer.)

- H. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.
☒ Yes ☐ No

See Response #14 attached that describes the plan for funding.

(If additional space is needed, please attach a Word document with your entire answer.)

- I. Provide any additional information or attachments to be considered for this proposal.

Memorandum of Understanding between VT Mobile Aerospace Engineering, Inc. and City of Pensacola, Florida dated November 14, 2017; VT MAE letter of financial commitment dated March 15, 2018; Haas Center Economic Impact of Proposed Expansion of Pensacola International Airport dated August 31, 2017 and Project Summary Brochure (10 copies).

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR WORKFORCE TRAINING PROPOSALS

1. Program Requirements

- A. Will this proposal supports programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties? If yes, please identify where the campuses are located and provide details on how the proposed programs will prepare students for future occupations and at which K-20 institutions that programs will be provided.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Will the proposed program (check all that apply):
- ☐ Increase students' technology skills and knowledge
 - ☐ Encourage industry certifications
 - ☐ Provide rigorous, alterative pathways for students to meet high school graduation requirements
 - ☐ Strengthen career readiness initiatives
 - ☐ Fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors
 - ☐ Encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties (similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission on Education)

For each item checked above, describe how the proposed program will achieve these goals

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Will this proposal provide participants in the disproportionately affected counties with transferable, sustainable workforce skills but not confined to a single employer? If yes, please provide details.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Identify the disproportionately affected counties where the proposed programs will operate or provide participants with workforce skills.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote:
- Economic recovery,
 - Economic Diversification,
 - Enhancement of the disproportionately affected counties,
 - Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Is this an expansion of an existing training program? Is yes, describe how the proposed program will enhance or improve the existing program and how the proposal program will supplements but not supplant existing funding sources.
- ☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Indicate how the training will be delivered (*e.g.*, classroom-based, computer based, other).
- If in-person, identify the location(s) (*e.g.*, city, campus, etc.) where the training will be available.

If computer-based, identify the targeted location(s) (e.g., city, county) where the training will be available.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Identify the number of anticipated enrolled students and completers.

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Indicate the length of the program (e.g., quarters, semesters, weeks, months, etc.) including anticipated beginning and ending dates.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Describe the plan to support the sustainability of the proposed program.

(If additional space is needed, please attach a Word document with your entire answer.)

- F. Identify any certifications, degrees, etc. that will result from the completion of the program.

(If additional space is needed, please attach a Word document with your entire answer.)

- G. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.

☐ Yes

☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- H. Provide any additional information or attachments to be considered for this proposal.
-

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR AD VALOREM TAX RATE REDUCTION:

1. Program Requirements

- A. Describe the property or transaction that will be supported by the ad valorem tax rate reduction.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the ad valorem tax rate reduction will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of the quantitative evidence demonstrating how the proposed ad valorem tax reduction will promote:

- Economic recovery,
- Economic Diversification,
- Enhancement of the disproportionately affected counties,
- Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the property or transaction that will be supported by the ad valorem tax rate reduction?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported by the ad valorem tax rate reduction and provide a detailed description of when and how the ad valorem tax rate reduction will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does this proposed project have a local match amount? If yes, please describe the entity providing the match and the amount.
☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

**ADDENDUM FOR LOCAL MATCH REQUIREMENTS OF SECTION 288.0655,
FLORIDA STATUTES**

1. Program Requirements

- A. Describe the local match requirements of Section 288.0655 and the underlying project, program or transaction that will be funded by the proposed award.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the local match requirements and the underlying project or program will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of, and quantitative evidence demonstrating how the proposed local match requirements will promote:

- Economic recovery,
- Economic Diversification,
- Enhancement of the disproportionately affected counties,
- Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the property or transaction that will be supported by the local match requirements?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported by the local match requirement and provide a detailed description of when and how the local match requirement will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR LOCAL ACTION PLAN

1. Program Requirements

- A. Describe how the proposed award will establish and maintain equipment and trained personnel for local action plans of response to respond to disasters.
- B. Describe the type and amount of equipment and trained personnel that will be established or maintained by the proposed award.
- C. Identify the specific local action plans (*e.g.*, Coastal Impacts Assistance Program) that will benefit from the proposed award.
- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:
 - Economic recovery,
 - Economic Diversification,
 - Enhancement of the disproportionately affected counties,
 - Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the local action program that will be supported by the proposed award?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the local action plans (*e.g.*, new plans, existing plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR ADVERTISING/PROMOTION

1. Program Requirements

- A. Is the applicant a tourism entity created under s. 288.1226, Florida Statutes?

☐ Yes ☐ No

- B. Does the applicant advertise and promote tourism and Fresh From Florida? If yes, provide details on how it advertises and promotes tourism and Fresh From Florida.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does the proposed award promote workforce and infrastructure on behalf of the disproportionately affected counties? If yes, describe how workforce and infrastructure is promoted on behalf of the disproportionately affected counties.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:

- Economic recovery,
- Economic Diversification,
- Enhancement of the disproportionately affected counties,
- Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Describe the advertising and promotion mediums and locations where the advertising and promotion will occur.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the advertising and promotion (*e.g.*, new plans, existing plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

I, the undersigned, do hereby certify that I have express authority to sign this proposal on my behalf or on behalf of the above-described entity, organization, or governmental entity:

Name of Applicant: **City of Pensacola, Florida**

Name and Title of Authorized Representative: **Ashton J. Hayward III, Mayor**

Representative Signature: 

Signature Date: 3/15/18

Exhibit 1

RESUME OF THE REGULAR BCC MEETING – Continued

COUNTY ADMINISTRATOR'S REPORT – Continued

III. FOR DISCUSSION – Continued

1. Continued...

- C. Appoint one of the following candidates to the ECDAC, to serve as one of the two "At Large" appointees, for a four-year term, effective January 2, 2018, through January 1, 2022, to replace Gwenith H. Shiver, who resigned:

1. Lisa Autrey Hopkins; or
2. Kenneth R. Holt; or
3. Mary Lynn Williams; or
4. Julia Kaple.

Escambia County's Community & Media Relations Office posted a General Alert on the County's website for two weeks, from October 25, 2017, to November 8, 2017, to seek volunteers to fill the one of the "At-Large" positions on the Escambia County Disability Awareness Committee; Lisa Autrey Hopkins, Kenneth R. Holt, Mary Lynn Williams, and Julia Kaple responded to the General Alert.

Arthur R. Nunamaker, one of the two "At Large" appointees on the ECDAC, whose term will expire on January 1, 2018, has indicated that he would like to be considered for reappointment.

Approved 5-0 to appoint Lisa Autrey Hopkins

Approved 5-0 to appoint Kenneth R. Holt

2. Recommendation: That the Board approve the contribution of \$10,000 of discretionary funds by Commissioner Grover Robinson to the 501(c)(3) non-profit Shepherds Place Intact Transitional (Funding: Fund 001, General Fund, Discretionary Money, Cost Center 110101, Object Code 58201).

Approved 5-0

3. Recommendation: That the Board discuss the City of Pensacola TRIUMPH Ask.

Approved 4-1, with Commissioner Underhill voting "no," to submit an affirmative position in the preliminary application for the City for this particular project with VT MAE

**TRIUMPH GULF COAST, INC. Trust Fund
Application for Funds**

Detailed Responses to Questionnaire

RESPONSE

1. Other entities having a role in the proposed project:

Name of Organization	Proposed Role
State of Florida	Funding partner
Florida West	Economic development agency for NW Florida supporting the application
Florida Department of Economic Opportunity	Funding partner
Florida Department of Transportation	Funding partner
Escambia County	Supporting Agency
VT MAE	Funding partner and primary tenant in the MRO aviation campus
Pensacola International Airport	Proposed project is located on the grounds of Pensacola International Airport. The hangars and buildings to be constructed on approximately 75 acres of land will be leased under a long-term Real Property lease to VT MAE.

2a) Title: PENSACOLA INTERNATIONAL AIRPORT MRO AVIATION CAMPUS

b) Location of the Proposed Project: The proposed MRO Aviation campus will be situated on approximately 75 acres of land located at the Pensacola International Airport. The City of Pensacola owns the Pensacola International Airport and it is operated as an enterprise department of the City. The land and buildings will be leased to a primary tenant, VT MAE, subject to a long-term Real Property lease to be negotiated in the future. The entire MRO development, including all roadways, taxiways, aprons, hangars and buildings; and all related infrastructure necessary to support this proposed project will be City owned assets of Pensacola International Airport. No part of this proposed project will be owned by a private business or enterprise.

c) Detailed description of the proposed project: On November 14, 2017, the City of Pensacola (City) and VT Mobile Aerospace Engineering, Inc. (VT MAE) signed a Memorandum of Understanding (MOU) to expand VT MAE's aircraft maintenance, repair and overhaul (MRO) business operations at the Pensacola International Airport (a copy of the MOU is attached). This comes as VT MAE prepares to begin its initial operations at the airport's new 173,000 sq. ft. MRO hangar in April 2018 (See attached photo of Hangar 1).

The signing of the MOU is an important first step in negotiations to expand VT MAE's business in Pensacola. A similar MOU signed by the City and VT MAE in December 2013 led to VT MAE's decision to establish its initial MRO business in a newly developed facility owned by the City. That facility, developed at a cost of \$46 million, will provide VT MAE with the infrastructure it needs to create 400 new high-wage jobs. Building on the success of the current VT MAE relationship, this proposed project for an MRO Aviation campus as described within the MOU creates an opportunity to add an additional 1,325 high-income jobs for Northwest Florida in the aerospace industry. When combined with the new jobs associated with the first hangar, total Aerospace sector jobs would be 1,725.

As envisioned, the proposed expansion project would include three additional hangars (one hangar at 173,000 sq. ft. and two additional hangars at 191,000 sq. ft. each), 100,000 sq. ft. of warehouse and shop space, 120,000 sq. ft. administrative office building, and all adjacent roadways, taxiways, aprons and infrastructure to support the development. The MRO hangars are capable of accommodating aircraft as

large as the Boeing 777/A300. In addition to VT MAE as the primary tenant, much of the city-owned infrastructure being developed will have multiple users. For example, within the MRO hangars, a training center will be established for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial aviation industry (See MOU Article 2.4(b)). Also, administrative offices are being developed for use by the Federal Aviation Administration representatives and airline representatives (i.e. Delta, American, UPS, etc.) to be on site while their aircraft are being overhauled. Further, all of the common usage aprons and taxiways will be utilized by general airfield traffic (all airlines and other aircraft operators).

The estimated total cost for the proposed Aviation MRO campus at Pensacola International Airport is \$200 million. Provided that funding and lease terms can be successfully negotiated in the coming months, design work on the new facilities could begin in mid-2018 and construction of a second hangar could begin in early 2019. Design and construction of the other MRO campus facilities could conceivably be completed by the end of 2021.

d. Quantitative evidence of how the proposed project will promote economic recovery, diversification and enhancement of the disproportionately affected counties:

There are multiple quantitative measures that promote economic recovery and diversification. Upon full implementation, the total economic benefits to be realized to the region are as follows:

- The direct new jobs created in the Aerospace industry sector are 1,325 (See MOU Article 2.4(c)) and total indirect new jobs will increase by over 3,400.
- The average wage associated with the direct new jobs is \$44,461, not including fringe benefits (See MOU Article 2.4(c)).
- Based on the above, total annual payroll to NW Floridians will be \$58.9 million associated with the proposed project.
- When combined with the new jobs already created associated with the development of Hangar 1 (not part of the proposed project), total new Aerospace industry sector jobs will be 1,725, total annual payrolls will be approximately \$69.0 million.
- Upon full operation, personal net incomes in the state of Florida will increase by \$400 million **annually**.
- Upon full operation, GDP in the state of Florida will increase by \$600 million **annually**.
- The proposed project will create an additional \$200 million of publicly owned assets dedicated to the Aerospace industry sector, all subject to a long-term lease with a Triple AAA (Moody's and Standard & Poor) rated tenant.

e. Proposed timeline for the proposed project: The following is the anticipated timeline for the planning and construction of the Aviation MRO Campus. As the project would occur over a 4-year time period, the request for Triumph funds mirrors the construction schedule. The timeline below represents a four-year strategy to grow the airport MRO capacity beyond Phase 1 currently under construction:

Construction Timeline

- 1) Hangar 1 – Completion March 2018 (not part of funding request)
- 2) Hangar 2
 - a. Plans/Specifications/Bidding – April 2018 to January 2019
 - b. Construction – February 2019 to July 2020
- 3) Hangars 3 and 4, Support Facilities and Administration Building
 - a) Environmental – May 2018 to April 2019

- b) Plans/Specifications/Bidding – May 2018 to October 2019
- c) Construction Hangar 3 – October 2019 to April 2021
- d) Construction Hangar 4 – May 2020 to October 2021
- e) Construction Administration Building – January 2019 to July 2020
- f) Construction Warehousing/Shops/Support Facilities – March 2019 to September 2020

f. Disproportionately counties affected by proposed project: This proposed project will be located at the Pensacola International Airport which is located within Escambia County. Consequently it is expected that Escambia County and the immediate proximity counties of Okaloosa County and Santa Rosa County will be most significantly impacted by this project. However due to the large scale of the project and both the direct and indirect jobs created as a result of this expansion of the Aerospace sector, all of NW Florida and the state of Florida will be favorably impacted.

3. How is the proposed project Transformational over the next 10 years: Prior to the execution of the MOU, the City engaged the Haas Center to conduct a preliminary economic impact study on the basis of a proposed MRO Aviation campus resulting in 1,200 new direct jobs (See attached *Economic Impact of Proposed Expansion of Pensacola International Airport*, dated August 31, 2017). The new jobs number has subsequently been increased to 1,325 as described in the MOU (Article 2.4(c)). Based on the findings of the Haas Center, there are several measures and outcomes that reflect the transformational nature of this project to the NW Florida region. The results are conservative as they are based on 1,200 rather than 1,325 new jobs.

The Haas Center report shows that a nationally recognized MRO aviation campus would attract additional aviation industry businesses to Northwest Florida and significantly diversify the regional economy. In addition to the 1,325 direct new jobs, the planned expansion project would create up to 3,400 indirect new jobs in the state of Florida. Further, this would increase statewide personal net income by \$400 million **per year**, and increase the state's GDP by \$600 million **per year**. Florida is consistently ranked as one of the top states in the country for Aerospace industry attractiveness. The addition of an MRO Aviation Campus to the already robust tourism, military and financial services sectors of the regional economy will further strengthen Northwest Florida's economic resiliency and solidify Florida's reputation as a leader in meeting the growing demand for aviation services. This project creates a Center of Excellence in the MRO industry, which is consistent with the state of Florida and Northwest Florida FORWARD's growth strategy for the Aviation and Aerospace industry sector.

The proposed project together with the MRO facilities currently under construction creates a critical mass of MRO activity in Northwest Florida that will enhance the ability of the region to attract additional aviation and aerospace business opportunities. An expanded MRO industry not only creates new direct economic activity but also generates indirect activity in terms of construction jobs, supply chain providers, service providers and customers located at the Airport and the surrounding area, providing jobs and economic activity at a series of levels to grow the regional economy. As this project spans a construction timeline of 4 years, significant economic stimulus is realized by the construction activity alone and is in addition to the favorable economic impacts noted previously.

In addition to regional economic diversification and the creation of high-quality new jobs, an MRO campus further leverages the expanding Aviation and MRO industry opportunities along the Gulf Coast. Through this project, the region will participate in the projected global growth of the MRO industry, expected to grow from total gross revenues of \$75.6 billion in 2017 to an estimated \$109.2 billion in 2027, thus benefitting our state and region. Although not part of the current project, there is room for one additional MRO hangar if future expansion is needed. In addition, approximately 2,400 people are separated from local military bases every year, which has the potential to provide a

substantial, technically trained workforce to support future growth. This project provides a career path for aircraft mechanics and technicians exiting the military or retired veterans, and will retain or attract these individuals to our region. This project will provide a “path to the middle class” for many.

As part of a longer-term strategic vision, upon completion and build out, the MRO campus will be one of the largest commercial MRO Service Centers in the United States. The Service Center will leverage and enhance existing workforce development programs through Washington High School (Aviation Maintenance Academy), George Stone Technical Center (Airframe & Power plant Technology) and Pensacola State College certification programs in addition to transitioning veteran military personnel to commercial aviation and aerospace jobs. A near-term strategic vision is the collaboration between VT MAE and local education providers to create an MRO Aviation Training Academy to develop the workforce needed to man the available jobs and to maintain a pipeline of trained technicians for the future.

This project firmly establishes an Aerospace and Aviation industry sector in the regional economy and will diversify economic activity in the region. Significant MRO activity adds an additional dimension to the regional economy that complements the emerging sectors of Clean Energy Wind Turbines (200 jobs), Cyber Security (140 jobs), Financial Services (6,200 jobs), MRO activity at the Airport (1,725 jobs), Tourism and Military/Government activity. Continuing investment in infrastructure along with an existing and future highly trained workforce paves the way for successful economic enhancement of the targeted aviation/aerospace industry. According to the 2014 Military Transitioning Study completed by UWF Haas Center, relevant skills are essential to continue to attract aviation investment in NAICS Targeted Industry Sectors. Specifically, this investment supports a growth strategy over the next four years to increase the number of jobs by 1,325 in Aircraft Maintenance, Modification (NAICS Code 336411, \$44,720), Support Engineering, Materials Fabrication (NAICS Code 336411, \$27,700) and Administration (NAICS Code 551114, \$70,833).

In summary this project is truly transformational as it creates 1,325 direct and 3,400 indirect new jobs, promotes economic recovery, provides for regional economic diversification and stability, leverages invested funds to drive annual net incomes and statewide GDP and establishes NW Florida as a leader in the global MRO industry.

4. Describe data or information to demonstrate viability of the proposed project: The project is viable as the City and VT MAE have previously negotiated and executed a Real Property lease and construction is nearly complete on the first MRO hangar as part of the MRO Aviation campus. Further, the City and VT MAE have entered into a new MOU that outlines the future intentions of both parties to continue with the further expansion and development of the MRO Aviation campus as described in this Application. The following data describes the financial viability of the proposed project at full implementation, and reflects the economic impact of terms agreed to in the MOU:

- a. 1,325 direct new MRO jobs (per MOU)
- b. 3,400 indirect new jobs, other industries (per Haas Center report)
- c. \$200,000,000 value in City owned infrastructure dedicated to the Aerospace industry
- d. \$58,900,000 direct annual payroll

- e. \$44,461 average annual salary, without benefits (per MOU)
- f. Approximately \$1,000,000 annual rent for real property lease (based on Hangar 1 lease terms)
- g. \$400,000,000 **annual** personal net incomes increase (per Haas Center)
- h. \$600,000,000 **annual** statewide GDP increase (per Haas Center)

5. How impacts will be measured long term: The primary deliverable from the proposed project is the creation of new direct jobs at the agreed-to average annual compensation. It is anticipated that the real property lease between the City and VT MAE, as well as agreements with funding partners, will have terms and conditions that will require VT MAE to demonstrate it has met its obligations regarding minimum job and salary levels. Similar agreements were documented in funding commitments for the development of Hangar 1 currently under construction; and will serve as a guideline to measure outcomes and determine “clawbacks” if performance measures are not achieved for the current proposed project.

6. How the proposed project is sustainable: The proposed project will result in the construction of \$200,000,000 of city owned Airport infrastructure including hangars, support buildings, an administrative building and adjacent roadways, taxiways, aprons and site improvements. These facilities will be leased to VT MAE under a Master lease agreement that defines the rights and responsibilities of each party for the entire site development. The underlying leases will be long term leases for each separate facility and will be modeled upon the Real Property Lease Agreement executed between City and VT MAE for Hangar 1. VT MAE is the subsidiary of ST Aerospace, which is the largest global provider of MRO services. The anticipated global expansion of the MRO industry is expected to grow from total gross revenues of \$75.6 billion in 2017 to an estimated \$109.2 billion in 2027. As the leader in this industry, ST Aerospace and its subsidiary VT MAE will likely experience a similar growth pattern in the future. Based on the quality of the primary tenant and the expected growth and sustainability of the MRO industry, it is reasonable to expect this project will have long-term financial viability and sustainability.

Furthermore, the state-of-the-art facilities to be developed in the MRO Aviation campus will enable VT MAE to efficiently implement “Smart MRO” technologies as described below. This will further solidify their global industry leadership and long-term sustainability. This Smart MRO technology, such as robotics, aerial inspection and data connectivity to enhance workplace safety, productivity and quality of solutions adds value to their customers and enhances the technical skills of their employees.

Digitized Work Flow

Using paperless processes, tasks are assigned, approved and monitored online.

Virtual Warehouse

Spare parts are 3D printed and assembled on site to shorten turnaround time and reduce warehousing and logistics costs.

Wearable Connectivity

Augmented Reality (AR) glasses provide technicians with visual cues for each task and provide remote connectivity support while wrist-worn devices track the activities in real-time.

Robotics

Drones equipped with 3D-Scanners and HD Cameras inspect the aircraft fuselage for defects. UGVs transport inventory from Automated Storage and Retrieval System (ASRS) for Just-In-Time (JIT) servicing.

Automated Toolcribs

Tools are inspected to be serviceable before being pre-packed in toolboxes according to the work cards.

SMART Hangar

Biometric iris scanner in AR glasses automatically clock technicians work schedules. Sensors within the hangar provide round-the-clock security. Data analytics is used to understand the information collected from the sensors, bots and other devices to optimize workflow and recommend predictive maintenance for aircraft.

7. How deliverables will be measured: See Response #5 above. City will have the primary responsibility to verify that the deliverables (stated jobs at a stated average salary level) are being realized on an annual basis.

8. Generate Maximum Estimated Economic Benefit:

- a. 1,325 direct new MRO jobs (per MOU)
- b. 3,400 indirect new jobs, other industries (per Haas Center report)
- c. \$200 million value in City owned infrastructure dedicated to the Aerospace industry
- d. \$58.9 million direct annual payroll
- e. \$44,461 average annual salary, without benefits (per MOU)
- f. Approximately \$1,000,000 annual rent for real property lease (based on Hangar 1 lease terms)
- g. \$400 million **annual** personal net incomes increase (per Haas Center)
- h. \$600 million **annual** statewide GDP increase (per Haas Center)

Increase household income above national averages: The initial commitment is to provide 1,325 new direct jobs at an average annual salary of \$44,461 plus benefits.

Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases:

The proposed project leverages existing real estate at Pensacola International Airport that has been consolidated over time to create a commerce park with the intention of it becoming an income-producing asset focused in the aerospace industry. This project is the culmination of a long-term land use plan and converts approximately 75 acres of unused land to income producing assets that will generate approximately \$1.0 million per year annual ground rent to the Airport. By creating this income source, the Airport will be able to effectively manage user fees that make the Airport more competitive, potentially creating lower fares, more routes and greater air service choices for the citizens of NW Florida.

The proposed project leverages and enhances existing workforce development programs through Washington High School (Aviation Maintenance Academy), George Stone Technical Center (Airframe & Power plant Technology) and Pensacola State College certification programs. It would be expected that each of these educational institutions will need to expand their programs and capabilities in order to respond to the increasing workforce development demands. In addition, this proposed project will assist in transitioning veteran military personnel to commercial aviation and aerospace jobs. As noted previously, a near-term strategic vision is the collaboration between VT MAE and local education providers to create an MRO Aviation Training Academy to develop the workforce needed to man the available jobs and to maintain a pipeline of trained technicians for the future.

Partner with local governments to provide funds, infrastructure, land, or other assistance for the project: As mentioned above, the Pensacola International Airport is providing the land that will be used for the proposed project. In addition, the State of Florida, City of Pensacola, Escambia County, the Florida Department of Transportation and the Governor's Jobs Growth Grant Fund are

expected to provide funding to support the project. Also, VT MAE will make a substantial investment to support the proposed project.

Provide outcome measures: The proposed project has a significant number of outcome measures that have been described previously in this document. Among the most significant are 1,325 new direct jobs in the Aerospace industry, 3,400 indirect new jobs in other related industries, \$200 million in publicly owned infrastructure developed for an MRO Aviation campus, \$400 million increase in personal net incomes and \$600 million increase in Florida GDP, all as a result of the proposed project.

Recommended by the board of county commissioners of the county in which the project or program will be located: The Escambia County Board of County Commissioners approved forwarding the City's pre-application submission to the Triumph board during its meeting held on December 14, 2017. A copy of the Board minutes is attached as Exhibit 1.

9. How the proposed project or program meets the discretionary priorities identified by the Board:

As described in previous responses within this document, the proposed project is transformational to the region of NW Florida and in fact to the state of Florida. Through the development of the proposed project, an Aerospace industry is created. The creation of this targeted industry results in economic diversification and stability. Most importantly, this new industry results in long-term high quality, high paying jobs that will solidify the region's economic recovery and assure a better quality of life (See Response #3 above).

As there is already an existing MOU between the City and VT MAE, both parties stand ready to commence negotiations to formalize their intentions as outlined in the MOU. In connection with the development of Hangar 1, the City and VT MAE have already negotiated a previous Real Property Agreement; therefore once funding is finalized the process should be consummated efficiently and timely.

The proposed project has, as one of its most important feature, the creation of 1,325 high quality new direct jobs in the MRO industry. The average annual salary is \$44,461 plus benefits. The net new jobs are specifically within the targeted aerospace industry. The proposed project will also result in a significant number of new indirect jobs in resultant industries (See Response #4 above).

The creation of an MRO Aviation campus is precisely aligned with Northwest Florida FORWARD regional strategic initiative for economic transformation. MRO services are within the Aerospace and Aviation industry sector that is major part of the strategic initiative. Further, the MRO Aviation campus creates an industry cluster that will be a magnet to other businesses in the Aerospace and Aviation industries.

10(a) Provide the schedule of upcoming meetings: Pensacola City Council is scheduled to meet on the following dates for their regularly scheduled Council meetings. Regular City Council meetings are typically held the second Thursday of every month and each meeting begins at 5:30 PM:

- April 12
- May 10
- June 14
- July 19
- August 9
- September 13
- October 11

(b) State whether that group can hold special meetings, and if so, upon how many days' notice: Pensacola City Council is permitted to convene special meetings as provided in the City Charter. According to section 1.03 of City Council Rules and Procedures, notice shall be given to the Council members and media by email 72 hours prior to the meeting.

11. Describe the timeline for the proposed project:

- 1) Hangar 2
 - a) Plans/Specifications/Bidding – April 2018 to January 2019
 - b) Construction – February 2019 to July 2020
- 2) Hangars 3 and 4, Support Facilities and Administration Building
- 3) Environmental – May 2018 to April 2019
 - a) Plans/Specifications/Bidding – May 2018 to October 2019
 - b) Construction Hangar 3 – October 2019 to April 2021
 - c) Construction Hangar 4 – May 2020 to October 2021
 - d) Construction Administration Building – January 2019 to July 2020
 - e) Construction Warehousing/Shops/Support Facilities – March 2019 to September 2020

12. Describe the types and number of jobs expected from the proposed project or program and the expected average wage: The proposed project supports a growth strategy over the next four years that will increase the number of direct new jobs by 1,325 in Aircraft Maintenance, Modification (NAICS Code 336411, \$44,720), Support Engineering, Materials Fabrication (NAICS Code 336411, \$27,700) and Administration (NAICS Code 551114, \$70,833). The expected average wage overall is \$44,416 plus benefits.

In addition to the above, the proposed project will support the addition of approximately 3,400 indirect new jobs in associated resultant industries.

13. Does the potential award supplement but not supplant existing funding sources: The Triumph funds are supplemental as they represent a portion of the project cost, however the project could not proceed without the requested support from Triumph. The request of Triumph funds represents 65% of the total project costs. The remaining 35% (\$70 million) of project costs are publicly funded by City, County and State; and privately funded by VT MAE, as those entities are the primary beneficiaries of the proposed project. Consequently local community appropriations and private investment is being used to fund the remaining \$70 million balance. Of this remaining \$70 million, the contribution of public and private funding is approximately 50-50.

14. Provide a detailed budget narrative: Preliminary concept plans have been reviewed with Atkins Global and the estimated project cost of \$200 million appears reasonable based on experience with Hangar 1.

The following is the working funding plan for the project:

- Private Sector will provide fifty (50.0%) percent of the local funding.
 - \$35.0 million from VTMAE-the MRO facility user – Attached to this application is copy of a letter from VTMAE memorializing their commitment to contribute \$35.0 million to the project.

- Public Sector will provide fifty (50.0%) percent of the local funding.
 - \$25.0 million from the State of Florida – the City is in discussions with state of Florida agencies concerning project funding at this level. The agencies are expected to support this project at this level.
 - \$10.0 million from local public sources
 - \$130.0 million from Triumph Gulf Coast, Inc. -Triumph is requested to provide the transformative level of project funding. The MRO user, City, County and State can fund (\$70.0 million) incremental growth in MRO facilities and jobs. For transformational growth of MRO facilities and jobs, a transformational level of funding is needed from a unique funding source: \$130 million from Triumph.

15. Is the infrastructure for public use or does it predominately benefit the public: The infrastructure predominately benefits the public as the entire project (\$200 million in assets) is owned by a public entity (the City of Pensacola's international Airport) and the ground lease revenue from the proposed project is Airport revenue, each of which is predominately for the benefit of NW Floridians and the traveling public. The primary tenant of the facilities will be VT MAE, however as stated previously, much of the city-owned infrastructure will have multiple users. A training center will be established for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial aviation industry, administrative offices are being developed for use by the Federal Aviation Administration representatives and airline representatives (i.e. Delta, American, UPS, etc.) to be on site while their aircraft are being overhauled and all of the common usage aprons and taxiways will be utilized by general airfield traffic (all airlines and other aircraft operators).

16. Is this project an expansion of existing infrastructure project

The City has a well-established business relationship with VT MAE that dates to late 2012, when discussions first began with VT MAE to establish an MRO hangar at the Pensacola International Airport. Ultimately the City was successful and a MOU was entered into on November 12, 2013. After funding was finalized, the final lease agreement between City and VT MAE was signed on September 9, 2014. Planning and design documents were prepared, contracts were bid out and October 28, 2016 marked the official groundbreaking for Hangar 1. Hangar 1 is a 173,000 sq. ft. MRO hangar being built at a cost of approximately \$46 million. The hangar is under construction and is scheduled to be completed and ready for occupancy on March 20, 2018. The MRO Aviation campus represents an exciting expansion of the existing commitment that City and VT MAE has made to expand their focus on the Aerospace and Aviation industry.

17. Provide the proposed beginning commencement date and number of days required to complete construction of the infrastructure project: Assuming all funding approvals could be confirmed by April 2018, the proposed schedule is as follows:

- 1) Hangar 2
 - a) Plans/Specifications/Bidding – April 2018 to January 2019
 - b) Construction – February 2019 to July 2020
- 2) Hangars 3 and 4, Support Facilities and Administration Building
- 3) Environmental – May 2018 to April 2019

- a) Plans/Specifications/Bidding – May 2018 to October 2019
- b) Construction Hangar 3 – October 2019 to April 2021
- c) Construction Hangar 4 – May 2020 to October 2021
- d) Construction Administration Building – January 2019 to July 2020
- e) Construction Warehousing/Shops/Support Facilities – March 2019 to September 2020

Recognizing that April 2018 is not a likely start date since funding decisions may yet be unresolved, the schedule can be adjusted to reflect an appropriate later start date. This is a significant and technically complex project spanning approximately a four-year period of time.

MRO Hangar 1 at Pensacola International Airport



727.520.8181
www.aerophoto.com

MRO Hangar
(Pensacola International Airport)

Image # 93
Date 03.01.18

Economic Impact of Proposed Expansion of Pensacola International Airport
August 31, 2017

The Haas Center was engaged to assess the economic impact of a proposed expansion of the city-owned Pensacola International Airport. The proposed infrastructure project with a capital investment of \$171 million over three years would result in three new hangars totaling 543,000 square feet. These hangars (Hangar 2, Hangar 3 and Hangar 4) are in addition to Hangar 1 which is nearing completion. Hangars 2, 3 and 4 will be used for Aircraft Maintenance, Repair and Overhaul (MRO) activities. Because the hangars will be used primarily for overhaul of aircraft rather than maintenance and repair, the activity is within the Aerospace Product and Parts Manufacturing Industry (NAICS code 3364).

Econometric Modeling Assumptions:

- The activity occurs within and the impact is measured relative to the State of Florida.
- Employment is within Aerospace Product and Parts Manufacturing (NAICS code 3364).
- Construction of Hangar 1 (already underway) will be completed and begin operation in 2018, which will employ 400 workers through at least 2031¹.
- Capital expenditures for Hangars 2, 3 and 4 will be complete by 2020.
- Hangar 2 will be operational in 2020 and will employ 400 workers through at least 2031.
- Hangars 3 and 4 will be operational in 2021 and will employ 800 workers combined through at least 2031.
- Hangars 2, 3 and 4 are substantially similar to each other and to Hangar 1.

These inputs were run through an econometric simulation model² in order to determine the impact on the state of Florida should Hangars 2, 3, and 4 proceed as outlined above. Results for the project, including the one-time impact of capital expenditures and the continuing effects of the newly created jobs, are provided below. A list of modeling assumptions, a description of the model used and definitions of terms can be found after the project results tables.

¹ 2031 is selected because it is ten years of operation after the 1,200 jobs related to Hangars 2, 3 and 4 are underway beginning in 2022.

² REMI PI+ Version 2.1.1

Table 1: Hangars 2, 3 and 4 combined Impact (543,000 square feet; 1,200 direct jobs; \$171 million in total capital investment)

	2018	2019	2020	2021	2022	2023	2024-2031 (average) ³
Total Employment (Jobs)	1,163	1,156	2,687	4,719	4,810	4,892	4,699
Gross Domestic Product (Millions of Fixed 2009 \$)	\$ 75.1	\$ 76.6	\$ 243.6	\$ 516.0	\$ 536.6	\$ 555.6	\$ 596.9
Output (Millions of Fixed 2009 \$)	\$ 119.3	\$ 121.8	\$ 434.7	\$ 965.9	\$ 1,002.0	\$ 1,034.4	\$ 1,117.9
Personal Income (Millions of Current \$)	\$ 67.2	\$ 75.0	\$ 193.4	\$ 377.3	\$ 419.5	\$ 456.1	\$ 581.5

As stated in the assumptions, Hangars 2, 3 and 4 will be employing 1,200 workers beginning in 2022. From that point, in addition to the 1,200 jobs directly related to the new hangars, the activity will support an additional 3,422 to 3,692 jobs in the state. Each year, this activity is expected to produce more than \$400 million in Personal Income and an increase in Florida's GDP of almost \$600 million.

These values are independent of the economic activities flowing from the capital investment and employment related to Hangar 1. Therefore, these figures only represent the economic activity related to the capital investment and employment related to Hangars 2, 3 and 4.

³ 2024-2031 average annual data is presented as an average here for clarity. Full yearly data is provided below.

Table 2: Sector Level Employment

Category	2018	2019	2020	2021	2022	2023	2024-2031 (avg.)⁴
<i>Manufacturing</i>	27	27	496	1,407	1,397	1,388	1,355
<i>Retail Trade</i>	87	84	224	417	417	430	439
<i>Construction</i>	658	648	779	513	572	572	374
<i>Professional, Scientific, and Technical Services</i>	38	48	156	334	343	350	350
<i>Health Care and Social Assistance</i>	60	57	154	288	286	298	325
<i>Administrative and Waste Management Services</i>	38	38	131	281	281	285	278
<i>Accommodation and Food Services</i>	43	43	117	221	227	243	271
<i>Real Estate and Rental and Leasing</i>	33	31	87	163	166	173	172
<i>Management of Companies and Enterprises</i>	6	6	59	160	159	160	160
<i>Other Services, except Public Administration</i>	40	33	99	185	168	166	152
<i>Finance and Insurance</i>	32	28	83	160	150	147	132

REMI model

Econometric simulation models combine the sector detail and geography detail of input/output models but provide for functioning economic linkages between sectors and regions over time. The current study uses REMI PI+ Version 2.1.1 (Regional Economic Models Inc.), a structural econometric model of the state of Florida. It incorporates the basic input/output linkages, but

⁴ 2024-2031 average annual data is presented as an average here for clarity. Full yearly data is provided below.

also uses econometrically estimated county-specific parameters, for example, interregional migration in response to changes in economic opportunities, in generating impact results. Because of these between-sector linkages, the model incorporates general equilibrium tendencies as the economy responds to shocks over time. That is, changes in spending in a region affect not just conditions in that market, but also in other markets within the region (economists term this a "general equilibrium") and outside the region (via trade and also via migration in response to changes in economic opportunities). This describes the phenomenon whereby, for example, a new manufacturing facility opens in a county, and other manufacturers and related industries may have to increase their pay or benefits in order to prevent their workers from leaving to take a job at the new facility. A traditional input-output model description of the economic impact would have held other economic factors fixed (including manufacturing wages across the county) and simply documented the employment and job creation effects resulting directly at the new manufacturing facility and indirectly via businesses in its supply chain, as well as household spending induced by the new income flows.

A simulation model such as REMI captures not only the spending effects flowing from the new manufacturing facility and its local suppliers and employees and owners, but also the spillover effects into other markets as wages and prices change due to competition for the same employees and other resources. These effects are the general equilibrium (equilibrium across all markets simultaneously) tendencies of the model. It also simulates the adjustment path over time of these market responses, using historical parameters estimated specifically for that county (the dynamic component).

Glossary of terms

Analysis of economic impact. The assessment of a change in overall economic activity that occurs as a result of a corresponding change in one or more components economic activities, such as the addition of new businesses and jobs.

Employment. Employment comprises estimates of the number of jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.

Multiplier. The multiplier is the ratio of the change in equilibrium divided by the original change in spending that causes the change. Each industry that produces goods and services generates demands for other goods and services. These demands ripple through the economy, multiplying the original economic impact.

Income. Income received by persons from all sources. It includes income received from employment or investments as well as government or employer transfer payments.

Transfer payment. A payment of money for which no money, good, or service is received in exchange. Examples include social security, old age or disability pensions, student grants, unemployment compensation, etc.

Table 3: Impact Summary

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Employment	1,163	1,156	2,687	4,719	4,810	4,892	4,872	4,808	4,745	4,686	4,644	4,624	4,622	4,635
Gross Domestic Product (Millions of Fixed 2009\$)	\$ 75.1	\$ 76.6	\$ 243.6	\$ 516.0	\$ 536.6	\$ 555.6	\$ 566.4	\$ 572.7	\$ 578.2	\$ 584.1	\$ 591.9	\$ 601.6	\$ 612.8	\$ 625.3
Output (Millions of Fixed 2009\$)	\$ 119.3	\$ 121.8	\$ 434.7	\$ 965.9	\$ 1002.0	\$ 1034.4	\$ 1053.3	\$ 1066.7	\$ 1078.7	\$ 1092.0	\$ 1108.5	\$ 1128.5	\$ 1151.5	\$ 1176.9
Personal Income (Millions of Current \$)	\$ 67.2	\$ 75.0	\$ 193.4	\$ 377.3	\$ 419.5	\$ 456.1	\$ 484.6	\$ 508.9	\$ 531.4	\$ 553.4	\$ 576.5	\$ 601.8	\$ 628.8	\$ 658.1

Table 4: Employment by Sector

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Manufacturing	27	27	496	1,407	1,397	1,388	1,378	1,369	1,362	1,356	1,350	1,345	1,342	1,339
Retail Trade	87	84	224	417	417	430	434	435	436	436	437	440	444	448
Professional, Scientific, and Technical Services	38	48	156	334	343	350	350	349	348	348	348	350	352	356
Health Care and Social Assistance	60	57	154	288	286	298	305	309	314	320	326	334	342	352
Accommodation and Food Services	43	43	117	221	227	243	253	259	265	270	274	279	283	287
Administrative and Waste Management Services	38	38	131	281	281	285	284	281	279	277	276	276	277	278
Construction	658	648	779	513	572	572	537	483	426	375	332	300	277	262
Real Estate and Rental and Leasing	33	31	87	163	166	173	175	174	172	171	170	171	172	173
Management of Companies and Enterprises	6	6	59	160	159	160	160	160	160	160	160	161	161	162
Other Services, except Public Administration	40	33	99	185	168	166	162	157	153	151	149	148	148	149
Finance and Insurance	32	28	83	160	150	147	142	137	134	131	129	128	129	129
Wholesale Trade	24	24	67	131	131	132	131	129	128	127	126	125	125	126
Transportation and Warehousing	16	15	44	88	85	82	79	75	71	69	66	65	63	63
Information	8	8	25	50	49	49	49	48	48	48	48	48	48	49
Arts, Entertainment, and Recreation	11	9	29	55	51	50	48	47	46	45	45	45	45	46
Educational services; private	6	6	16	30	31	32	33	33	33	33	33	33	34	34
Mining	2	1	6	15	16	16	16	15	14	14	13	12	12	12
Utilities	1	1	3	6	6	6	6	6	6	6	6	5	5	5
Forestry, Fishing, and Related Activities	1	1	4	8	7	7	6	6	5	5	4	4	4	4

MEMORANDUM OF UNDERSTANDING

VT MOBILE AEROSPACE ENGINEERING, INC

AND

CITY OF PENSACOLA, FLORIDA

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is hereby made and entered into as of the 14th day of November, 2017, by and between **VT MOBILE AEROSPACE ENGINEERING, INC.**, a corporation organized in the State of Alabama ("Company") and the **CITY OF PENSACOLA**, a Florida municipal corporation ("City"), in its capacity as proprietor and sponsor of the **PENSACOLA INTERNATIONAL AIRPORT ("Airport")**. The above-referenced entities may from time to time be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the City enthusiastically supports and encourages economic development and workforce training and development, particularly the expansion of the business activities at the Airport;

WHEREAS, the Company's primary business activity is the maintenance, repair and overhaul of aircraft ("Aircraft MRO");

WHEREAS, the City and the Company have entered into a Real Property Lease at Pensacola International Airport dated September 9, 2014, pursuant to which the City is currently constructing an Aircraft MRO hangar facility that will be occupied and used by the Company ("Phase I");

WHEREAS, the City and the Company have discussed proposals for the construction of new additional Aircraft MRO hangars and ancillary facilities (the "Project") at the locations at the Airport depicted on Exhibit A attached hereto (the "Project Site");

WHEREAS, the Project will include, without limitation, site work, utilities, flatwork, ramps, aprons, taxiways, access roads or drives, parking areas, hangars and ancillary facilities, design services and construction administration services;

WHEREAS, the Parties desire to enter into this non-binding MOU to set out a general working arrangement for proceeding with the development of the Project;

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NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

NONBINDING EFFECT

1.1 This MOU reflects the Parties' current intentions, is subject to the negotiation and execution of definitive written agreements which shall take precedence over this MOU, and is not and shall not be construed as a binding or enforceable agreement for any purpose. Without prejudice to the generality of the foregoing, none of the parties have an obligation to enter into any definitive agreements or to consummate the transactions contemplated herein. If the Parties fail, for any reason, to agree upon and execute definitive written agreements for the Project or this MOU is otherwise terminated, neither Party will have any claim against the other for any reason including but not limited to any claim based on "part performance", "detrimental reliance", "lack of good faith" or any other cause of action arising out of this MOU.

1.2 This MOU may be terminated at any time by a Party by providing written notice of termination to the other Party.

1.3 In the event this MOU terminates, for whatever reason, each Party shall bear its own costs and expenses incurred in connection with this MOU and the transactions contemplated herein.

ARTICLE II

PROPOSED UNDERTAKINGS OF THE PARTIES

2.1 Project Development to Date. The Parties and their consultants have been collaborating to develop a detailed hangar design concept, parking configuration, building design and site work narrative and estimate of Project Cost for the proposed Project (collectively, the "Preliminary Plans"). The Preliminary Plans as of the date of this MOU are attached as, or identified in, Exhibits A - F. For purposes of this MOU, such Preliminary Plans form the basis of the Parties' understanding of the scope and costs of the Project. The Company has had the opportunity to participate in the planning of the Project and understands the nature, cost, and funding of the Project to be constructed.

2.2 Mutual Undertakings. The Parties agree to undertake the following actions in a collaborative and mutual basis:

(a) The Parties will develop plans and specifications for the Project in a form that is suitable for incorporation into public bid documents based upon a

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"construction manager at risk" method of project construction. The construction period is estimated to be 24 months from authorization to proceed for Hangar 2 and 36 months from authorization to proceed for the remainder of the Project. The estimated Project schedule is detailed in Exhibit F.

(b) The Parties will finalize a detailed breakdown of the total estimated cost of the Project, presently estimated to be \$200,000,000.00 (the "Project Cost"). The Parties will collaborate on a value-engineering process with the mutual objective of securing a reduction of the Project Cost. The current breakdown of the estimated Project Cost is attached hereto as Exhibit D. The City may use savings in one or more elements of the Project Cost to defray overages in other elements of the Project Cost.

(c) The City, in accordance with applicable legal requirements, and after consultation with the Company to the extent lawfully permitted, will select the design professionals and construction manager at risk, who will be responsible for the design and construction of the Project. The selected construction manager at risk will be at risk and responsible for paying the amount by which the actual construction cost exceeds the agreed guaranteed maximum price.

(d) In the event that the actual Project Cost is projected to exceed \$200,000,000.00, the Parties will work together in good faith to find a mutually agreeable solution. In the event that, despite the Parties' good faith efforts, the projected actual Project Cost exceeds \$200,000,000.00, the Company has the right to either terminate the Project or agree to pay the additional costs in excess of \$200,000,000.00 and continue with the Project at the increased Project Cost.

(e) The Parties will negotiate a lease (the "Lease") of the Project and Project Site from City to Company that (i) establishes the respective responsibilities of the Parties; (ii) is compliant with state and federal airport guidelines; (iii) is consistent with airport industry best practices; (iv) acknowledges that the lease will be subject to and subordinate to the City's agreements with the United States of America and City Bond Resolution 59-88 (as amended and supplemented); (v) establishes fair market value annual ground rent for the Project Site (which ground rent will be abated from the date of the Lease until the date of beneficial occupancy of the Project) (A) at the estimated initial fair market rental rates of \$0.33 per square foot per year for the Hangar 2 site and \$0.35 per square foot per year for the remainder of the Project site, subject to adjustment in accordance with a current MAI appraisal of the Project Site complying with FAA guidelines which will be prepared prior to execution of the Lease, (B) that will be payable from the date of beneficial occupancy until the end of the Lease term, and (C) that will be subject to periodic adjustment as hereinafter provided; (vi) establishes rent that will repay the annual debt service requirement on any special purpose facility financing instruments requested by the Company to be issued; and (vii) has an initial term of thirty (30) years.

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(f) The parties shall be entitled to terminate the Lease without cause as follows:

(1) The Lease will provide that the Company may terminate the Lease without cause by giving the City written notice of termination at any time during or after the eighth (8th) year of the Lease. Upon the giving of such written notice of termination, this Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given.

(2) The Lease will provide that the City may terminate the Lease without cause by giving the Company written notice of termination at any time during or after the eighteenth (18th) year of the Lease. Upon the giving of such written notice of termination, the Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given.

The parties understand, however, that the ultimate funding sources for the Project may require different early termination provisions in the Lease.

(g) The Parties will agree upon an environmental baseline to determine the subsurface conditions of the Project Site at the beginning of the Lease.

(h) During the Lease term, the ground rent will be increased annually (starting in the second year of the Lease) in proportion to increases in the U. S. Consumer Price Index for All Urban Consumers ("CPI"). The CPI increases in ground rent are limited to no more than a two (2.0%) percent increase over the immediately preceding Lease year. In no event will the CPI-adjusted ground rent be less than the ground rent for the immediately preceding Lease year.

(i) The ground rent shall further be adjusted as follows: At the end of the tenth year of the Lease term, the City will engage an MAI appraiser to determine the then-current fair market rental rate of the Project Site, which rate shall be effective on the first day of the eleventh year of the Lease term; provided that the rent adjustment as the result of the re-appraisal will not exceed two percent (2.0%) compounded annually from the date of beneficial occupancy of the Project through the tenth (10th) year of the Lease. Thereafter, the appraised rate will be annually adjusted by CPI through the twentieth year of the Lease as provided in paragraph (h) above. At the end of the twentieth (20th) year of the Lease, the City will engage an MAI appraiser to determine the fair market rental rate of the Project Site, which rate shall be effective on the first day of the twenty-first year of the Lease term; provided that the rent adjustment as the result of the re-appraisal will not exceed two percent (2.0%) compounded annually from the date of beneficial occupancy of

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the Project through the twentieth (20th) year of the Lease. Thereafter, the appraised rate will be annually adjusted by CPI through the thirtieth (30th) year of the Lease as provided in paragraph (h) above. The Lease will provide a procedure for the Company to challenge appraisals of the fair market rental rates. The procedures will follow the federal guidelines.

2.3 City Undertakings. The City agrees to undertake the following:

- (a) Grant the Company the right to operate the Project at the Airport.
- (b) Complete construction of the Project in accordance with the plans and specifications with a date of beneficial occupancy to be mutually agreed upon by the Parties.
- (c) Commit all of the Grant Funds identified in Article III toward the Project Cost.
- (d) Use all reasonable efforts to secure additional public/private grant funds to be used toward the Project Cost.
- (e) Subject to the terms of existing bond resolutions, approval of Bond Counsel and in accordance with the City of Pensacola Debt Incurrence and Administration Policy, facilitate the issuance of special purpose facility financing instruments to finance the portion of the Project Costs not covered by the public grants and contributions identified in Article III below, if so requested by the Company.
- (f) Obtain FAA clearance that the Project will not obstruct or interfere with the FAA's facilities and equipment located at or near the Airport.
- (g) Provide necessary law enforcement, fire protection and emergency medical services to the Project and the Company's employees.
- (h) Extend, or cause the extension, of necessary utility services to the Project using project funds as done for Hangar 1. Such utilities include, without limitation water, sewer, electrical power, natural gas and telecommunications.
- (i) Conduct an environmental baseline study of the Project Site, in which the study will form the basis for agreement between the Parties as referenced in Section 2.2(f) above.

2.4 Company Undertakings. The Company agrees to undertake the following:

- (a) Operate the Project at the Airport.

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(b) Use best efforts to establish a training center within the hangar or ancillary facility for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial or general aviation industry.

(c) Upon full implementation of the Project, employ 1,200 full time employees or equivalents in Northwest Florida, at an average annual salary of not less than \$44,461; and in addition, employ 50 full time equivalents in the Administration Building. As a result of the additional MRO services and activities at the MRO campus, an additional 75 MRO related and ancillary jobs are likely, for a total of approximately 1,725 Aircraft MRO-related jobs, including Phase I. It is recognized that with an optimal aircraft mix and scheduling of services there could be as many as 2,000 MRO jobs at the Airport when combined with Phase I.

(d) Comply with all applicable laws, ordinances and regulations.

ARTICLE III

FINANCIAL RESPONSIBILITIES TOWARD CONSTRUCTION OF THE PROJECT

3.1 Grant Funds. It is anticipated that grant funds (the "Grant Funds") will be secured to offset a portion of the Project Cost. The City will take the lead in securing Grant Funds, and the Company will use its best efforts to support the City's efforts. The sources and amounts of Grant Funds will be determined during project development and prior to the execution of the Lease.

3.2 Company Financial Commitment. The Company will make a financial contribution toward the Project Cost (the "Company Financial Commitment"). The Company Financial Commitment will be determined during project development and prior to execution of the Lease and may take the form of (a) a capital contribution; (b) special purpose facility financing/project financing where the Company is solely and ultimately responsible for payment of debt issuance costs and the repayment of the debt service; or (c) a combination of (a) and (b). The form of the Company Capital Commitment shall be at the sole discretion of the Company.

3.3 Use of Grant Funds and Company Financial Commitment. The City will use 100% of the Grant Funds and the Company Financial Commitment toward the Project Cost.

3.4 Recovery of Grant Funds. The Lease will include provisions for recovery of Grant Funds from the Company in the event that the Company does not meet agreed performance requirements and/or conditions of the Grant Funds.

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3.5 City's Funding Plan. The City plans to seek funding from the following sources, each of which is prospective in nature and will be finalized in future negotiations and applications:

State - FDOT
Florida Job Growth Fund
Local
Company
Triumph Fund
Other Funding Sources

ARTICLE IV

WORKFORCE DEVELOPMENT; TRAINING GRANTS; TAX INCENTIVES

4.1 Training Grants.

(a) The City will use its best efforts to optimize customized industry training through Workforce Escarosa, Inc. The Parties acknowledge that said training requires a 50% in-kind match.

(b) The City will use its best efforts to optimize customized industry training through the Quick Response Training Program operated by Workforce Florida, Inc. The Parties acknowledge that said training grant will be based upon the Company maintaining an agreed employment level.

4.2 Qualified Target Industry Tax Refund. The Company will use its best efforts to qualify for the Qualified Target Industry Tax Refund Program (QTI). Based upon the Company's employment of 1,200 persons, the Company's QTI is estimated to have a value of at least \$3,600,000.

4.3 Educational Programs. The City will use its best efforts to assist the Company and educational institutions to establish and continue aircraft maintenance technician programs (college) and career academy programs (high school). These programs will provide opportunities to local students. The Company will use its best efforts to provide the students of these programs jobs.

4.4 EDATE. The City will use its best efforts to assist the Company with the process to obtain an Economic Development Ad Valorem Tax Exemption (EDATE) from the County.

4.5 Sales and Use Tax Exemptions. The City will use its best efforts to assist the Company in obtaining Sales and Use Tax exemptions from the State of Florida.

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4.6 Capital Expenditure Tax Reimbursement. The City will use its best efforts to assist the Company in obtaining Capital Expenditure Tax reimbursement from the State of Florida.

4.7 Support of Utility Providers. The City will use its best efforts to assist the Company in recruiting economic support for the Project from utility providers.

ARTICLE V

PHASE III

The Parties have discussed the possibility of a future expansion of the Project referred to as "Phase III." Should the Company decide to pursue the development of Phase III, the Parties agree to enter into good faith negotiations toward the execution of a memorandum of understanding and a lease agreement containing provisions materially similar to the terms and conditions found in this MOU and the Lease, respectively.

When and if the Company notifies the City of its intent to proceed with Phase III, the City will enlist the assistance of the State of Florida, Escambia County, Florida and others in an initiative to generate financial grants to fund the construction of the additional Project and the recruitment of other incentives. The City will use its best efforts to generate funding from these sources to support approximately fifty percent (or more, if available) of the project costs recognizing that public support for the Phase III will be based upon the number and quality of jobs being created, scope of Project to be constructed and the status of economic development incentive programs available at that time.

ARTICLE VI

PUBLIC RECORDS LAW; PUBLIC ANNOUNCEMENTS

The Florida Public Records Law, as contained in Chapter 119, Florida Statutes, is very broad. As a result, this MOU as well as any written or electronic transmission, communication or document created or received by City or any other public agency or entity (including but not limited to Triumph Gulf Coast, Inc.) will be made available to the public and the media, upon request. For the avoidance of doubt, all applications for funding, including without limitation all supporting materials, made or provided by City to any federal, state or local public entity or agency (including but not limited to Triumph Gulf Coast, Inc.) will be made available to the public and the media, upon request. Company understands and agrees that City's applications for funding may include references to this MOU and/or Company and its relationship to the Project and that the Company's relationship to the Project must necessarily be disclosed (verbally as well as in writing) to various individuals in order to attempt to secure funding, as well as to engineers, architects, contractors, attorneys, consultants, City personnel and others

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involved in the Project. Subject to the foregoing and except as otherwise provided by the provisions of any applicable law, order, rule or regulation, City agrees that it will not make any use of the corporate or trade name of Company or its affiliates or any of its or their trademarks or logos in connection with any advertising, promotion, publicity or other printed material without the written consent of an officer of Company and that the City will make reasonable efforts not to publicly disclose or describe the Company's relationship to the Project without the prior written consent of an officer of the Company. For the avoidance of doubt, press releases regarding this MOU must be mutually agreed to in advance of release.

IN WITNESS HEREOF, the parties have executed this MOU as of the date first written above.

COMPANY:

CITY:

VT MOBILE AEROSPACE
ENGINEERING, INC.

CITY OF PENSACOLA, FLORIDA

By: Brian [Signature]
Its: President

By: [Signature]
Ashton J. Hayward, III
Mayor, City of Pensacola

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MEMORANDUM OF UNDERSTANDING

VT MOBILE AEROSPACE ENGINEERING, INC

AND

CITY OF PENSACOLA, FLORIDA

EXHIBITS

Exhibit A

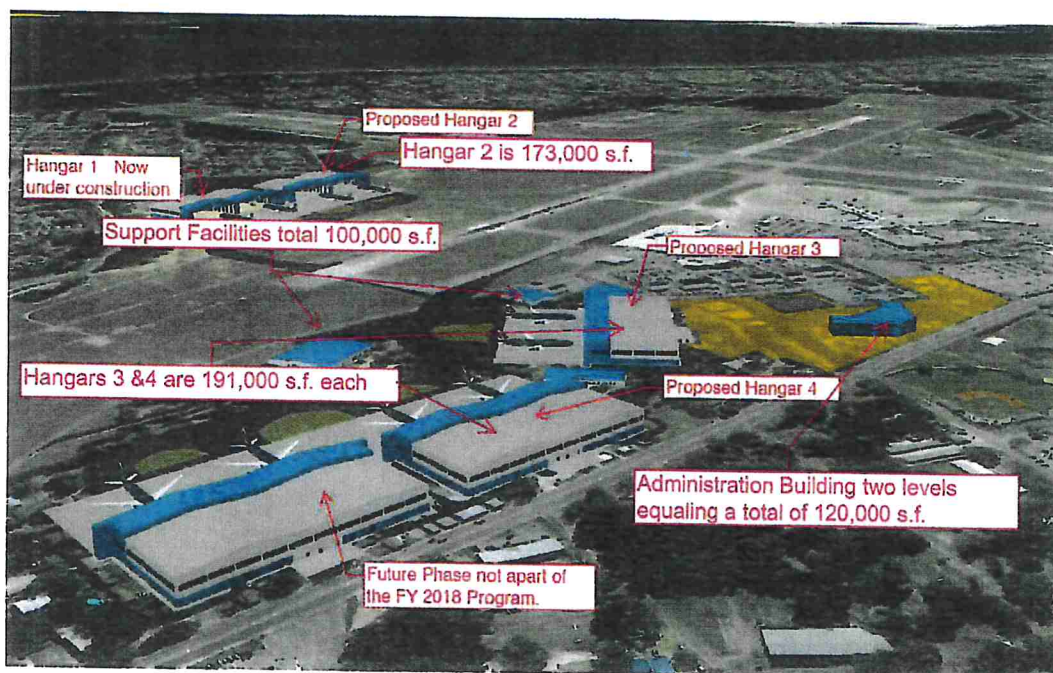


Exhibit B
Pensacola International Airport
Construction of MRO Facilities and Associated Buildings - Fact Sheet

PROJECT: Construction of three MRO Hangar Facilities and construction of related Office, Shop and Material Handling buildings.

OWNER: City of Pensacola – Pensacola International Airport

TARGET USER: VT Mobile Aerospace Engineering

BACKGROUND: VT MAE has an existing 30-year lease with the City of Pensacola to operate its MRO activities in Hangar 1, a 173,000-square foot facility that is currently under construction and scheduled for completion in Spring 2018. Based on input from VT leadership, they would like to significantly expand their business presence in Pensacola beyond Hangar 1. The project described below represents a significant expansion of their MRO business activities in Pensacola.

Scope: Construct Three Aircraft Maintenance Hangars, and related structures and Administration Building

- 3-aircraft hangars - 555,000 s.f. (Hangars 2, 3 & 4)
- Situated on 53+/- Acres of Airport land
- Associated aircraft parking apron
- Airside/landside ingress and egress – aircraft/cars
- Accommodates up to a B-777 aircraft
- Office, Shops and Material Handling – 100,000 s.f.
- Administration Building – 120,000 s.f.
- Projected Cost \$200 million

New Jobs

- New jobs in Florida range from 1,200+ full time jobs
- Average annual compensation is projected to be \$45,000 per job
- Annual direct payroll projected to be \$51.8 to \$58.5 million without regard to other direct and indirect economic impacts such as construction payrolls, demand for housing, goods, and services and sales and ad valorem taxes



Potential Sources of Funding

- Florida Job Growth Fund
- State of Florida/FDOT
- Local - City
- VT MAE
- Triumph Fund
- Other funding sources

Schedule

- Project Hangar 1: March 2018
- Completion of Hangar 2: Fall 2020
- Completion of Hangar 3, 4 & support facilities 2021-2022

Exhibit C
Typical Hangar Layout

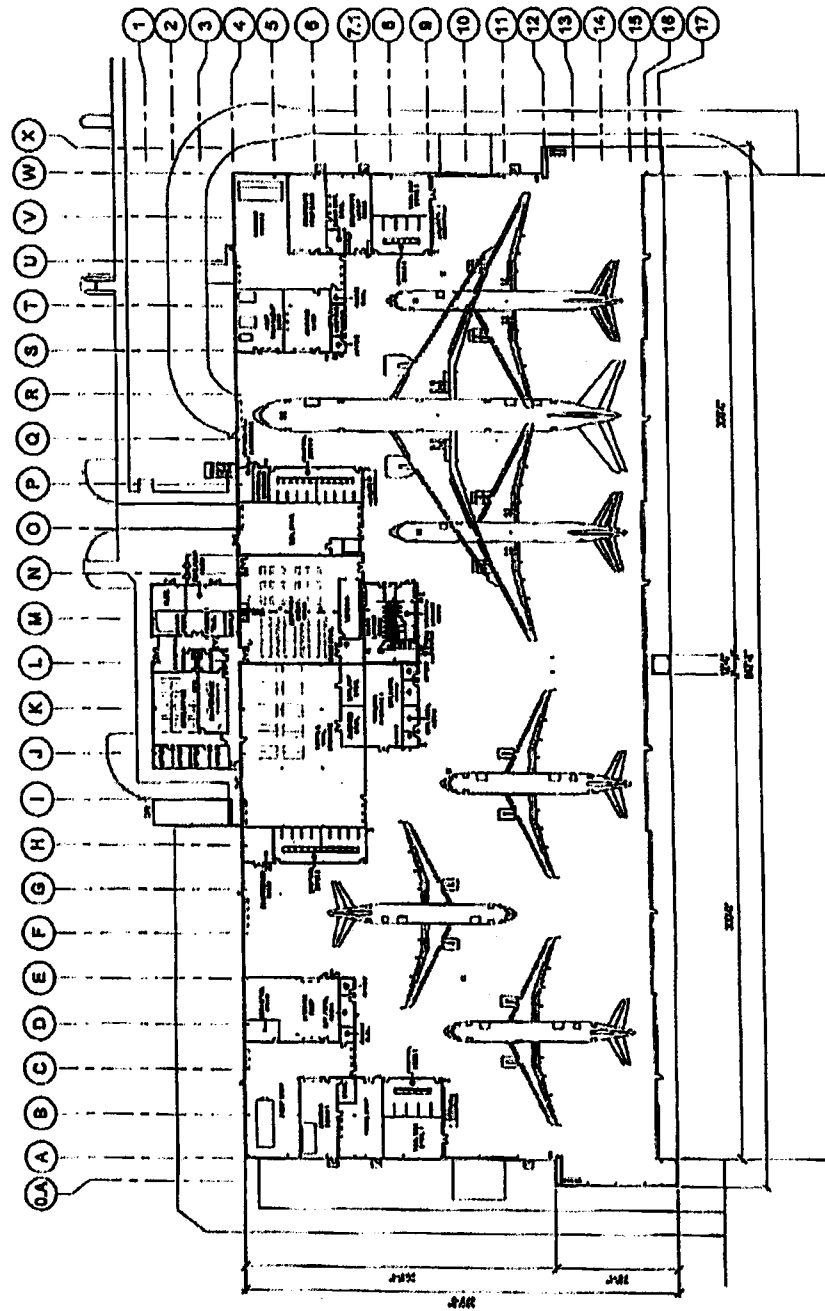


Exhibit D

VTMAE Development Program
Potential Program Expense
Pensacola International Airport

Facility	Occupancy	Square Feet	Pro Forma Cost Per S.F.*	Potential Total Funding Requirement
Hangar 2	2020	173,000	\$ 283	\$ 49,000,000
Hangar 3	2021	191,000	288	55,000,000
Hangar 4	2022	191,000	288	55,000,000
Shops/Warehousing/Support	2022	100,000	170	17,000,000
Administrative Building	2022	120,000	200	24,000,000
Total		775,000		200,000,000
* Escalated 3.5% per year from Phase 1				
Source: City of Pensacola				

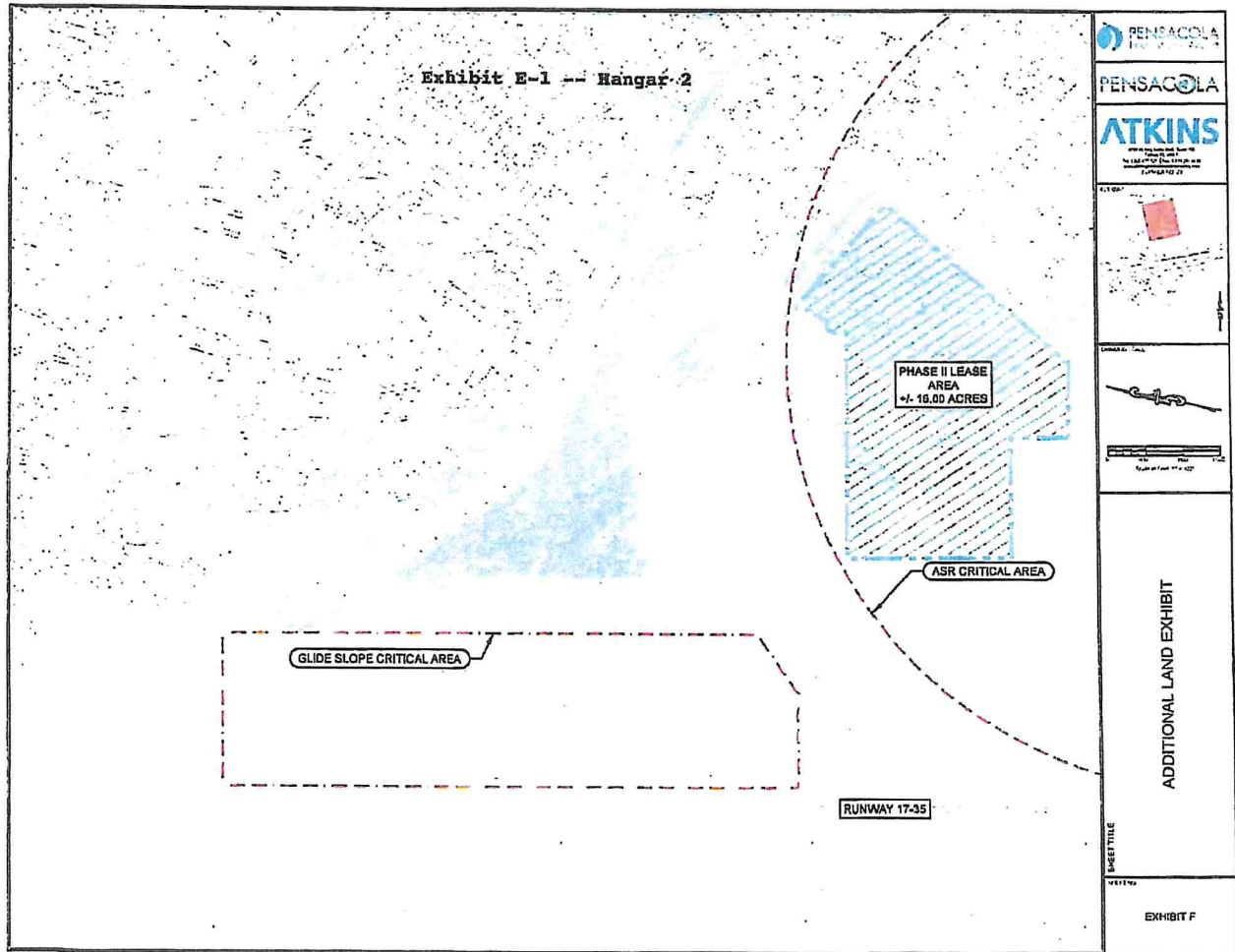


Exhibit E-2 – Hangars 3 and 4

Leased Area to be determined.



Hangars 3 and 4 are to be 191,000 Square Feet in size as of the date of this Memorandum of Understanding.

Exhibit F
Proposed Development Schedule
Pensacola Commercial Aviation Campus
Pensacola International Airport
For State of Florida Fiscal Years ending June 30

Task	2018					2019					2020					2021					2022									
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
<u>Hangar No. 2*</u>																														
Plans/Specification/Bidding																														
Construction																														
<u>Prerequisites for Hangar 3, 4, Support Facilities & Headquarters</u>																														
Environmental Assessment																														
Plans/Specification/Bidding																														
<u>Hangar No. 3* Construction</u>																														
<u>Hangar No. 4* Construction</u>																														
<u>Warehousing/Shops Construction</u>																														
<u>Headquarters</u>																														

* Notes:

1. Hangars is substantially the same in design and finish as Hangar No. 1 – currently under construction.
2. Hangars 3 and 4 are 191,000 square feet to accommodate anticipated new service lines and create maximum flexibility of facility use.
3. Leases for each project element are executed prior to the construction start dates shown.
4. There are no extraordinary Airport infrastructure or facility mitigation required.
5. The schedule assumes that there are no labor or material shortages due to market disruption from major storms during the construction period.

March 15, 2018

The Honorable Ashton J. Hayward III
Mayor, City of Pensacola
222 West Main Street
Pensacola, Florida 32502

Re: Development of Commercial Aircraft Maintenance, Repair and Overhaul
(MRO) Campus at Pensacola International Airport - Project Titan

Dear *Mayor Hayward,*

As you know, the City of Pensacola (City) and VT Mobile Aerospace Engineering, Inc. (Company) have previously come to agreement on the terms of a Memorandum of Understanding (MOU) that outlines a general working arrangement for proceeding with the development of an MRO Campus (Project) at Pensacola International Airport. As envisioned, the campus would include three new MRO hangars, an administrative office building and a warehouse and shop space. The anticipated construction cost is \$200 million to be incurred over an approximate 5-year period. We are aligned with the City's strategic vision to create a nationally recognized MRO service center of excellence that will achieve critical mass in attracting clients for MRO services.

Over the last several months, City and Company has had several substantive discussions to narrow the scope of the business requirements, and we continue to have substantive discussions to determine and concur on a framework for proceeding toward a final definitive agreement.

We acknowledge that a requirement for the Project to advance is the ability of the City to obtain funding for the entire Project. We understand the grant funding sources and amounts currently being sought by the City include the following:

- | | |
|-----------------------------|---------------|
| • Triumph Gulf Coast, Inc. | \$130 Million |
| • State of Florida/FDOT/DEO | \$25 Million |
| • Local Funds | \$10 Million |

If the City is successful in obtaining the above funds, a total of \$165 million of the total \$200 million required for the Project will have been committed.

To advance this Project and to demonstrate our financial support, Company commits to make a co-investment of up to \$35 million toward the cost of the Project. This financial commitment may take the form of a cash contribution, special purpose financing where the Company is solely and ultimately responsible, or a combination thereof, subject to final board approval. The Company's financial commitment is contingent upon the City's ability to obtain grant funding sufficient in amount to pay for the balance of costs associated with the Project and the execution of a final Development Agreement that defines the legal rights and responsibilities between the parties regarding the entire Project. Once these conditions are met, Company will deposit funds into an escrow account, the terms of which will be negotiated between the parties.

Notwithstanding our financial commitment herein, we recognize that there are many other business terms to be negotiated in good faith between the parties and we look forward to discussing those in the near future. Ultimately we believe these issues will be resolved through the Development Agreement or the Real Property leases.

We look forward to continuing and expanding our relationship with the City and others in Northwest Florida on this exciting and transformational project.

Yours truly,



Stephen Lim
Executive Director



Office of the President
11000 University Parkway
Pensacola, FL 32514-5750

March 12, 2018

The Honorable Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

Dear Mayor Hayward:

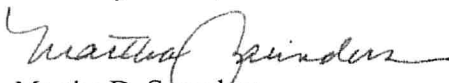
I am pleased to provide this letter of support for the City of Pensacola's application to the Triumph Gulf Coast Inc. for the Commercial Aircraft Maintenance, Repair and Overhaul campus (MRO), as this project promises to impact the international deficit of qualified and well-trained airplane mechanics while bringing positive economic changes to our community.

Our region will be significantly impacted by this project as it is planned to provide 4,725 direct and indirect jobs that create \$400 million in annual personal income. A project of this magnitude will also provide for generational change as more of our citizens become trained in airplane mechanics and similar programs not currently at the forefront of our economy. I also believe that your excellent relationship with VT Aerospace Engineering provides viability and sustainability for the request.

The University of West Florida looks forward to collaborating with you, VT Aerospace and the City to provide qualified employees who can take advantage of the many opportunities that this project will make available including our business, accounting, marketing, engineering and computer graduates. As President, I am always working to provide more opportunities for our students in the areas of internships, co-ops and jobs after graduation, and the MRO will do just that. I congratulate you on this exciting project and wholeheartedly support your application.

Please do not hesitate to contact me should you have any questions.

Sincerely Yours,


Martha D. Saunders
President

Phone 850.474.2200 Fax 850.474.3131

Web uwf.edu

An Equal Opportunity/Equal Access Institution

TRIUMPH GULF COAST, INC. TRUST FUND
UPDATED APPLICATION FOR FUNDS
BY
CITY OF PENSACOLA
FOR
PENSACOLA INTERNATIONAL AIRPORT
MRO AVIATION CAMPUS

JULY 5, 2018

Triumph Gulf Coast, Inc. Trust Fund Application for Funds

Proposal Instructions: The Triumph Gulf Coast, Inc. Trust Fund Grant Application (this document) must be completed by the entity applying for the grant and signed, as applicable, by either the individual applying for funds, an individual authorized to bind the entity applying for funds, a chief elected official, the administrator for the governmental entity or their designee. Please read the Application carefully as some questions may require a separate narrative to be completed. In addition, please complete all Addendums that may be applicable to the Proposed Project or program.

Triumph Gulf Coast, Inc. will make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. Triumph Gulf Coast, Inc. may make awards for:

- Ad valorem tax rate reduction within disproportionately affected counties;
- Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
- Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
- Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
- Grants to support programs that prepare students for future occupations and careers at K- 20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education; encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
- Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
- Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to

promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

Pursuant to Florida Law, Triumph Gulf Coast, Inc. will provide priority consideration to Applications for projects or programs that:

- Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on- investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- Increase household income in the disproportionately affected counties above national average household income.
- Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.
- Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- Benefit the environment, in addition to the economy.
- Provide outcome measures.
- Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- Are recommended by the board of county commissioners of the county in which the project or program will be located.
- Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

Additionally, the Board of Triumph Gulf Coast, Inc. may provide discretionary priority to consideration of Applications for projects and programs that:

- Are considered transformational for the future of the Northwest Florida region.
- May be consummated quickly and efficiently.
- Promote net-new jobs in the private sector with an income above regional average household income.
- Align with Northwest Florida FORWARD, the regional strategic initiative for Northwest Florida economic transformation.
- Create net-new jobs in targeted industries to include: aerospace and defense, financial services/shared services, water transportation, artificial intelligence, cyber security, information technology, manufacturing, and robotics.
- Promote industry cluster impact for unique targeted industries.
- Create net-new jobs with wages above national average wage (*e.g.*, similar to EFI QTI program, measured on graduated scale).
- Are located in Rural Area of Opportunity as defined by the State of Florida (DEO).
- Provide a wider regional impact versus solely local impact.

- Align with other similar programs across the regions for greater regional impact, and not be duplicative of other existing projects or programs.
- Enhance research and innovative technologies in the region.
- Enhance a targeted industry cluster or create a Center of Excellence unique to Northwest Florida.

Create a unique asset in the region that can be leveraged for regional growth of targeted industries.

- Demonstrate long-term financial sustainability following Triumph Gulf Coast, Inc. funding.
- Leverage funding from other government and private entity sources.
- Provide local investment and spending.
- Are supported by more than one governmental entity and/or private sector companies, in particular Proposed Projects or programs supported by more than one county in the region.
- Provide clear performance metrics over duration of project or program.
- Include deliverables-based payment system dependent upon achievement of interim performance metrics.
- Provide capacity building support for regional economic growth.
- Are environmentally conscious and business focused.
- Include Applicant and selected partners/vendors located in Northwest Florida.

Applications will be evaluated and scored based on compliance with the statutory requirements of the Triumph Gulf Coast legislation, including but not limited to the priorities identified therein and the geographic region served by the Proposed Project or program.

Applicant Information

Name of Individual (if applying in individual capacity): Ashton J. Hayward, III, Mayor, on behalf of the City of Pensacola

Name of Entity/Organization: **City of Pensacola, a Florida municipality**

Background of Applicant Individual/Entity/Organization: **The City of Pensacola is a Florida municipality and is the owner and operator of the Pensacola International Airport. Ashton J. Hayward, III, is the Mayor of the City of Pensacola.**

(If additional space is needed, please attach a Word document with your entire answer.)

Federal Employer Identification Number: **59-6000406**

Contact Information:

Primary Contact Information: **Eric Olson**

Title: **City Administrator**

Mailing Address: **Pensacola City Hall
Office of the Mayor
222 West Main Street
Pensacola, Florida 32502**

Phone: **850-435-1696**

Email: **eolson@cityofpensacola.com**

Website: **www.cityofpensacola.com**

Identify any co-applicants, partners, or other entities or organizations that will have a role in the proposed project or program and such partners proposed roles.

State of Florida, Florida Department of Economic Opportunity, Florida Department of Transportation, Florida West, Escambia County, VT-MAE, Pensacola International Airport, Pensacola State College and the Escambia County school system will each have a substantive role in this project.

(See attached Response #1 for additional information.)

(If additional space is needed, please attach a Word document with your entire answer.)

Total amount of funding requested from Triumph Gulf Coast: \$56 million. See the detailed budget narrative and analysis for the MRO Aviation Campus presented in attached Response #14.

Has the applicant in the past requested or applied for funds for all or part of the proposed project/program?

☐ Yes ☒ No

If yes, please provide detailed information concerning the prior request for funding, including:

- the date the request/application for funding was made;
 - the source to which the request/application for funding was made,
 - the results of the request/application for funding, and
 - projected or realized results and/or outcomes from prior funding.
-

(If additional space is needed, please attach a Word document with your entire answer.)

Describe the financial status of the applicant and any co-applicants or partners:

The financial status of the City of Pensacola is described in the Comprehensive Annual Financial Report (CAFR), dated February 1, 2018, for the period ending September 30, 2017. According to the Independent Auditors Report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, in accordance with accounting principles generally accepted in the United States of America.

(If additional space is needed, please attach a Word document with your entire answer.)

In a separate attachment, please provide financial statements or information that details the financial status of the applicant and any co-applicants or partners.

The Comprehensive Annual Financial Report (CAFR) for City of Pensacola for the year ended September 30, 2017 may be found at the following site:

<https://www.cityofpensacola.com/ArchiveCenterViewFile/Item/937>

The Annual Report to Bondholders for the year ended September 30, 2016 may be found at the following site:

<https://www.cityofpensacola.com/ArchiveCenter/View File/Item/840>

Has the applicant or any co-applicants, partners or any associated or affiliated entities or individuals filed for bankruptcy in the last ten (10) years?

☐ Yes ☒ No

If yes, please identify the entity or individual that filed for bankruptcy and the date of filing.

(If additional space is needed, please attach a Word document with your entire answer.)

Eligibility

Pursuant to Section 288.8017, Triumph Gulf Coast, Inc. was created to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. The disproportionately affected counties are: Bay County, Escambia County, Franklin County, Gulf County, Okaloosa County, Santa Rosa County, Walton County, or Wakulla County. See, Section 288.08012.

1. From the choices below, please check the box that describes the purpose of the proposed project or program (check all that apply):
 - ☐ Ad valorem tax rate reduction within disproportionately affected counties;
 - ☐ Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
 - ☒ Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
 - ☐ Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
 - ☐ Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education, encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
 - ☐ Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
 - ☐ Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.
2. Provide the title and a detailed description of the proposed project or program, including the location of the proposed project or program, a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote economic recovery, diversification, and enhancement of the disproportionately affected counties, a proposed timeline for the proposed project or program, and the disproportionately affected counties that will be impacted by the proposed project or program.

See attached Response #2

(If additional space is needed, please attach a word document with your entire answer.)

- Explain how the proposed project or program is considered transformational and how it will affect the disproportionately affected counties in the next ten (10) years.

See attached Response #3.

If additional space is needed, please attach a Word document with your entire answer.)

- Describe data or information available to demonstrate the viability of the proposed project or program.

See attached Response #4

If additional space is needed, please attach a Word document with your entire answer.)

5. Describe how the impacts to the disproportionately affected counties will be measured long term.

See attached Response #5

(If additional space is needed, please attach a Word document with your entire answer.)

6. Describe how the proposed project or program is sustainable. (Note: Sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)

See attached Response #6

(If additional space is needed, please attach a Word document with your entire answer.)

7. Describe how the deliverables for the proposed project or program will be measured.

See Response to #5 above

(If additional space is needed, please attach a Word document with your entire answer.)

Priorities

1. Please check the box if the proposed project or program will meet any of the following priorities (check all that apply):
- ☒ [x] Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
 - ☒ [x] Increase household income in the disproportionately affected counties above national average household income.
 - ☒ [x] Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.
 - ☒ [x] Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
 - ☐ [] Benefit the environment, in addition to the economy.
 - ☒ [x] Provide outcome measures.
 - ☒ [x] Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
 - ☒ [x] Are recommended by the board of county commissioners of the county in which the project or program will be located.
 - ☐ [] Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

2. Please explain how the proposed project meets the priorities identified above.

See attached Response #8, wherein each checked box item is addressed in detail.

(If additional space is needed, please attach a Word document with your entire answer.)

3. Please explain how the proposed project or program meets the discretionary priorities identified by the Board.

See attached Response #9

(If additional space is needed, please attach a Word document with your entire answer.)

4. In which of the eight disproportionately affected county/counties is the proposed project or program located? (Circle all that apply)

Escambia Santa Rosa Okaloosa Walton Bay Gulf Franklin Wakulla

5. Was this proposed project or program on a list of proposed projects and programs submitted to Triumph Gulf Coast, Inc., by one (or more) of the eight disproportionately affected Counties as a project and program located within its county?

☒ Yes ☐ No

If yes, list all Counties that apply:

Escambia County

6. Does the Board of County Commissioners for each County listed in response to question 5, above, recommend this project or program to Triumph?

☒ Yes ☐ No

****Please attach proof of recommendation(s) from each County identified.**

See attached minutes from the Escambia County Commissioners board meeting dated December 14, 2017 and April 17, 2018 wherein the proposed project was approved and reconfirmed, respectively.

Approvals and Authority

1. If the Applicant is awarded grant funds based on this proposal, what approvals must be obtained before Applicant can execute an agreement with Triumph Gulf Coast, Inc.?

Approval by Pensacola City Council

(If additional space is needed, please attach a Word document with your entire answer.)

2. If approval of a board, commission, council or other group is needed prior to execution of an agreement between the entity and Triumph Gulf Coast:
 - A. Provide the schedule of upcoming meetings for the group for a period of at least six months.
 - B. State whether that group can hold special meetings, and if so, upon how many days' notice.

See attached Response #10

(If additional space is needed, please attach a Word document with your entire answer.)

3. Describe the timeline for the proposed project or program if an award of funding is approved, including milestones that will be achieved following an award through completion of the proposed project or program.

See attached Response #11

(If additional space is needed, please attach a Word document with your entire answer.)

4. Attach evidence that the undersigned has all necessary authority to execute this proposal on behalf of the entity applying for funding. This evidence may take a variety of forms, including but not limited to: a delegation of authority, citation to relevant laws or codes, policy documents, etc. In addition, please attach any support letters from partners.

The Pensacola City Charter describes the roles and responsibilities of the Mayor and City Council. This proposal is executed by the Mayor of the City of Pensacola in the exercise of his executive authority granted by the Pensacola City Charter. The Pensacola City Charter may be found at: <https://www.cityofpensacola.com/ArchiveCenter/ViewFile/Item/222>

Funding and Budget:

Pursuant to Section 288.8017, awards may not be used to finance 100 percent of any project or program. An awardee may not receive all of the funds available in any given year.

1. Identify the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested.

Total funding requested is \$56 million. See attached Response #14 for a detailed analysis of the budget and request for funding.

(If additional space is needed, please attach a Word document with your entire answer.)

2. What percentage of total program or project costs does the requested award from Triumph Gulf Coast, Inc. represent? (Please note that an award of funding will be for a defined monetary amount and will not be based on percentage of projected project costs.)

The amount of funds requested from Triumph is 17% of the total project cost. See the detailed budget analysis and narrative in attached Response #14.

(If additional space is needed, please attach a Word document with your entire answer.)

3. Please describe the types and number of jobs expected from the proposed project or program and the expected average wage.

See attached Response #12

(If additional space is needed, please attach a Word document with your entire answer.)

4. Does the potential award supplement but not supplant existing funding sources? If yes, describe how the potential award supplements existing funding sources.

☒ Yes ☐ No

See attached Response #13

(If additional space is needed, please attach a Word document with your entire answer.)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

See attached Response #14

Project/Program Costs: See the detailed analysis of total project costs in attached Response Number 14. This is a multi-phase project that will occur over the next four (4) years and includes three MRO hangars, warehouse/shop buildings and an administrative headquarters building.

Example Costs (Note: Not exhaustive list of possible Cost categories.)

Construction Reconstruction Design & Engineering

Land Acquisition Land Improvement Equipment Supplies

Salaries Other (specify)

Total Project Costs:

A. Other Project Funding Sources: **See attached Response #14.**

In Millions

\$ ---
\$ _____

\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)

City/County _____

Private Sources _____

Other (e.g., grants, etc.) _____

Total Other Funding _____

Total Amount Requested: \$56.0 Million

Note: The total amount requested must equal the difference between the costs in 3A. and the other project funding sources in 3.B.

B. Provide a detailed budget narrative, including the timing and steps necessary to obtain the funding and any other pertinent budget-related information.

See attached Response #14

(If additional space is needed, please attach a Word document with your entire answer.)

APPLICANT UNDERSTANDS THAT THE TRIUMPH GULF COAST, INC. STATUTE REQUIRES THAT THE AWARD CONTRACT MUST INCLUDE PROVISIONS REQUIRING A PERFORMANCE REPORT ON THE CONTRACTED ACTIVITIES, MUST ACCOUNT FOR THE PROPER USE OF FUNDS PROVIDED UNDER THE CONTRACT, AND MUST INCLUDE PROVISIONS FOR RECOVERY OF AWARDS IN THE EVENT THE AWARD WAS BASED UPON FRAUDULENT INFORMATION OR THE AWARDEE IS NOT MEETING THE PERFORMANCE REQUIREMENTS OF THE AWARD.

☒ Yes ☐ No

APPLICANT UNDERSTANDS THAT AWARDEES MUST REGULARLY REPORT TO TRIUMPH GULF COAST, INC. THE EXPENDITURE OF FUNDS AND THE STATUS OF THE PROJECT OR PROGRAM ON A SCHEDULE DETERMINED BY TRIUMPH GULF COAST, INC.

☒ Yes ☐ No

APPLICANT ACKNOWLEDGES THAT APPLICANT AND ANY CO-APPLICANTS WILL MAKE BOOKS AND RECORDS AND OTHER FINANCIAL DATA AVAILABLE TO TRIUMPH GULF COAST, INC. AS NECESSARY TO MEASURE AND CONFIRM PERFORMANCE METRICS AND DELIVERABLES.

☒ Yes ☐ No

APPLICANT ACKNOWLEDGES THAT TRIUMPH GULF COAST, INC. RESERVES THE RIGHT TO REQUEST ADDITIONAL INFORMATION FROM APPLICANT CONCERNING THE PROPOSED PROJECT OR PROGRAM.

☒ Yes ☐ No

ADDENDUM FOR INFRASTRUCTURE PROPOSALS:

1. Program Requirements

- A. Is the infrastructure owned by the public?
☒ Yes ☐ No
- B. Is the infrastructure for public use or does it predominately benefit the public?
☒ Yes ☐ No

(See attached Response #15 for additional explanation.)

- C. Will the public infrastructure improvements be for the exclusive benefit of any single company, corporation or business entity?
- D. ☐ Yes ☒ No

(See attached Response #15 for additional explanation.)

- E. Provide a detailed explanation of how the public infrastructure improvements will connect to a broader economic development vision for the community and benefit additional current and future businesses.

See attached Response #3

(If additional space is needed, please attach a Word document with your entire answer.)

- F. Provide a detailed description of, and quantitative evidence demonstrating how the proposed public infrastructure project will promote:
- o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.

See attached Response #3

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

A. Is this project an expansion of existing infrastructure project?

☒ Yes ☐ No

(See attached Response #16 for additional explanation.)

B. Provide the proposed beginning commencement date and number of days required to complete construction of the infrastructure project.

See attached Response #17

(If additional space is needed, please attach a Word document with your entire answer.)

C. What is the location of the public infrastructure? (Provide the road number, if applicable.)

The public infrastructure is located entirely on the grounds of Pensacola International Airport.

(If additional space is needed, please attach a Word document with your entire answer.)

D. Who is responsible for maintenance and upkeep? (Indicate if more than one is applicable.)

The infrastructure will be subject to a real property lease agreement with VT MAE. The lease will be a triple net lease, accordingly VTMAE is responsible for maintenance and upkeep.

(If additional space is needed, please attach a Word document with your entire answer.)

E. What permits are necessary for the infrastructure project?

1. **Stormwater Environmental Resource Permit (ERP) - should be FDEP modification to regional pond, but may need to involve Northwest Florida Water Management District (NFWFMD)**
2. **Building Permit - City of Pensacola**
3. **Water and Sewer Connection Permits - Escambia County Utility Authority**
4. **Driveway Connections/ Traffic Signal(s) - City of Pensacola**

(If additional space is needed, please attach a Word document with your entire answer.)

Detail whether required permits have been secured, and if not, detail the timeline for securing these permits. Additionally, if any required permits are local permits, will these permits be prioritized?

Permits have not been secured. Permitting will occur during the Planning/Design/Specification/Bidding phase of the program that will occur between July 2018 and December 2019 as shown on the proposed timeline for the proposed project included in attached Response #2. The building and Driveway Connection Permits are under the jurisdiction of the City of Pensacola and will be prioritized by the City.

(If additional space is needed, please attach a Word document with your entire answer.)

F. What is the future land use and zoning designation on the proposed site of the Infrastructure improvement, and will the improvements conform to those uses?

The zoning classification for the proposed site is Airport Restriction Zone (ARZ) and the Future Land Use designation is Airport Land Use District. The proposed improvements and uses conform to the current zoning and future land use requirements.

(If additional space is needed, please attach a Word document with your entire answer.)

G. Will an amendment to the local comprehensive plan or a development order be required on the site of the proposed project or on adjacent property to accommodate the infrastructure and potential current or future job creation opportunities? If yes, please detail the timeline

☐ Yes ☒ No

(If additional space is needed, please attach a Word document with your entire answer.)

H. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.

☒ Yes ☐ No

See attached Response #14 that describes the plan for funding.

(If additional space is needed, please attach a Word document with your entire answer.)

I. Provide any additional information or attachments to be considered for this proposal.

Memorandum of Understanding between VT Mobile Aerospace Engineering, Inc. and City of Pensacola, Florida dated November 14, 2017; VTMAE letter of financial commitment dated March 15, 2018; Haas Center Economic Impact of Proposed Expansion of Pensacola International Airport dated August 31, 2017.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR WORKFORCE TRAINING PROPOSALS

1. Program Requirements

- A Will this proposal supports programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties? If yes, please identify where the campuses are located and provide details on how the proposed programs will prepare students for future occupations and at which K-20 institutions that programs will be provided.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Will the proposed program (check all that apply):
- ☐ Increase students' technology skills and knowledge
 - ☐ Encourage industry certifications
 - ☐ Provide rigorous, alterative pathways for students to meet high school graduation requirements
 - ☐ Strengthen career readiness initiatives
 - ☐ Fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors
 - ☐ Encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties (similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission on Education)

For each item checked above, describe how the proposed program will achieve these goals

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Will this proposal provide participants in the disproportionately affected counties?
with transferable, sustainable workforce skills but not confined to a single employer? If yes, please provide details.

☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Identify the disproportionately affected counties where the proposed programs will operate or provide participants with workforce skills.
-

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote:
- o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.
-

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Is this an expansion of an existing training program? Is yes, describe how the proposed program will enhance or improve the existing program and how the proposal program will supplements but not supplant existing funding sources.
- ☐ Yes ☐ No
-

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Indicate how the training will be delivered (*e.g.*, classroom-based, computer based, other).
- If in-person, identify the location(s) (*e.g.*, city, campus, etc.) where the training will be available.

If computer-based, identify the targeted location(s) (e.g., city, county) where the training will be available.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Identify the number of anticipated enrolled students and completers.
-

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Indicate the length of the program (e.g., quarters, semesters, weeks, months, etc.) including anticipated beginning and ending dates.
-

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Describe the plan to support the sustainability of the proposed program.
-

(If additional space is needed, please attach a Word document with your entire answer.)

- F. Identify any certifications, degrees, etc. that will result from the completion of the program.
-

(If additional space is needed, please attach a Word document with your entire answer.)

- G. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.

☐ Yes

☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- H. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR AD VALOREM TAX RATE REDUCTION:

1. Program Requirements

- A. Describe the property or transaction that will be supported by the ad valorem tax rate reduction.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the ad valorem tax rate reduction will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of the quantitative evidence demonstrating how the proposed ad valorem tax reduction will promote:
- o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the property or transaction that will be supported by the ad valorem tax rate reduction?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported - by the ad valorem tax rate reduction and provide a detailed description of when and how the ad valorem tax rate reduction will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does this proposed project have a local match amount? If yes, please describe the entity providing the match and the amount.
☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

**ADDENDUM FOR LOCAL MATCH REQUIREMENTS OF SECTION 288.0655,
FLORIDA STATUTES**

1. Program Requirements

- A. Describe the local match requirements of Section 288.0655 and the underlying project, program or transaction that will be funded by the proposed award.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the local match requirements and the underlying project or program will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of, and quantitative evidence demonstrating how the proposed local match requirements will promote:
- o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the property or transaction that will be supported by the local match requirements?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported by the local match requirement and provide a detailed description of when and how the local match requirement will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR LOCAL ACTION PLAN

1. Program Requirements

- A. Describe how the proposed award will establish and maintain equipment and trained personnel for local action plans of response to respond to disasters.
- B. Describe the type and amount of equipment and trained personnel that will be established or maintained by the proposed award.
- C. Identify the specific local action plans (*e.g.*, Coastal Impacts Assistance Program) that will benefit from the proposed award.
- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:
 - o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the local action program that will be supported by the proposed award?

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the local action plans (*e.g.*, new plans, existing

plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.
-
-

(If additional space is needed, please attach a Word document with your entire answer.)

ADDENDUM NOT APPLICABLE

ADDENDUM FOR ADVERTISING/PROMOTION

1. Program Requirements

- A. Is the applicant a tourism entity created under s. 288.1226, Florida Statutes?
☐ Yes ☐ No
- B. Does the applicant advertise and promote tourism and Fresh From Florida? If yes, provide details on how it advertises and promotes tourism and Fresh From Florida.
☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does the proposed award promote workforce and infrastructure on behalf of the disproportionately affected counties? If yes, describe how workforce and infrastructure is promoted on behalf of the disproportionately affected counties.
☐ Yes ☐ No

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:
- o Economic recovery,
 - o Economic Diversification,
 - o Enhancement of the disproportionately affected counties,
 - o Enhancement of a Targeted Industry.

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Describe the advertising and promotion mediums and locations where the advertising and promotion will occur.

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the advertising and promotion (*e.g.*, new plans, existing plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

(If additional space is needed, please attach a Word document with your entire answer.)

I, the undersigned, do hereby certify that I have express authority to sign this proposal on my behalf or on behalf of the above-described entity, organization, or governmental entity:

Name of Applicant: **City of Pensacola, a Florida municipality**

Name and Title of Authorized Representative: **Ashton J. Hayward III, Mayor**

Representative Signature: 

**TRIUMPH GULF COAST, INC. TRUST FUND
DETAILED RESPONSES TO QUESTIONNAIRE
UPDATED APPLICATION FOR FUNDS**

RESPONSE 1 - APPLICANT INFORMATION

OTHER ENTITIES HAVING A ROLE IN THE PROPOSED PROJECT

The table below shows other entities have a role direct role in the Proposed Project.

Name of Organization	Proposed Role
State of Florida	Funding partner
Florida West	Economic development agency for NW Florida supporting the application
Florida Department of Economic Opportunity	Funding partner
Florida Department of Transportation	Funding partner
Federal - Economic Development Agency	Funding partner
Triumph Gulf Coast, Inc.	Funding partner
Escambia County	Supporting Agency and Funding partner
City of Pensacola	Supporting Agency and Funding partner
VTMAE	Funding partner and primary tenant in the MRO aviation campus
Pensacola International Airport	Proposed project is located on the grounds of Pensacola International Airport. The hangars and buildings to be constructed on approximately 75 acres of land will be leased under a long-term Real Property lease to VTMAE.

Table 1 Other entities having role in the Proposed Project

ESCAMBIA COUNTY SCHOOL SYSTEM PARTICIPATION

In addition to the entities noted above, the local and regional educational institutions will play a vital role in this project. The Escambia County school system, including George Stone Technical Center and Booker T. Washington High School, and Pensacola State College have focused training programs supporting the MRO aviation industry. This project represents a significant future source of employment opportunities that will be available to graduates when they complete their basic curriculum. This project represents the logical conclusion of the “education, training and employment” cycle that will result in the long-term economic diversification and vitality of our region.

VT MOBILE AEROSPACE ENGINEERING, INCORPORATED

Who is VT Mobile Aerospace Engineering, Incorporated (VTMAE)? VTMAE is a wholly owned subsidiary of ST Engineering the world’s largest commercial airframe MRO service provider by man hours for 15 years consecutively. ST Engineering has a Triple AAA credit rating from Moody's Investor Service and Standard & Poor Financial Services. VTMAE is the MRO lessee currently occupying Hangar No. 1 at the Airport. For additional information about VTMAE and their parent corporation, please see the attached ST Engineering 2017 Annual Report.

PENSACOLA AEROSPACE TRAINING ACADEMY

VTMAE will team with its educational partners in the region to provide an advanced level of training through its vision of an Aerospace Training Academy. VTMAE can provide the subject matter expertise for aircraft trade

classes, whether as a consultant in course development or being an instructor. The Training Academy is aimed at preparing and educating high school graduates, transitioning military, and vocational students in the field of aviation maintenance and will supply the needed work force to the industry. Participants in the training academy can obtain their FAA Airframe and/or Powerplant Certificates, start paid apprenticeship programs, and advance to become aircraft master mechanics at the Pensacola Aviation MRO campus within five years.

The plan is for local educational institutions to provide basic airframe and powerplant certificate training. VTMAE will provide advance technology training needed for today's aircraft with complex electronic and digital systems.

The Triumph Board has recognized the importance of developing an educated workforce by virtue of its most recent \$3 million award to the Escambia County School Board. This project offers the pipeline of talented and trained graduates a high paying job with long-term career opportunities. This project also offers our retiring and retired military a post-military service employment opportunity to utilize and build upon existing skills developed during their years of active duty.

RESPONSE 2 – ELIGIBILITY – Q-2 – DETAILED PROJECT DESCRIPTION

TITLE – PROPOSED PROGRAM

The title of the proposed program is “PENSACOLA INTERNATIONAL AIRPORT MRO AVIATION CAMPUS” (MRO Campus). The Program consist of two components. Those components are:

- Hangar No. 1 shown on Figures 1 and 2 below.
- Project Titan (Proposed Project) consisting of the following propose facilities all as shown on Figure 2 below:
 - Hangars No. 2, 3 and 4
 - Warehouses/Shops
 - Administrative Headquarters

LOCATION OF THE PROPOSED PROJECT

The proposed MRO Aviation campus will be situated on approximately 112 acres of land located at the Pensacola International Airport. The City of Pensacola owns the Pensacola International Airport and it is operated as an enterprise department of the City. The land and buildings will be leased to a primary tenant, VTMAE, subject to a long-term Real Property lease to be negotiated in the future. The entire MRO development, including all roadways, taxiways, aprons, hangars and buildings; and all related infrastructure necessary to support this proposed project will be City owned assets of Pensacola International Airport. No part of this Proposed Project will be owned by a private business or enterprise.

DETAILED DESCRIPTION OF THE PROPOSED PROJECT

On November 14, 2017, the City of Pensacola (City) and VT Mobile Aerospace Engineering, Inc. (VTMAE) signed a Memorandum of Understanding (MOU) to expand VTMAE's aircraft maintenance, repair and overhaul (MRO) business operations at the Pensacola International Airport (a copy of the MOU is attached). This comes as VTMAE prepares to begin its initial operations at the airport's new 173,000 sq. ft. MRO hangar in June 2018 (See attached photo of Hangar 1).

PROPOSED PROJECT

The diagram below shows the generalized development plan for the Pensacola International Airport MRO Aviation Campus.

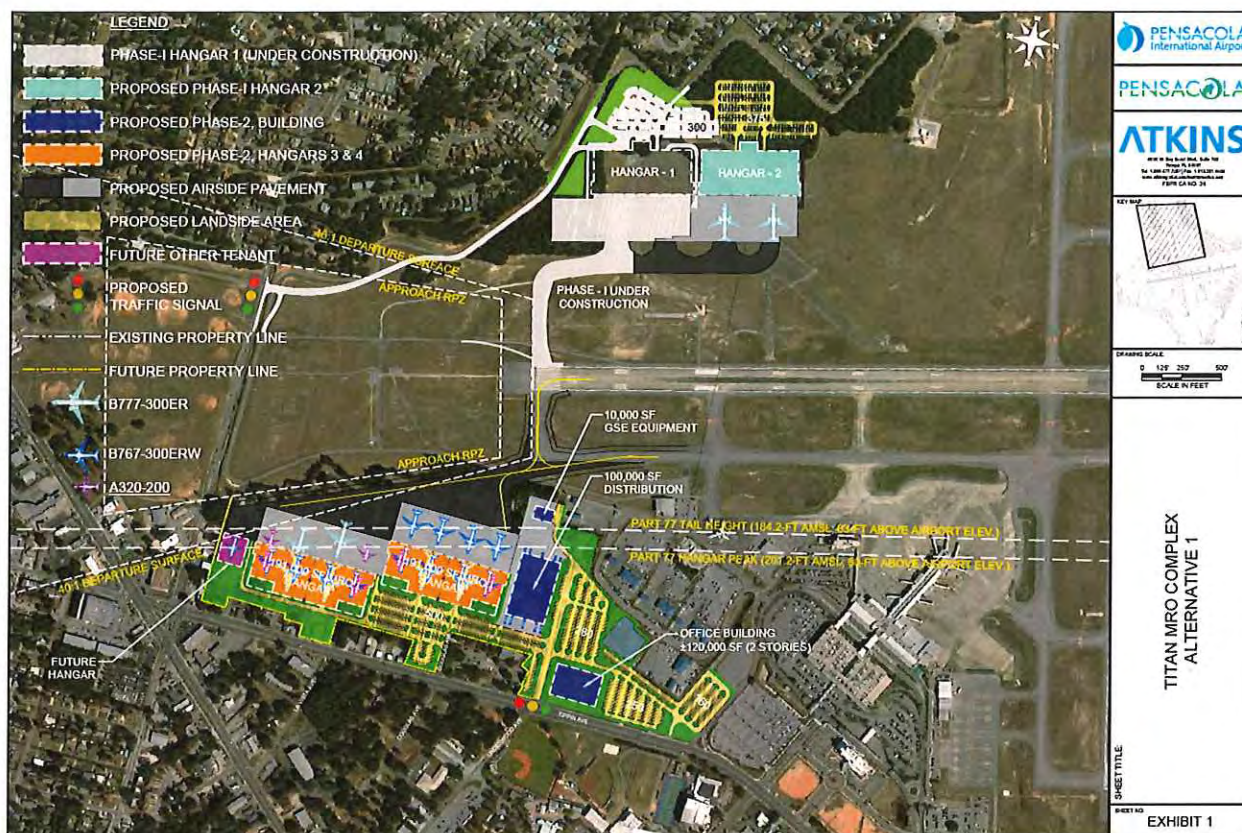


Figure 1 Generalized Development Plan for MRO Aviation Campus

HANGAR 1 - COMPLETED

The photograph below shows the completed Hangar 1 that began operations in June 2018.



Figure 2 Hangar No. 1 on April 30, 2018

MEMORANDUM OF UNDERSTANDING WITH MRO OPERATOR VTMAE

The signing of the MOU is an important first step in negotiations to expand VTMAE's business in Pensacola. A similar MOU signed by the City and VTMAE in December 2013 led to VTMAE's decision to establish its initial MRO business in a newly developed facility owned by the City. That facility, developed at a cost of \$46 million, will provide VTMAE with the infrastructure it needs to create 400 new high-wage jobs. Building on the success of the current VTMAE relationship, this Proposed Project for an MRO Aviation campus as described within the MOU creates an opportunity to add an additional 1,325 high-income jobs for Northwest Florida in the aerospace industry. When combined with the new jobs associated with the first hangar, total Aerospace sector jobs employed directly by VTMAE would be 1,725 (see Table 2 Proposed Project Jobs Summary).

PROJECTED JOBS PRODUCED BY MRO OPERATIONS AT AIRPORT

The table below shows the guaranteed and potential jobs. In addition to the 1,725 new direct VTMAE jobs at the MRO Aviation campus (400 for Hangar 1 and 1,325 for this project), as a result of the critical mass created by these activities, other full time equivalent jobs directly related to the Aerospace industry will be located at the Pensacola International Airport. These include approximately 77 VTMAE administrative and engineering staff, 60 full time (VTMAE customers) airline engineering jobs on site to oversee the repair and maintenance protocols associated with their aircraft, approximately 10 vendor employees on site, approximately 3 FAA auditors and approximately 3 auditors. In addition, there will be non-aerospace jobs created associated with security, maintenance and janitorial services, estimated to be approximately another 25 full time jobs. Also, currently under discussion is establishing approximately 63 North America executive and senior administrative jobs at the Airport.

Summary of Jobs	VTMAE-Aircraft Maintenance Technicians	VTMAE Administrative and Engineering	VTMAE North America Executive Office Functions	Airlines/FAA/Auditors/Vendors/others	Total
Guarantees	Contractual	Derivative	Under Discussion	Derivative	
Hangar No. 1	400				400
Project Titan-Aircraft Maintenance	1,325				1,325
Administration/Engineering		77			77
North America Executive/shared services functions			63		63
Airline engineering staff				60	60
Auditors				3	3
FAA Staff				3	3
Vendors				10	10
Total	1,725	77	63	76	1,941

Table 2 Proposed Project Jobs Summary

Further, in support of these MRO activities, VTMAE will spend approximately \$35 million annually in the procurement of airplane and non-airplane components from approximately 1,200 vendors supporting the business. This supply chain activity will undoubtedly create enhanced economic activities in the region and inevitably may lead to the permanent relocation of key suppliers into the region, further building the critical mass in the aerospace industry for the northwest Florida region.

In summary, the MRO aviation campus will result in the employment of over 1,900 jobs directly related to the aerospace industry. As a result of these direct jobs and as indicated in the Haas Center report attached herein, another 3,400 indirect jobs in various industries will also be created.

MRO CAMPUS TECHNICAL CAPABILITIES:

As envisioned, the proposed expansion project would include three additional hangars (one hangar at 173,000 sq. ft. and two additional hangars at 191,000 sq. ft. each), 100,000 sq. ft. of warehouse and shop space, 120,000 sq. ft. administrative office building, and all adjacent roadways, taxiways, aprons and infrastructure to support the development. The Pensacola MRO Campus would accommodate eight wide-body and twelve narrow-body aircraft. VTMAE is a world-class aircraft maintenance, repair and overhaul (MRO) organization fully certified by the US Federal Aviation Administration (FAA air agency certificate number AR013L) as a Class 4 repair station. They

would offer comprehensive aircraft maintenance and modification (AMM) services to an extensive range of aircraft types, ensuring safe and reliable aircraft operation at all times.

They would have the tooling, equipment, training, support shops and experience to perform all levels of checks and maintenance for the following aircraft types:

- Boeing
- Boeing 737
- Boeing 747
- Boeing 757
- Boeing 767
- Boeing 777
- DC-10
- MD-10/11
- Airbus
- Airbus A300/310
- Airbus A320 Family
- Airbus A330
- Airbus A340

At the Pensacola MRO Campus they would have the capability and experience to perform heavy C and D checks, and in-house capabilities for detailed aircraft inspections, damage assessments and all major non-destructive inspection methods.

The structural capabilities and VTMAE's superb track record in performing major structural repairs and modifications -- such as winglet installation, pylon modification, floor beams repair, corrosion control, wing and fuselage skins replacement, and reconstruction of damaged structures -- are well recognized in the industry.

They would maintain a comprehensive suite of support shops to enhance maintenance services at the Pensacola MRO Campus. These support shops would perform services, repairs and fabrication of:

- Machined parts
- Composite structures
- Aircraft floorboards and cabin items
- Tubing and hoses
- Electrical wire harnesses
- Jigs and fixtures
- Welded sub-assemblies and parts
- Fuel cells
- Heat Treat Services
- NDT Services

AIRCRAFT MODIFICATIONS

The Pensacola MRO Campus would have the unique ability to design and develop engineering solutions and then perform the modifications in Pensacola MRO Campus facilities. These may range from simple modifications such as refreshing the aircraft cabin or upgrading the in-flight entertainment system to complex passenger-to-freighter conversions.

Aircraft modification services include the following:

- Developing the statement of work with the customer.
- Submission of a certification plan.
- Designing the modifications to the airframe, and entire aircraft and avionics systems to accept the new cargo door and cargo handling systems.
- Producing the detailed engineering drawings, and modification work cards.
- Preparing detailed parts manufacturing drawings
- Working with partners and suppliers to develop and manufacture tooling and the modification kits.
- Performing the substantiation analysis for structural loads, stress (inclusive of finite element modeling), damage tolerance, payloads, electrical loads, egress and safety, cooling, smoke evacuation, and aerodynamics.
- Planning, performing and conforming the prototype modification.
- Conducting ground and flight testing of the prototype.
- Producing technical supplements.
- Integrating fleet standardization upgrades.

VTMAE has been successful in the US over the past 28 years because airline customers have the added assurance that they will be available support designs and modifications for the life of the design, being a financially stable MRO with the backing of a large, world-wide parent company.

VTMAE is ISO 9001:2015 compliant as certified by Det Norske Veritas (DNV) Management System. The ISO 9000 family of standards relate to quality management systems and are designed to help organizations ensure they meet the needs of customers and other stakeholders.

As can be seen from the above MRO technical capabilities, the employees who will be employed by VTMAE will be very well trained and technologically on the cutting edge of the aerospace industry. The skill set they will acquire and maintain will support a high paying job and a long-term career.

In addition to VTMAE as the primary tenant, much of the city-owned infrastructure being developed will have multiple users. For example, within the MRO hangars, a training center will be established for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial aviation industry (See MOU Article 2.4(b)). Also, administrative offices are being developed for use by the Federal Aviation Administration representatives and airline representatives (i.e. Delta, American, UPS, etc.) to be on site while their aircraft are being overhauled. Further, all of the common usage aprons and taxiways will be utilized by general airfield traffic (all airlines and other aircraft operators).

Provided that funding and lease terms can be successfully negotiated in the coming months, design work on the new facilities could begin in mid-2018 and construction of a second hangar could begin in early 2019. Design and construction of the other MRO campus facilities could conceivably be completed by the end of 2021.

QUANTITATIVE EVIDENCE OF HOW THE PROPOSED PROJECT WILL PROMOTE ECONOMIC RECOVERY, DIVERSIFICATION AND ENHANCEMENT OF THE DISPROPORTIONATELY AFFECTED COUNTIES

There are multiple quantitative measures that promote economic recovery and diversification. Upon full implementation, the total economic benefits to be realized to the region are as follows:

- The direct new jobs commitment by VTMAE for Aerospace industry sector jobs specifically associated with this request are 1,325 (See MOU Article 2.4(c)) and total indirect new jobs will increase by over 3,400 (See Haas Center report).
- The average wage associated with the direct new jobs is \$44,461, not including fringe benefits (See MOU Article 2.4(c)).
- Based on the above, total annual payroll to NW Floridians will be \$58.9 million associated with the Proposed Project.
- When combined with the new jobs already created associated with the development of Hangar 1 (not part of the Proposed Project), total new Aerospace industry sector jobs will be 1,725, total annual payrolls will be approximately \$69.0 million.
- Upon full operation, personal net incomes in the state of Florida will increase by \$400 million annually.
- Upon full operation, GDP in the state of Florida will increase by \$600 million annually.
- The Proposed Project will create an additional \$210 million of publicly owned assets dedicated to the Aerospace industry sector, all subject to a long-term lease with a Triple AAA (Moody 's and Standard & Poor) rated tenant.

PROPOSED TIMELINE FOR THE PROPOSED PROJECT:

The following is the anticipated timeline for the planning and construction of the Aviation MRO Campus. As the project would occur over a 4-year time period, the request for Triumph funds mirrors the construction schedule. The timeline below represents a four-year strategy to develop the MRO Campus.

Proposed MRO Campus Development Schedule Pensacola Commercial Aviation Center Pensacola International Airport																																																												
Task	2018												2019												2020												2021												2022											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D												
Hangar No. 2																																																												
Plans and Specification Preparation																																																												
Construction																																																												
Prerequisites for Hangar 3, 4, Support Facilities																																																												
Environmental Assessment																																																												
Plans and Specification																																																												
Hangar No. 3 Construction																																																												
Hangar No. 4 Construction																																																												
Administrative Building Construction																																																												
Warehousing and Shops Construction																																																												

Table 3 Proposed Project Timeline

The following is the project schedule in terms of dates.

Hangar 2

- Plans/Specifications/Bidding -August 2018 to May 2019
- Construction - June 2019 to November 2020

Hangars 3 and 4, Support Facilities and Administration Building

- Environmental-August 2018 to May 2019
- Plans/Specifications/Bidding- August 2018 to January 2020
- Construction Hangar 3 - February 2020 to August 2021
- Construction Hangar 4- June 2020 to January 2022
- Construction Administration Building - February 2019 to August 2020
- Construction Warehousing/Shops/Support Facilities - April 2019 to October 2020

DISPROPORTIONATELY COUNTIES AFFECTED BY PROPOSED PROJECT

The scale of this project will provide significant economic benefit and diversification across the entire region of NW Florida. Because of the critical mass associated with the levels of employment, all the counties in the region will enjoy increased levels of personal incomes, gross domestic product and growth. Further, members in the surrounding military bases (NAS, Eglin, Hurlbert) will be able to have future job opportunities in their community as a result of this project.

This Proposed Project will be located at the Pensacola International Airport which is located within Escambia County. Consequently, it is expected that Escambia County and the immediately proximate counties of Okaloosa County and Santa Rosa County will be most significantly impacted by this project. However due to the large scale of the project and both the direct and indirect jobs created as a result of this expansion of the Aerospace sector, all of NW Florida and the state of Florida will be favorably impacted.

RESPONSE 3— ELIGIBILITY – Q-3 – Transformational

HOW IS THE PROPOSED PROJECT TRANSFORMATIONAL OVER THE NEXT 10 YEARS

Transformation #1 – Highly skilled and technology focused workforce

This project will result in the employment of over 1,900 workers (See Table 2 Proposed Project Jobs Summary) dedicated to the aviation and aerospace industry. As such, VTMAE will be among the top 5 employers in this region. As a result of this project, the community will be able to expand and leverage its educational resources, create employment opportunities for lower income and minority populations and create a pathway to the middle class for many who would not otherwise have this type of opportunity.

Upon completion of the MRO Aviation Campus, these facilities will be the 2nd largest MRO complex in North America, but more importantly will be #1 in North America for technical sophistication and smart technologies. In day-to-day operations, VT engineers, technicians, and mechanics will use the following next generation technology:

- All work is electronic
- Laser scan technology to fabricate parts
- 3D printing to fabricate parts
- Drones for remote aircraft inspection
- New age technology
- Composites — move forward out of legacy aircraft. A321 – A320 evolve into composites
- VT recently acquired a robotics company and has said it is looking to incorporate its technology into their operations at the Pensacola MRO Campus.

With the evolution of the aerospace industry to these new technologies, the employees of VTMAE will be among the most highly skilled in the industry and will be in great demand. This reputation for being a technological leader in the MRO industry will be a magnet for future talent.

Transformation #2 – Regional economic growth

The ability to create an industry cluster and critical mass in the Aviation and Aerospace sector will elevate the region; and NW Florida will become a magnet for talent and will attract other business enterprises to the region. The economic benefit of this project made possible by the investment of Triumph funds will provide the maximum economic value, a high ROR on the investment of invested dollars and outstanding leverage on the use of those funds. This leverage is demonstrated not only by the fact that the Triumph investment represents approximately 17% of the overall project costs, but that the increase in personal incomes and statewide GDP creates a significant return annually for decades to come.

Prior to the execution of the MOU, the City engaged the Haas Center to conduct a preliminary economic impact study on the basis of a proposed MRO Aviation campus resulting in 1,200 new direct jobs (See attached *Economic Impact of Proposed Expansion of Pensacola International Airport*, dated August 31, 2017). The new jobs number has subsequently been increased to 1,325 as described in the MOU (Article 2.4(c)). Based on the findings of the Haas Center, there are several measures and outcomes that reflect the transformational nature of this project to the NW Florida region. The results are conservative as they are based on 1,200 rather than 1,325 new jobs.

The Haas Center report shows that a nationally recognized MRO aviation campus would attract additional aviation industry businesses to Northwest Florida and significantly diversify the regional economy. In addition to the 1,325 direct new jobs, the planned expansion project would create up to 3,400 indirect new jobs in the state of Florida. Further, this would increase statewide personal net income by \$400 million **per year** and increase the state's GDP by \$600 million **per year**. Florida is consistently ranked as one of the top states in the country for Aerospace industry attractiveness. The addition of an MRO Aviation Campus to the already robust tourism, military and financial services sectors of the regional economy will further strengthen Northwest Florida's economic resiliency and solidify Florida's reputation as a leader in meeting the growing demand for aviation services. This project creates a Center of Excellence in the MRO industry, which is consistent with the state of Florida and Northwest Florida FORWARD's growth strategy for the Aviation and Aerospace industry sector.

Transformation #3 – Regional Economic Diversification

This project firmly establishes an Aerospace and Aviation industry sector in the regional economy and will diversify economic activity in the region. Significant MRO activity adds an additional dimension to the regional economy that complements the emerging sectors of Clean Energy Wind Turbines (200 jobs), Cyber Security (140 jobs), Financial Services (6,200 jobs), MRO activity at the Airport (1,725 jobs), Tourism and Military/Government activity. Continuing investment in infrastructure along with an existing and future highly trained workforce paves the way for successful economic enhancement of the targeted aviation/aerospace industry. According to the 2014 Military Transitioning Study completed by UWF Haas Center, relevant skills are essential to continue to attract aviation investment in NAICS Targeted Industry Sectors. Specifically, this investment supports a growth strategy over the next four years to increase the number of jobs by 1,325 in Aircraft Maintenance, Modification (NAICS Code 336411, \$44,720), Support Engineering, Materials Fabrication (NAICS Code 336411, \$27,700) and Administration (NAICS Code 551114, \$70,833).

Transformation #4 – Critical Mass for The Region in A Strategic, Targeted Industry

The Proposed Project together with the MRO facilities recently completed creates a critical mass of MRO activity in Northwest Florida that will enhance the ability of the region to attract additional aviation and aerospace business opportunities. An expanded MRO industry not only creates new direct economic activity but

also generates indirect activity in terms of construction jobs, supply chain providers, service providers and customers located at the Airport and the surrounding area, providing jobs and economic activity at a series of levels to grow the regional economy. As this project spans a construction timeline of 4 years, significant economic stimulus is realized by the construction activity alone and is in addition to the favorable economic impacts noted previously.

In addition to regional economic diversification and the creation of high-quality new jobs, an MRO campus further leverages the expanding Aviation and MRO industry opportunities along entire Gulf Coast. Through this project, the region will participate in the projected global growth of the MRO industry, expected to grow from total gross revenues of \$75.6 billion in 2017 to an estimated \$109.2 billion in 2027.

Transformation #5 – VTMAE’s Role as A Community Leader and Good Corporate Citizen

Based on prior history, VTMAE will be a leader in the NW Florida community. If past experience may serve as an indicator of future performance, VTMAE will be a civic leader. Following are some of their current affiliations and activities:

Affiliations

- Aeronautical Repair Station Association
- Partners in Education Program
- American Cancer Society
- St. Jude Children’s Cancer Research Hospital
- Breast Cancer Eradication
- Chamber of Commerce
- Local schools, church and civic groups
- American Heart Association
- Statewide Economic Development Partnership (as a stakeholder)

Events sponsored

- Suitcase Soiree for Charity
- Annual Chili Cook Off for American Cancer Society
- Pink Ribbon Golf Tournament
- Annual Worlds of Opportunity events for Middle School Students
- Annual St. Jude Classic Golf Tournament
- Annual 5K on the Runway
- STEM Initiatives
- Annual Military Appreciation Luncheon
- American Red Cross blood drives
- Statewide Toy Drives

Transformation #6 – Quality of Life

It is not difficult to imagine the long-term and positive impacts this project will have on our region and communities. The ability to enhance and leverage our educational system, develop training programs in targeted industries, create employment opportunities for our veterans, diversify our economy, create a targeted industry cluster and increase personal incomes of our citizen will enhance the quality of life for all. It is said that a rising tide lifts all boats, and this project is a prime example of the way our region and communities will be uplifted.

This project is truly *transformational* as it creates thousands of direct and indirect new jobs where none previously existed. The positive impact will span generations and will forever change and enrich NW Florida.

Transformation #7 – Enhanced Airport Air Service and Economic Impact of the Airport on Northwest Florida

The volume of airline activity at the Airport directly drives financial performance for the Airport and economic impact on the region. Air service development as the critical component of the efforts to expand regional tourism and economic development. Having an MRO at the Airport is an economic and operational asset that could be leveraged by the region to attract new and retain existing air service.

VT MAE is a globally recognized leader in the MRO sector. Its presence in a major MRO campus at the Airport, will over time, bring with it the benefit of a greater recognition of the Northwest Florida market by VT MAE's airline customers and airline industry in North American and around the globe. As the air service development efforts are geared to sell the regional economy and its potential to the airlines. The recognition created by VT MAE's presence in a major MRO campus in Northwest Florida will serve to bolster the on-going efforts to expand the reach of the Airport's brand within the airline industry.

Airlines seek to operate at airports in the most efficient manner. Having a major MRO campus at the Airport offers an added level of convenience for the airlines not available at most other airports. Airlines will integrate additional air service to the Airport to take advantage of VT MAE's major MRO campus to rotate aircraft to and from the MRO servicing in revenue service thus avoiding "dead heading" aircraft at substantial additional airline cost.

Another key aspect of an airport's air service development program is managing the marketing efforts around the airlines' cost to operate at its facilities. An airport that does not have a competitive airline cost structure is at a great disadvantage when it seeks to retain and attract new air service. VT MAE will contribute to the airport's non-aeronautical revenue base through rents and fees and stimulation of airline activity. These revenues under the Airport's airline use and lease agreement will help to keep the cost per enplanement (a key airline industry metric) very competitive at the Airport.

The complete buildout of MRO facilities at the Airport will result in increased air service, an increase in Passenger Facility Charge revenue, a contribution to non-aeronautical revenue base, and a reduction in the overall cost per enplaned passenger.

Increased numbers of aircraft operating at the Airport will increase the amount of airline landed weight that is the basis of charging landing fees. Landing fees are a basic charge for the use of the Airport's airfield. The chart below shows that with a major MRO campus at the Airport airline landing weights are projected to increase from 1,056,000 (one-thousand-pound units) in FY 2018 to 1,298,000 (one-thousand-pound units) FY 2025. Also, the chart shows that without a major MRO campus at the Airport airline landing weights are projected to range from 1,056,000 (one-thousand-pound units) in FY 2018 to 1,203,000 in FY 2025.

Projected MRO Impact on Aircraft Landed Weight Pensacola International Airport

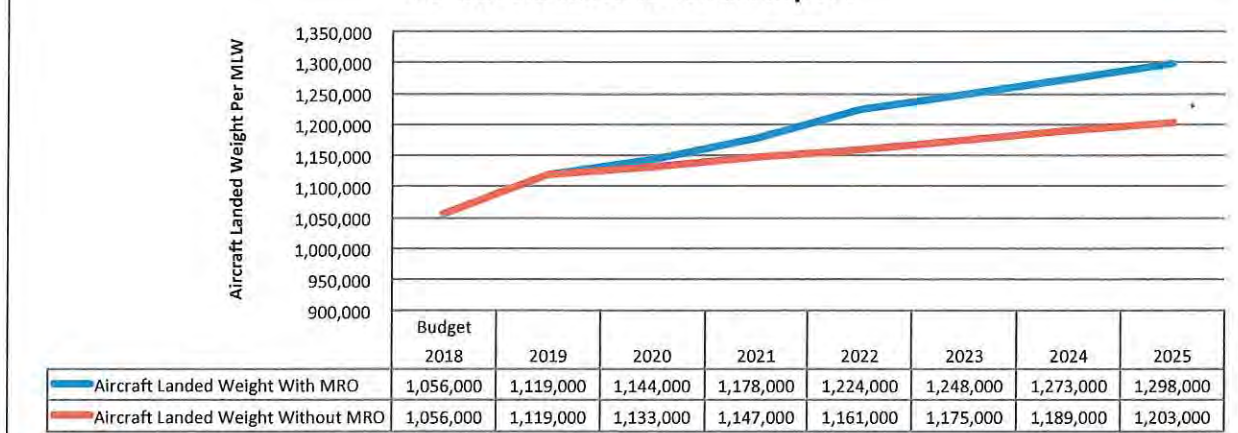


Table 4 Airport Airline Landed Weight projections with and without the Proposed Project

The City foresees that the presence of a major MRO campus will attract additional air service and passengers over the years. The chart below shows the projected number of enplaned passengers at the Airport with and without a major MRO campus. The chart shows the City's projections of enplaning passengers with a major MRO campus increasing from 829,000 in FY 2018 to 971,000 in FY 2025. Also, the chart shows the City's projections of enplaning passengers without a major MRO campus increasing from 829,000 in FY 2018 to 911,000 in FY 2025.

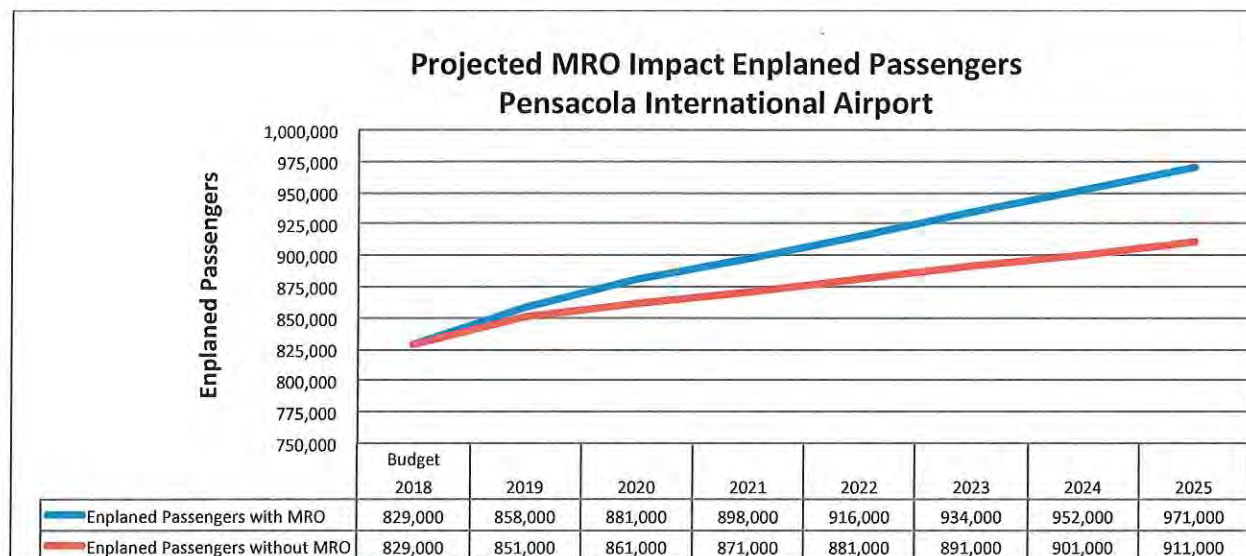


Table 5 Airport Enplaned Passenger projections with and without the Proposed Project

The Federal Aviation Administration has authorized the City to collect a Passenger Facility Charge (PFC) at the Airport to pay for certain Federally approved capital projects. The PFC, paid by passengers, is \$4.50 for every enplaned passenger at the Airport. Airports must use the money from the fees to pay for projects approved by the Federal Aviation Administration that, according to the FAA, enhance safety, security, or capacity; reduce noise; or increase air carrier competition. The PFC funded portions of airport improvements cannot be included in rents, fees, and charges paid by the airlines.

The stimulation of the Airport traffic driven by the presences of a major MRO campus, as shown above, is projected to increase the number of passengers enplaned at the Airport. This in turn will increase the amount of PFC revenues received by the Airport for FAA approved capital improvements. As shown on the chart below, with a major MRO campus at the Airport, PFC proceeds are projected to increase from \$3,312,000 in FY 2018 to \$3,878,000 in FY

2025. Without a major MRO campus PFC proceeds are projected to increase from \$3,312,000 in FY 2018 to \$3,640,000 in FY 2025. This additional PFC revenue would, with a major MRO campus, permit the City to finance approximately \$2.4 million in additional FAA approve Airport projects at no additional capital cost to the Airport's airlines or other users. This improves the Airport's national competitiveness.

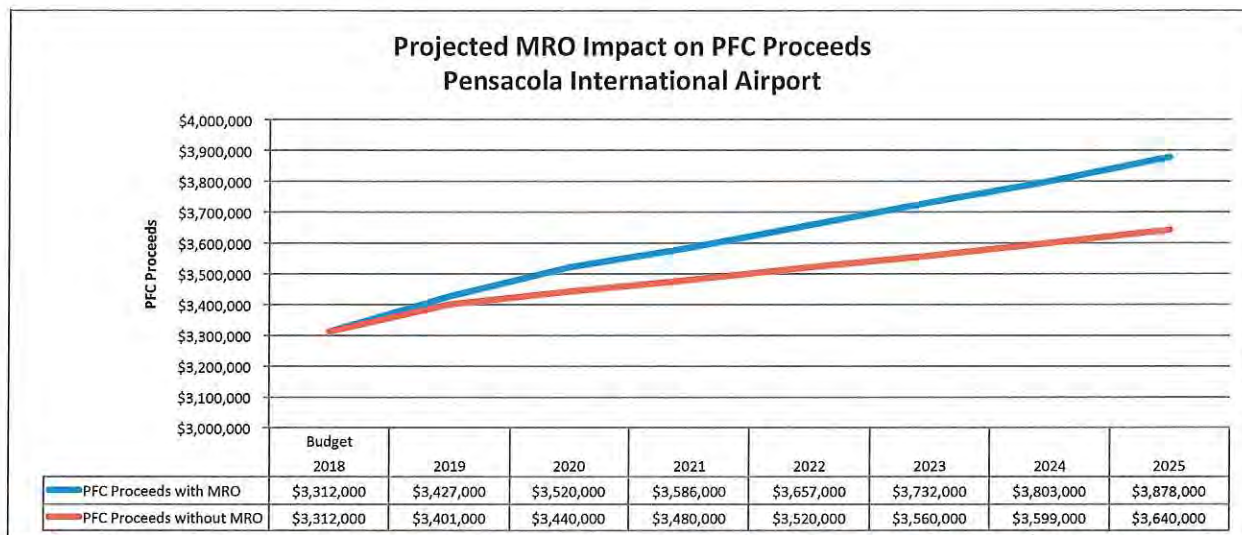


Table 6 Airport Passenger Facility Charges projections with and without the Proposed Project

Airline average cost per enplaned passenger (CPE) is a basic metric used by airlines to assess the operational efficiency and the competitiveness of airports. The CPE is calculated by totaling all airport rents, fees, and charges and dividing this total by all enplaned passengers at an airport of a defined fiscal period. In the airline industry, it is assumed, the lower the CPE the more efficient and competitive the airport, resulting in a greater opportunity for airline profitability at that airport compared with another airport with a higher CPE. The City is projecting that the stimulation that a major MRO campus will generate will impact the Airport's CPE.

The chart below shows the projected impact on the Airport's CPE with and without a major MRO campus at the Airport. The chart shows without a major MRO campus at the Airport the airline CPE would range from \$6.84 in FY 2018 to \$7.30 in FY 2025. With a major MRO campus at the Airport, the chart show, the airline CPE would decrease from \$6.48 in FY 2018 to \$5.49 in FY 2025. The information on this chart shows that the airlines would be about \$1.4 million more profitable at the Airport with a major MRO campus at the Airport. Airline profitability drives airlines decisions to both sustain current levels of air service and to add service to an airport.

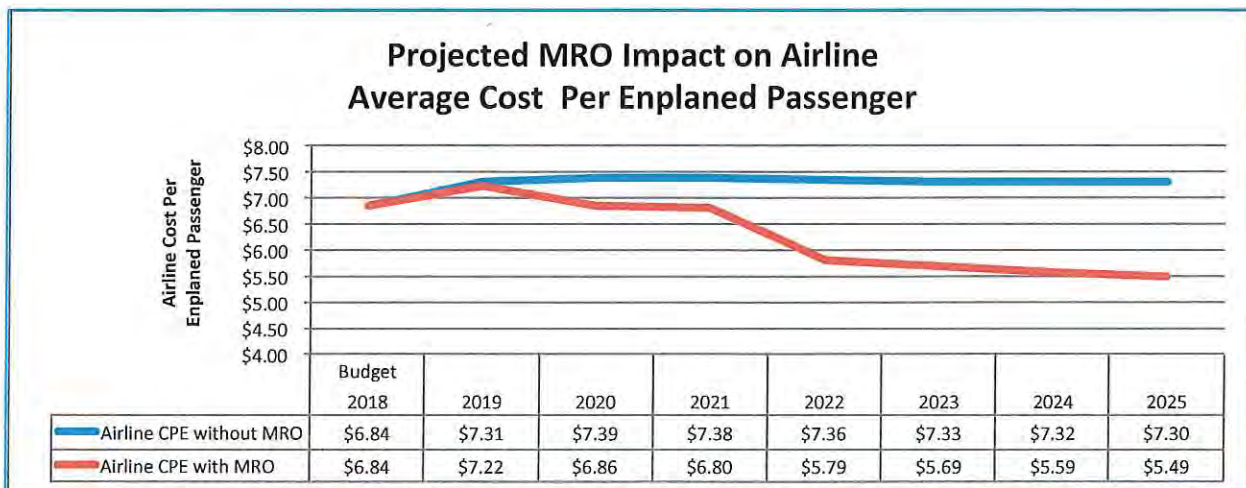


Table 7 Airport Airline cost per enplaned passenger projections with and without the Proposed Project

RESPONSE 4 - ELIGIBILITY – Q-4 – Demonstrate Viability

DESCRIBE DATA OR INFORMATION TO DEMONSTRATE VIABILITY OF THE PROPOSED PROJECT

The project is viable as the City and VTMAE have previously negotiated and executed a Real Property lease and construction is complete on the first MRO hangar as part of the MRO Aviation campus. This new hangar will create 400 new jobs for citizens in NW Florida, but is the first phase in the greater project, which is the development of the MRO Aviation Campus. The City and VTMAE have entered into a new MOU that outlines the future intentions of both parties to continue with the further expansion and development of the MRO Aviation campus as described in this Application. The following data describes the financial viability of the Proposed Project at full implementation, and reflects the key economic indicators and impact of terms agreed to in the MOU:

- a. 1,325 direct new **MRO** jobs (per MOU)
- b. 3,400 indirect new jobs, other industries (per Haas Center report)
- c. \$210,000,000 value in City owned infrastructure dedicated to the Aerospace industry
- d. \$58,900,000 direct annual payroll
- e. \$44,461 average annual salary, without benefits (per MOU).
- f. Approximately \$1,500,000 annual rent for real property lease (based on Hangar 1 lease terms)
- g. \$400,000,000 annual personal net incomes increase (per Haas Center) \$600,000,000 annual statewide GDP increase (per Haas Center)

RESPONSE 5 – ELIGIBILITY – Q-5 – Measured Long Term IMPACTS

HOW IMPACTS WILL BE MEASURED LONG TERM

The primary deliverable from the Proposed Project is the creation of new direct jobs at the agreed-to average annual compensation. It is anticipated that the real property lease between the City and VTMAE, as well as agreements with funding partners, will have terms and conditions that will require VTMAE to demonstrate it has met its obligations regarding minimum job and salary levels. Similar agreements were documented in funding commitments for the development of Hangar 1 currently under construction; and will serve as a guideline to measure outcomes and determine "clawbacks" if performance measures are not achieved for the current Proposed Project.

RESPONSE 6 – ELIGIBILITY – Q-6 – SUSTAINABILITY

HOW THE PROPOSED PROJECT IS SUSTAINABLE:

The Proposed Project will result in the construction of \$210,000,000 of new city owned Airport infrastructure including hangars, support buildings, an administrative building and adjacent roadways, taxiways, aprons and site improvements. This is in addition to the over \$46 million infrastructure for the construction of Hangar 1 just completed. These facilities together represent the MRO Aviation Campus and will be leased to VTMAE under a Master development agreement that defines the rights and responsibilities of each party for the entire site development. The underlying leases will be long term leases for each separate facility and will be modeled upon the Real Property Lease Agreement executed between City and VTMAE for Hangar 1. VTMAE is the subsidiary of ST Aerospace, which is the largest global provider of MRO services. Upon completion, VTMAE

will have invested approximately \$75 million of its own funds to create what will be one of the largest MRO facilities in North America.

The project is sustainable because the MRO business is a growing and technologically expanding industry. The anticipated global expansion of the MRO industry is expected to grow from total gross revenues of \$75.6 billion in 2017 to an estimated \$109.2 billion in 2027. As the leader in this industry, ST Aerospace and its subsidiary VTMAE will likely experience a similar growth pattern in the future. Based on the quality of the primary tenant and the expected growth and sustainability of the MRO industry, it is reasonable to expect this project will have long-term financial viability and sustainability.

Furthermore, the state-of-the-art facilities to be developed in the MRO Aviation campus will enable VTMAE to efficiently implement "Smart MRO" technologies as described below. This will further solidify their global industry leadership and long-term sustainability. This Smart MRO technology, such as robotics, aerial inspection and data connectivity to enhance workplace safety, productivity and quality of solutions adds value to their customers and enhances the technical skills of their employees.

The following are a few of the elements that make up "Smart MRO" technologies:

Digitized Work Flow — Using paperless processes, tasks are assigned, approved and monitored online.

Virtual Warehouse — Spare parts are 3D printed and assembled on site to shorten turnaround time and reduce warehousing and logistics costs.

Wearable Connectivity — Augmented Reality (AR) glasses provide technicians with visual cues for each task and provide remote connectivity support while wrist-worn devices track the activities in real-time.

Robotics — Drones equipped with 3D-Scanners and HD Cameras inspect the aircraft fuselage for defects. UGVs transport inventory from Automated Storage and Retrieval System (ASRS) for Just-In-Time (JIT) servicing.

Automated Toolcribs — Tools are inspected to be serviceable before being pre-packed in toolboxes according to the work cards.

SMART Hangar — Biometric iris scanner in AR glasses automatically clock technicians work schedules. Sensors within the hangar provide round-the-clock security. Data analytics is used to understand the information collected from the sensors, bots and other devices to optimize workflow and recommend predictive maintenance for aircraft.

RESPONSE 7 – ELIGIBILITY – Q-7 – DELIVERABLES MEASURED

HOW DELIVERABLES WILL BE MEASURED

See Response #5 above. City will have the primary responsibility to verify that the deliverables (stated jobs at a stated average salary level) are being realized on an annual basis.

RESPONSE 8 – PRIORITIES – Q -1 & 2 – MEETING PRIORITIES

The following are the response for each check box in Priorities question no.1.

GENERATE MAXIMUM ESTIMATED ECONOMIC BENEFIT

- a. 1,325 direct new MRO jobs (per MOU)
- b. 3,400 indirect new jobs, other industries (per Haas Center report)
- c. \$210 million value in City owned infrastructure dedicated to the Aerospace industry
- d. \$58.9 million direct annual payroll
- e. \$44,461 average annual salary, without benefits (per MOU)
- f. Approximately \$1,500,00 annual rent for real property lease (based on Hangar I lease terms)
- g. \$400 million **annual** personal net incomes increase (per Haas Center)
- h. \$600 million **annual** statewide GDP increase (per Haas Center)

INCREASE HOUSEHOLD INCOME ABOVE NATIONAL AVERAGES

The initial commitment is to provide 1,325 new direct jobs at an average annual salary of \$44,461 plus benefits.

LEVERAGE OR FURTHER ENHANCE KEY REGIONAL ASSETS, INCLUDING EDUCATIONAL INSTITUTIONS, RESEARCH FACILITIES, AND MILITARY BASES

The Proposed Project leverages existing real estate at Pensacola International Airport that has been consolidated over time to create a commerce park with the intention of it becoming an income-producing asset focused in the aerospace industry. This project is the culmination of a long-term land use plan and converts approximately 112 acres of unused land to income producing assets that will generate approximately \$1.50 million per year annual ground rent to the Airport. By creating this income source, the Airport will be able to effectively manage user fees that make the Airport more competitive, potentially creating lower fares, more routes and greater air service choices for the citizens of NW Florida.

The Proposed Project leverages and enhances existing workforce development programs through Washington High School (Aviation Maintenance Academy), George Stone Technical Center (Airframe & Power plant Technology) and Pensacola State College certification programs. It would be expected that each of these educational institutions will expand their programs and capabilities to respond to the increasing workforce development demands. In addition, this Proposed Project will assist in transitioning veteran military personnel to commercial aviation and aerospace jobs. As noted previously, a near-term strategic vision is the collaboration between VTMAE and local education providers to create an MRO Aviation Training Academy to develop the workforce needed to man the available jobs and to maintain a pipeline of trained technicians for the future.

PARTNER WITH LOCAL GOVERNMENTS TO PROVIDE FUNDS, INFRASTRUCTURE, LAND, OR OTHER ASSISTANCE FOR THE PROJECT

As mentioned above, the Pensacola International Airport is providing the land that will be used for the Proposed Project. In addition, the State of Florida, City of Pensacola, Escambia County, the Florida Department of Transportation, the Governor's Jobs Growth Grant Fund and the Federal Economic Development Administration are expected to provide funding to support the project. Also, VTMAE will make a substantial investment to support the Proposed Project.

PROVIDE OUTCOME MEASURES

The Proposed Project has a significant number of outcome measures that have been described previously in this document. Among the most significant are 1,325 new direct jobs in the Aerospace industry, 3,400 indirect new jobs in other related industries, \$210 million in publicly owned infrastructure developed for an MRO Aviation

campus, \$400 million increase in personal net incomes and \$600 million increase in Florida GDP, all as a result of the Proposed Project.

RECOMMENDED BY THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY IN WHICH THE PROJECT OR PROGRAM WILL BE LOCATED

The Escambia County Board of County Commissioners approved forwarding the City's pre-application submission to the Triumph board during its meeting held on December 14, 2017 and re-confirmed its support during its meeting held April 17, 2018. A copy of the Board minutes is attached.

RESPONSE 9 – PRIORITIES – Q-3 – MEETS IDENTIFIED PRIORITIES

HOW THE PROPOSED PROJECT OR PROGRAM MEETS THE DISCRETIONARY PRIORITIES IDENTIFIED BY THE BOARD

As described in previous responses within this document, the Proposed Project is transformational to the region of NW Florida and in fact to the state of Florida. Through the development of the Proposed Project, an Aerospace industry is created. The creation of this targeted industry results in economic diversification and stability. Most importantly, this new industry results in long-term high quality, high paying jobs that will solidify the region's economic recovery and assure a better quality of life (See Response #3 above).

As there is already an existing MOU between the City and VTMAE, both parties stand ready to commence negotiations to formalize their intentions as outlined in the MOU. In connection with the development of Hangar 1, the City and VTMAE have already negotiated a previous Real Property Agreement; therefore, once funding is finalized the process should be consummated efficiently and timely.

The Proposed Project has, as one of its most important features, the creation of 1,325 high quality new direct jobs in the MRO industry. The average annual salary is \$44,461 plus benefits. The net new jobs are specifically within the targeted aerospace industry. The Proposed Project will also result in a significant number of new indirect jobs in resultant industries (See Response #4 above).

The creation of an MRO Aviation campus is precisely aligned with Northwest Florida FORWARD regional strategic initiative for economic transformation. MRO services are within the Aerospace and Aviation industry sector that is major part of the strategic initiative. Further, the MRO Aviation campus creates an industry cluster that will be a magnet to other businesses in the Aerospace and Aviation industries.

RESPONSE 10 – Approvals and Authority – Q-2 & 3 – Authority

PROVIDE THE SCHEDULE OF UPCOMING MEETINGS

Pensacola City Council is scheduled to meet on the following dates for their regularly scheduled Council meetings. Regular City Council meetings are typically held the second Thursday of every month and each meeting begins at 5:30 PM:

- July 19
- August 9
- September 13
- October 11
- November 8
- December 13

AUTHORITY EXECUTE PROPOSAL

<https://www.cityofpensacola.com/ArchiveCenter/ViewFile/Item/222>

RESPONSE 11 – Approvals and Authority – Q-3 – Project Timeline

DESCRIBE THE TIMELINE FOR THE PROPOSED PROJECT

[illegible]

Table 8 Pensacola International Airport MRO Aviation Campus.

RESPONSE 12 – Funding and Budget – Q-1-2-3 – Financial Details

TIMING OF TRIUMPH GULF COAST, INC. FUNDING

The following table shows the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested.

The requested current funding commitment is \$56.0 million. Given the timing of construction, the committed funds may be distributed over the following periods:

Project Titan Construction Costs MRO Aviation Campus Pensacola International Airport	
Fiscal Year*	Funding
FY 2019	\$20,000,000
FY 2020	20,000,000
FY 2021	16,000,000
Total	\$56,000,000
* Assumes Fiscal Years ending September 30th.	

Table 9 Funding and timing of funds sought from Triumph Gulf Coast, Inc.

TRIUMPH GULF COAST, INC. FUNDING PERCENTAGE OF TOTAL PROGRAM

As shown on the figure below, the provisional requested amount of funds requested from Triumph is 17% of the total program cost. The funding plan shown below will be confirmed as the funding plan is formalized with each funding partner. See the detailed budget analysis and narrative in Response Number 14.

MRO Campus Funding Sources and Shares Pensacola International Airport

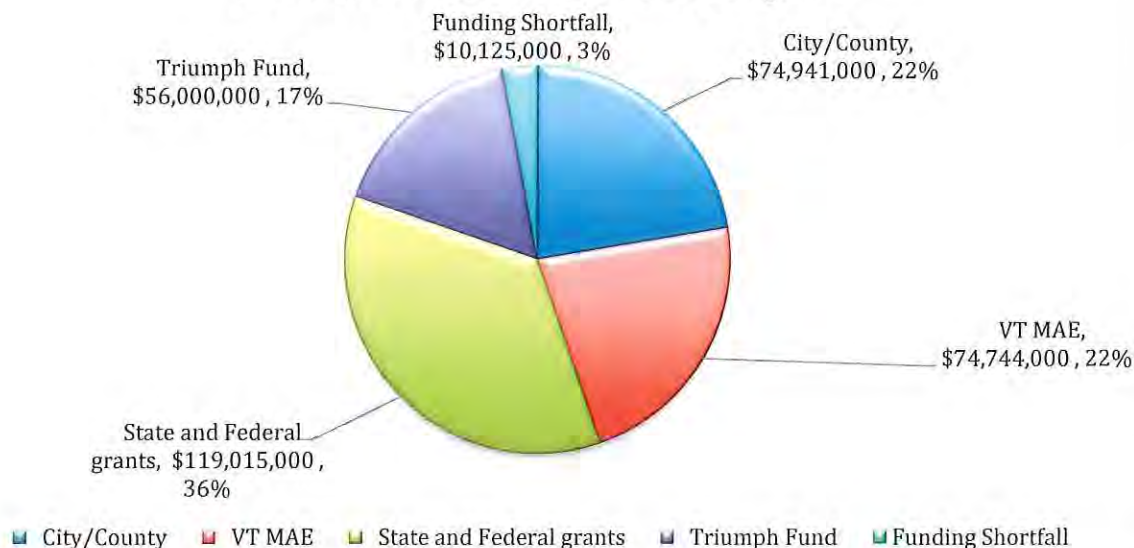


Figure 3 MRO Campus funding sources and shares

DESCRIBE THE TYPES AND NUMBER OF JOBS EXPECTED FROM THE PROPOSED PROJECT OR PROGRAM AND THE EXPECTED AVERAGE WAGE:

As presented in Response 2, the following tables shows the job growth from the beginning of operation in Hangar 1 through the third year of operations in the fully constructed campus.

Summary of Jobs	VTMAE-Aircraft Maintenance Technicians	VTMAE Administrative and Engineering	VTMAE North America Executive Office Functions	Airlines/FAA/Auditors/Vendors/others	Total
Guarantees	Contractual	Derivative	Under Discussion	Derivative	
Hangar No. 1	400				400
Project Titan-Aircraft Maintenance	1,325				1,325
Administration/Engineering		77			77
North America Executive/shared services functions			63		63
Airline engineering staff				60	60
Auditors				3	3
FAA Staff				3	3
Vendors				10	10
Total	1,725	77	63	76	1,941

Table 1 Proposed Project Jobs Summary

The Proposed Project supports a growth strategy over the next four years that will increase the number of direct new jobs by 1,325 in Aircraft Maintenance, Modification (NAICS Code 336411, \$44,720), Support Engineering, Materials Fabrication (NAICS Code 336411, \$27,700) and Administration (NAICS Code 551114, \$70,833). The expected average wage overall is \$44,416 plus benefits.

In addition to the 1,725 new direct VTMAE jobs at the MRO Aviation campus (400 for Hangar 1 and 1,325 for this project), as a result of the critical mass created by these activities, other full time equivalent jobs directly related to the Aerospace industry will be located at the Pensacola International Airport. These include approximately 60 full time jobs that the airlines (VTMAE customers) will keep on site to oversee the repair and maintenance protocols associated with their aircraft, approximately 10 vendor employees, approximately 3 FAA auditors and approximately 3 internal auditors.

North American Headquarters: While a formal commitment has not been made to relocate North American headquarters to Pensacola, based on input and discussions with VTMAE, they are seriously considering this possibility. If headquarters are located in Pensacola, the following is a breakdown of the jobs to be relocated:

• Executives	5
• Finance	20
• Marketing	10
• Auditor	1
• Internal audit	2
• Human Resources	10
• Procurement	5
• Other	10

In addition to the above, it is also possible that the Pensacola MRO Aviation campus will become the future home for North American shared services function for the MRO business. If shared services are relocated to Pensacola, the following type of job categories would be included in the shared services activities: Group Leadership & Strategy, Business Development, Legal counsel, Group Finance and Auditing, Group Marketing, Corporate Communications, Shared Services for IT, Finance and Human Resources.

In addition to the above jobs directly related to the aerospace industry, the Proposed Project will also support the addition of approximately 3,400 indirect new jobs in associated resultant industries.

RESPONSE 13 – Funding and Budget – Q-4 – Supplementing Existing Funding Sources

DOES THE POTENTIAL AWARD SUPPLEMENT BUT NOT SUPPLANT EXISTING FUNDING SOURCES

The Triumph funds are supplemental as they represent a portion of the MRO Aviation Campus project cost, however the project could not proceed without the requested support from Triumph. The request of Triumph funds represents 17.0% of the total project costs for the complete buildout of the MRO Aviation campus, including Phase I that has just been completed. The remaining 83.0% of the MRO Aviation Campus project costs will be publicly funded by city, county, state and federal sources; and privately funded by VTMAE, as those entities are the primary beneficiaries of the economic and community impacts from the Proposed Project. See Response #14 for a detailed analysis of the project costs and funding sources.

RESPONSE 14 – Funding and Budget – Q-5 – A/B Program Funding Sources

PROVIDE A DETAILED BUDGET NARRATIVE

The development of the MRO Aviation Campus at Pensacola International Airport is a technically challenging and significant project. In accordance with the Master Plan for the airport, land adjacent to the airport has been acquired over the years with the intention of creating commerce related activities compatible with airport operations. The development of an MRO Aviation Campus is the culmination of years of planning and forward thinking.

In order to execute the development of an MRO Aviation Campus and bring VTMAE to Pensacola as its primary tenant, significant costs have been and will be required to be incurred for land acquisition and construction of facilities; as well as costs incurred by VTMAE to properly staff and equip the facilities for its MRO operations. Although not part of this specific request for funding, Hangar 1 was the first step in the

development of the MRO Aviation Campus and was completed as of May 1. VTMAE commenced operation in June 2018.

This specific request is for the costs associated with the construction of Hangars 2, 3 and 4; and the construction of Administrative headquarters and a Warehouse/Shops building. Preliminary concept plans have been developed by Atkins Global and the estimated project costs of \$210 million appears reasonable based on their experience with the design and construction of Hangar 1. The following table shows a breakdown of costs:

Project Titan Construction Cost MRO Aviation Campus Pensacola International Airport	
Facility	Projected Cost
Hangar 2	\$49,000,000
Hangar 3	55,000,000
Hangar 4	55,000,000
Warehouses/Shops	19,000,000
Administrative Headquarters	32,000,000
Total	\$210,000,000

Table 10 Proposed Project cost breakdown by facility

The following table is the working funding plan for the development of the full MRO Aviation Campus Program. The table shows that City and its funding partners have invested over \$59 million the development of Hangar No. 1. The table shows that Hangars 2, 3, and 4 plus warehousing, support facilities, and administrative headquarters are projected to cost \$210 million plus land, site preparation and other required facilities that are projected to cost over \$65 million. The table shows that the total MRO Aviation Campus Program will cost approximately \$334 million.

**MRO Aviation Campus
Total Project Costs and Funding Sources
Pensacola International Airport**

Source of Funds	Hangar 1	Project Titan	Total
VT MAE Cash contribution	\$ 7,244,000	\$ 35,000,000	\$ 42,244,000
City contribution Hangar	3,971,000	-	3,971,000
Escambia County cash Hangar #1	4,800,000	-	4,800,000
FDOT Hangar #1	23,015,000	-	23,015,000
FDOT Airport grant #1 committed		25,000,000	25,000,000
FDOT Airport grant #2 requested	-	25,000,000	25,000,000
IREFF	7,000,000	-	7,000,000
Governor's Job Growth Fund - Year 1	-	4,000,000	4,000,000
Florida Legislature allocation	-	3,000,000	3,000,000
City/County - Titan - projected	-	20,000,000	20,000,000
Governor's Job Growth Fund - Year 2 - forecast	-	15,000,000	15,000,000
Federal Economic Development Administration (forecast)	-	17,000,000	17,000,000
Triumph - contribution	-	56,000,000	56,000,000
Total Building Construction Costs	\$ 46,030,000	\$ 200,000,000	\$ 246,030,000
Funding shortfall	\$ -	\$ 10,125,000	\$ 10,125,000
Land, Site Readiness and Tenant Relocation costs			
VT MAE			
Tenant Improvements, Furniture, fixtures and equipment - projected	\$ 2,500,000	\$ 10,000,000	\$ 12,500,000
Relocation, training and recruitment, asset impairment - projected	6,000,000	14,000,000	20,000,000
City of Pensacola			
Land acquisition and site readiness (demolition and related costs)	4,835,000	31,335,000	36,170,000
Runway extension commitment	-	10,000,000	10,000,000
Total Land, Site Readiness and Tenant Relocation costs	13,335,000	65,335,000	78,670,000
Total Cost - MRO Aviation Campus	\$ 59,365,000	\$ 275,460,000	\$ 334,825,000

Table 11 MRO Campus Program Costs and Funding Sources

As can be seen, the funding sources are diverse and reflect the recognition that this project will have an important and generational economic impact on the region. The commitment of funds by various governmental units, as well as the commitment by VTMAE (see copy of the letter from VTMAE for their commitment to contribute \$35.0 million to the construction project), shows that all have "skin in the game".

MRO Campus Funding Sources and Shares Pensacola International Airport

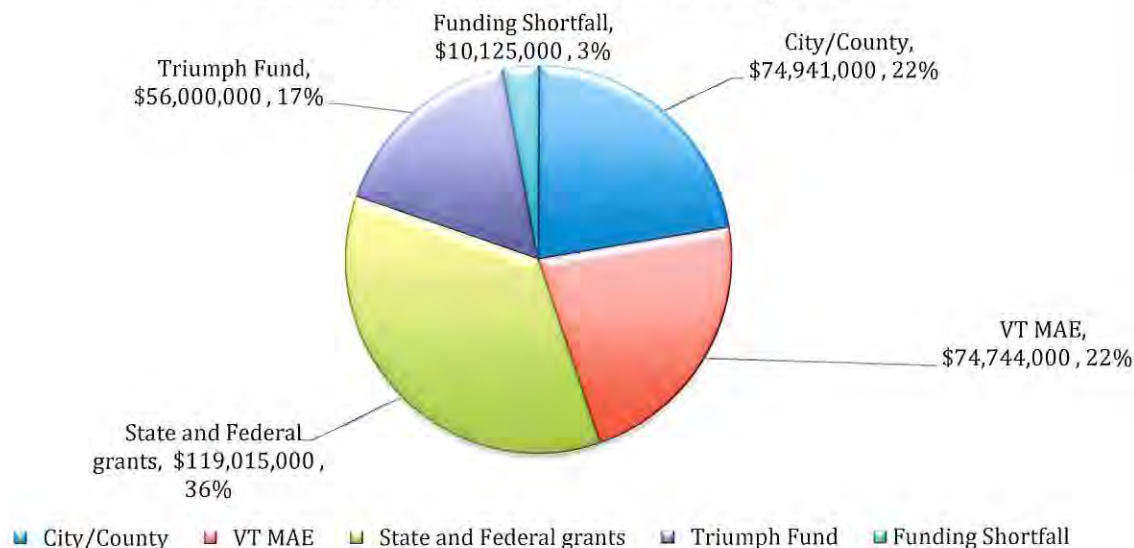


Figure 4 MRO Campus funding sources and shares.

The Triumph funds requested (\$56 million) are essential to provide the transformative level of project funding. At this funding level, Triumph funds represent 17.0% of the overall MRO Aviation Campus project costs. The remaining costs are funded as follows: City/County (22.0%), VTMAE (22.0%) and state and federal grants (36.0%). As of the date of this application update, there is a Project Funding Shortfall of \$10.1 million — 3.0% of the total. The City proposes to continue to work with its funding partners to eliminate the Project Funding Shortfall while this updated Triumph funding request is processed.

RESPONSE 15 – Infrastructure – Q-b & D – Program Requirements

IS THE INFRASTRUCTURE FOR PUBLIC USE OR DOES IT PREDOMINATELY BENEFIT THE PUBLIC

The infrastructure predominately benefits the public as the entire project construction (\$210 million in assets) is owned by a public entity (the City of Pensacola's international Airport) and the ground lease revenue from the Proposed Project is Airport revenue, each of which is predominately for the benefit of NW Floridians and the traveling public. The primary tenant of the facilities will be VTMAE, however as stated previously, much of the city- owned infrastructure will have multiple users. A training center will be established for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial aviation industry, administrative offices are being developed for use by the Federal Aviation Administration representatives and airline representatives (i.e. Delta, American, UPS, etc.) to be on site while their aircraft are being overhauled and all of the common usage aprons and taxiways will be utilized by general airfield traffic (all airlines and other aircraft operators).

RESPONSE 16 – Infrastructure – Q-2A – Program Requirements

IS THIS PROJECT AN EXPANSION OF EXISTING INFRASTRUCTURE PROJECT

The City has a well-established business relationship with VTMAE that dates to late 2012, when discussions first began with VTMAE to establish an MRO hangar at the Pensacola International Airport. Ultimately the City was successful, and a MOU was entered into on November 12, 2013. After funding was finalized, the final lease agreement between City and VTMAE was signed on September 9, 2014. Planning and design documents were prepared, contracts were bid out and October 28, 2016 marked the official groundbreaking for Hangar 1. Hangar 1 is a 173,000 sq. ft. MRO hangar being built at a cost of approximately \$46 million. The hangar was recently completed and ready for occupancy April 2018. The grand opening is scheduled for June 8, 2018. The MRO Aviation campus represents an exciting expansion of the existing commitment that City and VTMAE has made to expand their focus on the Aerospace and Aviation industry.

RESPONSE 17 – Infrastructure – Q-2A – Days Required

PROVIDE THE PROPOSED BEGINNING COMMENCEMENT DATE AND NUMBER OF DAYS REQUIRED TO COMPLETE CONSTRUCTION OF THE INFRASTRUCTURE PROJECT

Assuming all funding approvals could be confirmed by July 2018 it will take 1,355 days or approximately 44.52 months to plan and construct the project. The proposed schedule is as follows:

Hangar 2

- Plans/Specifications/Bidding -August 2018 to May 2019
- Construction - June 2019 to November 2020

Hangars 3 and 4, Support Facilities and Administration Building

- Environmental-August 2018 to May 2019
- Plans/Specifications/Bidding- August 2018 to January 2020
- Construction Hangar 3 - February 2020 to August 2021
- Construction Hangar 4- June 2020 to January 2022
- Construction Administration Building - February 2019 to August 2020
- Construction Warehousing/Shops/Support Facilities - April 2019 to October 2020

Recognizing that July 2018 may not be a likely start date since funding decisions may yet be unresolved, the schedule can be adjusted to reflect an appropriate later start date. This is a significant and technically complex project spanning approximately a four-year period of time.

MRO MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING

VT MOBILE AEROSPACE ENGINEERING, INC

AND

CITY OF PENSACOLA, FLORIDA

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is hereby made and entered into as of the 14th day of November, 2017, by and between **VT MOBILE AEROSPACE ENGINEERING, INC.**, a corporation organized in the State of Alabama ("Company") and the **CITY OF PENSACOLA**, a Florida municipal corporation ("City"), in its capacity as proprietor and sponsor of the **PENSACOLA INTERNATIONAL AIRPORT** ("Airport"). The above-referenced entities may from time to time be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the City enthusiastically supports and encourages economic development and workforce training and development, particularly the expansion of the business activities at the Airport;

WHEREAS, the Company's primary business activity is the maintenance, repair and overhaul of aircraft ("Aircraft MRO");

WHEREAS, the City and the Company have entered into a Real Property Lease at Pensacola International Airport dated September 9, 2014, pursuant to which the City is currently constructing an Aircraft MRO hangar facility that will be occupied and used by the Company ("Phase I");

WHEREAS, the City and the Company have discussed proposals for the construction of new additional Aircraft MRO hangars and ancillary facilities (the "Project") at the locations at the Airport depicted on Exhibit A attached hereto (the "Project Site");

WHEREAS, the Project will include, without limitation, site work, utilities, flatwork, ramps, aprons, taxiways, access roads or drives, parking areas, hangars and ancillary facilities, design services and construction administration services;

WHEREAS, the Parties desire to enter into this non-binding MOU to set out a general working arrangement for proceeding with the development of the Project;

November 14, 2017

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

NONBINDING EFFECT

1.1 This MOU reflects the Parties' current intentions, is subject to the negotiation and execution of definitive written agreements which shall take precedence over this MOU, and is not and shall not be construed as a binding or enforceable agreement for any purpose. Without prejudice to the generality of the foregoing, none of the parties have an obligation to enter into any definitive agreements or to consummate the transactions contemplated herein. If the Parties fail, for any reason, to agree upon and execute definitive written agreements for the Project or this MOU is otherwise terminated, neither Party will have any claim against the other for any reason including but not limited to any claim based on "part performance", "detrimental reliance", "lack of good faith" or any other cause of action arising out of this MOU.

1.2 This MOU may be terminated at any time by a Party by providing written notice of termination to the other Party.

1.3 In the event this MOU terminates, for whatever reason, each Party shall bear its own costs and expenses incurred in connection with this MOU and the transactions contemplated herein.

ARTICLE II

PROPOSED UNDERTAKINGS OF THE PARTIES

2.1 Project Development to Date. The Parties and their consultants have been collaborating to develop a detailed hangar design concept, parking configuration, building design and site work narrative and estimate of Project Cost for the proposed Project (collectively, the "Preliminary Plans"). The Preliminary Plans as of the date of this MOU are attached as, or identified in, Exhibits A - F. For purposes of this MOU, such Preliminary Plans form the basis of the Parties' understanding of the scope and costs of the Project. The Company has had the opportunity to participate in the planning of the Project and understands the nature, cost, and funding of the Project to be constructed.

2.2 Mutual Undertakings. The Parties agree to undertake the following actions in a collaborative and mutual basis:

(a) The Parties will develop plans and specifications for the Project in a form that is suitable for incorporation into public bid documents based upon a

November 14, 2017

"construction manager at risk" method of project construction. The construction period is estimated to be 24 months from authorization to proceed for Hangar 2 and 36 months from authorization to proceed for the remainder of the Project. The estimated Project schedule is detailed in Exhibit F.

(b) The Parties will finalize a detailed breakdown of the total estimated cost of the Project, presently estimated to be \$200,000,000.00 (the "Project Cost"). The Parties will collaborate on a value-engineering process with the mutual objective of securing a reduction of the Project Cost. The current breakdown of the estimated Project Cost is attached hereto as Exhibit D. The City may use savings in one or more elements of the Project Cost to defray overages in other elements of the Project Cost.

(c) The City, in accordance with applicable legal requirements, and after consultation with the Company to the extent lawfully permitted, will select the design professionals and construction manager at risk, who will be responsible for the design and construction of the Project. The selected construction manager at risk will be at risk and responsible for paying the amount by which the actual construction cost exceeds the agreed guaranteed maximum price.

(d) In the event that the actual Project Cost is projected to exceed \$200,000,000.00, the Parties will work together in good faith to find a mutually agreeable solution. In the event that, despite the Parties' good faith efforts, the projected actual Project Cost exceeds \$200,000,000.00, the Company has the right to either terminate the Project or agree to pay the additional costs in excess of \$200,000,000.00 and continue with the Project at the increased Project Cost.

(e) The Parties will negotiate a lease (the "Lease") of the Project and Project Site from City to Company that (i) establishes the respective responsibilities of the Parties; (ii) is compliant with state and federal airport guidelines; (iii) is consistent with airport industry best practices; (iv) acknowledges that the lease will be subject to and subordinate to the City's agreements with the United States of America and City Bond Resolution 59-88 (as amended and supplemented); (v) establishes fair market value annual ground rent for the Project Site (which ground rent will be abated from the date of the Lease until the date of beneficial occupancy of the Project) (A) at the estimated initial fair market rental rates of \$0.33 per square foot per year for the Hangar 2 site and \$0.35 per square foot per year for the remainder of the Project site, subject to adjustment in accordance with a current MAI appraisal of the Project Site complying with FAA guidelines which will be prepared prior to execution of the Lease, (B) that will be payable from the date of beneficial occupancy until the end of the Lease term, and (C) that will be subject to periodic adjustment as hereinafter provided; (vi) establishes rent that will repay the annual debt service requirement on any special purpose facility financing instruments requested by the Company to be issued; and (vii) has an initial term of thirty (30) years.

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(f) The parties shall be entitled to terminate the Lease without cause as follows:

(1) The Lease will provide that the Company may terminate the Lease without cause by giving the City written notice of termination at any time during or after the eighth (8th) year of the Lease. Upon the giving of such written notice of termination, this Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given.

(2) The Lease will provide that the City may terminate the Lease without cause by giving the Company written notice of termination at any time during or after the eighteenth (18th) year of the Lease. Upon the giving of such written notice of termination, the Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given.

The parties understand, however, that the ultimate funding sources for the Project may require different early termination provisions in the Lease.

(g) The Parties will agree upon an environmental baseline to determine the subsurface conditions of the Project Site at the beginning of the Lease.

(h) During the Lease term, the ground rent will be increased annually (starting in the second year of the Lease) in proportion to increases in the U. S. Consumer Price Index for All Urban Consumers ("CPI"). The CPI increases in ground rent are limited to no more than a two (2.0%) percent increase over the immediately preceding Lease year. In no event will the CPI-adjusted ground rent be less than the ground rent for the immediately preceding Lease year.

(i) The ground rent shall further be adjusted as follows: At the end of the tenth year of the Lease term, the City will engage an MAI appraiser to determine the then-current fair market rental rate of the Project Site, which rate shall be effective on the first day of the eleventh year of the Lease term; provided that the rent adjustment as the result of the re-appraisal will not exceed two percent (2.0%) compounded annually from the date of beneficial occupancy of the Project through the tenth (10th) year of the Lease. Thereafter, the appraised rate will be annually adjusted by CPI through the twentieth year of the Lease as provided in paragraph (h) above. At the end of the twentieth (20th) year of the Lease, the City will engage an MAI appraiser to determine the fair market rental rate of the Project Site, which rate shall be effective on the first day of the twenty-first year of the Lease term; provided that the rent adjustment as the result of the re-appraisal will not exceed two percent (2.0%) compounded annually from the date of beneficial occupancy of

November 14, 2017

the Project through the twentieth (20th) year of the Lease. Thereafter, the appraised rate will be annually adjusted by CPI through the thirtieth (30th) year of the Lease as provided in paragraph (h) above. The Lease will provide a procedure for the Company to challenge appraisals of the fair market rental rates. The procedures will follow the federal guidelines.

2.3 City Undertakings. The City agrees to undertake the following:

- (a) Grant the Company the right to operate the Project at the Airport.
- (b) Complete construction of the Project in accordance with the plans and specifications with a date of beneficial occupancy to be mutually agreed upon by the Parties.
- (c) Commit all of the Grant Funds identified in Article III toward the Project Cost.
- (d) Use all reasonable efforts to secure additional public/private grant funds to be used toward the Project Cost.
- (e) Subject to the terms of existing bond resolutions, approval of Bond Counsel and in accordance with the City of Pensacola Debt Incurrence and Administration Policy, facilitate the issuance of special purpose facility financing instruments to finance the portion of the Project Costs not covered by the public grants and contributions identified in Article III below, if so requested by the Company.
- (f) Obtain FAA clearance that the Project will not obstruct or interfere with the FAA's facilities and equipment located at or near the Airport.
- (g) Provide necessary law enforcement, fire protection and emergency medical services to the Project and the Company's employees.
- (h) Extend, or cause the extension, of necessary utility services to the Project using project funds as done for Hangar 1. Such utilities include, without limitation water, sewer, electrical power, natural gas and telecommunications.
- (i) Conduct an environmental baseline study of the Project Site, in which the study will form the basis for agreement between the Parties as referenced in Section 2.2(f) above.

2.4 Company Undertakings. The Company agrees to undertake the following:

- (a) Operate the Project at the Airport.

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(b) Use best efforts to establish a training center within the hangar or ancillary facility for use by a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial or general aviation industry.

(c) Upon full implementation of the Project, employ 1,200 full time employees or equivalents in Northwest Florida, at an average annual salary of not less than \$44,461; and in addition, employ 50 full time equivalents in the Administration Building. As a result of the additional MRO services and activities at the MRO campus, an additional 75 MRO related and ancillary jobs are likely, for a total of approximately 1,725 Aircraft MRO-related jobs, including Phase I. It is recognized that with an optimal aircraft mix and scheduling of services there could be as many as 2,000 MRO jobs at the Airport when combined with Phase I.

(d) Comply with all applicable laws, ordinances and regulations.

ARTICLE III

FINANCIAL RESPONSIBILITIES TOWARD CONSTRUCTION OF THE PROJECT

3.1 Grant Funds. It is anticipated that grant funds (the "Grant Funds") will be secured to offset a portion of the Project Cost. The City will take the lead in securing Grant Funds, and the Company will use its best efforts to support the City's efforts. The sources and amounts of Grant Funds will be determined during project development and prior to the execution of the Lease.

3.2 Company Financial Commitment. The Company will make a financial contribution toward the Project Cost (the "Company Financial Commitment"). The Company Financial Commitment will be determined during project development and prior to execution of the Lease and may take the form of (a) a capital contribution; (b) special purpose facility financing/project financing where the Company is solely and ultimately responsible for payment of debt issuance costs and the repayment of the debt service; or (c) a combination of (a) and (b). The form of the Company Capital Commitment shall be at the sole discretion of the Company.

3.3 Use of Grant Funds and Company Financial Commitment. The City will use 100% of the Grant Funds and the Company Financial Commitment toward the Project Cost.

3.4 Recovery of Grant Funds. The Lease will include provisions for recovery of Grant Funds from the Company in the event that the Company does not meet agreed performance requirements and/or conditions of the Grant Funds.

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3.5 City's Funding Plan. The City plans to seek funding from the following sources, each of which is prospective in nature and will be finalized in future negotiations and applications:

State - FDOT
 Florida Job Growth Fund
 Local
 Company
 Triumph Fund
 Other Funding Sources

ARTICLE IV

WORKFORCE DEVELOPMENT; TRAINING GRANTS; TAX INCENTIVES

4.1 Training Grants.

(a) The City will use its best efforts to optimize customized industry training through Workforce Escarosa, Inc. The Parties acknowledge that said training requires a 50% in-kind match.

(b) The City will use its best efforts to optimize customized industry training through the Quick Response Training Program operated by Workforce Florida, Inc. The Parties acknowledge that said training grant will be based upon the Company maintaining an agreed employment level.

4.2 Qualified Target Industry Tax Refund. The Company will use its best efforts to qualify for the Qualified Target Industry Tax Refund Program (QTI). Based upon the Company's employment of 1,200 persons, the Company's QTI is estimated to have a value of at least \$3,600,000.

4.3 Educational Programs. The City will use its best efforts to assist the Company and educational institutions to establish and continue aircraft maintenance technician programs (college) and career academy programs (high school). These programs will provide opportunities to local students. The Company will use its best efforts to provide the students of these programs jobs.

4.4 EDATE. The City will use its best efforts to assist the Company with the process to obtain an Economic Development Ad Valorem Tax Exemption (EDATE) from the County.

4.5 Sales and Use Tax Exemptions. The City will use its best efforts to assist the Company in obtaining Sales and Use Tax exemptions from the State of Florida.

4.6 Capital Expenditure Tax Reimbursement. The City will use its best efforts to assist the Company in obtaining Capital Expenditure Tax reimbursement from the State of Florida.

4.7 Support of Utility Providers. The City will use its best efforts to assist the Company in recruiting economic support for the Project from utility providers.

ARTICLE V

PHASE III

The Parties have discussed the possibility of a future expansion of the Project referred to as "Phase III." Should the Company decide to pursue the development of Phase III, the Parties agree to enter into good faith negotiations toward the execution of a memorandum of understanding and a lease agreement containing provisions materially similar to the terms and conditions found in this MOU and the Lease, respectively.

When and if the Company notifies the City of its intent to proceed with Phase III, the City will enlist the assistance of the State of Florida, Escambia County, Florida and others in an initiative to generate financial grants to fund the construction of the additional Project and the recruitment of other incentives. The City will use its best efforts to generate funding from these sources to support approximately fifty percent (or more, if available) of the project costs recognizing that public support for the Phase III will be based upon the number and quality of jobs being created, scope of Project to be constructed and the status of economic development incentive programs available at that time.

ARTICLE VI

PUBLIC RECORDS LAW; PUBLIC ANNOUNCEMENTS

The Florida Public Records Law, as contained in Chapter 119, Florida Statutes, is very broad. As a result, this MOU as well as any written or electronic transmission, communication or document created or received by City or any other public agency or entity (including but not limited to Triumph Gulf Coast, Inc.) will be made available to the public and the media, upon request. For the avoidance of doubt, all applications for funding, including without limitation all supporting materials, made or provided by City to any federal, state or local public entity or agency (including but not limited to Triumph Gulf Coast, Inc.) will be made available to the public and the media, upon request. Company understands and agrees that City's applications for funding may include references to this MOU and/or Company and its relationship to the Project and that the Company's relationship to the Project must necessarily be disclosed (verbally as well as in writing) to various individuals in order to attempt to secure funding, as well as to engineers, architects, contractors, attorneys, consultants, City personnel and others

November 14, 2017

involved in the Project. Subject to the foregoing and except as otherwise provided by the provisions of any applicable law, order, rule or regulation, City agrees that it will not make any use of the corporate or trade name of Company or its affiliates or any of its or their trademarks or logos in connection with any advertising, promotion, publicity or other printed material without the written consent of an officer of Company and that the City will make reasonable efforts not to publicly disclose or describe the Company's relationship to the Project without the prior written consent of an officer of the Company. For the avoidance of doubt, press releases regarding this MOU must be mutually agreed to in advance of release.

IN WITNESS HEREOF, the parties have executed this MOU as of the date first written above.

COMPANY:

CITY:

VT MOBILE AEROSPACE
ENGINEERING, INC.

CITY OF PENSACOLA, FLORIDA

By: Brian L. Hall

By: Ashton J. Hayward, III

Its: President

Ashton J. Hayward, III
Mayor, City of Pensacola

November 14, 2017
Page 9 of 9

MEMORANDUM OF UNDERSTANDING

VT MOBILE AEROSPACE ENGINEERING, INC

AND

CITY OF PENSACOLA, FLORIDA

EXHIBITS

Exhibit A



Exhibit B
Pensacola International Airport
Construction of MRO Facilities and Associated Buildings - Fact Sheet

PROJECT: Construction of three MRO Hangar Facilities and construction of related Office, Shop and Material Handling buildings.

OWNER: City of Pensacola – Pensacola International Airport

TARGET USER: VT Mobile Aerospace Engineering

BACKGROUND: VT MAE has an existing 30-year lease with the City of Pensacola to operate its MRO activities in Hangar 1, a 173,000-square foot facility that is currently under construction and scheduled for completion in Spring 2018. Based on input from VT leadership, they would like to significantly expand their business presence in Pensacola beyond Hangar 1. The project described below represents a significant expansion of their MRO business activities in Pensacola.

Scope: Construct Three Aircraft Maintenance Hangars, and related structures and Administration Building

- 3-aircraft hangars - 555,000 s.f. (Hangars 2, 3 & 4)
- Situated on 53+/- Acres of Airport land
- Associated aircraft parking apron
- Airside/landside Ingress and egress – aircraft/cars
- Accommodates up to a B-777 aircraft
- Office, Shops and Material Handling – 100,000 s.f.
- Administration Building – 120,000 s.f.
- Projected Cost \$200 million

New Jobs

- New Jobs in Florida range from 1,200+ full time jobs
- Average annual compensation is projected to be \$45,000 per job
- Annual direct payroll projected to be \$51.8 to \$58.5 million without regard to other direct and indirect economic impacts such as construction payrolls, demand for housing, goods, and services and sales and ad valorem taxes



Potential Sources of Funding

- Florida Job Growth Fund
- State of Florida/FDOT
- Local - City
- VT MAE
- Triumph Fund
- Other funding sources

Schedule

- Project Hangar 1: March 2018
- Completion of Hangar 2: Fall 2020
- Completion of Hangar 3, 4 & support facilities 2021-2022

Exhibit C
Typical Hangar Layout

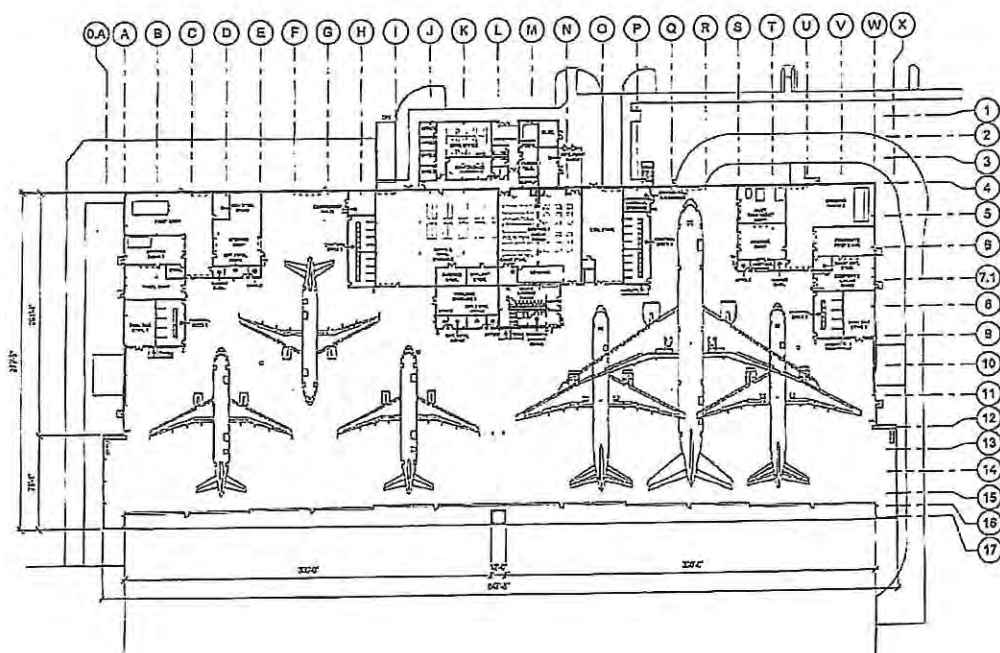


Exhibit D

VTMAE Development Program
 Potential Program Expense
 Pensacola International Airport

Facility	Occupancy	Square Feet	Pro Forma Cost Per S.F.*	Potential Total Funding Requirement
Hangar 2	2020	173,000	\$ 283	\$ 49,000,000
Hangar 3	2021	191,000	288	55,000,000
Hangar 4	2022	191,000	288	55,000,000
Shops/Warehousing/Support	2022	100,000	170	17,000,000
Administrative Building	2022	120,000	200	24,000,000
Total		775,000		200,000,000
* Escalated 3.5% per year from Phase 1				
Source: City of Pensacola				

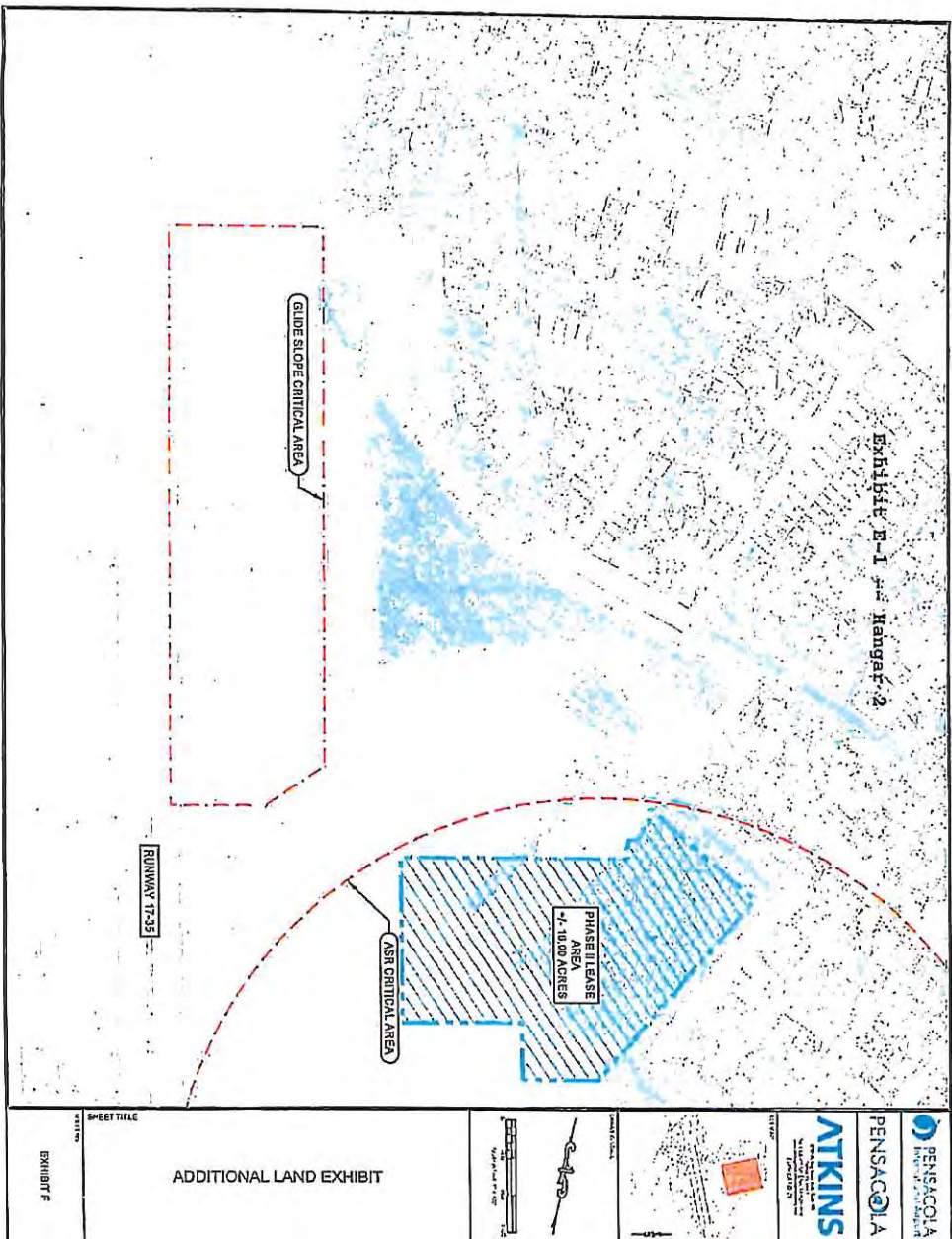


Exhibit B-2 – Hangars 3 and 4

Leased Area to be determined.



Hangars 3 and 4 are to be 191,000 Square Feet in size as of the date of this Memorandum of Understanding.

Exhibit F
Proposed Development Schedule
Pensacola Commercial Aviation Campus
Pensacola International Airport
For State of Florida Fiscal Years ending June 30

Task	2018				2019				2020				2021				2022													
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Hangar No. 2*																														
Plans/Specification/Bidding																														
Construction																														
Prerequisites for Hangar 3, 4, Support Facilities & Headquarters																														
Environmental Assessment																														
Plans/Specification/Bidding																														
Hangar No. 3* Construction																														
Hangar No. 4* Construction																														
Warehousing/Shops Construction																														
Headquarters																														

* Notes:

1. Hangars is substantially the same in design and finish as Hangar No. 1 -- currently under construction.
2. Hangars 3 and 4 are 191,000 square feet to accommodate anticipated new service lines and create maximum flexibility of facility use.
3. Leases for each project element are executed prior to the construction start dates shown.
4. There are no extraordinary Airport Infrastructure or facility mitigation required.
5. The schedule assumes that there are no labor or material shortages due to market disruption from major storms during the construction period.

VTMAE MRO COMMITMENT LETTER



March 15, 2018

The Honorable Ashton J. Hayward III
Mayor, City of Pensacola
222 West Main Street
Pensacola, Florida 32502

Re: Development of Commercial Aircraft Maintenance, Repair and Overhaul
(MRO) Campus at Pensacola International Airport - Project Titan

Dear *Mayor Hayward,*

As you know, the City of Pensacola (City) and VT Mobile Aerospace Engineering, Inc. (Company) have previously come to agreement on the terms of a Memorandum of Understanding (MOU) that outlines a general working arrangement for proceeding with the development of an MRO Campus (Project) at Pensacola International Airport. As envisioned, the campus would include three new MRO hangars, an administrative office building and a warehouse and shop space. The anticipated construction cost is \$200 million to be incurred over an approximate 5-year period. We are aligned with the City's strategic vision to create a nationally recognized MRO service center of excellence that will achieve critical mass in attracting clients for MRO services.

Over the last several months, City and Company has had several substantive discussions to narrow the scope of the business requirements, and we continue to have substantive discussions to determine and concur on a framework for proceeding toward a final definitive agreement.

We acknowledge that a requirement for the Project to advance is the ability of the City to obtain funding for the entire Project. We understand the grant funding sources and amounts currently being sought by the City include the following:

- | | |
|-----------------------------|---------------|
| • Triumph Gulf Coast, Inc. | \$130 Million |
| • State of Florida/FDOT/DEO | \$25 Million |
| • Local Funds | \$10 Million |

If the City is successful in obtaining the above funds, a total of \$165 million of the total \$200 million required for the Project will have been committed.



Co-Confidential

To advance this Project and to demonstrate our financial support, Company commits to make a co-investment of up to \$35 million toward the cost of the Project. This financial commitment may take the form of a cash contribution, special purpose financing where the Company is solely and ultimately responsible, or a combination thereof, subject to final board approval. The Company's financial commitment is contingent upon the City's ability to obtain grant funding sufficient in amount to pay for the balance of costs associated with the Project and the execution of a final Development Agreement that defines the legal rights and responsibilities between the parties regarding the entire Project. Once these conditions are met, Company will deposit funds into an escrow account, the terms of which will be negotiated between the parties.

Notwithstanding our financial commitment herein, we recognize that there are many other business terms to be negotiated in good faith between the parties and we look forward to discussing those in the near future. Ultimately we believe these issues will be resolved through the Development Agreement or the Real Property leases.

We look forward to continuing and expanding our relationship with the City and others in Northwest Florida on this exciting and transformational project.

Yours truly,

Stephen Lim
Executive Director

UNIVERSITY OF WEST FLORIDA
ECONOMIC IMPACT OF PROPOSED EXPANSION
PENSACOLA INTERNATIONAL AIRPORT

Economic Impact of Proposed Expansion of Pensacola International Airport
August 31, 2017

The Haas Center was engaged to assess the economic impact of a proposed expansion of the city-owned Pensacola International Airport. The proposed infrastructure project with a capital investment of \$171 million over three years would result in three new hangars totaling 543,000 square feet. These hangars (Hangar 2, Hangar 3 and Hangar 4) are in addition to Hangar 1 which is nearing completion. Hangars 2, 3 and 4 will be used for Aircraft Maintenance, Repair and Overhaul (MRO) activities. Because the hangars will be used primarily for overhaul of aircraft rather than maintenance and repair, the activity is within the Aerospace Product and Parts Manufacturing Industry (NAICS code 3364).

Econometric Modeling Assumptions:

- The activity occurs within and the impact is measured relative to the State of Florida.
- Employment is within Aerospace Product and Parts Manufacturing (NAICS code 3364).
- Construction of Hangar 1 (already underway) will be completed and begin operation in 2018, which will employ 400 workers through at least 2031¹.
- Capital expenditures for Hangars 2, 3 and 4 will be complete by 2020.
- Hangar 2 will be operational in 2020 and will employ 400 workers through at least 2031.
- Hangars 3 and 4 will be operational in 2021 and will employ 800 workers combined through at least 2031.
- Hangars 2, 3 and 4 are substantially similar to each other and to Hangar 1.

These inputs were run through an econometric simulation model² in order to determine the impact on the state of Florida should Hangars 2, 3, and 4 proceed as outlined above. Results for the project, including the one-time impact of capital expenditures and the continuing effects of the newly created jobs, are provided below. A list of modeling assumptions, a description of the model used and definitions of terms can be found after the project results tables.

¹ 2031 is selected because it is ten years of operation after the 1,200 jobs related to Hangars 2, 3 and 4 are underway beginning in 2022.

² REMI PI+ Version 2.1.1

Table 1: Hangars 2, 3 and 4 combined Impact (543,000 square feet; 1,200 direct jobs; \$171 million in total capital investment)

	2018	2019	2020	2021	2022	2023	2024-2031 (average) ³
<i>Total Employment (Jobs)</i>	1,163	1,156	2,687	4,719	4,810	4,892	4,699
<i>Gross Domestic Product (Millions of Fixed 2009 \$)</i>	\$ 75.1	\$ 76.6	\$ 243.6	\$ 516.0	\$ 536.6	\$ 555.6	\$ 596.9
<i>Output (Millions of Fixed 2009 \$)</i>	\$ 119.3	\$ 121.8	\$ 434.7	\$ 965.9	\$ 1,002.0	\$ 1,034.4	\$ 1,117.9
<i>Personal Income (Millions of Current \$)</i>	\$ 67.2	\$ 75.0	\$ 193.4	\$ 377.3	\$ 419.5	\$ 456.1	\$ 581.5

As stated in the assumptions, Hangars 2, 3 and 4 will be employing 1,200 workers beginning in 2022. From that point, in addition to the 1,200 jobs directly related to the new hangars, the activity will support an additional 3,422 to 3,692 jobs in the state. Each year, this activity is expected to produce more than \$400 million in Personal Income and an increase in Florida's GDP of almost \$600 million.

These values are independent of the economic activities flowing from the capital investment and employment related to Hangar 1. Therefore, these figures only represent the economic activity related to the capital investment and employment related to Hangars 2, 3 and 4.

³ 2024-2031 average annual data is presented as an average here for clarity. Full yearly data is provided below.

Table 2: Sector Level Employment

<i>Category</i>	2018	2019	2020	2021	2022	2023	2024-2031 (avg.)⁴
<i>Manufacturing</i>	27	27	496	1,407	1,397	1,388	1,355
<i>Retail Trade</i>	87	84	224	417	417	430	439
<i>Construction</i>	658	648	779	513	572	572	374
<i>Professional, Scientific, and Technical Services</i>	38	48	156	334	343	350	350
<i>Health Care and Social Assistance</i>	60	57	154	288	286	298	325
<i>Administrative and Waste Management Services</i>	38	38	131	281	281	285	278
<i>Accommodation and Food Services</i>	43	43	117	221	227	243	271
<i>Real Estate and Rental and Leasing</i>	33	31	87	163	166	173	172
<i>Management of Companies and Enterprises</i>	6	6	59	160	159	160	160
<i>Other Services, except Public Administration</i>	40	33	99	185	168	166	152
<i>Finance and Insurance</i>	32	28	83	160	150	147	132

REMI model

Econometric simulation models combine the sector detail and geography detail of input/output models but provide for functioning economic linkages between sectors and regions over time. The current study uses REMI PI+ Version 2.1.1 (Regional Economic Models Inc.), a structural econometric model of the state of Florida. It incorporates the basic input/output linkages, but

⁴ 2024-2031 average annual data is presented as an average here for clarity. Full yearly data is provided below.

also uses econometrically estimated county-specific parameters, for example, interregional migration in response to changes in economic opportunities, in generating impact results. Because of these between-sector linkages, the model incorporates general equilibrium tendencies as the economy responds to shocks over time. That is, changes in spending in a region affect not just conditions in that market, but also in other markets within the region (economists term this a “general equilibrium”) and outside the region (via trade and also via migration in response to changes in economic opportunities). This describes the phenomenon whereby, for example, a new manufacturing facility opens in a county, and other manufacturers and related industries may have to increase their pay or benefits in order to prevent their workers from leaving to take a job at the new facility. A traditional input-output model description of the economic impact would have held other economic factors fixed (including manufacturing wages across the county) and simply documented the employment and job creation effects resulting directly at the new manufacturing facility and indirectly via businesses in its supply chain, as well as household spending induced by the new income flows.

A simulation model such as REMI captures not only the spending effects flowing from the new manufacturing facility and its local suppliers and employees and owners, but also the spillover effects into other markets as wages and prices change due to competition for the same employees and other resources. These effects are the general equilibrium (equilibrium across all markets simultaneously) tendencies of the model. It also simulates the adjustment path over time of these market responses, using historical parameters estimated specifically for that county (the dynamic component).

Glossary of terms

Analysis of economic impact. The assessment of a change in overall economic activity that occurs as a result of a corresponding change in one or more components economic activities, such as the addition of new businesses and jobs.

Employment. Employment comprises estimates of the number of jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.

Multiplier. The multiplier is the ratio of the change in equilibrium divided by the original change in spending that causes the change. Each industry that produces goods and services generates demands for other goods and services. These demands ripple through the economy, multiplying the original economic impact.

Income. Income received by persons from all sources. It includes income received from employment or investments as well as government or employer transfer payments.

Transfer payment. A payment of money for which no money, good, or service is received in exchange. Examples include social security, old age or disability pensions, student grants, unemployment compensation, etc.

Table 3: Impact Summary

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Employment	1,163	1,156	2,687	4,719	4,810	4,892	4,872	4,808	4,745	4,686	4,644	4,624	4,622	4,635
Gross Domestic Product (Millions of Fixed 2009\$)	\$ 75.1	\$ 76.6	\$ 243.6	\$ 516.0	\$ 536.6	\$ 555.6	\$ 566.4	\$ 572.7	\$ 578.2	\$ 584.1	\$ 591.9	\$ 601.6	\$ 612.8	\$ 625.3
Output (Millions of Fixed 2009\$)	\$ 119.3	\$ 121.8	\$ 434.7	\$ 965.9	\$ 1002.0	\$ 1034.4	\$ 1053.3	\$ 1066.7	\$ 1078.7	\$ 1092.0	\$ 1108.5	\$ 1128.5	\$ 1151.5	\$ 1176.9
Personal Income (Millions of Current \$)	\$ 67.2	\$ 75.0	\$ 193.4	\$ 377.3	\$ 419.5	\$ 456.1	\$ 484.6	\$ 508.9	\$ 531.4	\$ 553.4	\$ 576.5	\$ 601.8	\$ 628.8	\$ 658.1

Table 4: Employment by Sector

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<i>Manufacturing</i>	27	27	496	1,407	1,397	1,388	1,378	1,369	1,362	1,356	1,350	1,345	1,342	1,339
<i>Retail Trade</i>	87	84	224	417	417	430	434	435	436	436	437	440	444	448
<i>Professional, Scientific, and Technical Services</i>	38	48	156	334	343	350	350	349	348	348	348	350	352	356
<i>Health Care and Social Assistance</i>	60	57	154	288	286	298	305	309	314	320	326	334	342	352
<i>Accommodation and Food Services</i>	43	43	117	221	227	243	253	259	265	270	274	279	283	287
<i>Administrative and Waste Management Services</i>	38	38	131	281	281	285	284	281	279	277	276	276	277	278
<i>Construction</i>	658	648	779	513	572	572	537	483	426	375	332	300	277	262
<i>Real Estate and Rental and Leasing</i>	33	31	87	163	166	173	175	174	172	171	170	171	172	173
<i>Management of Companies and Enterprises</i>	6	6	59	160	159	160	160	160	160	160	160	161	161	162
<i>Other Services, except Public Administration</i>	40	33	99	185	168	166	162	157	153	151	149	148	148	149
<i>Finance and Insurance</i>	32	28	83	160	150	147	142	137	134	131	129	128	129	129
<i>Wholesale Trade</i>	24	24	67	131	131	132	131	129	128	127	126	125	125	126
<i>Transportation and Warehousing</i>	16	15	44	88	85	82	79	75	71	69	66	65	63	63
<i>Information</i>	8	8	25	50	49	49	49	48	48	48	48	48	48	49
<i>Arts, Entertainment, and Recreation</i>	11	9	29	55	51	50	48	47	46	45	45	45	45	46
<i>Educational services; private</i>	6	6	16	30	31	32	33	33	33	33	33	33	34	34
<i>Mining</i>	2	1	6	15	16	16	16	15	14	14	13	12	12	12
<i>Utilities</i>	1	1	3	6	6	6	6	6	6	6	6	5	5	5
<i>Forestry, Fishing, and Related Activities</i>	1	1	4	8	7	7	6	6	5	5	4	4	4	4

MINUTES OF THE PUBLIC FORUM WORK SESSION AND
REGULAR MEETING OF
THE BOARD OF COUNTY COMMISSIONERS
HELD DECEMBER 14, 2017

MINUTES OF THE PUBLIC FORUM WORK SESSION AND REGULAR MEETING OF
THE BOARD OF COUNTY COMMISSIONERS
HELD DECEMBER 14, 2017
BOARD CHAMBERS, FIRST FLOOR, ERNIE LEE MAGAHA GOVERNMENT BUILDING
221 PALAFOX PLACE, PENSACOLA, FLORIDA
(4:33 p.m. – 7:38 p.m.)

Present: Commissioner Jeffrey W. Bergosh, Chairman, District 1
Commissioner Lumon J. May, Vice Chairman, District 3
Commissioner Douglas B. Underhill, District 2
Commissioner Grover C. Robinson IV, District 4
Commissioner Steven L. Barry, District 5
Susan A. Woolf, General Counsel, Clerk and Comptroller's Office
(Regular Board Meeting only)
Jack R. Brown, County Administrator
Alison Rogers, County Attorney
DeLana Allen-Busbee, Office Assistant III, Clerk and Comptroller's Office
Jessica Whittle, Legal Assistant, Clerk and Comptroller's Office
Judy H. Witterstaeter, Program Coordinator, County Administrator's Office

PUBLIC FORUM WORK SESSION

Chairman Bergosh called the Public Forum Work Session to order at 4:33 p.m.

1. FOR INFORMATION: The Board heard comments from the following individuals concerning privatization of land on Pensacola Beach:

Lorrie Newman ►
Sarah Hall ►
Dianne Krumel ►

2. FOR INFORMATION: The Board heard a proposal from Shirley Stone concerning a re-entry transitional housing program. ►

5:05 P.M. – PUBLIC FORUM ADJOURNED

5:34 P.M. – REGULAR BOARD MEETING CONVENED

REGULAR BCC AGENDA

1. Call to Order

Chairman Bergosh called the Regular Meeting of the Board of County Commissioners to order at 5:34 p.m.

2. Invocation

Tim Coleman of Point Baptist Church delivered the Invocation.

PUBLIC FORUM WORK SESSION AND REGULAR BCC MEETING MINUTES – Continued

COUNTY ADMINISTRATOR'S REPORT – Continued

III. FOR DISCUSSION

1. Escambia County Disability Awareness Committee ►

Motion made by Commissioner Barry, seconded by Commissioner Robinson, and carried unanimously, appointing Lisa Autrey Hopkins to the ECDAC, to serve as one of the two "At Large" appointees, for a four-year term, effective January 2, 2018, through January 1, 2022.

Motion made by Commissioner Underhill, seconded by Commissioner May, and carried unanimously, appointing Kenneth R. Holt to the ECDAC, to serve as one of the two "At Large" appointees, for a four-year term, effective January 2, 2018, through January 1, 2022.

Escambia County's Community & Media Relations Office posted a General Alert on the County's website for two weeks, from October 25, 2017, to November 8, 2017, to seek volunteers to fill one of the "At-Large" positions on the Escambia County Disability Awareness Committee; Lisa Autrey Hopkins, Kenneth R. Holt, Mary Lynn Williams, and Julia Kaple responded to the General Alert.

Arthur R. Nunamaker, one of the two "At Large" appointees on the ECDAC, whose term will expire on January 1, 2018, has indicated that he would like to be considered for reappointment.

2. Shepherds Place Intact Transitional ►

Motion made by Commissioner Robinson, seconded by Commissioner Barry, and carried unanimously, approving the contribution of \$10,000 of discretionary funds by Commissioner Grover Robinson to the 501(c)(3) non-profit Shepherds Place Intact Transitional (Funding: Fund 001, General Fund, Discretionary Money, Cost Center 110101, Object Code 58201).

3. City of Pensacola TRIUMPH Ask ►

Motion made by Commissioner Robinson, seconded by Commissioner May, and carried 4-1, with Commissioner Underhill voting "no," approving to submit an affirmative position in the preliminary application for the City for this particular project with VT MAE.

MINUTES OF THE PUBLIC FORUM WORK SESSION
AND REGULAR MEETING OF THE
BOARD OF COUNTY COMMISSIONERS
HELD APRIL 17, 2018

MINUTES OF THE PUBLIC FORUM WORK SESSION AND REGULAR MEETING OF THE
BOARD OF COUNTY COMMISSIONERS
HELD APRIL 17, 2018
BOARD CHAMBERS, FIRST FLOOR, ERNIE LEE MAGAHA GOVERNMENT BUILDING
221 PALAFOX PLACE, PENSACOLA, FLORIDA
(4:30 p.m. – 7:38 p.m.)

Present: Commissioner Jeffrey W. Bergosh, Chairman, District 1
Commissioner Lumon J. May, Vice Chairman, District 3
Commissioner Steven L. Barry, District 5
Commissioner Grover C. Robinson IV, District 4
Commissioner Douglas B. Underhill, District 2
Honorable Pam Childers, Clerk of the Circuit Court and Comptroller
(Regular Board Meeting Only)
Susan Woolf, General Counsel, Clerk and Comptroller's Office
(Regular Board Meeting Only)
Jack R. Brown, County Administrator
Charlie Peppler, Deputy County Attorney
DeLana Allen-Busbee, Office Assistant III, Clerk and Comptroller's Office
Judy H. Witterstaeter, Program Coordinator, County Administrator's Office

PUBLIC FORUM WORK SESSION

Chairman Bergosh called the Public Forum Work Session to order at 4:30 p.m.

1. FOR INFORMATION: The Board heard comments from Ernest Stanberry, Jr., regarding issues with his property in Ensley. ►
2. FOR INFORMATION: The Board heard comments from Dr. Gloria Horning concerning the passing of Gary Sansing and a request to re-name Public Forum in his honor. ►
3. FOR INFORMATION: The Board heard comments from the following individuals concerning the re-instatement of payments to outside agencies:

Walter B. Watson Jr. ►
Laura Gilliam ►
4. FOR INFORMATION: The Board heard comments from the following individuals regarding an Ordinance allowing the sale of liquor within a specified number of feet from churches, schools, and residences:

Pastor Bill Adams ►
Robert Love ►

PUBLIC FORUM WORK SESSION AND REGULAR BCC MEETING MINUTES – Continued

COUNTY ADMINISTRATOR'S REPORT – Continued

I. TECHNICAL/PUBLIC SERVICE CONSENT AGENDA – Continued

8. Adoption of a Resolution ►

Motion made by Commissioner Robinson, seconded by Commissioner Underhill, and carried unanimously, adopting the Resolution [R2018-37] approving the plan of finance therein described and the issuance and sale of not-exceeding \$6,600,000 Multi-family Housing Revenue Bonds (the "Bonds") by the Escambia County Housing Finance Authority (the "Authority"), to be used to finance or refinance the Affordable Housing Project located in Taylor County, Florida.

Speaker(s):

Patricia Lott

9. Triumph Applications ►

Motion made by Commissioner Robinson, seconded by Commissioner Underhill, and carried unanimously, approving to drop the application for the Downtown Sports Complex and Events Venue, submitted by Escambia County and Pensacola Arena Development Partners [Item A of the recommendation on the agenda].

Motion made by Commissioner Robinson, seconded by Commissioner Underhill, and carried unanimously, acknowledging submittal and reaffirming support for the following Triumph Applications [Items B and C of the recommendation on the agenda], to the Triumph Gulf Coast Board (Note: the complete applications can be found at the MyFloridaTriumph.com website):

- A. Diversifying the Economy via Sector Workforce Development, submitted by the Escambia County School Board; and
- B. Innovation Network Project at Downtown Technology Park, submitted by the University of West Florida.

Motion made by Commissioner Robinson, seconded by Commissioner May, and carried 4-1, with Commissioner Underhill voting "no," acknowledging submittal and reaffirming support for the Triumph Application Commercial Aircraft Maintenance Campus, submitted by the City of Pensacola, to the Triumph Gulf Coast Board [Item D of the recommendation on the agenda] (Note: the complete application can be found at the MyFloridaTriumph.com website).

(Continued on Page 13)

PROJECT SUPPORT LETTERS

May 10, 2018

Honorable Mayor Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, Florida 32522

Mayor Hayward:

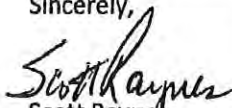
We are pleased to support your application to the Triumph Gulf Coast Board of Directors and applaud your success and continued efforts to expand our economic diversity, workforce opportunities and improve the quality of life for not just the City of Pensacola but for the entire panhandle region. The Pensacola International Airport MRO Expansion project will do just that. It leverages on current start up activity and inertia with VT Aerospace and partners with various educational institutions on education and workforce training and certification programs.

The project is holistically designed to succeed in transforming the area economy and industrial development while leveraging on exiting military personnel from Eglin, Hurlburt, Tyndall, Whiting and NAS Pensacola military bases. The programs delivered through the Escambia County School District, Pensacola State College and the University of West Florida also give young people, entering the workforce, the opportunity of a high paying career.

The additional 1,325 direct and over 4,000 indirect jobs with payroll of \$400,000,000 coupled with the current 400 new jobs at the MRO facility truly transform our regional economy and career offerings. The MRO campus, once complete will be the fifth largest private employer in Escambia County. It will help draw a national corporate headquarters and establish the second largest and most modern MRO facility in North America.

This is a once in a generation opportunity for any community and as stated above, we are pleased to support your application.

Sincerely,


Scott Raynes

EVP/President of Baptist Hospital, Inc.



1717 North E Street, Suite 320
Pensacola, FL 32501
Phone: 850-469-2338 Fax: 850-434-4841

May 10, 2018

The Honorable Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

Dear Mayor Hayward:

I am pleased to provide this letter of support for the City Pensacola's application to the Triumph Gulf Coast, Inc. for the commercial aircraft Maintenance, Repair and Overhaul (MRO) campus as this project promises to impact the international deficit of qualified and well-trained airplane mechanics while bringing positive economic changes to our community.

Our region will be significantly impacted by the project as it is planned to provide 4,725 direct and indirect jobs that create \$400 Million in annual personal income. A project of this magnitude will also provide for generational change as more of our citizens become trained in airplane mechanics and similar programs not currently at the forefront of our economy. I also believe that your excellent relationship with VT Aerospace Engineering provides viability and sustainability for the request.

We look forward to collaborating with you, VT Aerospace and the City to provide qualified employees who can take advantage of the many opportunities that this project will make available including educational institution business, accounting, marketing, engineering and computer graduates. I am always happy working to provide more opportunities for our workforce development and the MRO will do just that. I congratulate you on this exciting project and wholeheartedly support your application.

Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Faulkner', written over the word 'Sincerely,'.

Mark Faulkner
President & CEO



Board of County Commissioners • Escambia County, Florida

January 8, 2018

Florida Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317

REF: City of Pensacola – Commercial Aircraft Maintenance Campus

Dear TRIUMPH Gulf Coast Board Members,

At our regularly scheduled board meeting on December 14, 2017, the Escambia County Board of County Commissioners (BOCC) voted to support the City of Pensacola – Commercial Aircraft Maintenance Campus Project.

The City of Pensacola – Commercial Aircraft Maintenance Campus Project represents a transformational opportunity for new jobs, economic diversification, and economic improvement for the citizens of Escambia County and Northwest Florida. The project will build upon the presence of VT Mobile Aerospace Engineering at the Pensacola International Airport and will provide additional hangars, shops and warehouses, engineering and training facilities, as well as taxiways and aircraft parking ramps. This project will firmly establish an Aerospace and Aviation industry sector in the regional economy and diversify economic activity in the region. The facility will be a catalyst for the co-location of partner companies, startups and future growth in the high-tech aerospace engineering industry in Northwest Florida.

Thank you for considering Escambia County's group of supported projects for funding. Please let us know if we can provide any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Bergosh", is written over the word "Sincerely,".

Jeff Bergosh, Chairman
Escambia County Board of County Commissioners

Cc: Commissioner Douglas B. Underhill
Commissioner Lumon May
Commissioner Grover C. Robinson, IV
Commissioner Steven Barry



Sheryl Rehberg
Executive Director

Steve Rhodes
Board Chairman

CareerSource Escarosa

3670-2A North L Street Pensacola, FL 32505
p: 850.473.0939 | f: 850.473.0935

Careersourceescarosa.com

May 10, 2018

Honorable Mayor Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, Florida 32522

Dear Mayor Hayward:

On behalf of CareerSource Escarosa, your local Regional Workforce Development Board, I am pleased to support your application to the Triumph Gulf Coast Board of Directors and applaud your success and continued efforts to expand our economic diversity, workforce opportunities and improve the quality of life for not just the City of Pensacola but for the entire panhandle region. The Pensacola International Airport MRO Expansion project will do just that. We have been engaged with VT Aerospace in recruiting their workers, and are familiar with the need for workforce in this particular industry sector.

The project is holistically designed to succeed in transforming the area economy and industrial development while providing additional concentration on the talent available here in exiting military personnel from Eglin, Hurlburt, Tyndall, Whiting and NAS Pensacola military bases. The programs delivered through the Escambia County School District, Pensacola State College and the University of West Florida also give young people entering the workforce the opportunity of a high paying career. Added jobs give the parents of students in our schools opportunities for training and advancing in careers as well.

The additional 1,325 direct and over 4,000 indirect jobs with payroll of \$400,000,000 coupled with the current 400 new jobs at the MRO facility truly transform our regional economy and career offerings. In my long history of working with Economic Development, representing workforce needs and impact of job creation and training, I do not hesitate to say recruiting more jobs in this advancing manufacturing sector of aerospace are critical to the success of creating a more thriving economy for the Northwest Florida region, and fits exactly the goals of economic and workforce development at this moment in time and into the future.

Thank you for the opportunity to help make the case for this important leap forward!

Sheryl Rehberg, CEO

Sheryl Rehberg
CareerSource Escarosa





The Honorable Ashton Hayward
 City of Pensacola
 222 West Main Street
 Pensacola, FL 32502

Dear Mayor Hayward:

The Greater Pensacola Chamber of Commerce is pleased to provide this letter of support for the City of Pensacola's application to Triumph Gulf Coast, Inc. for the commercial aircraft Maintenance, Repair and Overhaul (MRO) campus at Pensacola International Airport. This transformative project promises to provide stable, well-paying jobs while bringing positive economic changes to our community.

Our region will be significantly impacted by the project as it is planned to provide 4,725 direct and indirect jobs creating \$400 Million in annual personal income. A project of this magnitude will also provide for generational change as more of our citizens become trained in the highly specialized field of airplane mechanics and similar programs not currently at the forefront of our economy. We also believe that the excellent current working relationship with VT Aerospace Engineering provides viability and sustainability for the request.

The timing of this project also coincides well with the recently approved Escambia County Workforce Development project approved by Triumph Gulf Coast last month. That project, which was also supported by the Greater Pensacola Chamber of Commerce, is focused on providing the future workforce necessary for projects such as this. The creation of good, well-paying jobs and the development of skills for these jobs are what makes this project so appealing to our Board of Directors.

The Greater Pensacola Chamber of Commerce Board of Directors congratulates you on this exciting project and wholeheartedly supports your application.

Please do not hesitate to contact me should you have any questions or if we can assist.

Respectfully,

Stephen R. Moorhead
 Chairman of the Board, Greater Pensacola
 Chamber of Commerce

About the Greater Pensacola Chamber

Founded in 1889, the Greater Pensacola Chamber is driven to create a climate of growth and success, to ensure economic prosperity and to enhance the quality of life in Greater Pensacola. For additional information, please visit www.pensacolachamber.com, facebook.com/pensacolachamber, linkedin.com/company/greaterpensacolachamber or follow @pcolachamber.



"Making A Positive Difference"

May 10, 2018

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD

PENSACOLA, FL 32505

PH. 850/432-6121 • FAX: 850/469-6379

<http://www.ecsd-fl.schoolloop.com>

MALCOLM THOMAS, SUPERINTENDENT

Honorable Mayor Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, Florida 32522

Mayor Hayward:

We are pleased to support your application to the Triumph Gulf Coast Board of Directors and applaud your success and continued efforts to expand our economic diversity, workforce opportunities and improve the quality of life for not just the City of Pensacola but for the entire panhandle region. The Pensacola International Airport MRO Expansion project will do just that. It leverages on current start up activity and inertia with VT Aerospace and partners with various educational institutions on education and workforce training and certification programs.

The project is holistically designed to succeed in transforming the area economy and industrial development while leveraging on exiting military personnel from Eglin, Hurlburt, Tyndall, Whiting and NAS Pensacola military bases. The programs delivered through the Escambia County School District, Pensacola State College and the University of West Florida also give young people, entering the workforce, the opportunity of a high paying career.

The additional 1,325 direct and over 4,000 indirect jobs with payroll of \$400,000,000 coupled with the current 400 new jobs at the MRO facility truly transform our regional economy and career offerings. The MRO campus, once complete will be the fifth largest private employer in Escambia County. It will help draw a national corporate headquarters and establish the second largest and most modern MRO facility in North America.

This is a once in a generation opportunity for any community and as stated above, we are pleased to support your application.

Sincerely,

Malcolm Thomas



May 10, 2018

Honorable Mayor Ashton Hayward

City of Pensacola

222 West Main Street

Pensacola, FL 32522

Mayor Hayward:

First Place Partners believes the Pensacola International Airport MRO expansion is one of the most transformational projects ever for the economic development of our region. As such, we are very pleased to endorse wholeheartedly your application for funding from the Triumph Gulf Coast Board of Directors.

The recent approval by the Triumph Board of more \$3 million for workforce skills training – including aviation maintenance, repair and overhaul certification – was the perfect precursor for the addition of another 1,325 direct jobs and a major reason this request should be approved. What good is the training without the jobs?

We also believe these new high-income jobs will provide a seamless transition for our exiting military personnel from Eglin, Hurlburt, Tyndall, Whiting and NAS Pensacola, further strengthening the region's ties with the military.

Expanding the VT Aerospace presence in our region also sends a strong signal to other aviation companies that Northwest Florida is an excellent choice for doing business. It will help us create a cluster of high-pay, high-tech, and high-impact jobs – a generational opportunity for years to come.

On behalf of the 51 businesses and organizations that make up First Place Partners, I strongly encourage the Triumph Board to approve this application. We look forward to continuing to work with you to bring good jobs to our region.

Sincerely,



John L. Hutchinson
Director, First Place Partners

Phone: 850-324-0099

email: JohnLucasHutchinson@gmail.com

FloridaWest
Economic Development Alliance
117 West Main Street
Pensacola, FL 32502

Florida
West

January 2, 2018

Mayor Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

Dear Mayor Hayward

FloridaWest Economic Development Alliance is pleased to submit this letter of support for the City of Pensacola's grant proposal to the Triumph Gulf Coast Board of Directors. The investment will allow for the building of three additional hangars and support offices that will bring more jobs to Pensacola International Airport.

Once completed, the VT MAE project will not only provide jobs, but will also be instrumental in drawing further aerospace industry to the region. The jobs provided by many of these types of companies are typically above the regional and national averages, a key data point emphasized by the Triumph Gulf Coast Board of Directors. Once completed, the project will also help diversify the economy of Escambia County and Northwest Florida by bringing in new industries.

We look forward to working with the City to continue to improve and diversify the economy of Northwest Florida.

Sincerely,



Wendell Smith
President, FloridaWest Board of Directors



May 14, 2018

The Honorable Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

Dear Mayor Hayward:

I am pleased to provide this letter of support for the City Pensacola's application to the Triumph Gulf Coast, Inc. for the commercial aircraft Maintenance, Repair and Overhaul (MRO) campus. This project promises to provide a positive economic impact to our community.

The region will be significantly affected by the project, as it plans to provide 1,325 direct and over 4,000 indirect jobs with a payroll of \$400,000,000, coupled with the current 400 new jobs at the MRO facility. A project of this magnitude will provide for generational change as more of our citizens become trained in airplane mechanics and similar programs not currently at the forefront of our economy.

Once complete, the airport MRO expansion project will provide regional jobs for those in Walton, Okaloosa, Santa Rosa, and Escambia Counties. It will be instrumental in drawing further aerospace industry to the region. The jobs provided by many of these types of companies are typically above the regional and national average wages, a key data point emphasized by the Triumph Gulf Coast Board of Directors. Once completed, the project will also help diversify the economy of Escambia County and Northwest Florida by bringing in new aerospace and aeronautical industries.

We look forward to working with the City to continue to improve and diversify the economy of Northwest Florida. Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Debbie Calder".

Debbie Calder
Executive Vice President
Greater Pensacola Operations

DC:ccl



PENSACOLA STATE COLLEGE

May 11, 2018

Office of the President

Pensacola State College
1000 College Boulevard
Pensacola, FL 32504-8998

850-484-1700
Fax 850-484-1840

www.pensacolastate.edu

Honorable Mayor Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, Florida 32522

Dear Mayor Hayward:

We are pleased to support your application to the Triumph Gulf Coast Board of Directors and applaud your success and continued efforts to expand our economic diversity, workforce opportunities and improve the quality of life for not just the City of Pensacola but for the entire panhandle region. The Pensacola International Airport MRO Expansion project will do just that. It leverages on current start up activity and inertia with VT Aerospace and partners with various educational institutions on education and workforce training and certification programs.

The project is holistically designed to succeed in transforming the area economy and industrial development while leveraging on exiting military personnel from Eglin, Hurlburt, Tyndall, Whiting and NAS Pensacola military bases. The programs delivered through the Escambia County School District, Pensacola State College and the University of West Florida also give young people, entering the workforce, the opportunity of a high paying career.

The additional 1,325 direct and over 4,000 indirect jobs with payroll of \$400,000,000 coupled with the current 400 new jobs at the MRO facility truly transform our regional economy and career offerings. The MRO campus, once complete, will be the fifth largest private employer in Escambia County. It will help draw a national corporate headquarters and establish the second largest and most modern MRO facility in North America.

This is a once in a generation opportunity for any community and as stated above, we are pleased to support your application.

Sincerely,

Edward Meadows
President

Pensacola State College
is a member of the
Florida College System



5151 N. Ninth Avenue • P.O. Box 2700
Pensacola, Florida 32513-2700
850-416-7000
www.sacred-heart.org

The Honorable Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

May 15, 2018

Dear Mayor Hayward:

I am pleased to provide this letter of support for the City Pensacola's application to the Triumph Gulf Coast, Inc. for the commercial aircraft Maintenance, Repair and Overhaul (MRO) campus as this project promises to impact the international deficit of qualified and well-trained airplane mechanics while bringing positive economic changes to our community.

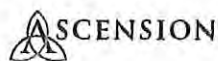
Our region will be significantly impacted by the project as it is planned to provide 4,725 direct and indirect jobs that create \$400 Million in annual personal income. A project of this magnitude will also provide for generational change as more of our citizens become trained in airplane mechanics and similar programs not currently at the forefront of our economy. I also believe that your excellent relationship with VT Aerospace Engineering provides viability and sustainability for the request.

We look forward to collaborating with you, VT Aerospace and the City to provide qualified employees who can take advantage of the many opportunities that this project will make available including educational institution business, accounting, marketing, engineering and computer graduates. I am always happy working to provide more opportunities for our workforce development and the MRO will do just that. I congratulate you on this exciting project and wholeheartedly support your application.

Please do not hesitate to contact me should you have any questions.

Sincerely,

Tom VanOsdol
President and CEO Sacred Heart Health System
Ministry Market Executive, Ascension Florida



Affiliated with:
University of Florida Health
MD Anderson Cancer Network ®
Methodist Homes for the Aging



Office of the President
11000 University Parkway
Pensacola, FL 32514-5750

March 12, 2018

The Honorable Ashton Hayward
City of Pensacola
222 West Main Street
Pensacola, FL 32502

Dear Mayor Hayward:

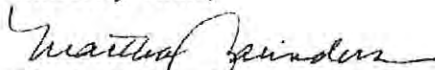
I am pleased to provide this letter of support for the City of Pensacola's application to the Triumph Gulf Coast Inc. for the Commercial Aircraft Maintenance, Repair and Overhaul campus (MRO), as this project promises to impact the international deficit of qualified and well-trained airplane mechanics while bringing positive economic changes to our community.

Our region will be significantly impacted by this project as it is planned to provide 4,725 direct and indirect jobs that create \$400 million in annual personal income. A project of this magnitude will also provide for generational change as more of our citizens become trained in airplane mechanics and similar programs not currently at the forefront of our economy. I also believe that your excellent relationship with VT Aerospace Engineering provides viability and sustainability for the request.

The University of West Florida looks forward to collaborating with you, VT Aerospace and the City to provide qualified employees who can take advantage of the many opportunities that this project will make available including our business, accounting, marketing, engineering and computer graduates. As President, I am always working to provide more opportunities for our students in the areas of internships, co-ops and jobs after graduation, and the MRO will do just that. I congratulate you on this exciting project and wholeheartedly support your application.

Please do not hesitate to contact me should you have any questions.

Sincerely Yours,


Martha D. Saunders
President

ST ENGINEERING 2017 ANNUAL REPORT

A complex geometric construction diagram, likely a descriptive geometry drawing, featuring a central point with multiple concentric circles and radial lines. Various points are labeled with letters (A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z) and numbers (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100). The diagram includes various lines, arcs, and points, with some areas shaded in light gray. The text "ENGINEERING YOUR FUTURE" is centered above the main title. The background is a light gray grid.

ENGINEERING YOUR FUTURE

2017 | ANNUAL REPORT



ST Engineering

GROUP OVERVIEW

ST Engineering is a global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. Incorporated in 1997 and headquartered in Singapore, we rank among the largest companies listed on the Singapore Exchange, and are one of Asia's leading engineering groups.

Our global network of subsidiaries and associated companies, supported by a workforce of about 22,000, allow us to serve customers in Asia, the Americas, Europe, and Oceania. A leader in each of our core businesses, ST Engineering brings innovation and technology together to create multi-disciplinary smart engineering solutions for customers in the defence, government and commercial segments.

Our Aerospace sector offers a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, component and engine maintenance, repair and overhaul, engineering design and development, materials support, asset management and pilot training.

Our Electronics sector specialises in the design, development and integration of advanced electronics and communications systems across all industries and segments.

Our Land Systems sector delivers customised land systems, security solutions and their related through-life support for defence, homeland security and commercial applications.

Our Marine sector provides turnkey and sustainable defence and commercial solutions in the marine, offshore and environmental engineering industries.

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ANNUAL REPORT 2017



ST ENGINEERING

FINANCIAL
HIGHLIGHTS

OPERATING CASH FLOW

\$0.76b

+0.6%

ORDER BOOK

\$13.2b

+14.0%

EARNINGS PER SHARE

16.43¢

+5.3%

DIVIDEND PER SHARE

15.0¢

RETURN ON EQUITY

22.9%

+0.7% PTS

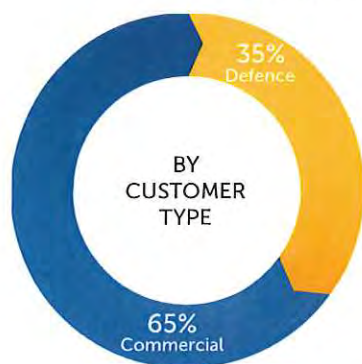
RETURN ON SALES

8.1%

+0.7% PTS

● FY2017 vs FY2016

REVENUE BREAKDOWN

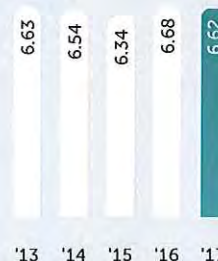


GROUP

REVENUE (\$b)

\$6.62b

-1.0%



PBT (\$m)

\$623.3m

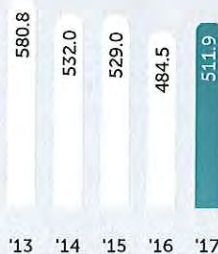
+5.5%



NET PROFIT (\$m)

\$511.9m

+5.6%

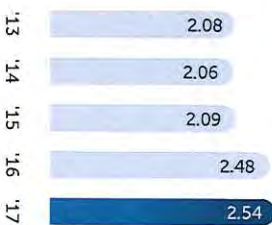


AEROSPACE

REVENUE (\$b)

\$2.54b

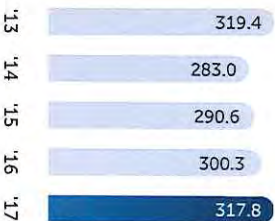
+2.0%



PBT (\$m)

\$317.8m

+5.8%

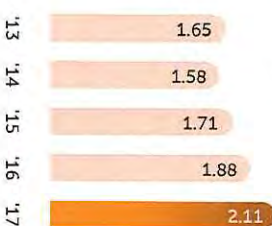


ELECTRONICS

REVENUE (\$b)

\$2.11b

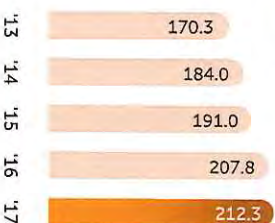
+11.8%



PBT (\$m)

\$212.3m

+2.2%

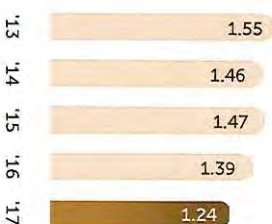


LAND SYSTEMS

REVENUE (\$b)

\$1.24b

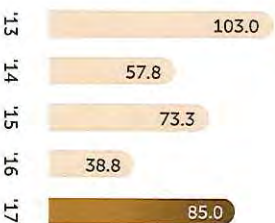
-10.5%



PBT (\$m)

\$85.0m

+119.4%

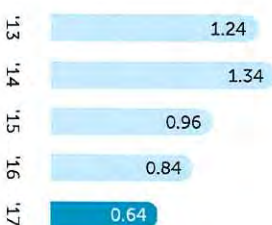


MARINE

REVENUE (\$b)

\$0.64b

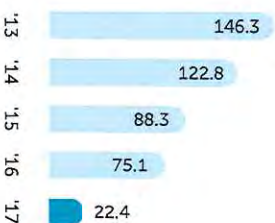
-24.2%



PBT (\$m)

\$22.4m

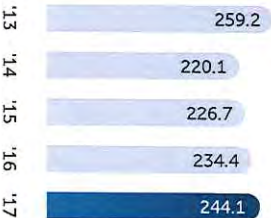
-70.2%



NET PROFIT (\$m)

\$244.1m

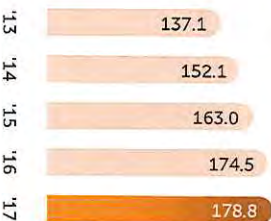
+4.1%



NET PROFIT (\$m)

\$178.8m

+2.4%



NET PROFIT (\$m)

\$87.4m

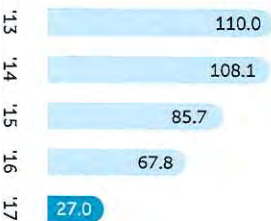
+243.3%



NET PROFIT (\$m)

\$27.0m

-60.1%



LETTER TO SHAREHOLDERS



Kwa Chong Seng
Chairman

Vincent Chong
President & CEO

Dear Shareholders,

Global GDP growth increased in 2017 to over 3%, but business recovery was not uniform across sectors. In a year that presented both opportunities and challenges, we closed 2017 with a Group revenue of \$6.62b, broadly comparable to the \$6.68b posted in 2016. With a continued focus on cost, we fared better in profits. Both Profit Before Tax (PBT) of \$623.3m and Profit Attributable to Shareholders (Net Profit) of \$511.9m were 6% higher compared to 2016.

At the business sector level, the Aerospace sector's revenue was 2% higher at \$2.54b, its PBT was \$317.8m and Net Profit was \$244.1m, up 6% and 4% respectively from 2016. Revenue for the Electronics sector was 12% higher at \$2.11b, its PBT and Net Profit were \$212.3m and \$178.8m respectively, both up 2% from 2016. At the Land Systems sector, while its

revenue lowered by 11% to \$1.24b, its PBT was up 119% to \$85.0m due to the absence of the prior year's impairment of asset carrying values and the provision of closure costs for its subsidiaries in China. Consequently, its Net Profit improved 243% to \$87.4m, also contributed by the positive impact of the tax reform effects in the US. The Marine sector's revenue was 24% lower at \$637m, and its PBT was down 70% at \$22.4m, due mainly to the weak industry conditions and its US operations. As a result, its Net Profit came down 60% lower at \$27.0m from the year before.

The Group's revenue mix by business sector shifted slightly. While the Aerospace sector was still the largest contributor at 38%, the Electronics sector's contribution increased to 32%. The Land Systems and the Marine sectors contributed 19% and 10% respectively, with the remainder

under "Others". Geographically, business units in Asia including Singapore, contributed 72% to Group revenue, while our business units in the US and Europe generated 18% and 8% of Group revenue respectively. Revenue split between Commercial and Defence remained stable at 65%:35%.

The Group's return on equity was 22.9% and our earnings per share amounted to 16.43 cents.

The Group's revenue pipeline remains healthy, with an order book of \$13.2b, about 14% higher than the year before. We expect to deliver about \$3.8b of the order book in 2018.

Our capital expenditure was \$273m compared to \$252m in FY2016. A significant portion of this expenditure was deployed in the Aerospace sector. We expanded our facility in Dresden, Germany with a new single-bay wide-body hangar to take on an expanding A330-300 Passenger-to-Freighter (P2F) conversion programme for DHL Express. We also invested in a new facility for composite panels production in Kodersdorf, Saxony. This facility will manufacture lightweight components, mainly floor panels and cargo linings, to meet the needs of Airbus' growing production of single-aisle aircraft.

We generated a strong cash flow of \$764m from operations and ended the year with \$1.3b of cash and cash equivalents, including funds under management. We are committed to maximising cash flow, maintaining capital discipline and improving value and returns.

Your Board of Directors proposes a final dividend of 10 cents per share for this financial year. Together with the interim dividend of 5 cents per

share paid in August 2017, the total dividend for the full year will be 15 cents per share, representing a total payout of \$468m to our shareholders. The dividend yield for 2017 is 4.6% compared to 4.8% for 2016.

Pursuing growth through innovation

As a technology, defence and engineering Group, we need to keep pace with the speed of technology and market changes to develop new and innovative solutions for our customers. This is why ST Engineering has consistently been making strategic R&D investments in key disciplines and technologies within our core business sectors.

However, we want to raise our innovation quotient even further. To that end, we have actively promoted a greater innovative culture especially among engineers to experiment and venture beyond their comfort zones. We have also adopted open innovation by providing a dynamic innovation platform and springboard for collaboration in new and disruptive technologies.

In 2017, we launched an Open Innovation Lab (Open Lab), an engineering-based incubator that is first of its kind in Singapore. The Open Lab has participation from our own engineers as well as individuals and start-ups from outside the Group. They come together to co-create and innovate while receiving funding support, access to advanced lab equipment, and go-to-market facilitation etc.

We also set up a Corporate Venture Capital unit with US\$150m open-ended fund to invest in promising technology start-ups and early-stage companies. The unit made its first



**OUR FOUR SECTORS
REMAIN STRONG, WITH
ESTABLISHED MARKET
POSITIONS THAT HELP
US MEET THE CHALLENGES
AND GROW THE BUSINESS.**



investment in Janus Technologies, a US-based endpoint cybersecurity provider, which helped ST Electronics launch its Black Computer, an industry-first hardware-based cybersecurity solution.

Separately, we acquired Aethon, a US-based provider of autonomous mobile robots (AMRs) which has deployed its AMRs in more than 200 sites globally, including in 140 hospitals in the US. The acquisition has since allowed us to develop new applications based on a proven robotic solution for indoor applications for the healthcare, industrial and hospitality sectors.

It is still early days, but the creation of the Open Lab and investments in Janus, Aethon and the likes have already value-added and strengthened the larger Group's core technological and engineering capabilities by complementing existing R&D efforts in our sectors and helping us to find new innovative solutions for our customers.

LETTER TO SHAREHOLDERS

Our core businesses remain strong

Our four sectors remain strong, with established market positions that help us meet the challenges and grow the business.

The **Aerospace sector** had a busy year, securing new contracts and achieving significant milestones which are the result of investments made over the years. In 2017, ST Aerospace retained its ranking as the world's largest airframe MRO service provider, with 12.5 million man-hours achieved in maintenance output, ahead of its competitors as surveyed by Aviation Week Network. Keeping pole position since 2002 is a clear demonstration of our competitive strength in an increasingly complex operating environment where airlines demand flexibility and fast turnaround in maintenance schedules and services and where aircraft OEMs eye a larger share of aftermarket services. Our competitiveness is a result of our continuous investments in capability enhancement and capacity expansion, driven by our strong desires to move up the value chain to better support our customers. Like how we have been since 2013, developing MRO capabilities to better support the global 787 Dreamliner fleet. Today, we offer comprehensive services for 787 airframe and component supports through our global network. In addition to being a Boeing-approved MRO centre for the 787's pool of components, we have developed our

San Antonio facility in the US as a Centre of Excellence for 787 airframe MRO.

Another investment taking off is our A330 and A320/321 P2F conversion programmes that started as far back as 2012. A series of milestones including completion of test flights in October, and the award of the Supplemental Type Certificate by the European Aviation Safety Agency in November led to the successful delivery of the first converted A330-300 aircraft for DHL Express in December, as part of its eight-aircraft order with an option for another 10 aircraft. The delivery augurs well for our A330-300 P2F conversion programme and we are equally optimistic about the A330-200P2F and the A320/A321 P2F conversion programmes. These programmes, when fully developed, will become a strong growth driver for the Aerospace sector.

Our **Electronics sector** continues to innovate and deliver new growth vistas. Our ability to ride on the success of TeLEOS-1 to commence the building of TeLEOS-2, Singapore's next-generation Earth observation satellite, is a testament to this. TeLEOS-2 will be Singapore's first Synthetic Aperture Radar-based imaging satellite, and will provide round-the-clock, all-weather imaging to our customers. We target to launch this satellite in 2022.

This sector has also taken a focused approach to develop and offer leading solutions to enable smart, secure and

connected cities. With new contracts sealed in 2017, it will soon have more than 18 million wireless sensors that power smart street lighting and efficient utility management in cities across China, Europe, India and the US.

In cybersecurity, we remain focused on broadening and deepening our capabilities, and are helping our customers strengthen and harden their cyber preparedness and resilience. The contract to provide consultancy to Sri Lanka to design its National Cyber Security Operations Centre is an example of the confidence which customers have in us.

Rail electronics continues to fare well in 2017, delivering cost-effective and reliable integrated smart solutions to meet the demands of rapid urbanisation, connectivity and sustainability of large cities. Thus far, we have implemented more than 100 rail electronics projects in over 30 cities, helping to move commuters with our smart mobility solutions.

We have assumed a strategic role towards achieving Singapore's Smart Mobility 2030 vision of a smart transportation network. Drawing on our systems integration capabilities and deep engineering expertise in military autonomous platforms and robots, the **Land Systems sector** has been developing its Autonomous Vehicle (AV) capabilities and technologies for commercial smart mobility applications from as early as 2015, when it deployed the Autonomous People Mover in Singapore's Gardens by the Bay. We are developing two autonomous buses for Singapore's Land Transport Authority that will undergo public road trials by mid-2020. We are also developing four Mobility-on-Demand Vehicles for Singapore's Ministry of Transport and Sentosa Development

Corporation that will be deployed in Sentosa in early 2019. This follows the completion of a front-end engineering study, which started in July 2016.

On defence business, Singapore's Ministry of Defence awarded us a contract to build the Next Generation Armoured Fighting Vehicle (NGAFV). Delivery of the NGAFVs will begin in 2019. We entered new markets in Asia and the Middle East for our 40mm munitions, further strengthening our strong foothold in this product segment globally. On the US Marine Corp ACV1.1 programme, all 16 Terrex 2 vehicles were delivered and are currently on trial by the US Marine Corps. Together with our partner, SAIC, we expect the customer to make a decision on its preferred vehicle in mid-2018. We are also building on this partnership to jointly bid for the US Army's Mobile Protected Firepower programme, using the NGAFV as the platform.

The **Marine sector** continued to operate under challenging industry conditions. We had a difficult year for our US shipbuilding operations but we remained focused on driving greater synergies from our yards in Singapore and the US. Such efforts will strengthen our foundation to benefit from the industry recovery in time to come. Despite the challenging industry environment, our US operations managed to secure contracts to build an ATB tug and America's first offshore Liquefied Natural Gas Articulated Tug and Barge unit. On the naval shipbuilding side, the eight-vessel Littoral Mission Vessel programme for the Republic of Singapore Navy is well on track to be completed in 2019.

The sector's environmental engineering business, a relatively nascent segment for us, gained some

traction in 2017. In a consortium with Tuas Power, we were selected by Singapore's national water agency, PUB, to design, build, own and operate Singapore's fifth desalination plant in Jurong Island. The consortium has since set up a concession company, in which ST Marine holds a 40% stake, to jointly undertake the project following the Water Purchase Agreement with PUB, for a concessionary period of 25 years from 2020.

You can read more about the milestones and achievements of the business sectors in the Operational Review & Outlook from page 32 onwards.

Driving the future with new growth levers

Our defence business remains core to us and we continue to strengthen and deepen the business and capabilities. Our participation in highly contested global defence programmes has helped enhance our reputation as a competitive defence business participant with advanced technologies and solutions that meet the needs and requirements of modern military and paramilitary forces. With improving global economics and stronger focus on defence and homeland security globally, we are hopeful to gain a larger share of defence and related spending, predicated on a superior value proposition and international track record.

Smart City solutions is a new strategic thrust that will drive new growth opportunities for the Group. We have already acquired strong domain expertise in Smart Mobility, Smart Security and Smart Environment. With the exponential advancement in technology, we see it as a strategic



OUR DEFENCE BUSINESS REMAINS CORE TO US AND WE CONTINUE TO STRENGTHEN AND DEEPEN THE BUSINESS AND CAPABILITIES.



imperative to leverage and harness the collective genius of the Group to capture wider global opportunities in this area. And we are in a unique position to do so - we have deep engineering expertise and wide technology capabilities across the Group to offer a comprehensive suite of Smart City solutions - be it rail or road solutions, emergency response systems, physical security or cybersecurity solutions, sensor networks for water and utility management or water treatment and waste management.

Embracing collaboration to seek multi-disciplinary opportunities

As product innovations increasingly demand multi-disciplinary expertise, we continue to strengthen industry collaboration, with like-minded institutions and organisations that are keen to co-create and develop solutions to solve real-world challenges.

The AV space is an area where we believe that individual efforts

LETTER TO SHAREHOLDERS

WE CONTINUE TO TAKE A LONG-TERM VIEW OF BUSINESS FUNDAMENTALS, UNENCUMBERED BY NEAR- TERM ABERRATIONS.

alone, notwithstanding our deep experience in robotics and autonomous solutions, are not sufficient to bring about breakthrough applications. Hence, the launch of the Singapore Autonomous Vehicles Consortium in which we are collaborating with institutes of higher learning to set common standards for the adoption of AV in real-world scenarios.

Embracing greater industry collaboration has also enabled us to accelerate our offerings of more competitive products and solutions. Our Electronics sector signed several MOUs, tapping on strategic partnerships to develop deep industry expertise and launched first-of-its-kind solutions in the areas of cybersecurity, air traffic management and maritime operations, while leveraging our domain expertise in smart sensors, threat detection and data analytics. In July, it became part of a consortium to participate in high-speed rail projects starting with the Kuala Lumpur-Singapore High Speed Rail, bringing to the consortium its proven rail electronics solutions and deep systems integration capabilities.

Investing for growth across business cycles

We continue to take a long-term view of business fundamentals, unencumbered by near-term aberrations. One upside to the

slowdown in the marine industry is that it has allowed us to acquire assets that complement our strengths at a good price. In 2017, we acquired a facility purpose-built for heavy marine fabrication, offshore oil and gas rig upgrades, repairs and conversions. This facility in the Gulf of Mexico, located just next to our Pascagoula yard, will give us scale advantages in the marine repair segment.

On another front, we acquired a 51% stake in SP Telecommunications. We now have access to an extensive network of fibre optic backhaul infrastructure and facilities in Singapore, enabling our Electronics sector to move up the ICT value chain to provide connectivity and other bundled enterprise ICT services.

These acquisitions, and that of Aethon, have validated our commitment to invest for growth across business cycles and for long-term value creation.

Steadfast commitment to governance and sustainability

Our steadfast commitment to governance and sustainability remains key. As in the past years, our Sustainability Report, from page 71 sets out the Group's environmental, social and governance performance for the year.

Doing well and doing good in our Golden Jubilee

2017 marked the 50th anniversary of the founding of our predecessor company, Chartered Industries of Singapore. We celebrated the occasion in many ways with our employees and stakeholders, many of whom contributed to the formative years of the ST Engineering Group.

Our jubilee celebration was extended to the community, consistent with our commitment to reach out to the community's underserved and underprivileged through fund raising and employee volunteerism. We are proud to report that we raised \$1.27m, of which \$1m was for the President's Challenge 2017. The rest was channelled to other charities to support people with special needs and disabilities. Our employees performed 62 Good Deeds, exceeding the 50 we had set out to do at the start of the year.

Strengthening management bench with leadership changes

As the Group strives for sustainable growth and value creation, we continue to evolve the roles of our senior leaders to strengthen our leadership bench and capacity. In 2017, several changes were made.

Dr Lee Shiang Long assumed his role as the President of ST Kinetics, taking over from Ravinder Singh who became President of ST Electronics. Eleana Tan relinquished her role as the Chief Financial Officer to become Chief Corporate Officer with functional responsibilities for IT, Procurement, Estate and Facilities Management as well as a role to oversee and ensure the smooth execution of shared services plans across the Group. Cedric Foo, previously Advisor (Corporate Development), assumed the role of Chief Financial Officer.

In July, our Deputy CEO and President of Defence Business, Lee Fook Sun, retired after 17 years with the Group. Fook Sun was a significant contributor to the Group through the key positions he held. Among other roles, he was President of ST Electronics from August 2009 to

December 2016. During that period, he played a pivotal role in driving the many successes of the Electronics sector.

Board renewal and rejuvenation

The Board underwent changes in line with its quest for board renewal and rejuvenation. Koh Beng Seng, who joined us in 2003, retired as an independent non-executive Director in April. Davinder Singh, a board member since 2007, also retired as an independent non-executive Director. Ng Chee Khern stepped down in June as a non-independent, non-executive Director after he relinquished his appointment as Permanent Secretary (Defence Development) for a new role in the government. Quek See Tiat, an incumbent member of the Audit Committee (AC), was appointed Chairman of the AC. Neo Kian Hong was appointed in June as non-independent, non-executive Director. Olivia Lum who was appointed to the Board in 2014 has indicated that she will not stand for re-election at the coming AGM due to personal business commitments.

We thank our former and retiring directors for their invaluable contributions and we look forward to working with our new directors as they expand the breadth and strength of our Board.

Unwavering dedication to succeed

While our Golden Jubilee celebrations might have ended, our unwavering dedication to succeed certainly has not.

We are well positioned for growth in 2018 and beyond. Technology and innovation continue to be our lifeblood, and we will continue to drive our own transformation as the fourth industrial revolution unfolds.



WE ARE WELL-POSITIONED FOR GROWTH IN 2018 AND BEYOND... WE WILL CONTINUE TO DRIVE OUR OWN TRANSFORMATION...



To achieve this, we need the passion and commitment of our 22,000 employees, whose collective competence, loyalty and resilience have put the Group in good stead. We will also work closer with our customers and business partners to result in win-win collaborations for all. To our shareholders, we look forward to your steadfast support as we continue our path of sustainable growth and value creation.

Sincerely,

Kwa Chong Seng
Chairman

Vincent Chong
President & CEO

致股东的信

尊敬的股东：

2017年的全球GDP增长率上升至逾3%，但各行业的复苏程度不一。在这个机会与挑战并存的一年，集团2017年营收为66.2亿元，与2016年录得的66.8亿元相差不多。我们的获利表现颇佳，集团税前利润为6.233亿元，股东应占利润（净利）为5.119亿元，比2016年均高出6%。

就业务领域而言，宇航业务录得的营收为25.4亿元，增长2%；税前利润为3.178亿元，净利为2.441亿元，分别比2016年增长6%及4%。电子业务录得的营收为21.1亿元，增长12%；税前利润及净利分别为2.123亿元和1.788亿元，均比2016年增长2%。在陆路系统业务方面，虽然营收减少11%至12.4亿元，但由于少了去年的资产账面价值减损及中国子公司的关闭成本提列，税前利润增长了119%，达到0.85亿元。另外，在美国税改的正面影响下，净利也增长243%，达到0.874亿元。海事业务录得的营收为6.37亿元，减少24%；税前利润为0.224亿元，减少70%，减少的主因是行业状况及其美国运营状况疲弱。因此，造成净利比去年减少60%，只有0.27亿元。

集团各业务类别的营收占比有细微变动。虽然营收占比最大的业务类别依然是宇航业务，占了38%，但电子业务的营收占比却已增长至32%。陆路系统业务及海事业务的营收占比分别为19%及10%，其余业务类别全部计入“其他”。就地理分布而言，亚洲（包括新加坡）的业务单位集团创造了61%的营收，美国及欧洲的业务单位则分别

创造了21%及11%的营收。商用业务与国防业务的营收比例仍稳定维持在65%: 35%。

集团的股本回报率为22.9%，每股盈余为16.43分。

集团的收入流依然稳健，订单量为132亿元。我们预估其中约有38亿元的订单量将计入2018年的营收。

我们今年的资本支出为2.73亿元（2016年为2.52亿元）。其中有很大部分的资本支出用于宇航业务。在位于德国德累斯顿的工厂，我们新扩建了一个单跨宽体机库，以因应日益扩大的DHL Express A330-300客货机改装业务。我们还在德国萨克森州的科德尔斯多夫投资兴建了一家专门用于生产合成覆板的工厂。这家工厂将负责生产Airbus单走道客机的轻质组件（主要为地板和货物衬板），以满足日益增加的Airbus生产需求。

我们的经营活动产生高达7.64亿元的强劲现金流量，2017年收报的现金和现金等价物（包括旗下管理基金）为13亿元。我们致力于实现现金流量最大化、保持资本纪律，以及提升估值和回报率。

董事会建议今年派发每股10分的末期股息。加上2017年8月派发的每股5分中期股息，全年派发的总股息为每股15分，亦即付给股东的股利总金额为4.68亿。今年的股息收益率为4.6%，2016年为4.8%。

通过创新追求增长

作为一间科技、国防和工程集团，我们必须跟上科技发展及市场变化的脚步，为客户开发创新的解决方案。这也是新科工程之所以持续不断针对我们核心业务领域内的关键学科及技术进行战略性研发投资的原因。

不仅如此，我们还要进一步提高我们的创新商数。为此，我们积极提倡更大的创新文化，尤其鼓励工程师打破常规，勇于尝试和创新。我们还采用开放式创新的做法，通过提供灵活的创新平台和跳板，协手创作颠覆性科技。

在2017年，我们建立了一间开放式创新实验室（简称开放式实验室），成为新加坡首个工程技术类的孵化基地。这间开放式实验室汇集了来自本集团内部的工程师以及其他在外的人士和起步公司，利用本集团提供的资金、先进的实验室设备和市场进入等方面的帮助，促进机制，进行共同创造和创新。

我们还设立了一个创业投资单位，负责管理1.5亿美元的开放式创投基金，专门投资于前景可行的科技起步公司和初创阶段公司。该基金的首个投资对象是Janus Technologies，一家位于美国的端点网络安全提供商，该公司曾帮助新科电子推出业界第一个基于硬件的网络安全解决方案，Black Computer L100。

另外，我们还收购了美国自主移动机器人制造商Aethon。该公司销售的自主移动机器人已经遍布全球超过200个用户应用，其中包括美国的140所医院。此

次收购让我们能够以经过验证的机器人室内应用解决方案为基础,开发适合医疗保健、工业及酒店行业使用的新的应用。

虽然仍处于初期阶段,但开放式实验室的成立以及我们对Janus、Aethon和类似公司投资,已经展现出增强集团的核心科技与工程功能的实力,并且衬托现有研发工作,有助于我们为客户提供创新的解决方案。

我们的核心业务依然强盛

我们的四个核心业务依然强盛,其稳固的市场地位让我们得以因应挑战及扩展业务。

宇航业务经历了忙碌的一年,不仅签订了新的合约,过去几年的投资更在今年开花结果,达成了重要的里程碑。2017年,新科宇航依然是全球最大的机身维修服务提供商,根据Aviation Week Network所做的问卷调查,新科宇航的维修工作量达1250万个工时,遥遥领先于其竞争对手。我们自2002年以来始终保持领先地位,这充分展现我们在日益复杂的业务环境中,也就是航空公司要求更有弹性且周转时间更快速的维修计划与服务,而飞机制造厂商放眼于更大的售后服务市场份额,所具有的强大竞争力。我们的竞争力来自于我们对增强业务能力和扩大产能的持续投资,这是因为我们强烈希望向价值链上游移动,为客户提供更上一层楼的服务。自2013年以来,我们始终坚守理念,努力发展能辅助新一代新科技飞机波音787梦幻客机的维修能力。如今,我们的全球网络已能为787客机的机身和组件提供全面性的支持服务。除了成为波音公

司认可的787组件群维修中心外,我们美国的圣安东尼奥工厂也已打造为787机身维修的卓越中心。

另一项正在发展阶段的投资是我们于2012年启动的A330和A320/321客货机改装计划。一系列的里程碑如:在十月份完成的试飞、在十一月获得的欧洲航空安全局所颁发的补充型号认证等,促成了首架A330-300改装飞机在十二月时的成功交付,而该架飞机只是DHL Express所订购的八架飞机之一,后续还能追加订购十架飞机。首架飞机的成功交付是A330-300客货机改装计划的良好开端,我们也乐观看待A330-200P2F和A320/A321客货机改装计划的前景。这些计划在全面落实时,将成为驱动宇航业务增长的强劲力量。

我们的电子业务持续创新并开创出崭新的增长局面。其中一个最佳例证是,我们在TeLEOS-1的成功基础上再接再厉,继续展开新加坡新一代地球观测卫星TeLEOS-2的建造工作。TeLEOS-2将是新加坡首个合成孔径雷达成像卫星,将可为我们的客户提供全天时且全天候的成像服务。我们预计在2022年发射这颗卫星。

电子业务也开始专注于发展和提供能够建造智能、安全与互联城市的顶尖解决方案。在2017年签订的新合约即将为中国、欧洲、印度及美国供应无线传感器,推动城市智能路灯和设施的有效管理。

在网络安全方面,我们仍将着重于能力的扩展及深化,并将协助我们的客户巩固并强化他们的网络整备度和防卫

能力。我们与斯里兰卡国家网络安全运行中心所签订的合约,为提供设计顾问服务,便充分证明了客户对我们的高度信心。

铁路电子业务在2017年持续表现优异,开发出具成本效益又可靠的整体智能解决方案,以满足大型城市快速都市化、互联和可持续发展的需求。截至目前,我们已在30多座城市实施超过100个铁路电子项目,通过智能移动解决方案协助这些城市的通勤者往返得更顺畅、便捷。

我们在新加坡政府的智能交通网络的愿景,即智能通行策略规划(Smart Mobility 2030)中扮演战略性的角色。凭藉我们的系统整合能力以及在军事自主平台和机器人领域的深厚工程专业知识,陆路系统业务早从2015年在新加坡滨海湾花园部署无人驾驶客车时,便已开始面向智能运输应用的无人驾驶车辆能力及技术。我们正在为新加坡陆路交通管理局开发两辆无人驾驶巴士,预计将于2020年年中在公路上展开试运行。另外我们也正在为新加坡交通部和圣淘沙发展局开发四辆提供随需而至服务的车辆,预定将于2019年初在圣淘沙正式部署。在此之前,我们已完成一项从2016年7月启动的前端工程研究。

在国防业务方面,新加坡国防部与我们签订了一份建造新一代装甲战车的合约。这些装甲战车将从2019年开始交付。我们的40mm弹药也成功进入亚洲及中东的新市场,进一步巩固此产品在全球市场上的强势地位。为美国海军陆战队ACV1.1项目制造的16辆

致股东的信

Terrex 2战车已全部完成交付,目前正由美国海军陆战队进行试运行。我们与合作伙伴SAIC共同预期,客户将在2018年年中就中选车辆作出决策。我们也正与SAIC加强合作关系,以新一代装甲战车作为平台,联合竞标美国陆军的机动防护火力系统项目。

海事业务持续面临具挑战性的行业条件。我们的美国造船业务经历了困顿的一年,但我们继续致力推动新加坡和美国子公司发挥更大的经营绩效。这些努力将能帮助我们巩固业务根基,以便在行业复苏时抢占先机。尽管行业环境严峻,我们的美国子公司仍成功签下了建造一艘ATB拖船以及美国首艘离岸液化天然气铰接式拖船和驳船的合约。在海军造船业务方面,为新加坡海军建造八艘巡海护卫舰的计划正在顺利进行中,并定于2019年完成。

尚处于初始阶段的环境工程业务在2017年也有不错的表现。我们与大士能源合组的联盟,获选为新加坡公用事业局(新加坡的国家水资源管理机构)设计、建造、拥有及运营位于裕廊岛的第五座海水淡化厂。本联盟为此成立了一家特许公司(新科海事持有40%的股份),与公用事业局签署从2020年起特许期限为25年的购水合约,然后共同承接此项目。

有关我们各个业务在运营及财务评鉴上取得的佳绩与成就,请参阅第32页。

利用新的增长杠杆推动未来发展

国防业务依然是我们的核心业务,我们将持续强化及深化这方面的业务与能

力。积极参与高度竞争的全球国防计划,有助于提升我们作为一家具有竞争力的国防业务企业的声誉,展现我们符合现代军事和准军事部队需求与要求的先进技术及解决方案。随着全球经济逐渐改善以及全球日益重视国防和国土安全,我们可望凭借出色的价值主张及国际业务表现,在世界国防和相关支出所带来的业务中,赢得更大的市场份额。

智能城市解决方案是新的战略方向,将为集团带来新的增长机会。我们已具备在智能移动、智能安全及智能环境领域的雄厚的专业知识。随着相关技术的快速进步,我们运用集团的集体智慧来抓住更广的全球发展机遇,把此任务视作战略要务。我们也在此方面拥有独特的优势,即我们具备跨集团的深厚工程专业知识和广泛技术能力,可以提供全面的智能城市解决方案,包括铁路或公路解决方案、紧急应变系统、物理安全或网络安全解决方案、水资源和设施管理或水处理和废水管理专用的传感器网络等。

协同合作,寻求多领域机会

鉴于产品创新越来越需要多领域的专业知识,我们将持续强化产业合作,寻找理念与我们相同,积极投入解决现实世界挑战的研发工作的机构和组织结成合作伙伴。

无人驾驶车辆领域就是我们认为单靠我们在机器人和无人车解决方案的深厚专业知识,仍不足以开发出突破性应用的一个领域。因此,新加坡无人驾驶车辆协会的成立使我们能够与大学机

构协同合作,为在现实世界场景中应用无人驾驶车辆制定共同的标准。

进行更广泛的行业协作也让我们能够加快推出更具竞争力的产品和解决方案。我们的电子业务部门签订了多个合作备忘录,目的在于借助战略合作关系厚植我们的行业技能,并结合我们在智能传感器、威胁侦测和数据分析方面的专业优势,在网络安全、空中交通管理和海事工作领域推出开创业界先河的解决方案。电子业务部门在七月份加入由新加坡国际企业发展局领导的联盟,以参与包括吉隆坡-新加坡高速铁路在内的高速铁路项目,并为联盟提供经过验证的铁路电子解决方案和深度系统整合能力。

投资于跨经济周期的增长

我们持续从长远的观点评量我们的业绩基本面,不受到近期异常波动的拖累。海事行业减速的一个好处是,它让我们能够以好的价格购入与我们的优势互补的资产。在2017年,我们购入了一个可从事重型海事设备、离岸石油和天然气勘探平台升级、维修及改装工作的专用设施。这间处在墨西哥湾的设施就位于我们的帕斯卡古拉船厂附近,有利于我们从船舶维修业务中获得规模优势。

另外,我们还收购了新能源电信公司51%的股权。此收购动作让我们得以藉由该公司大面积的光纤电缆基础设施和相关设施,达成电子业务向信息通讯技术价值链上游移动,以提供互联和其他捆绑式企业信息通讯技术服务的目标。

这些收购活动,加上对Aethon的收购动作,充分证明了我们投资于跨经济周期的增长及长期价值创造的坚定决心。

强效的管治架构和可持续发展机制

强效的管治架构和可持续发展机制依然是我们的关键要务。与过去几年一样,我们在第71页起列明了本集团在本年度的环境、社会和治理表现。

在金禧年庆祝与行善

2017年迎来了集团前身新加坡特许工业公司创立五十周年纪念日。我们与员工和股东一同以各种方式庆祝,当中一同庆祝者包括许多新科工程集团的创业功臣。我们的金禧年庆祝活动扩展至社区,体现了集团致力通过募捐和志愿者服务来照顾社区中弱势人群的宗旨。我们共募得捐款127万元,其中100万元已捐献给2017年总统慈善挑战活动,其余款项则捐给其他为特殊需求人士和残疾人士服务的慈善机构。我们的员工在今年完成了62件善举,超出我们在年初设定的50件的目标。

强化管理团队

在集团追求可持续增长及价值创造的过程中,我们继续调整领导层的职责,以强化领导团队与能力。在2017年,我们做了几项人事变动。

李香龙接替拉文德辛格担任新科动力总裁职位,而拉文德辛格则担任了新科电子总裁。陈爱桢卸下财务总监的职位,接任首席企业长一职,负责信息和通信技术、采购、产业和设施管理工作,以及集团共有服务计划的监督工作。先前的公司发展顾问符致镜则接下了财务总监的职务。

七月份,我们副总执行长与总裁(国防业务)李福桑在集团服务17年后正式退休。他曾担任过多个重要职位,为集团做出了重要贡献。他曾在2009年8月至2016年12月担任新科电子的总裁。在此期间,他在新科电子多项业务的成功中发挥了中坚作用。

董事会更新与振兴

董事会推行了其更新与振兴的计划。在2003年加入的高铭胜已在四月份卸下独立非执行董事一职。自2007年起担任董事的Davinder Singh卸任独立非执行董事的职位并退休。黄志勤在辞去常务秘书(国防发展)一职并在政府担任新职务后,于六月份卸下非独立非执行董事的职位。作为审计委员会现任成员的郭书实被任命为审计委员会主席。梁建鸿在六月份被任命为非独立非执行董事。在2014年被任命为董事会成员的林爱莲已表明因个人业务因素而不在即将举行的股东年度大会上寻求连任。

我们在此向卸任和退休的各位董事致上最深的谢意,感谢他们的宝贵贡献,并在此期许我们的新任董事能够为董事会带来新的气象。

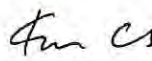
为成功不遗余力

虽然我们的金禧年庆祝活动已结束,但我们志在成功的决心未曾有任何的动摇。

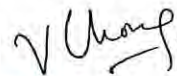
我们也已备好欢迎2018年及后续增长。科技与创新持续不断地维持集团的命脉。我们将与第四次工业革命与时俱进,推动集团的业务转型。

为此,我们需要全体22,000名员工都秉持着热情与决心,以他们集体的才能、忠诚和坚忍不拔的精神,协助集团立于不败之地。我们还将与客户及业务伙伴展开更密切的合作,以达到互利双赢的目的。在继续实现可持续增长及价值创造的道路上,我们希望各位股东能不断给予我们坚定的支持。

此致,



柯宗盛
主席



钟思峰
总裁兼首席执行官

BOARD OF DIRECTORS



Kwa Chong Seng

Chairman
Non-executive independent Director

Date of first appointment as a Director:
1 September 2012

Date of appointment as Chairman:
25 April 2013

Due for re-election at the 2018 AGM under
article 100 of the Company's Constitution



Vincent Chong

President & CEO
Executive Director

Date of first appointment as a Director:
1 October 2016

Date of last re-election as a Director:
21 April 2017

Profiles of Directors

The names of the directors holding office at the date of this report are set out here together with details of their academic and professional qualifications, age, date of first appointment as Director, date of last re-election as Director, as well as other directorships and principal commitments.

Kwa Chong Seng, 71, is Chairman of ST Engineering. He has more than 40 years' experience in the petroleum industry having served as Chairman and Managing Director of ExxonMobil Asia Pacific Pte. Ltd. before retiring in 2011. Chong Seng is currently the Chairman of Singapore Exchange Limited* and Deputy Chairman of the Public Service Commission, Singapore. He also serves on the board of SeaTown Holdings Pte. Ltd. and is a member of the Defence Science & Technology Agency (DSTA). Chong Seng is also the Chairman of the Advisory Committee of Dymon Asia Capital Ltd. He graduated from the former University of Singapore with a Mechanical Engineering degree. Chong Seng was awarded the Distinguished Engineering Alumni Award by the National University of Singapore (NUS) in 1994 and is a Fellow of the Academy of Engineering Singapore. In 1999, he was conferred the Honorary Ningbo Citizenship. Chong Seng was awarded the Singapore Public Service Star in 2005 and the Singapore Public Service Star (Bar) in 2016.

Vincent Chong, 48, is the President & Chief Executive Officer (CEO) of ST Engineering. Vincent joined ST Engineering Group in April 2014, first as President of Strategic Plans & Business Development at ST Aerospace and later as the Group's Deputy CEO (Corporate Development) before his appointment as President & CEO of ST Engineering. Vincent had a 20-year career in the petroleum industry holding a variety of technical, operations and senior management positions from refining & supply, product marketing, to strategic planning. His professional experience has been global with postings in Hong Kong, Japan, the United Kingdom and the US. Vincent is a Board member of Jurong Town Corporation and he is also a member of the Ministry of Trade and Industry's International Advisory Panel for Advanced Manufacturing & Engineering. He graduated with First Class Honours in Mechanical Engineering from NUS. Vincent has also attended executive leadership programmes at the Thunderbird School of Global Management and the Columbia Business School.

* Listed on the SGX-ST

**Quek See Tiat**

Non-executive independent Director

Date of first appointment as a Director:
1 July 2013

Date of last re-election as a Director:
21 April 2017

Quek See Tiat, 63, is President of the Council for Estate Agencies. Prior to this, he was Chairman of the Building and Construction Authority, Singapore until 31 March 2016. He retired as Deputy Chairman of PricewaterhouseCoopers Singapore in 2012, after a career in the firm that spanned 31 years. See Tiat is a board member of Singapore Press Holdings Ltd*, Temasek Foundation Connects CLG Limited, the Energy Market Authority and the Monetary Authority of Singapore. He was conferred the Public Service Medal in 2009 and the Public Service Star in 2014. See Tiat holds a Bachelor of Science (Economics) (Honours) from the London School of Economics and Political Science, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Lieutenant-General Perry Lim**

Non-executive Director

Date of first appointment as a Director:
20 October 2015

Date of last re-election as a Director:
21 April 2016

LG Perry Lim, 45, is the Chief of Defence Force in Singapore's Ministry of Defence (MINDEF). LG Lim joined the Singapore Armed Forces (SAF) in 1990 and has held various command and staff positions in the SAF, including that of the Chief of Army and Commander, Headquarters 3rd Singapore Division. LG Lim holds a Bachelor of Arts (First Class Honours) from the University of Cambridge, UK and a Master of Business Administration from INSEAD, Singapore.

**Neo Kian Hong**

Non-executive Director

Date of first appointment as a Director:
30 June 2017

Due for re-election at the 2018 AGM under
article 106 of the Company's Constitution

Neo Kian Hong, 53, is the Permanent Secretary (Defence Development) in MINDEF. Kian Hong was Permanent Secretary (Education Development) at the Ministry of Education until 19 June 2017. Before that, he held various command positions in MINDEF, including the Chief of Defence Force and the Chief of Army. Kian Hong is the Chairman of DSTA and DSO National Laboratories (DSO) and a member of the National Research Foundation. He is also the Chairman of the Saver Premium Fund Board of Trustees, the Singapore Youth Flying Club and SAF Care Fund. Kian Hong has a Bachelor of Engineering (Electrical and Electronic Engineering) from the University of London, UK, a Masters of Science (Management of Technology) from the Massachusetts Institute of Technology, USA and attended an Advanced Management Program at the Harvard Business School. He was awarded the Meritorious Service Medal (Military) and Public Administration Medal (Gold) (Military).

* Listed on the SGX-ST

ST ENGINEERING

BOARD OF
DIRECTORS**Quek Gim Pew**

Non-executive Director

Date of first appointment as a Director:
15 August 2016Date of last re-election as a Director:
21 April 2017

Quek Gim Pew, 60, is the Chief Defence Scientist of MINDEF. Prior to this, he was Chief Executive Officer of DSO. He joined DSO in 1986 and had held several key appointments before joining DSTA in 2000 for a period of four years. Gim Pew is the Chairman of ATREC Pte Ltd, Governing Board for the Centre for Quantum Technologies, Temasek Defence Systems Institute Management Board (NUS), Temasek Laboratories@NUS Management Board, Temasek Laboratories@NTU Management Board and Temasek Laboratories@SUTD Management Board. He is also a member of DSO, the Agency for Science, Technology & Research Board, SMRT Trains Ltd and DSTA. Gim Pew holds a Bachelor of Engineering (First Class Honours) (Electrical Engineering) from the NUS and a Master of Science (Distinction) in Electrical Engineering from the Naval Postgraduate School, USA. He is a Fellow of The Academy of Engineering Singapore.

**Dr Stanley Lai Tze Chang**

Non-executive independent Director

Date of first appointment as a Director:
8 October 2009Due for re-election at the 2018 AGM under
article 100 of the Company's Constitution

Dr Stanley Lai Tze Chang, 50, is Head of Intellectual Property & Technology Practice at Allen & Gledhill LLP. Dr Lai was appointed Senior Counsel at the Opening of the Legal Year 2010. He is an independent Director of Singapore Shipping Corporation Limited* and Stamford Land Corporation Limited. Dr Lai currently serves as Chairman of the Intellectual Property Office of Singapore. He obtained his law degree from the University of Leicester (UK) in 1992 and qualified to practise as a Barrister in England and Wales in 1993. Dr Lai is a member of Lincoln's Inn. He was called to the Singapore Bar in 1995. Dr Lai also holds a Masters in Law (LLM) and Doctorate (Ph.D) in law from the University of Cambridge, UK.

* Listed on the SGX-ST

**Khoo Boon Hui**

Non-executive independent Director

Date of first appointment as a Director:
1 September 2010

Date of last re-election as a Director:
21 April 2017

Khoo Boon Hui, 63, is a Senior Fellow of the Home Team Academy and the Civil Service College. Prior to this, he was Senior Fellow of the Ministry of Home Affairs (MHA) and Senior Advisor, MHA until 30 November 2016 and 20 January 2016 respectively. Boon Hui was appointed Commissioner of the Singapore Police Force (SPF) in July 1997, and relinquished this post in January 2010 after serving 32 years in the SPF to become Senior Deputy Secretary, MHA till January 2015. He was also the President of INTERPOL from 2008 to 2012. Boon Hui is currently Chairman of Singapore Island Country Club and a Board member of Singapore Health Services Pte Ltd, Ministry of Health Holdings, the Casino Regulatory Authority, Certis CISCO and Temasek Foundation International CLG Limited. He is a member of the Palo Alto Networks Public Sector Advisory Council and the Board Financial Crime Risk Committee of Standard Chartered Bank. Boon Hui was also appointed the Commissioner of the Global Commission on the Stability of Cyberspace (Netherlands). He holds a Bachelor of Arts (Engineering Science & Economics) degree from Oxford University and a Master in Public Administration from the Harvard Kennedy School of Government. Boon Hui also attended the Advanced Management Program at the Wharton School.

**Olivia Lum**

Non-executive independent Director

Date of first appointment as a Director:
20 May 2014

Retiring at the 2018 AGM

Olivia Lum, 57, is Founder, Executive Chairman & Group CEO of Hyflux Ltd* (Hyflux). Olivia started her corporate life as a chemist in GlaxoSmithKline plc. She is a Board member of International Enterprise Singapore, a Trustee Member of The Chinese Development Assistance Council and a Council Member of the Singapore Business Federation. Olivia is the first woman to win the Ernst & Young World Entrepreneur Of The Year 2011 award in recognition of her pioneering work in the Singapore-based water-treatment company, Hyflux. Olivia holds an Honours degree in Chemistry from NUS.

**Dr Beh Swan Gin**

Non-executive independent Director

Date of first appointment as a Director:
1 September 2014

Due for re-election at the 2018 AGM under article 100 of the Company's Constitution

Dr Beh Swan Gin, 50, is Chairman of the Singapore Economic Development Board (EDB). Prior to this, he was Permanent Secretary of the Ministry of Law from 1 July 2012 to 30 November 2014. Dr Beh also serves as Chairman of EDBI Pte Ltd, EDB Investments Pte Ltd and ST Electronics, and is also a Director of Ascendas-Singbridge Pte. Ltd., Temasek Foundation Connects CLG Limited and Human Capital Leadership Institute Pte Ltd. He is a medical doctor by training and graduated from NUS. Dr Beh is also a Sloan Fellow with a Master of Science in Management from Stanford University's Graduate School of Business, and completed the Advanced Management Program at the Harvard Business School in 2012.

* Listed on the SGX-ST

ST ENGINEERING

BOARD OF
DIRECTORS

Lim Sim Seng

Non-executive independent Director

Date of first appointment as a Director:
15 May 2015Date of last re-election as a Director:
21 April 2016

Lim Sim Seng, 59, is currently the Group Executive, Country Head, DBS Singapore and Chairman of DBS Vickers Securities Holdings Pte Ltd. Sim Seng was a senior banker for 26 years with Citibank before joining DBS in 2010 as Country Head, DBS Singapore. With Citigroup/Citibank, he served Citigroup in various senior appointments in Kuala Lumpur, Tokyo, New York, Saudi Arabia, Singapore and Hong Kong. Sim Seng is the High Commissioner of the Republic of Singapore to the Federal Republic of Nigeria. He is the Chairman of ST Aerospace, Singapore Land Authority, Asfinco Singapore Limited, Nanyang Polytechnic Business Management Advisory Committee, and the Vice Chairman of ASEAN Business Group, Singapore Business Federation. Sim Seng is a Director of DBS Securities (Japan) Company Limited and Nikko Asset Management Co., Ltd., and sits on the Board of Governors of Nanyang Polytechnic. He was a Japanese Government Monbusho scholar and graduated with a Bachelor in Business Administration from Yokohama National University, Japan.



Lim Ah Doo

Non-executive independent Director

Date of first appointment as a Director:
10 November 2015Date of last re-election as a Director:
21 April 2016

Lim Ah Doo, 68, was formerly the President and subsequently the non-executive Vice Chairman of RGE Pte Ltd (formerly known as RGM International Pte Ltd). Ah Doo's past working experience includes an 18-year banking career in Morgan Grenfell from 1977 to 1995, during which he held several key positions including that of Chairman of Morgan Grenfell (Asia) Limited. He is the Chairman of ST Marine and Olam International Limited* and also an independent Director of SembCorp Marine Limited*, ARA-CWT Trust Management (Cache) Limited, GP Industries Ltd*, U Mobile Sdn Bhd, GDS Holdings Limited# and Virtus HoldCo Limited. Ah Doo graduated with an Honours degree in Engineering from the Queen Mary College, University of London and a Master in Business Administration from the Cranfield School of Management.

* Listed on the SGX-ST

Listed on the Nasdaq Stock Market



Rear Admiral Alan Goh Kim Hua

Alternate Director to
Lieutenant-General Perry Lim
Date of appointment as alternate Director:
20 October 2015

RADM Alan Goh Kim Hua, 41, is Group Chief, Policy & Strategy of the Defence Policy Group in MINDEF. RADM Goh joined the SAF in 1995 and has held various command and staff positions in MINDEF/SAF since 1999, including that of Commander of the Maritime Security Task Force of the Republic of Singapore Navy (RSN), Head Naval Plans, Head Naval Personnel and Commanding Officer of the RSN's Missile Corvette Squadron, and Deputy Director in MINDEF Policy Office. He is a member of the Temasek Polytechnic Board of Governors. RADM Goh was awarded the SAF Overseas Scholarship in 1995, the SAF Overseas Postgraduate Scholarship (General Development) in 2011 and the Public Administration Medal (Bronze) (Military) in 2013. RADM Goh holds a Bachelor of Arts (Honours) (Mathematics) from the University of Cambridge, UK, and a Master of Business Administration (Sloan Fellow) from the Sloan School of Management, Massachusetts Institute of Technology, USA.

PAST DIRECTORSHIPS IN THE LAST THREE YEARS

Kwa Chong Seng

APL (Bermuda) Ltd.
APL Co. Pte Ltd
APL Limited
APL Logistics Ltd
Automar (Bermuda) Ltd.
Delta Topco Limited
Fullerton Fund Management
Company Ltd
Neptune Orient Lines Limited
NOL Liner (Pte.) Ltd
Olam International Limited*
Singapore Technologies Holdings Pte Ltd

Quek See Tiat

Building and Construction Authority
Neptune Orient Lines Limited

Lieutenant-General Perry Lim

Singapore Technologies Kinetics Ltd

Neo Klan Hong

Jurong Town Corporation

Quek Gim Pew

ST Electronics (Satellite Systems) Pte. Ltd.

Khoo Boon Hui

Home Team Academy Board
of Governors
Institute of Leadership and
Organisation
Development, Civil
Service College
International Centre for
Sport Security
The International Advisory
Board of Policing:
A Journal of Policy
and Practice (UK)

Olivia Lum

Singapore Mediation Centre

Dr Beh Swan Gin

Esplanade Co. Ltd
Human Capital Leadership
Institute (now known as
Agilead Limited)

Lim Sim Seng

ASEAN Finance Corporation
Limited

Lim Ah Doo

Bracell Limited
Linc Energy Limited
SM Investments Corporation

Rear Admiral Alan Goh

Kim Hua
Unicorn International
Pte Limited

* Listed on the SGX-ST

SENIOR MANAGEMENT



1 Vincent Chong Sy Feng

Vincent Chong Sy Feng is President & CEO of ST Engineering and a Director of the ST Engineering Board. (Vincent's profile is on page 14)

2 Lim Serh Ghee

Lim Serh Ghee, 58, was appointed President of ST Aerospace in December 2014. Prior to this, he was Chief Operating Officer from 2010 and President, Defence Business. Serh Ghee also served as Executive Vice President of Aircraft Maintenance & Modification (AMM), a business segment of ST Aerospace. He began his career with ST Aerospace as a mechanical engineer in 1984 and has held many senior management appointments within the Group. Serh Ghee holds a Second Class Upper Honours degree in Mechanical Engineering from NUS. He obtained his Master of Science in Aerospace Engineering from the University of Michigan and attended the Program for Management Development at Harvard Business School.

3 Ravinder Singh

Ravinder Singh, 53, was appointed President of ST Electronics in

January 2017 and is concurrently the President, Defence Business of ST Engineering since July 2017. Prior to this, Ravinder was President of ST Kinetics from March 2015 to April 2017. He joined the Group in August 2014 as Deputy President, Corporate and Market Development, ST Electronics. Ravinder joined the Group after a 32-year career with MINDEF and the SAF where he held various senior command and staff appointments. In his last appointment in the SAF, he served as Chief of Army. Prior to that, he was Deputy Secretary (Technology) in MINDEF. Ravinder graduated with a Bachelor of Arts in Engineering Science (First Class Honours) in 1986 and a Master of Arts in Engineering Science in 1992, both from the University of Oxford, UK. He also completed his Master of Science in Management from Massachusetts Institute of Technology, USA in 1996 and attended the Wharton Advanced Management Program in 2014.

4 Dr Lee Shiang Long

Dr Lee Shiang Long, 52, was appointed President of ST Kinetics in April 2017. Prior to this, he was President, Defence Business of ST Kinetics and Deputy Chief

Technology Officer of ST Engineering. Dr Lee joined ST Kinetics in March 2016 after leaving the Institute of Infocomm Research at A*STAR. Prior to that, he served in the SAF for 23 years and his last appointment was Head of Joint Communications and Information Systems Department, and Chief Information Officer. Dr Lee holds a Master in Business Administration from Cambridge University and PhD in Mechanical Engineering from Nanyang Technological University, as well as a Master Degree in Science (IT) from NUS.

5 Ng Sing Chan

Ng Sing Chan, 57, was appointed President, ST Marine in May 2010. Prior to this, Sing Chan was Deputy President and President, Defence Business of ST Marine. He joined ST Marine in 1987 as an engineer. Sing Chan left in 1991 and later became the Deputy General Manager of Pan-United Shipyard Pte Ltd. He subsequently took on the positions of President of Changshu Xinghua Changjiang Dev Co and Executive Director of Pan-United Marine Ltd (now known as DDW-PaxOcean Shipyard Pte. Ltd.). Sing Chan re-



joined the Group in March 2008 as Executive Vice President, Special Projects, ST Engineering and moved to ST Marine as Deputy President in April 2009. Sing Chan holds a Master of Business Administration (Finance & Banking) from NTU, Singapore and a Masters in Engineering from the University of Hamburg, Germany.

6 General (Ret.) John G Coburn

General (Ret.) John G Coburn, 76, was appointed Chairman and CEO of ST Engineering's US subsidiary, VT Systems, in December 2001. Gen (Ret.) Coburn joined the Group after an illustrious 39-year career with the US Department of Defense, where he commanded at all levels, including as Commanding General of the US Army Materiel Command. Gen (Ret.) Coburn is the recipient of many medals, and is a notable author and speaker. He holds a Juris Doctor from the University of Missouri, a Doctor's Degree from Eastern Michigan University and many other degrees. He is also a member of the bars of the Kentucky Supreme Court, the Michigan Supreme Court and the Supreme Court of the United States.

7 Cedric Foo Chee Keng

Cedric Foo Chee Keng, 57, was appointed Chief Financial Officer of ST Engineering in July 2017. Prior to this, Cedric was Advisor (Corporate Development) of the Group since October 2016. He had previously served as Chief Financial Officer and in senior management roles in large-cap companies, and was also Chairman of JTC Corporation and SPRING Singapore. He holds a Bachelor of Science in Engineering (Naval Architecture and Marine Engineering) from the University of Michigan, Ann Arbor, USA and received his Master of Science (Ocean Systems Management) from the Massachusetts Institute of Technology, Cambridge, USA. Cedric also attended Executive Programs at Harvard and Kellogg Business Schools.

8 Eleana Tan Ai Ching

Eleana Tan Ai Ching, 55, was appointed Chief Corporate Officer of ST Engineering in July 2017 when she relinquished her role as the Chief Financial Officer, a position she had held since March 2008. She was previously Managing Director, Finance, Temasek Holdings (Private) Limited (Temasek). Prior to that, Eleana was

Director of Finance at Singapore Technologies Pte Ltd (STPL) from August 2003 until December 2004, when STPL was restructured, and its assets transferred to Temasek. Prior to 2003, she had held various key finance positions in the ST Engineering Group over a period of 13 years and last held the position of Group Financial Controller of ST Engineering. Eleana holds a Bachelor of Accountancy (Honours) from NUS and attended the Harvard Business School's Advanced Management Program in 2013. She is a member of the Institute of Singapore Chartered Accountants.

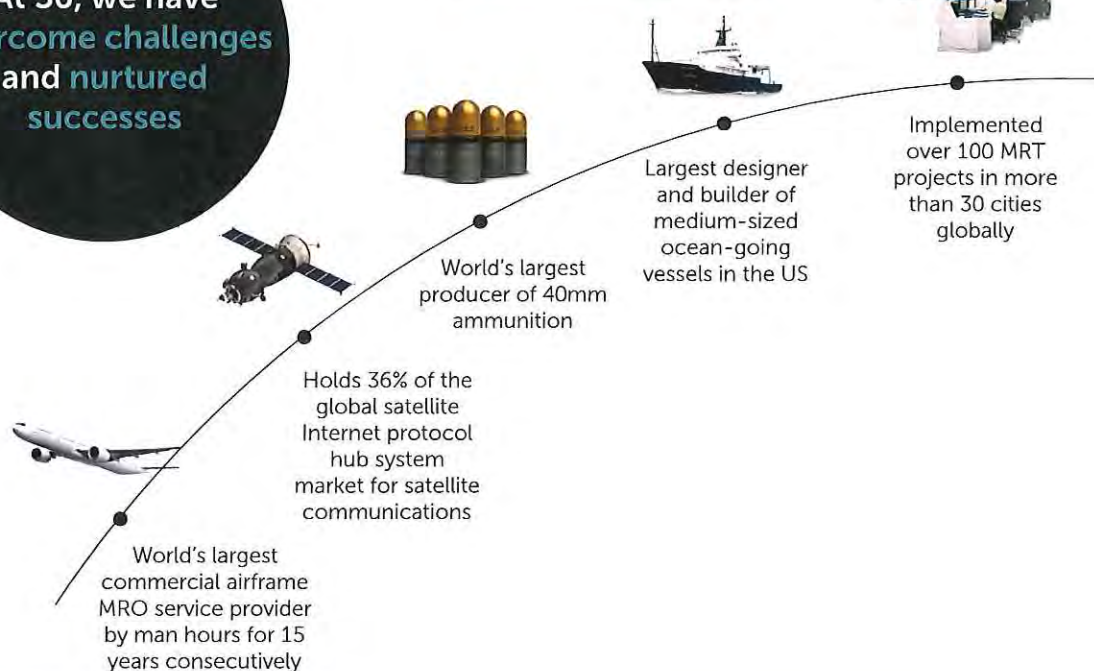
GROUP HIGHLIGHTS

50 YEARS OF ENGINEERING EXCELLENCE



ST Engineering was formed through the amalgamation of engineering-related companies under the Singapore Technologies group in 1997. However, ST Engineering traces its roots back 50 years with a rich history of delivering innovative engineering solutions.

At 50, we have
overcome challenges
and nurtured
successes

A PORTFOLIO OF
LEADING BUSINESSESSTAY AHEAD WITH CUTTING-EDGE
DESIGN AND TECHNOLOGYContributed to Singapore's **Top 50** Engineering Achievements

Bionix Infantry Fighting Vehicle



SAR 21



Infrared Fever Scanning System



AIR+ Smart Mask



Delivered the Group's first A330-300 passenger-to-freighter conversion to DHL Express



Battle-proven platform, Warthog, deployed in Afghanistan



Terrex 2 vehicles undergoing trials by the US Marine Corps



Deployed Auto Rider, Asia's first fully operational autonomous vehicle



Developed in-house designed aircraft seats tailored specifically for narrow-body aircraft and medium-haul flights



Over 15 million wireless sensors deployed in smart cities globally



Launched TeLEOS-1, Singapore's first commercial Earth observation satellite



Vessels supported navies in maritime security and related initiatives

At 50, we remain **passion-driven** to engineer your future

Grow in and beyond **Singapore**

Invest in **Technologies** and innovation in pursuit of further growth

Build a pool of **Engineering** talent passionate about making a difference

GROUP HIGHLIGHTS



GOLDEN JUBILEE LAUNCH

A grand launch held at the Group's headquarters in Ang Mo Kio, Singapore, kickstarted our Golden Jubilee celebrations. Graced by Guest-of-Honour Ho Ching, Executive Director and CEO of Temasek Holdings, the founding Chairman of ST Engineering from 1997-2003, the event was attended by more than 300 guests - customers, business partners, directors and senior management team, as well as the ST Engineering team of past and present.

INNOVATION
SHOWCASE

Collective showcase of our most innovative and world-class solutions from the Aerospace, Electronics, Land Systems and Marine sectors at the launch event.

50TH ANNIVERSARY BOOK
"ENGINEERING WITH PASSION"

Stories of the Group's 50-year journey, innovations and unwavering passion were all captured in a commemorative book and shared with our employees, customers and partners.

GOLDEN JUBILEE CELEBRATION MILESTONES



\$1.27M RAISED FOR CHARITY

We surpassed our goal and raised a total of \$1.27 million for charity, of which \$1 million went to the President's Challenge 2017. Achieved through our Charity Golf tournament and contributions from employees, the amount raised was for selected charities under the care of Community Chest and our supported charities focused on children and youth with special needs, youths-at-risk and people with disabilities.



FUN-FILLED FAMILY DAY

14,000 employees and their families celebrated our Golden Jubilee at the ST Engineering Family Day at Sentosa Island, Singapore, and 22 employees were also acknowledged for their 40 years of service with the Group.



AUGMENT BRAND AWARENESS

ST Engineering was the co-presenter of the movie "Ah Boys to Men 4" which topped Singapore's local box-office charts over its opening weekend in November. The Group's brand and key defence solutions for the Singapore Armed Forces were prominently featured to our target audiences.

COMMUNITY OUTREACH THROUGH GROUP EFFORTS



At 50, we focused not only on doing well, but also on doing good. We set out to do 50 Good Deeds to celebrate our Golden Jubilee and we surpassed our goal. Our community outreach activities were organised with more than 50 organisations in Singapore, Germany and the US.

62 Good Deeds

2,982 staff

9,450 volunteering hours



PAYING IT FORWARD

In the US, employees at VT Systems filled food packs for Arlington Food Assistance Centre and San Antonio Food Bank. In Singapore, employees cooked warm meals for Apex Day Rehabilitation Centre for the Elderly.



REMEMBERING OUR PIONEERS AND BRINGING JOY TO COMMUNITIES

Our employees connected with children and youth with special needs, people with disabilities and the elderly in selected charities under the care of Community Chest, Assumption Pathway School, YMCA, Yishun Community Hospital and other organisations.

From spending an afternoon with children at the River Safari on Sharity Day to packing and delivering hundreds of goodie bags and "Fu Dai" (festive packs), our employees gave their time to bring joy and necessities to the communities.



SUPPORTING SOCIAL CAUSES

Our employees volunteered for many worthy social causes to help raise awareness, funds and resources.



NURTURING YOUTHS

We support programmes that fuel youths' learning, self-esteem and character development. We engaged youths at Metta School through batik painting, spent time with young boys at the Boys' Town Adventure Centre and participated in other activities with youths.



BUILDING INCLUSIVE AND SUSTAINABLE COMMUNITIES

We create smart solutions for liveable and sustainable cities, hence our employees came forth and helped clean up beaches and waterways in Singapore. We also accompanied people with disabilities at the Heartstrings Walk in support of inclusive communities.

GROUP HIGHLIGHTS

INNOVATIVE ENGINEERING

WE HAVE ABOUT
8,000 EMPLOYEES
GLOBALLY WHO
ARE INVOLVED
IN ENGINEERING
WORK, OF WHOM
6,600 ARE BASED IN
SINGAPORE.

ST Engineering's innovation approach starts with the market. We find out what problems there are and design world-class solutions to solve real-world problems.

Over 50 years, we are continuously delivering sustainable innovations integral to our core businesses. We strive for innovation in all aspects of business and consciously carve out creative work environments based on employees' multidisciplinary perspectives, fresh ideas and constructive discourse so as to deliver pronounced improvements in our products and services. We rigorously examine the entire value chain of innovation in creating and capitalising their intellectual properties.

Our sense of urgency for sustaining innovation and constant R&D has distinguished us as innovative engineers and global leaders in the technology, defence and engineering space. We have formed the basis of our competitive advantage by championing various technological endeavours through the Group's Advanced

Engineering Centre, the business sectors' Engineering Design Centres, and technological partnerships.

With an increasingly disrupted world, we adopt a fast-fail-fast-iterate approach when designing breakthrough and disruptive innovations for the market. Speed to market is key, and we leverage our strategic partnerships and global networks to expedite this process.

With technology and innovation as our lifeblood, we believe in co-creation and the power of collective genius. We open our doors to our engineers and individual/startup innovators, rolling out our Open Innovation Architecture in the form of a through-train incubator programme through our Open Innovation Lab, providing continuity of funding and resources, multidisciplinary engineering expertise and innovation capabilities to fast track ideas to market within 18 months or less. Tapping on and collaborating with global best-in-class, we invest in promising technology start-ups and help them scale their cutting-edge technologies through our Corporate Venture Capital unit and international networks.

Internationally and nationally, ST Engineering advocates and champions Open Innovation, while positioning ourselves for the future economy. As industry leaders across multiple sectors, we lead industry transformation by building communities both eager and able to innovate with us. From sustaining innovations to R&D, all the way to creating breakthrough and disruptive innovations, innovation is built into our DNA. We are all set to redefine engineering innovation with co-creators in the broader ecosystem.





WE SOLVE PROBLEMS

With technology and innovation in our DNA, ST Engineering is a globally agile & multidisciplinary workforce creating world-class solutions to solve real-world problems.

CORPORATE VENTURE CAPITAL

Tapping on and collaborating with global best-in-class, we invest in promising technology start-ups and help them scale their cutting-edge technologies through our Corporate Venture Capital and international networks.



CHAMPIONING OPEN INNOVATION

Our Open Innovation Lab, Innosparks, offers funds, resources, a pool of skilled engineers, advanced equipment & global networks via a through-train incubator programme to work with intrapreneurs and entrepreneurs to fast-track ideas to market within 18 months.



HARNESSING COLLECTIVE GENIUS

Our solutions come not from silos, but from collective engineering expertise, technology partnerships & global networks across our Group, and with various collaborators from the industry, government and academia across the world.



FRONTIER RESEARCH & DEVELOPMENT

Our R&D efforts in technological innovations are relentless, as is our urgency to set our customers ahead of the curve in all aspects of business-as-usual. These are rolled out in our Advanced Engineering Centre, Engineering Design Centres and Corporate Labs.



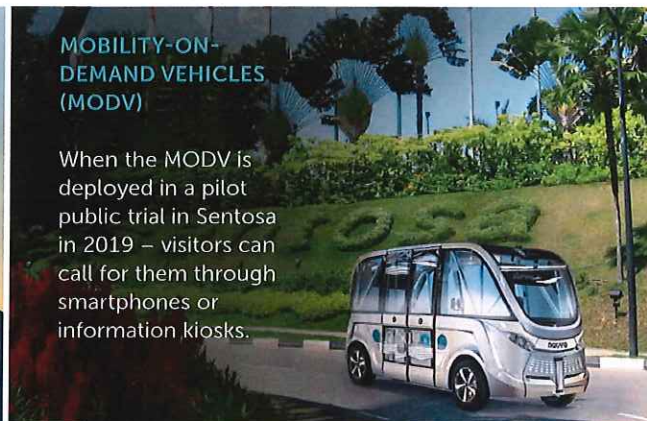
INNOVATION HIGHLIGHTS 2017

DEFENCE
INNOVATION

The Next Generation Armoured Fighting Vehicle (NGAFV) offers enhanced firepower, protection, mobility and situational awareness.

MOBILITY-ON-DEMAND
VEHICLES (MODV)

When the MODV is deployed in a pilot public trial in Sentosa in 2019 – visitors can call for them through smartphones or information kiosks.

SMART
MRO

Smart technologies incorporated into Maintenance, Repair and Operations (MRO) enhance performance and create value for our customers.

NEXT GENERATION
COMMERCIAL EARTH
OBSERVATION SATELLITE

Propelling the growth of Singapore's space industry, we are developing the TeLEOS-2, the first made-in-Singapore Synthetic Aperture Radar-based Imaging Satellite.



AIRCRAFT SEATS

Our aircraft seats are among the lightest in its class, engineered and designed for cost efficiency and travelling comfort.



FIRST-OF-ITS-KIND CYBERSECURITY SOLUTION

As an industry-first technology co-created through our Corporate Venture Capital, the Black Computer L100 enables safe access to secure and unsecure networks concurrently from the same computer.



Black Computer L100

DATA-DRIVEN SMART SHIPS

Making ships smarter with our proprietary Ship Management System and SenseMaking System (SMS²).



AUTONOMOUS MOBILE ROBOTS

TUG[®] Autonomous Mobile Robots are equipped with autonomous indoor navigation and are capable of carrying up to 635kg of load.



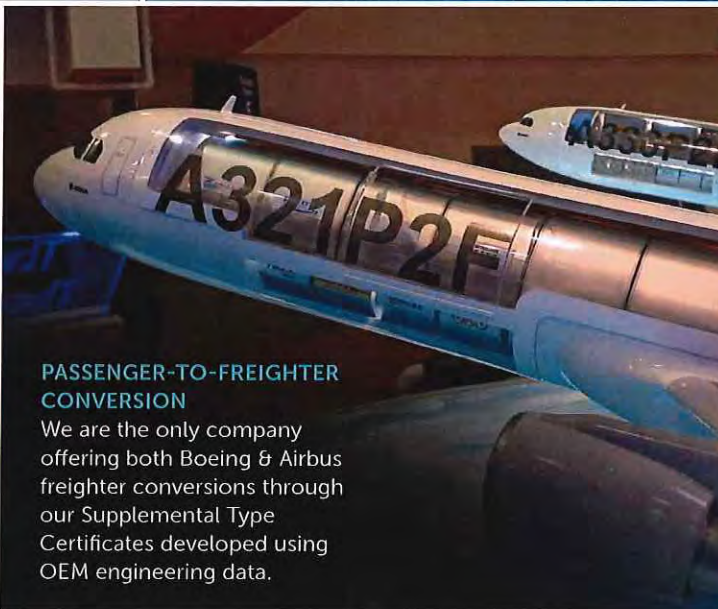
ALL-ROUNDED VESSEL

The Heavy Fire Vessel we are building for the Singapore Civil Defence Force counts all types of fire and rescue missions amongst its capabilities.



PASSENGER-TO-FREIGHTER CONVERSION

We are the only company offering both Boeing & Airbus freighter conversions through our Supplemental Type Certificates developed using OEM engineering data.



ST ENGINEERING

OPERATING REVIEW
& OUTLOOK

DESPITE FIERCE GLOBAL COMPETITION, OUR AEROSPACE SECTOR DID WELL. WE EXPANDED OUR PRESENCE IN KEY MARKETS TO BETTER SERVE OUR CUSTOMERS, CONTINUED TO UPHOLD HIGH QUALITY STANDARDS AND LEVERAGED TECHNOLOGY TO ENHANCE OUR SOLUTIONS.

AEROSPACE

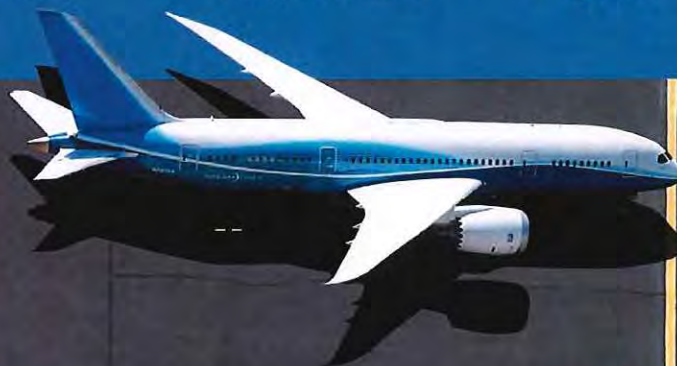
WHAT WE
ACHIEVED
IN 2017

1 Awarded Overall MRO of the Year 2017 at the Aviation 100 MRO Global Awards

2 Retained ranking of world's largest airframe MRO in Aviation Week Network's survey

3 Set up Boeing 787 airframe maintenance capabilities in the US and secured a multi-year contract for 787 component support for Gulf Air

4 Secured additional orders from DHL Express for A330-300P2F and redelivered the first freighter after being awarded the Supplemental Type Certificate by EASA



2017 REVIEW

While the aerospace Maintenance, Repair and Overhaul (MRO) landscape remains challenging with intensifying competition, the long-term prospects of the industry remain positive. Overall, 2017 was a good year for the aviation industry with both air traffic and cargo volumes doing well. To take advantage of this, we continued to invest in our Passenger-to-Freighter (P2F) conversion programmes, and made progress in the aircraft seats business when we secured a launch customer. We will continue to strengthen our core competency as a total aviation support provider and invest in capabilities such as data analytics to enhance our service offerings.

Aircraft Maintenance & Modification (AMM) - Better Serve Customers with Strengthened Capabilities

In 2017, our AMM business redelivered 4,038 aircraft for airframe maintenance and modification work. We also continued to expand our capacity and range of capabilities to better serve our customers in key markets.

During the year, we expanded our MRO capacity in China with the opening of a second hangar at our airframe MRO station in Guangzhou. The new hangar can accommodate two wide-body and two narrow-body aircraft at any one time and its capacity will reach one million man hours per annum when operations at the expanded facility reach steady state.

We increased our support for the global fleet of Boeing 787 Dreamliner by developing our facility in San Antonio, US into another Centre of Excellence for the platform. We redelivered our first Boeing 787 to Air Canada after conducting C1-checks during the year, becoming the first MRO service provider in the Americas to perform heavy maintenance on this aircraft platform.

Our VIP completion business division, AERIA Luxury Interiors (AERIA), passed a new



The new hangar at the airframe MRO facility in Guangzhou, China.

milestone when it redelivered its first full VIP wide-body aircraft. AERIA also secured a contract for the completion of a Boeing Business Jet BBJ 737-700. To enhance the competitiveness of the VIP completion business, we corporatised AERIA as a new subsidiary, AERIA Luxury Interiors, LLC which now operates under its own Part 145 Repair Station certificate issued by the Federal Aviation Administration.

We secured a number of training contracts in 2017, including a 3-year agreement to further support existing customer Xiamen Airlines' pilot training needs, and a 3-year agreement from new customer, Air China to train up to 100 cadet pilots per year for the airline.

Component/Engine Repair & Overhaul (CERO) - Expand Solution Offerings to Increase Global Support

Our growing global support for the Boeing 787 also extends to components maintenance. As a Boeing-approved MRO centre for components work, we continued to work closely with the original equipment manufacturer (OEM) to add new MRO capabilities that now cover more than 450 individual part numbers – including flaps, slats, leading edge, spoilers and ailerons – in all major flight controls for Boeing 787. This has allowed us to better support the

5 Secured launch customer for A321-200P2F and our proprietary aircraft seats

OPERATING REVIEW & OUTLOOK



Signing ceremony of the multi-year component MRO contract to support Gulf Air's new fleet of Boeing 787-9.



Redelivery of the first A330-300 converted freighter to DHL Express.

787 global fleet, and secured multi-year contracts from airlines such as Gulf Air for its new fleet of Boeing 787-9.

As for our engine MRO business, we secured a number of contracts to service CFM56-7B engines for European and Asian airlines. Overall, we had seen shop visits for CFM56 engines increase by more than 30% as compared to last year, as more of these engines get scheduled for servicing. We have ramped up our capacity in manpower at our workshops as we anticipate the demand for CFM56-5 and -7 engines maintenance to continue to be strong.

During the year, our component repair and overhaul facilities delivered 45,417 components and 236 landing gears, while our engine repair and overhaul businesses completed 145 engines and 9,964 EcoPower® engine washes.

Engineering & Materials Services (EMS) - Leverage Engineering Expertise to Provide Innovative Solutions

By building on its engineering expertise and

aircraft assets, our EMS business continues to provide innovative solutions in aircraft modification programmes, cabin retrofit and unmanned aerial systems, as well as aircraft leasing services.

Passenger-to-Freighter Conversions

The A330-300P2F programme gained further traction when we secured an additional four firm and 10 optional P2F conversions from DHL Express in June. To take on the expanded conversion programme, we ramped up our capacity in Dresden, Germany with a new single-bay wide-body hangar that was completed in early 2017.

In December, we redelivered our first A330-300 converted freighter successfully to DHL Express after being awarded the Supplemental Type Certificate by the European Aviation Safety Agency (EASA).

Cabin Interior and Manufacturing

We further grew our cabin interior business when we secured a launch customer for our proprietary aircraft seats with a contract to refresh and reconfigure the cabin interior of two A320 aircraft.

In addition, we obtained a number of certifications from international aviation bodies for our aircraft seats. These include the AS9100 Quality Management System certification from DNV GL, and the European Technical Standards Order for lightweight economy class seat for the A320 platform from EASA.

Precision Product Singapore (PPS), a subsidiary which manufactures precision casting parts and mould tooling for aerospace, oil and gas and other industrial applications, broke ground on an expanded facility. In addition to expanding its facility, PPS will also introduce more automation and the use of robotics to the production process to enhance its capabilities and competitiveness.

In Germany, we expanded our capacity in aircraft component manufacturing when Elbe Flugzeugwerke broke ground for a new facility in Kodersdorf, Saxony. When completed, the facility will add 200,000 composite panels production capacity per annum which will help meet rising demand from the growing A320 and A321 fleets.

Aircraft Leasing

We added two aircraft – an A320 and Boeing 737NG – to our aircraft leasing portfolio in 2017. We will continue to grow our portfolio of mid-life aircraft assets that best align with our technical capabilities and service offerings so as to complement

our core MRO, P2F and aircraft modification businesses.

Unmanned Aerial Systems

We are investing in the development of innovative unmanned aerial systems, one of which is Drone Network (DroNet), an autonomous end-to-end drone solution that can be deployed by users such as the police and large-scale facilities management to carry out facility or perimeter security, building or site inspections or deliveries.

A number of such autonomous drone networks can be integrated for city-wide implementation to create a Drone City, addressing increasingly pressing concerns of city life such as environmental management and public safety.

Smart MRO initiatives

In our drive to create even greater customer value, we are making significant investments in Industry 4.0 Smart MRO initiatives to further enhance operations and services. We have been investing in Smart MRO solutions on three broad fronts – digitisation & data analytics, automation and additive manufacturing.

In digitising our hangar and shop floor operations, we will be able to conduct data analytics not only to improve internal operational efficiencies but also to raise our quality and safety performances. We also aim to leverage digital technology to provide value-added services to our customers. For instance, by using vast maintenance data gathered from similar aircraft operated by our broad customers base, we will be able to advise customers on the maintenance needs of their own fleet.

At the same time, we are leveraging technologies in automation to improve our consistency and efficiency through the use of robotics and unmanned vehicles, as well as additive manufacturing to create virtual warehouse for spare parts, thereby helping to improve cost efficiency for our customers. This will ensure that we stay competitive in today's MRO landscape.

The Aerospace sector signs on a launch customer for its proprietary aircraft seats.



ST ENGINEERING

OPERATING REVIEW & OUTLOOK



The Aerospace sector will leverage its strong engineering capabilities and nose-to-tail MRO solutions to capture greater market share as the global aircraft fleet grows.

INDUSTRY OUTLOOK

Globally, the airlines did well in 2017 and they are expected to remain profitable. The International Air Transport Association has forecasted that the global airline industry net profit will increase to US\$38.4b in 2018.

Stable global GDP growth, relatively low commodity prices including crude oil, and strong passenger travel demand, especially in the Middle Eastern and Asia Pacific regions, is likely to continue to drive growth in the commercial aerospace sector.

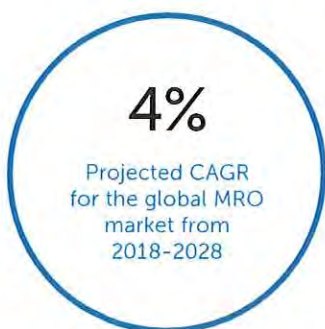
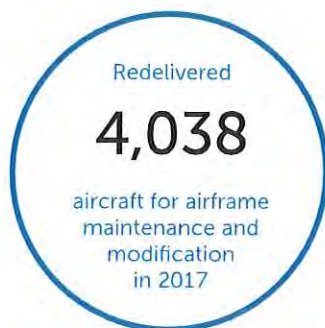
While ongoing macro concerns regarding aviation safety, health scares, terrorism, geopolitical conflicts and economic uncertainty in different regions could potentially derail growth, long-term confidence in air traffic growth remains. Consultancy firm, Oliver Wyman projected global air transport MRO market to grow at 4% Compound Annual Growth Rate over a 10-year period from 2018 to 2028, rising to US\$115b.

With global aircraft fleet expansion, the industry should see a growth in maintenance and outsourcing as well.

Looking ahead, we will remain focused on strengthening our core MRO capabilities while moving upstream in the areas that focus on Intellectual Property (IP) investment such as freighter conversion and cabin interior.

Asia, as has been the case for years, remains the driver of MRO growth. Global and regional companies including OEMs are investing more in aircraft MRO, resulting in talks and plans for numerous new MRO service centres and aviation infrastructure being set up in neighbouring countries.

While this will lead to a more competitive landscape, our capabilities and Singapore's aviation sector are years ahead of the regional competition. Our suite of nose-to-tail aircraft MRO solutions, coupled with our strong engineering capabilities, make our level of comprehensive and value-added services unmatched in the region. We also have a broad customer base with many being longstanding customers who prefer to continue working with us due to our excellent track record of safety and quality in redeliveries.



At the same time, we will continue to work closely with OEMs to be their service centre or part of their MRO network, and to also access their IP, spares and rotables; thereby building scale and range to make ourselves more attractive to customers.

As the global air travel market grows, airlines are refreshing their cabins and increasing comfort in air travel to compete. Despite being a new entrant in the aircraft seats market, we are confident that the synergy of our design and engineering expertise, aircraft modification capabilities and rich experience in product certification and support will provide a compelling proposition to the airlines, especially those who prefer turnkey solutions in cabin retrofits.

As with air traffic, the air cargo market has also been showing growth. Global air freight tonne kilometres grew by a solid 9% in 2017, which is consistent with an uptick in global trade, rising export orders and upbeat business confidence. About 1,950 freighters will be needed by 2036, of which more than half will be converted freighters.

To capture a significant share of this pie and retain our market leadership, we will continue to invest in our freighter conversion programme, and increase capacity in accordance with the schedule of our customers. Our A330P2F programme provides a good solution in the medium-sized freighter segment, and we have received increased enquiries after obtaining EASA's certification for our A330-300P2F in November.

In the narrow-body freighter segment, we believe our A320/A321P2F solutions provide a unique proposition in being able to accommodate pallets or containers in the lower deck, and offer the best ratios of containerised cargo volume to external dimensions.

We expect the strongest initial demand for our A320/A321P2F solutions to come from cargo operators in emerging economies where there are no dominant cargo airlines, as well as combination carriers that are most likely to use freighters to carry general freight and some express package cargo.

Given the good range of conversion programmes we have developed to cater to operators' different needs, we are hence in a strong position to benefit from the global growth in air freight.

KEY FOCUS IN 2018

1 Stay focused on safe and quality redeliveries to provide strong support to our customers

2 Secure launch customer for our A320P2F programme and develop our DroNet solution

3 Strengthen core capabilities and continue to enhance services through Industry 4.0 Smart MRO initiatives

4 Grow our aircraft business by strengthening portfolio



Smart MRO initiatives such as robotics to carry out sanding and polishing work will create greater customer value.

ST ENGINEERING

OPERATING REVIEW & OUTLOOK

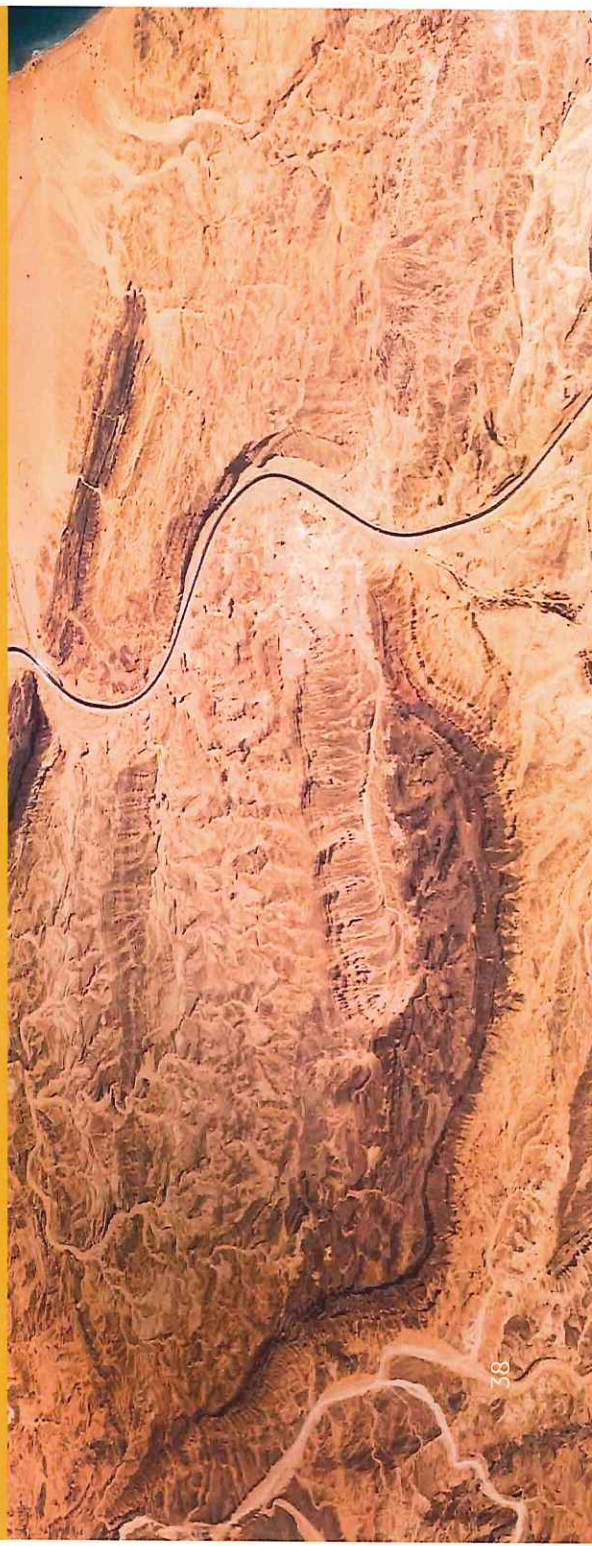
THE ELECTRONICS SECTOR EXCELS IN TRANSFORMING CUTTING-EDGE TECHNOLOGIES INTO INNOVATIVE PRODUCTS AND SERVICES AND DOING SO IN A COST-EFFECTIVE MANNER.



ELECTRONICS

WHAT WE ACHIEVED IN 2017

- 1** Commenced development of TeLEOS-2, Singapore's first Synthetic Aperture Radar-based imaging satellite
- 2** Acquired SP Telecommunications, expanding our network of fibre optic backhaul infrastructure and facilities
- 3** Launched industry-first cybersecurity product that enables safe access to all networks from a single device



2017 REVIEW

Undaunted by rapid technological shifts that continue to challenge global businesses, especially the Industry 4.0 evolution, the Electronics sector continues to advance its global track record and forge ahead with its growth strategy. Building on our deep technological expertise and indigenous capabilities, we have stayed focused on developing innovative, industry-leading products and solutions that meet the increasingly complex needs of businesses, and help them keep pace with the fast-changing technological landscape.

Large-Scale Systems Group – Steady Global Growth

We have established a strong track record in delivering smart, cost-effective and reliable integrated rail solutions which are necessary to meet the demands of rapid urbanisation and sustainability of large cities. We have implemented more than 100 rail electronics projects in over 30 cities.

2017 saw a healthy demand for our rail electronics solutions, as we further expanded our regional footprint with numerous contracts secured. These included the delivery of the Communications System, Automatic Fare Collection (AFC) System, Passenger Screen Doors (PSD), Supervisory Control and Data Acquisition (SCADA) and Passenger Information System (PIS) for the Bangkok Blue Line and Blue Line Extension. We secured contracts to supply PIS for 400 Chicago Transit Authority's 7000 Series rail cars, Hong Kong's Shatin to Central Link railway line, Wuhan Metro Line 11, as well as Saudi Arabia's Mecca Metro Line. In Taiwan, our rail electronics solutions were deployed in Taipei's MRT and Taoyuan Airport MRT line, strengthening our already strong market position in these cities.

Completed rail projects in 2017 included the communications systems for Downtown Line 3 and four stations under the Tuas West Extension MRT in Singapore, the AFC for Bangkok's Green Line Extension Phase 1, as well as the Power SCADA and PSD for Klang Valley MRT Line 1 in Kuala Lumpur.



The Smart Metrol Control Centre uses Big Data Analytics and Machine Learning to predict metro system abnormalities, providing early warnings of potential service disruptions to rail operators.

To capitalise on the growing demand for rail transportation in the Middle East, we set up a subsidiary in Riyadh, Saudi Arabia, adding to an extensive global network, so as to capture new opportunities in the targeted region.

We also formed a partnership with international players to jointly participate in high speed rail projects starting with the Kuala Lumpur-Singapore High Speed Rail.

Communications & Sensor Systems Group – Strengthened Position with Enhanced Solutions

Further propelling the growth of Singapore's space industry and strengthening our position in the global space market, we partnered the Defence Science and Technology Agency (DSTA) in February to develop our next-generation commercial Earth observation satellite, TeLEOS-2, which is also Singapore's first Synthetic Aperture Radar-based imaging satellite. Building on the successful completion and launch of TeLEOS-1, TeLEOS-2 will enhance the sector's commercial satellite imagery services, providing multi-modal and high responsive features to its customers.

Our US satellite communications company, VT iDirect continues to advance its market share. For the 11th year running, VT iDirect secured the leading enterprise Very Small Aperture Terminal (VSAT) systems manufacturer position with over 36% market share, according to the 14th edition of the Comsys VSAT Report.

VT iDirect made significant progress in enabling leading satellite operators such

OPERATING REVIEW & OUTLOOK



SPTel's pervasive network that enables cloud service delivery and IoT connectivity.

as SES and Inmarsat to launch their highly anticipated high throughput services based on the iDirect Velocity platform. The industry migration toward VT iDirect's DVB-S2X satellite transmission standard was another notable focus throughout 2017 and the iDirect network made global inroads, delivering enhanced connectivity to the populations in Russia, Ukraine, Mexico, Brazil and Somalia.

Expanding our enterprise ICT business, we acquired a 51% equity interest in SP Telecommunications (SPTel), which owns, builds and operates communications infrastructure services in Singapore. Our ICT expertise, coupled with SPTel's extensive fibre optic network, will enhance our capabilities and enable us to market smart city solutions to government and enterprise customers in Singapore.

We continued to make headway in the segment of Public Safety and Security, securing wins for the deployment of a public safety system for the local market, and the design and deployment of tactical vehicles equipped with high-tech communications capabilities.

Cybersecurity is becoming an increasingly urgent need for our customers around the

world, and we achieved several significant milestones in our cybersecurity business, which we have identified as a strategic growth area for the Group.

We won a contract with the Information and Communication Technology Agency of Sri Lanka for a design consultancy of Sri Lanka's first National Cyber Security Operations Centre (SOC), as well as to provide training and conduct awareness programmes to strengthen the cyber readiness of Sri Lanka's digital team and other key partners such as Sri Lanka's Computer Emergency Readiness Team | Coordination Centre.

Through our Corporate Venture Capital unit, we invested in Janus Technologies, an endpoint cybersecurity provider based in the US, enabling a synergistic collaboration and the delivery of the Black Computer L100. An industry-first hardware-based cybersecurity solution, it allows users to safely access secured and unsecured networks at the same time, from a single computer. The Black Computer also possesses a unique ability to remove malware from an infected network with a simple reboot of the system.

We joined forces with IBM Security and Siemplify™ to build ST Electronics' new Cyber Security Command and Control Centre, transforming a traditional SOC into a next-generation SOC equipped with cognitive capabilities driven by threat intelligence and artificial intelligence.

We remain committed to developing and upskilling our cybersecurity professionals, empowering them with the domain knowledge and engineering expertise to play a part in enhancing Singapore's cyber defence and readiness. We signed an Memorandum of Understanding (MOU) with Nanyang Polytechnic and Headquarters Signals and Command Systems, which includes the Singapore Armed Forces (SAF) training institute for cyber defence, to strengthen the SAF's training for cyber defence.

With these noteworthy achievements in this high-value sector, the Group is well positioned for long-term and sustainable growth.

\$2.28b

contract wins
for FY2017

More than

100

rail electronics
projects implemented
globally

Software Systems Group — Steady Delivery of Solutions

In the face of increased demands on airports and the civil aviation industry, we were awarded a contract to supply Taiwan's Taoyuan International Airport Terminal 1 and 2 with an Airport Operation Control System to strengthen airport operations and enhance user experience. We also collaborated with Saab Digital Air Traffic Solutions to establish Southeast Asia's first Centre of Excellence for airport digital towers in Singapore, in a bid to enhance airport operations through digitalisation and integration of airport control tower functions.

As a leading provider of advanced simulation and training solutions, we launched MobiC, a game-changing mobile classroom. MobiC delivers virtual reality scenario-based training to help Singapore's Home Team officers hone their judgment and incident management skills.

Overseas, we inked an agreement with Sky Seven to promote a Virtual Aerodrome Laboratory, a first of its kind simulation-based learning system for the aviation industry in the Sultanate of Oman.

Our US-based VT MAK's simulation software was adopted by the Joint Strike Fighter and Predator Unmanned Aircraft Systems programmes. The US Navy is also using VT MAK's innovative software to model novel literal combat environments.

In Europe, our subsidiary, Antycip Simulation, won the Best Education Project in the Install Awards 2017 for their installation in the Glasgow University's School of Simulation and Visualisation.

Powering Smart Cities Globally

We continued to expand our global reach in the Smart City business, with our subsidiary, Telematics Wireless winning a contract from Israel-based company Arad Technologies, for the supply of a smart sensor network that will transform global cities including China, Europe, India and the US. When fully deployed at the end of 2023, the sector will have more than 18 million wireless sensors installed globally, enabling more efficient

town planning and cost savings to smart cities.

Paving the way for developing smart, secure and connected cities globally, we launched the WISX IoT Platform, which integrates multiple Smart City and Internet of Things (IoT) solutions into a common platform that facilitates data exchange and analysis, generating valuable insights to enhance city services and improve the quality of life for city dwellers.

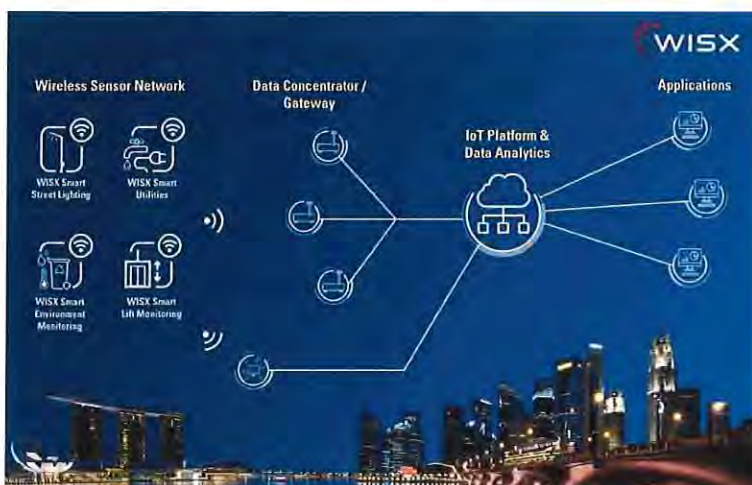
Besides developing smart solutions in-house, we believe in forging synergistic smart solutions with industry partners. With this in mind, we embarked on several industry collaborations on smart industry transformation. These included an MOU signing with the Civil Aviation Authority of Singapore and GomSpace to study the feasibility of space-based Very High Frequency communications and tracking initiative, marking a significant step in exploring the application of space-based technology to enable smart air traffic operations in Singapore and the region.

To advance efforts in maritime technology, we inked an agreement with Singapore's Maritime and Port Authority to collaborate on R&D projects, focusing on areas such as next-generation capabilities for Vessel Traffic Management Systems, smart data analytics capabilities and intelligent systems for shipping operations, as well as autonomous



Pioneering seamless end-to-end broadband wireless solutions for diverse communications needs.

OPERATING REVIEW & OUTLOOK



Enabling smart cities globally with the WISX platform that facilitates seamless data exchange and intelligent analysis.

harbour-craft operations within Singapore's port.

We also signed an MOU with Alpha Ori to co-create smarter maritime fleet management solutions such as a smart data platform equipped with communications connectivity, ship and environment converged data, data analytics and machine learning. This will enhance efficiency in port and shipping operations in Singapore and globally.

In addition, we endorsed an agreement with Siemens to co-create future digital applications, bringing together expertise and innovations in IoT to build Southeast Asia's digital ecosystem.

INDUSTRY OUTLOOK

While we continue to face increased competition globally, we are confident of weathering these challenges, bolstered by our financial stability and our diverse customer base of defence, government, industrial and large enterprise customers as well as the diversity of the industries that we support. We will continue to innovate and produce industry-leading high-tech products that serve local and international markets.

Satellite and Broadband Communications Business

The satellite industry is changing rapidly where we are seeing more private launchers, high-capacity satellites and flexible payloads. The demand for broadband data and the emergence of IoT has driven innovations in the satellite industry and led to reduced costs. High Throughput Satellites (HTS) offering higher bandwidth and high capacity will create pressure to meet the market demand.

The increased supply of capacity at reduced cost will enable satellite services to increase its penetration in existing and new market segments. This will drive demand for satellite services in cellular backhaul, maritime, aviation and rural communications. Customers will demand satellite ground terminals that are more compact, portable and at lower price points than the current generation of products.

These are positive developments for us and as a leader in the satellite-based IP communications technology, we expect to continue delivering cost-effective satellite solutions and best of breed products that have already been sold to more than 100 countries.

Transportation Solutions Business

Rapid urbanisation and digitalisation continue to drive strong global demand for enhanced rail infrastructure with new technology and innovations such as automation and digital information management that improve reliability of rail services and meet increased commuter expectations and experience. These technological advances have also fostered the demand for predictive capabilities that can enable operators to achieve greater work efficiency and productivity.

At the same time, a growing global population is relying on their mobile devices, tech gadgets, credit cards and even fitness wearable devices to carry out everyday transactions. Rail operators have been quick to embrace more innovative hands-free fare collection systems which incorporate technologies such as facial recognition, contactless cards and devices, and long-

range radio-frequency identification (RFID), enabling convenient, hands-free access for commuters.

With our proven ability of adopting new ways to use existing infrastructure more efficiently through digitalisation, as well as embed next-generation technologies in our rail electronics solutions such as our AFC, we are well-positioned to help global rail operators transform their business and address the mobility needs of citizens in global urban cities.

Advanced Electronics & ICT Business

Public Safety & Security

Global terrorism is soaring with the number of attacks increasing rapidly by more than 25% every year. This is forcing governments and security agencies to modernise public safety policies and regulations. As a result, there will be a strong demand for effective public safety and security solutions to protect citizens, organisations and critical infrastructure from terrorist threats. Besides physical security, there is also a need to detect radicalisation early through the effective use of technology to prevent a full-scale development to terrorism.

In response to the volatile security landscape worldwide, we have developed robust, flexible and secure Public Safety & Security solutions with a holistic approach of deterrence, detection and response to protect key installations, critical infrastructures and strategic assets. Implemented in over 12 global cities, our public safety & security solutions will help homeland security agencies optimise workflows and resources for enhanced communications response time and outcomes.

Data Analytics & Enterprise ICT

The push towards automation and digitisation of the economy will result in people, businesses, devices, machines and systems being constantly interconnected, anywhere in the world. There will continue to be an increasing demand for IoT devices for Machine-to-Machine (M2M), Human to Human (H2H), and Machine to Human (M2H)

applications. This has enabled the delivery of streaming, operational and transactional data in real time, triggering a need for smart data analytics with the power to maximise operational efficiency in every industry sector from healthcare to city planning.

The rapid growth of Machine Learning and Deep Learning has also sparked a need for smart intelligence systems that can to a certain degree, automate decision making.

Backed with robust, enterprise-wide, cross domain data analytics capabilities, we are able to help our customers generate actionable insights for enhanced and accurate decision making, improving the operational efficiencies of city services and other key industries.

Cybersecurity

Interconnectivity will bring about many benefits to our society; greater convenience, efficiency and productivity. Data-driven insights will enable people to make informed decisions. But with connectivity comes increased exposure to cyber threats. The convergence of the cyber and physical space brings new threats – protection of critical infrastructures such as land transport, energy and water reclamation plants from cyber attacks will be a key focus area.

Critical infrastructure operators are vulnerable on two fronts when it comes to cyber hackers: losing control of the essential services and the increasingly large data they possess. Going forward, there will be a demand for cyber protection of both the Information Technology and Operational Technology as part of critical infrastructure operations.

With our cyber defence capabilities encompassing the entire cyber landscape, bolstered by our deep domain knowledge in building critical information infrastructures, we are able to deliver a comprehensive suite of indigenous, trusted and robust cybersecurity products and solutions to serve the customised security needs of government agencies and large enterprises in Singapore and abroad.

KEY FOCUS IN 2018

1 Renew focus of global business in High Throughput Satellite Communications and Intelligent Rail Transportation

2 Strengthen Public Safety & Security solutions to meet heightened global security needs

3 Enhance capabilities and offerings in Data Analytics, Enterprise ICT and Cybersecurity

ST ENGINEERING

OPERATING REVIEW & OUTLOOK

WE INTENSIFIED EFFORTS TO
BUILD OUR CAPABILITIES IN
AUTONOMOUS AND ROBOTICS
ENGINEERING FOR MULTIPLE
INDUSTRY APPLICATIONS.

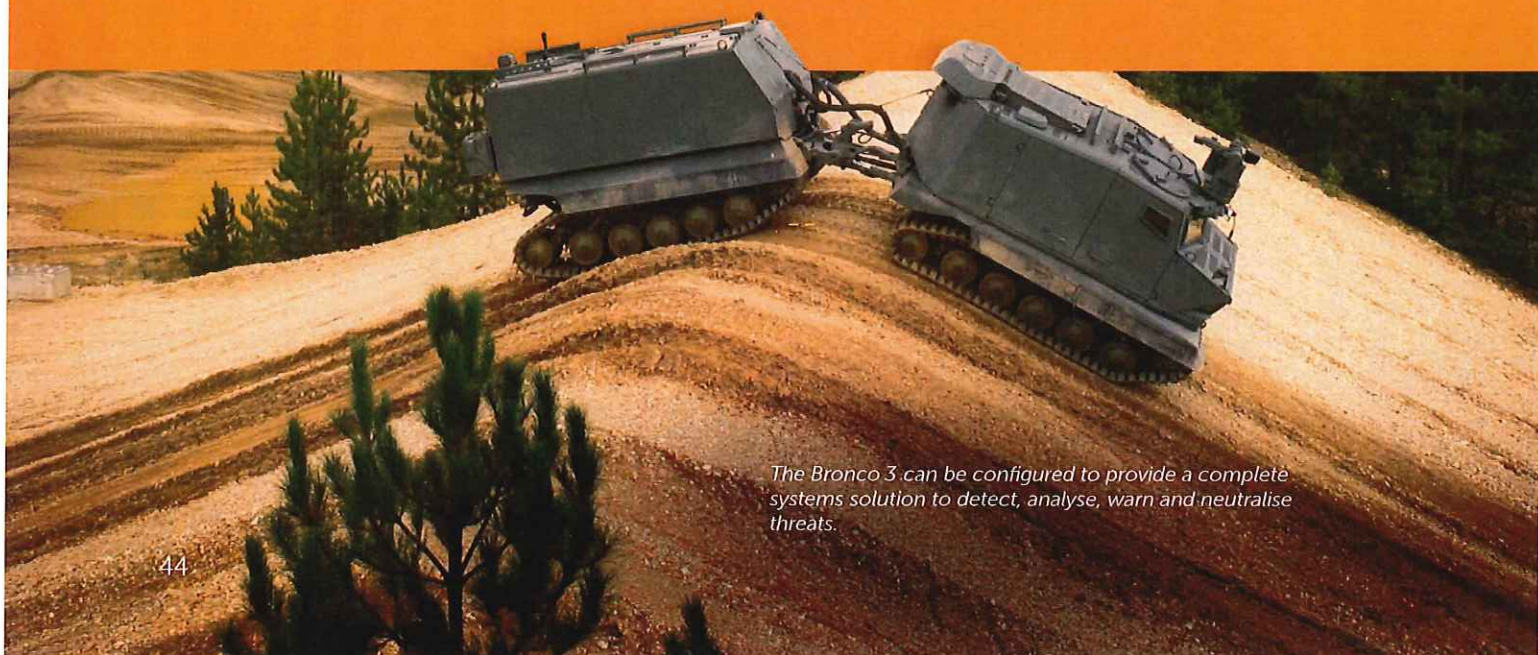
LAND SYSTEMS

WHAT WE ACHIEVED IN 2017

1 Completed delivery of 16
Terrex 2 vehicles to the US
Marine Corps

2 Awarded contract by
the Ministry of Defence
for the supply of the Next
Generation Armoured
Fighting Vehicle

3 Continued to
drive development in
autonomous vehicles, in
preparation for road trials



*The Bronco 3 can be configured to provide a complete
systems solution to detect, analyse, warn and neutralise
threats.*

2017 REVIEW

We remained focused on fulfilling the requirements of our customers and pursued new opportunities in the global defence market. We also intensified efforts to build on our strengths and capabilities in autonomous and robotics engineering for multiple commercial and industry applications.

Automotive – Defence - Pursuing New Opportunities Globally

The Next Generation Armoured Fighting Vehicle (NGAFV) is the latest addition to the Land Systems sector's stable of advanced armoured vehicles. In March, we were awarded a contract by Singapore's Ministry of Defence (MINDEF) for the supply of the NGAFV to replace the ageing M113 fleet.

The NGAFV is also the platform of choice by our partner, Science Applications International Corp. (SAIC) to compete for an Engineering and Manufacturing Development (EMD) contract to build prototypes that incorporate a lightweight combat vehicle design for the US Army's Mobile Protected Firepower (MPF) programme. This is the second teaming arrangement between ST Kinetics and SAIC.

In partnership with SAIC, we completed delivery of 16 Terrex 2 vehicles to the US Marine Corps for testing as part of the EMD contract for the US Marine Corps' (USMC) Amphibious Combat Vehicle Phase 1, Increment 1. Testing is underway and the USMC is expected to make its decision in 2018.

The strong working partnership with SAIC continued when SAIC selected our Canada-based land systems subsidiary, Kinetics Drive Solutions (KDS) for the USMC's Amphibious Assault Vehicle (AAV) Survivability Upgrade (SU) programme. KDS' MD500 marine drive power-take-off and InfiniDrive HMX3000 transmission systems that enhance both land and water mobility will be installed in the vehicles.

Our All Terrain Tracked Carrier, Bronco 3, made its maiden appearance in Europe at the Defence and Security Equipment International 2017 held in London. At the exhibition, the Bronco 3 was mounted with the Green Rock Tactical C-RAM radar system, Othello fire-source location system, ST Kinetics' 120mm Super Rapid Mortar System (SRAM) and a 12.7mm MG Remote Weapon Station, forming a complete systems solution for a variety of ground force protection missions to detect incoming mortar fire, analyse, warn and neutralise threats.

There is increasing interest in the Bronco family of All Terrain Tracked Vehicles and its commercial variant, the ExtremV, for humanitarian and disaster relief missions. In July, the ExtremV marked its first successful deployment in Japan during the floods in Fukuoka and Oita. The ExtremV, or locally known as Red Salamander, generated much interest from the Japanese media with its mobility over difficult terrain and versatility.

We continue to pursue innovation in autonomous solutions including the development of Unmanned Ground Vehicles (UGVs) for military and homeland security applications. The UGVs can be used to support forward-deployed tactical force elements including surveillance or reconnaissance missions, logistical support and fire support. We are also focusing our efforts on cybersecurity to ensure the integrity of the vehicles' systems and data in an increasingly digitalised world.

Automotive – Commercial - Building Up Autonomous Vehicles and Robotics Capabilities

We announced the formation of the Singapore Autonomous Vehicles (AV) Consortium to identify protocols and standards for the adoption of AVs in real-world scenarios; and to develop niche AV technologies such as automotive cybersecurity, advanced autonomy and platform-agnostic AV kits.

OPERATING REVIEW & OUTLOOK

Members of the consortium include A*STAR's Institute for Infocomm Research, National University of Singapore's Faculty of Engineering, Singapore University of Technology & Design, Nanyang Technological University (NTU) through the ST Engineering-NTU Corporate Lab and Singapore Institute of Technology.

The sector worked on the development of autonomous buses in preparation for road trials in partnership with Singapore's Land Transport Authority (LTA). The 40-seater buses, powered by our AV technology and integrated with various diagnostics, cyber security and localisation technologies, will navigate Singapore's urban mixed traffic conditions under normal and adverse weather conditions. The autonomous buses, measuring 12m long with maximum speeds of 60km/h, will be developed over 42 months in three phases.

Four MODVs will go on a pilot public trial in Sentosa in 2019.



Other than AV buses, the sector also announced the development of four Mobility-on-Demand-Vehicles (MODVs), and is working together with Sentosa Development Corporation and the Ministry of Transport to deploy them for trials in 2019.

The four MODVs, each with a seating capacity ranging from 15 to 20 passengers, will be deployed in a pilot public trial to provide autonomous mobility-on-demand services to visitors to serve their intra-island travel needs on Sentosa Island, Singapore. Visitors will be able to call for the MODV via their smartphones or information kiosks located across the island.

Extending our service offerings in autonomous vehicles, the sector signed a three-year exclusive dealership with France's NAVYA, an autonomous vehicles specialist, to distribute the NAVYA ARMA autonomous shuttle. The partnership also allows both parties to collaborate and deploy ST Kinetics' autonomous technologies, such as the fleet management systems, rain filter and platooning, onto the NAVYA ARMA.

In 2017, we acquired Aethon, a leading provider of autonomous mobile robots (AMRs) for material transportation and delivery, for US\$36m (about S\$50m). Based in Pittsburgh, Pennsylvania, Aethon is best known for its TUG® smart AMR which helps automate intra-logistics in industrial, healthcare, hospitality and other commercial environments.

With the acquisition of Aethon, the sector forged collaborations with partners to extend its proven indoor robotic applications for the industrial, healthcare and hospitality sectors.

One such collaboration is the partnership with StarHub, Laundry Network and Republic Polytechnic to offer robotics solutions that will transform laundry and housekeeping operations in the hospitality sector. The autonomous transportation

of linen and automated tracking of linen inventory by the TUG® robots will streamline the supply chain process, reducing a seven-step manual process to a three-step automated one.

This holistic solution was one of the successful projects of the Tourism Innovation Challenge for the Hotel Industry organised by the Hotel Innovation committee and the Singapore Tourism Board. There is already a pipeline of hotel pilot users, including Capri by Frasers Changi City, Four Points by Sheraton Singapore and Grand Copthorne Waterfront.

Specialty Vehicles

Most major regional equipment markets are expected to see growth this year. Global construction equipment sales are expected to increase by 16% this year, according to the updated Global Volume & Value Service from Off-Highway Research.

In the US, the North American market saw slow to moderate growth in the commercial paving sector. The expected infrastructure funding has yet to materialise and this translated to a muted impact on equipment spending.

VT LeeBoy expanded its dealer equipment rental business and introduced new products such as the 8520 Paver and the RB50 Broom to meet customers' requirements.

VT Hackney delivered six prototype electric vehicles to the United States Postal Service (USPS) for trials. The prototype development is for USPS' Next Generation Delivery Vehicle Acquisition Program. A decision by the USPS is expected in the first half of 2018, and will involve the replacement of over 160,000 vehicles over the next few years.

LeeBoy India launched two new products – the 18- and 22-tonne motor graders at the EXCON exhibition. It also launched the Common Rail Direct Injection or



LeeBoy India launched its new 18- and 22-tonne motor graders at the EXCON exhibition in India.

CRDI versions of the 985 Grader (Series 2) with a host of other advances. These new products are suitable for the mining industry. It also successfully exported its excavators, backhoe loaders and motor graders to new markets including Bahrain, Bhutan and the Philippines.

In Brazil, the economy kept a slow pace in 2017, though there were signs of a gradual improvement in the second half of the year, leading to a slight improvement in business and consumer confidence.

LeeBoy Brazil kept its positive outlook as it awaits a recovery in the local market, and continued to focus on its exports. It launched new products and made further inroads in Latin America, adding Panama to its list of customer markets.

The amphibious Humdinga continued to generate interest in the homeland security segment and has resulted in several orders from customers around Asia.

Aethon's TUG® robots are deployed at more than

200 sites

globally

MODV trials on Sentosa will begin in

2019

OPERATING REVIEW & OUTLOOK



The NGAFV is the latest addition to our stable of advanced armoured vehicles.

Munitions & Weapons **- Offering Reliable and Effective Solutions**

The battle-proven SRAMS continued to generate interest in mobility fire power in overseas markets. In response to customers' requirements, the sector now offers its customers the option to produce in-country, with a list of special ammunition.

The sector's 40mm ammunition solutions saw steady demand around the world, with many repeat orders from customers who value their reliability and effectiveness.

The sector also used the latest technologies and advanced materials to develop new products. One such example is the Army Individual Eco-Lightweight Equipment (ARIELE™) Soldier System, which comprises several innovative systems to provide soldiers maximum comfort, protection, mobility and enhanced capabilities.

Another new development is CleARMOUR, a lightweight transparent ceramic material

that offers crystal clear transparency. Extremely strong and scratch-resistant, it has multi-hit mitigation capability to withstand armour piercing threats.

Services, Trading & Others **- Offering New Transportation Solutions**

In March, we put Singapore's first three-door bus on the road. The double-decker bus was operated by Tower Transit Singapore on Service 143 to gather commuter feedback. A second three-door bus, a single decker, was put into service by SMRT in June on service 190, and then on service 901.

In a move towards clean technology, we inked a partnership with an Original Equipment Manufacturer (OEM) for electric buses to distribute electric buses in right-hand drive countries in Asia Pacific, including Singapore, Australia, Hong Kong, Indonesia, Malaysia, New Zealand and Thailand. We also won an LTA tender to retrofit a single-deck electric MAN bus as proof-of-concept.

In addition to electric buses, we are working with BYD, a leading Chinese automobile manufacturer, on other electric commercial vehicles. We will distribute BYD electric vans, and provide after-sales support for BYD electric vehicles in Singapore.

Leveraging the sector's strong capabilities in testing and repair, maintenance, engineering and obsolescence management, we made inroads into rail electronics when we secured a contract with transport operator, SBS Transit, to support its rail operations. The collaboration covers a suite of services for the repair, refurbishment and reconditioning of electronics cards.

INDUSTRY OUTLOOK

Defence

Global defence and homeland security continue to be priorities of many countries around the world. Governments are expected to increase spending on

equipment and capabilities for counter-terrorism, cybersecurity, intelligence gathering, as well as autonomous and unmanned systems.

As armed forces continue to modernise, major vehicular platform acquisitions are expected, particularly for 8x8 armoured vehicles and for all-terrain tracked vehicles.

We will pursue these programmes based on our proven platforms such as the Terrex Infantry Fighting Vehicle, the Bronco All Terrain Tracked Carrier and the NGAFV, as well as weapons such as SRAMS.

We continue to extend our reach globally through partnerships, collaboration, licensing and distribution to provide customers with options that would best meet their requirements.

Commercial

Technologies in autonomous systems and robotics are expected to grow in both the military and commercial sectors. The adoption of such systems in sectors including transportation, healthcare and security, as well as in manufacturing applications, is expected to gain traction in the coming years.

The sector will continue to enhance its capabilities in robotics and autonomous vehicles as it meets milestone deliveries for ongoing projects including the MODVs and AV buses.

Aethon will tap on the Group's global network to grow the Asia Pacific and European markets, and build on the global innovation network for rapid product development to integrate the AMR with other payloads e.g. robotics arms for multiple applications in different industries.

In the US, federal funding for infrastructure is expected to materialise, and should boost the recovering US



The TUG® AMR is capable of carrying loads up to 635kg.

economy. Besides the local market, VT LeeBoy and VT Hackney continue to look to international markets in the face of increasing competition, especially in the commercial paver segment.

Likewise in Brazil, the focus is on exports as LeeBoy Brazil develops new products for the Latin American market, and newer markets like Eastern Europe and Asia. The new products include its 9100 paver, the Maximizer 10 Asphalt Distributor Kit and the CF120 Single Chassis Asphalt Plant.

The city bus segment will continue to see growth in demand, due to upcoming bus replacement tenders, as well as the planned growth of buses to meet the target of 6,000 city buses by 2021. From 2018, the LTA will also conduct trials for electric buses and diesel hybrid buses as part of feasibility studies for the LTA-led technology road map for the deployment of electric vehicles by 2050. By that time, as many as 30-50% of vehicles in Singapore could be electric vehicles.

KEY FOCUS IN 2018

1 Pursue local and overseas defence acquisition programmes with a proven suite of platforms and weapon systems

2 Continue to develop effective and innovative defence solutions using latest technologies and advanced materials

3 Accelerate product development of the TUG® AMR for applications in multiple industries, including hospitality, healthcare and logistics

ST ENGINEERING

OPERATING REVIEW & OUTLOOK



MARINE

WHAT WE ACHIEVED IN 2017

1 Good progress for both defence and commercial shipbuilding programmes in Singapore and the US

2 Acquired rig repair assets in a prime location in the Gulf of Mexico to augment repair business

3 Tuas Power-ST Marine consortium secured a contract to design, build, own and operate Singapore's fifth desalination plant

THE MARINE BUSINESS
CONTINUES TO BE
CORE TO THE GROUP.

2017 REVIEW

2017 has been a challenging year for the marine industry. In line with our expectations, the oversupply situation for the commercial segment persisted at the shipyards, leading to mounting pressure on capacity management. However, we have mitigated the impact with new contract wins, and streamlining of our business operations.

Defence remains core to our marine business as we continue to build on our position as a total naval solutions provider. Besides achieving significant milestones in our ongoing shipbuilding projects, we look to provide long-term cycle support services to navies we have built ships for, as well as market our services to other navies that use Singapore as their base in Southeast Asia.

We continued to make inroads in our environmental engineering segment, achieving milestones for existing and new projects. We also enhanced our marine repair capabilities with a strategic asset acquisition.

Despite the competitive landscape that we operate in, we have established an excellent track record in project management and system integration, delivering our projects well and on schedule. With Group-scale synergies and resources, we continued to discover and exploit business and growth opportunities amidst the challenging environment.

To sustain our global marketing outreach, we showcased our comprehensive range of solutions at prominent trade events, including LAAD Defence and Security in Brazil, Naval Defence Exhibition in the UAE and International Maritime Defence Exhibition in Singapore.

We undertook rightsizing efforts of our US operations to negotiate the downturn of the industry in the US – our Singapore units are working closely with the units in the US to improve project management processes. While we are addressing process efficiency and productivity issues, we are stepping



LMV Indomitable, the fifth of the series of eight Littoral Mission Vessels built for the Republic of Singapore Navy, was named and launched in September.

up sales and marketing efforts to pursue new contracts such as offshore wind farm support vessels, commercial fishery vessels, bunkering tankers, LNG or dual-fuelled Roll-on/Roll-off ferries and power barges.

SHIPBUILDING

- Delivering on our Promise

2017 was a year in which we attained several key milestones in our newbuild projects. Through our eight-vessel Littoral Mission Vessel (LMV) programme for the Republic of Singapore Navy (RSN), we delivered Independence and Sovereignty in 2016, Unity and Justice in 2017 and launched Indomitable during the year. Construction of the remaining three vessels is progressing on schedule. The LMVs are a new generation of smarter, faster and sharper ships designed to replace the Fearless-class Patrol Vessels previously designed and built by us in the 1990s. These ships strengthen the RSN's ability in the seaward defence of Singapore.

Also in mid-year, the ST Marine-Penguin International consortium began construction of three para-military vessels – Heavy Fire Vessel, Heavy Rescue Vessel and Marine Rescue Vessel, for the Singapore Civil Defence Force. We are on track for a 2019 delivery. Over in the US, we launched two LNG-powered Container Roll-on/Roll-off (ConRo) vessels for Crowley Maritime.

Being one of the world's first combination of LNG-powered ConRo ships, these

Heavy Fire Vessel

OPERATING REVIEW & OUTLOOK

vessels feature significant emission reductions – including a 100% reduction in Sulphur Oxide (SOx) and particulate matter (PM); 92% reduction in Nitrogen Oxide (NOx); and reduction of more than 35% in Carbon Dioxide (CO₂) per container, as compared to using current fossil fuels.

VT Halter Marine has a strong record of having built more cars and passenger ferries than most US shipyards for the states of Virginia, New York, Texas, Louisiana, North Carolina, Alaska, California, Washington, and the territory of Puerto Rico. The latest 499-passenger/70-vehicle Passenger Ferry which is being built for the Virginia Department of Transportation is in the final stages of construction, and will be launched in the first half of 2018.

Over the course of the year, we secured key contract wins as well, including an industry and analysis design study contract for US Coast Guard's Heavy Polar Icebreaker programme, and an Articulated Tug Barge (ATB) for a repeat customer. We were also contracted to construct America's first

offshore LNG ATB for marine transportation company Q-LNG – the ATB Tug will supply LNG to marine customers along the southern East Coast of the US, and support growing cruise line demand for LNG marine fuel.

As part of our efforts to augment our shipyard capabilities, we started the construction of a new integrated blast and paint facility at our shipyard in Mississippi. It features complete indoor and environmentally-controlled surface preparation and final painting of ship sections prior to final erection, while ensuring particles from the facility are not released into the environment. The facility will be able to accommodate ship sections as large as 105' (W) x 80' (L) x 40' (H), weighing up to 500 tonnes each. Among the features is a "flow-thru" configuration, which allows for ship sections to be completely prepared, blasted and painted within the facility.

SHIPREPAIR

- Investing in the Future

Amidst a pervasive competitive environment where the industry was beset by low charter rates leading to reduced maintenance budgets, our Shiprepair business held steady and undertook forward-looking measures by exploiting the opportunities amidst the downturn in the offshore and marine industry.

One key manoeuvre was the acquisition of a purpose-built facility for offshore oil and gas rig upgrades, repairs and conversions. Located in the prime location in the Gulf of Mexico, next to VT Halter Marine's existing yard in Pascagoula, Mississippi, these assets enable us to leverage resources and derive greater synergies in optimising production resources and facilities between both yards. They also generate long-term value in enhancing our capabilities while offering scale advantages in the marine repair segment.

This acquisition pays testament to our commitment as a premier turnkey provider of holistic marine solution – a strength which we have established over past decades.



El Taino is the first American-flagged LNG-powered Container Roll-on/Roll-off ship.

Another focus area for us in 2017 was to tap on the growing trend of ship conversion, against the background of Offshore Supply Vessels (OSV) declining in demand. One highlighted project was the major conversion of 'Pacific Harrier' to a seismic functional vessel in Indonesian waters, completed on schedule within 102 days. We also conducted significant retrofitting work for Luisella Cosulich, a newly-acquired vessel for Fratelli Cosulich Bunkers, as well as the redelivery of Volvox Terranova, a trailing suction hopper dredger. Another highlight was the repair and maintenance work done on Rem Etive, which was completed ahead of a tight schedule.

We augmented our track record in super yacht repairs with the successful redelivery of three super yachts – MY Paraffin, MY Tiara and MY Charley in July 2017. The scope of work included the glass reinforced plastic hull modification and marine systems repair.

ENVIRONMENTAL ENGINEERING

- Healthy Demand Amidst Good Potential

In the environmental engineering segment, 2017 was a landmark year where numerous milestones were achieved. STSE Engineering successfully completed the Engineering, Procurement and Construction (EPC) expansion of the Kranji NEWater plant in August to produce an additional 22,730 cubic metres of water per day. Its China subsidiary, ST Environment Services and Technologies, engaged to design, build and operate and transfer (DBOT) a Pneumatic Waste Collection System in Tianjin Eco-City, commenced the operations and maintenance phase of the project in the fourth quarter, and is slated to deliver the system in 2025.

In September, Tuas Power-ST Marine consortium was named by Public Utilities Board, Singapore's national water agency, as the preferred bidder to design, build, own and operate (DBOO) Singapore's fifth desalination plant on Jurong Island for a concessionary period of 25 years from 2020. Tuas Power and ST Marine have since formed a 60:40 concession company that will contract an EPC consortium and a jointly-held Operation and Maintenance



America's first offshore LNG ATB will support growing cruise line demand for LNG marine fuel along its southern East Coast.

company to undertake this project. Construction of the desalination plant is expected to commence in the second quarter of 2018. When it is operational in 2020, the plant will add 137,000 cubic metres of desalinated water a day.

The combined strengths of Tuas Power and ST Marine positioned us well to win and execute this project. This new desalination plant was designed to leverage the existing infrastructure of the Tuas Power-owned Tembusu Multi-Utilities Complex in Jurong Island, which will reduce the cost of direct capital investments and operations, as well as reduce footprint in terms of space and operations. We have an established track record in EPC management in large-scale marine and environmental technology related projects.

This new desalination plant will feature Internet of Things technologies to drive smart analytics. For instance, sensor nodes will be attached to the reverse osmosis pressure vessels for conductivity profiling. These nodes, which are configured to detect and isolate membrane fouling and monitor the performance of the reverse osmosis system, will then feed real-time data to the Command and Control Operations Centre for an integrated overview of daily operations. From there, the data analytics can be used for predictive

Awarded contract to build America's

1st

offshore LNG-powered Articulated Tug Barge

Selected to design, build, own and operate Singapore's

5th

desalination plant

OPERATING REVIEW & OUTLOOK



The new Jurong Island Desalination Plant will be co-located with Tuas Power's Tembusu Multi-Utilities Complex.

maintenance to optimise productivity and efficiency.

INDUSTRY OUTLOOK

- Opportunities Amidst Challenging Times

Shipbuilding

This is not the first time the shipping industry is grappling with the issue of overcapacity; although we are seeing a longer downturn this time. With the oversupply of ships in the OSV/Support Seismic Vessel segment, there is the risk of payment default by ship owners, coupled with lack of credit from financial institutions to fund new capital projects. This is exacerbated by the trend of ship owners favouring countries with lower labour and production costs, such as China.

There are opportunities to be explored further. We are tilting our focus towards total solutions for our defence segment, including para-military vessels, Shore Connectors, Frigates, Offshore Patrol Vessels and Fast Missile Crafts.

Geographically, we are intensifying sales and marketing efforts to navies and agencies in the Middle East, South Asia and the US. This includes contract bids for Frigates, Landing Platform Docks and Landing Craft. We have also identified growth potential in unmanned solutions, including Long Endurance Unmanned Surface Vessels (USVs), Unmanned Connectors and Unmanned Security Maritime Platforms.

We will also market our services for niche and highly-customised newbuilds in the commercial segment, such as bunkering tankers, wind farm support vessels, ATBs and LNG or dual-fuelled Roll-on/Roll-off Passenger vessels, to meet higher demand for cleaner fuels and greener marine solutions.

Shiprepair

Amidst a period of uncertainty in the oil and gas maintenance expenditures due to volatile oil prices, the Shiprepair segment remains keenly competitive.

To tackle these challenging times, our focus is on specialised conversion projects in the power and LNG segments.

We will also provide long-term lifecycle support services to navies we have built ships for, including the Royal Navy of Oman, and the Singapore Civil Defence Force, as well as market our maintenance services to other navies. Over in the US, we will be expanding our outreach to new customers both within and outside the country, to include LNG and Energy support and producing sectors.

Despite the uncertainties in the offshore market, we believe that our repair assets next to our existing yard in the strategic Gulf of Mexico, which were acquired at the trough of the market, will position us for greater competitiveness when the tide turns.

Environmental Engineering

This sector encompasses a multitude of disciplines and industries, with some sectors dominated by prominent players. This may

be a hurdle to relatively young players like ourselves, but given our core competency in large-scale engineering, we have the expertise to provide a comprehensive suite of sustainable environmental engineering solutions in water, wastewater, solid waste and renewable energy. In addition, we are seeing a healthy level of demand in Southeast Asia and the Middle East – these green infrastructure projects present good opportunities in our push for smart city solutions.

As we continue to evaluate the long-term potential of this business segment, we will work on building our expertise in these disciplines locally, before exporting our solutions. We will also leverage the Group's technology and innovation infrastructure to seek out potential ideas and partners for collaboration to expand our reach into DBOO/DBOT contracts for long-term recurring growth.

Gaining Competitive Edge with Smart Ships

2017 was the year when we explored more innovative initiatives towards developing a 'Smart Shipyard' to drive higher efficiency. The initiatives targeted three aspects of our shipyard operations – in terms of design, manufacturing and data analytics. We incorporated green solutions and digital technologies in optimising designs for high-performance ships, including new hull designs for both commercial and defence sectors, as well as large unmanned platforms for naval applications.

Utilising smart technologies like robotics in welding, fitting, painting and blasting, and increasing automation overall in our manufacturing processes, we are able to achieve better quality with shorter turnaround time. With data analytics, we can improve efficiency and equipment maintenance through the production data derived.

The upgraded NERVA Ship Management System and Sense Making System (SMS²) provides a centralised alarm, control and monitoring of platform sensors and systems as a key feature of a 'Smart Ship'. Integrating

technological advancements in process automation with ship building expertise, the NERVA SMS² offers a state-of-the-art ship management system solution for most vessel types.

A key feature of the NERVA SMS² is the sense making capability. Incorporating data and predictive analytics, the SenseMaking system is able to perform condition-based-monitoring and predictive diagnostics on platform machinery systems. The SMS² also comes with a Decision Support System which provides advisory to a ship's crew to help them improve their decision making.

Notwithstanding the current market uncertainties, we continue to enhance our existing technologies and processes, upgrade our assets and skill sets to sharpen our competencies for the future.

KEY FOCUS IN 2018

- 1** Introduce smart ship management system and sense making analytics for smarter ships
- 2** Intensify sales and marketing efforts to pursue defence and commercial opportunities
- 3** Increase automation and leverage robotics to improve operational efficiency
- 4** Commence construction of Jurong Island Desalination Plant in Singapore



Our in-house ship management system, NERVA, integrated with SenseMaking module applies data analytics and machine-learning techniques to provide predictive analysis.

FINANCIAL REVIEW

LONG-TERM GROWTH THROUGH INNOVATION AND COLLABORATION

In 2017, the Group embarked on several initiatives to reinforce its position as a technology and engineering leader. The Group set up a Corporate Venture Capital unit and an Open Innovation Lab to invest in promising technology start-ups to harness new technologies that will create long-term value and growth for our stakeholders.

During the year, the Aerospace sector successfully delivered our first A330-300 passenger-to-freighter conversion (P2F) following the successful completion of test flights and award of the Supplemental Type Certificate (STC) by the European Aviation Safety Agency (EASA). The Electronics sector acquired a 51% interest in

SP Telecommunications Pte Ltd (SPTel) to leverage its extensive network of fibre optic backhaul infrastructure and facilities to provide a comprehensive suite of Info-Communications Technology (ICT) expertise to government and enterprise customers.

In the Land Systems sector, the acquisition of Aethon will provide autonomous mobile robotics to the healthcare, industrial and hospitality sectors. The Marine sector together with consortium partner, Tuas Power Ltd, was selected to jointly design, build, own and operate the Jurong Island Desalination Plant in Singapore. The Marine sector also acquired selected marine repair assets for its shiprepair business.

The Group posted revenue of \$6.62b in FY2017, comparable to FY2016, while Profit before tax (PBT) of \$623.3m and Profit attributable to shareholders (Net Profit) of \$511.9m for FY2017 came in 6% higher as compared to FY2016.

The Group ended the year with a strong order book of \$13.2b.

The Group delivered strong operating cash flow in FY2017 and ended the year with cash and cash equivalents balance (including funds under management) of \$1.3b. The Economic Value Added (EVA) for the Group grew \$69.2m or 27% to \$321.6m for FY2017.

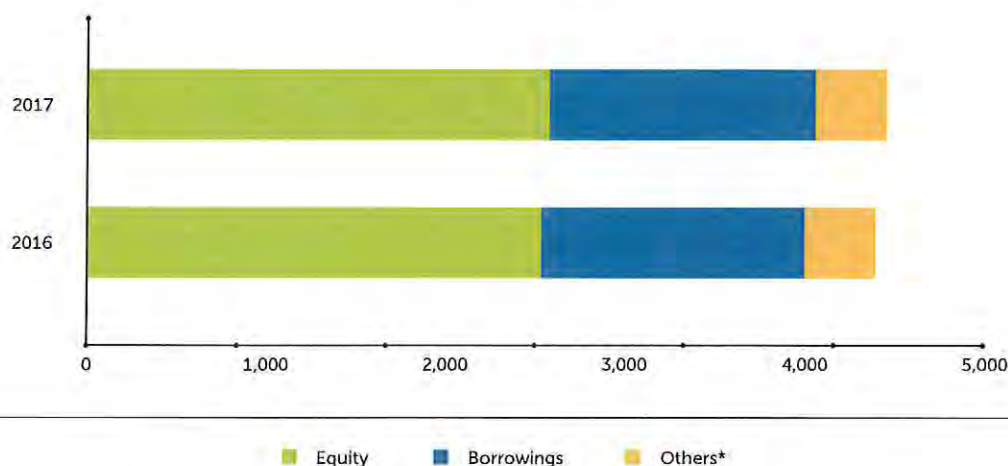
The Board proposes a final dividend of 10 cents per share. Together with the interim dividend of 5 cents per share paid in August 2017, the total dividend for FY2017 is 15 cents per share.

FINANCIAL POSITION

As at 31 December 2017, the Group's total assets increased \$108m or 1% to \$8,473m mainly from the acquisitions of SPTel, Aethon and marine repair assets.

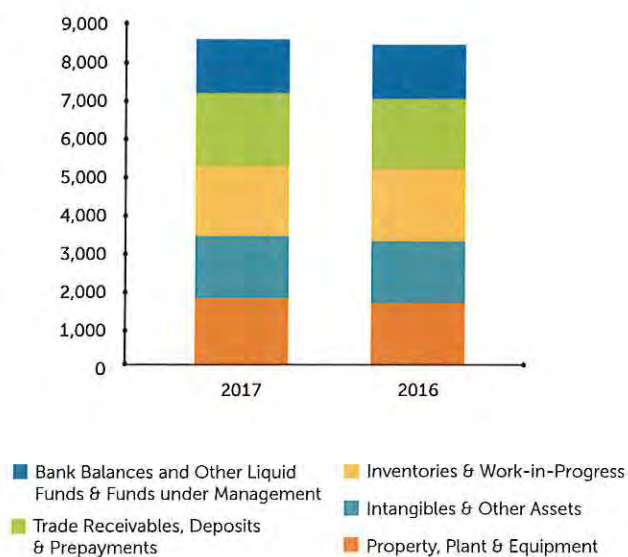
The average capital employed in FY2017 was \$4,458m as compared to \$4,426m in FY2016.

CAPITAL EMPLOYED (\$m)

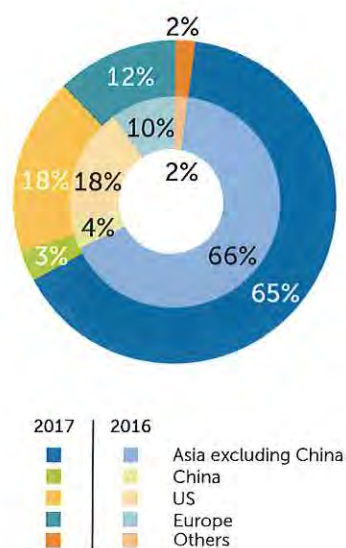


* Others include adjustments for foreign currency translation, present value of leases, etc.

TOTAL ASSETS DEPLOYMENT (\$m)



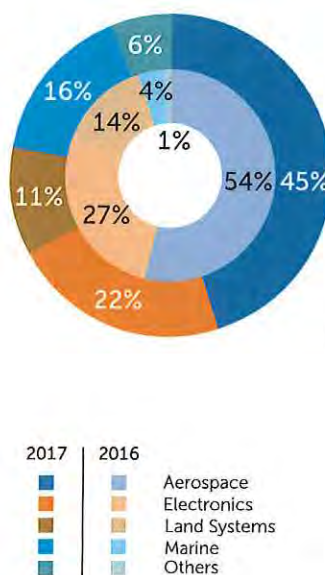
TOTAL ASSETS BY GEOGRAPHY



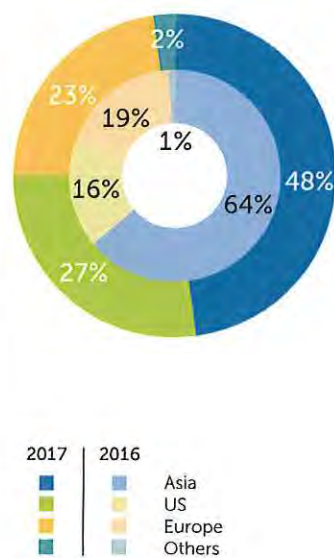
CAPITAL EXPENDITURE

In FY2017, the Group continued to invest for long-term growth with capital expenditure of \$273m (2016: \$252m), of which about 89% or \$243m was for investments in new capacity and capabilities. Major capital expenditures incurred included the ongoing construction of new hangars for capacity at the Aerospace sector to support our P2F conversion business, the construction of a new building to support the data centre business in the Electronics sector, and the acquisition of marine repair assets in the US.

CAPITAL EXPENDITURE BY SECTOR



CAPITAL EXPENDITURE BY GEOGRAPHY



FINANCIAL REVIEW

TREASURY MANAGEMENT

ST Engineering operates internationally and is exposed to financial risks, comprising currency, interest rate, credit and liquidity risks. The Group recognises that prudent management of financial risks is important and has in place a set of treasury policies and guidelines to mitigate these risks. Treasury activities are managed through the Group Treasury Division, which reviews and updates the treasury

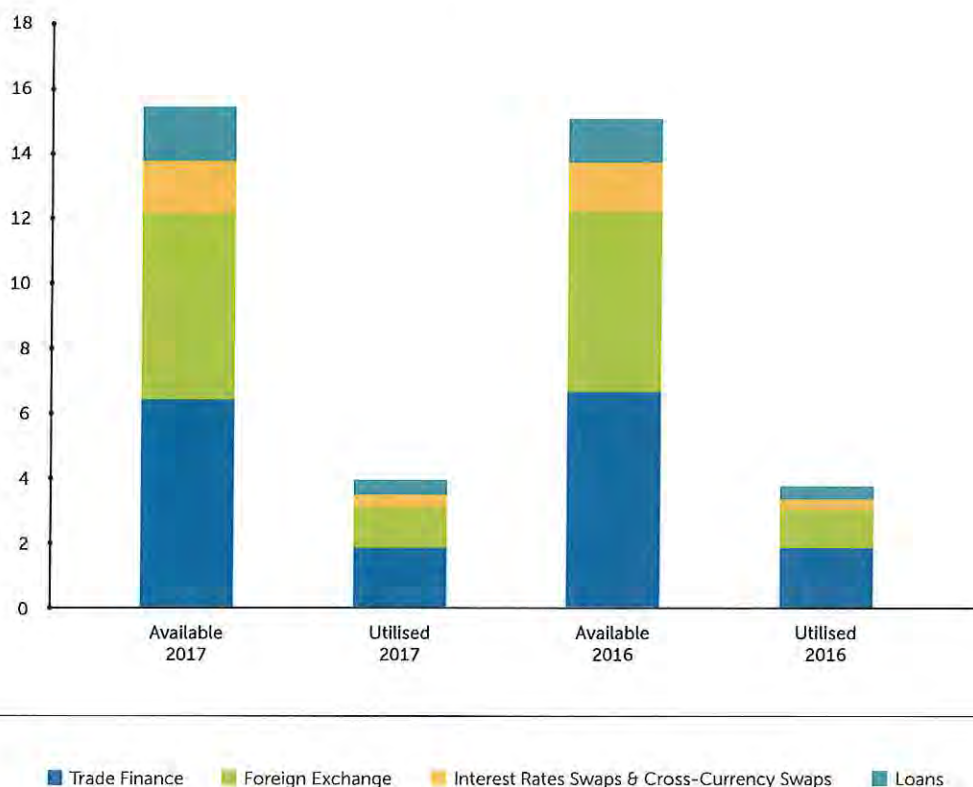
policies and guidelines to tighten liquidity management as well as better manage the Group's exposure in view of the volatile external environment. Group Treasury Division is also embarking on new technology projects such as the implementation of an electronic trading platform, a treasury management system and an electronic payment system well-interfaced with our global banking counterparties to enable straight-through processing capabilities and an in-house bank model in 2018.

Banking Facilities

The Group has banking facilities of approximately \$15.4b (2016: \$15.1b) as at 31 December 2017 to support business operations in the areas of trade finance, hedging and credit.

As at 31 December 2017, the Group has utilised \$3.9b or 25% of its total available facilities (2016: \$3.7b or 25%) with \$11.5b or 75% (2016: \$11.4b or 75%) remaining available.

BANKING FACILITIES (\$b)



Foreign Exchange

The Group has receivables and payables denominated in foreign currencies. Where possible, the Group offsets currency exposures across its business units before hedging remaining currency exposures in the market via foreign exchange forward contracts. The top three currencies in 2017 for the Group were USD, EUR and GBP.

During the year, the Group engaged in approximately \$1.5b (2016: \$0.7b) equivalent of foreign exchange transactions. As at 31 December 2017, \$0.9b (2016: \$1.2b) remained as outstanding foreign exchange transactions.

Liquidity

The Group's cash and cash equivalents, including funds under management, stood at \$1.3b as at 31 December 2017 (2016: \$1.4b).

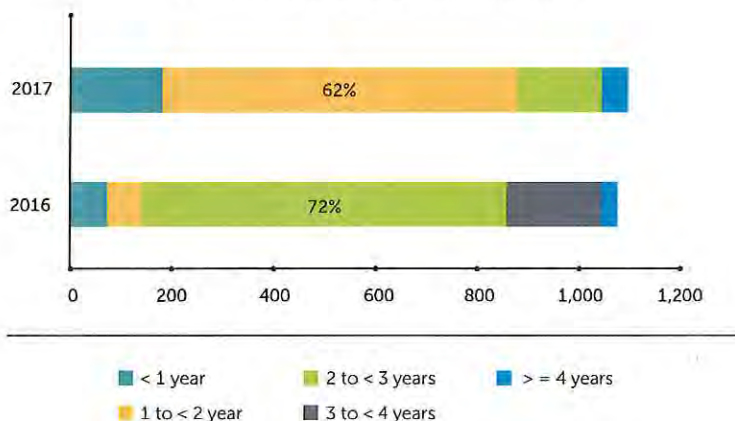
Interest rates on fixed deposits yielded an average of 0.89% in 2017 (2016: 1.05%). Funds under management were invested in SGD and USD fixed income instruments with interest rates ranging from 1.875% to 7.625% per annum (2016: 1.29% to 5.75% per annum).

Borrowings

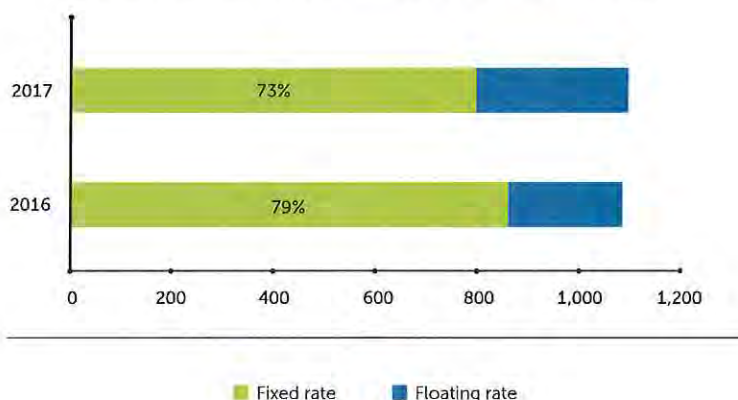
As at 31 December 2017, the Group's borrowings remained at \$1.1b (2016: \$1.1b), comprising \$0.7b (2016: \$0.7b) of 10-year bond and \$0.4b (2016: \$0.4b) of short-term and long-term loans from banks, lease obligations and other loans.

These debt obligations were taken out to support the Group's operations and comprise the following currencies and proportion of debt; USD - \$944m equivalent or 85%, SGD - \$87m or 8%, EUR - \$46m equivalent or 4% and RMB - \$39m equivalent or 3%.

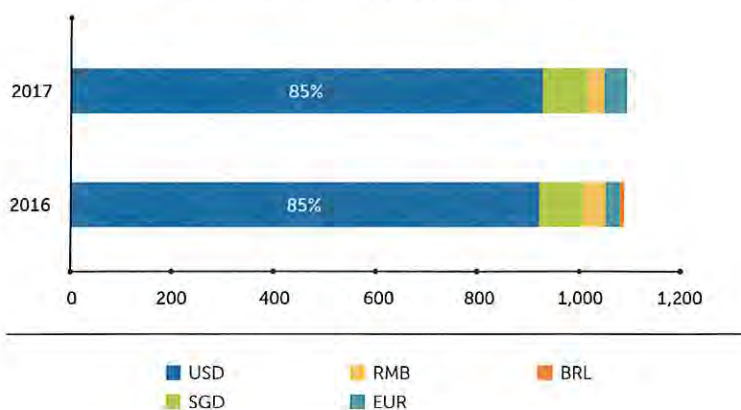
BORROWING PROFILE BY MATURITY (\$m)



BORROWING PROFILE BY FIXED AND FLOATING RATES (\$m)



BORROWING PROFILE BY CURRENCY (\$m)

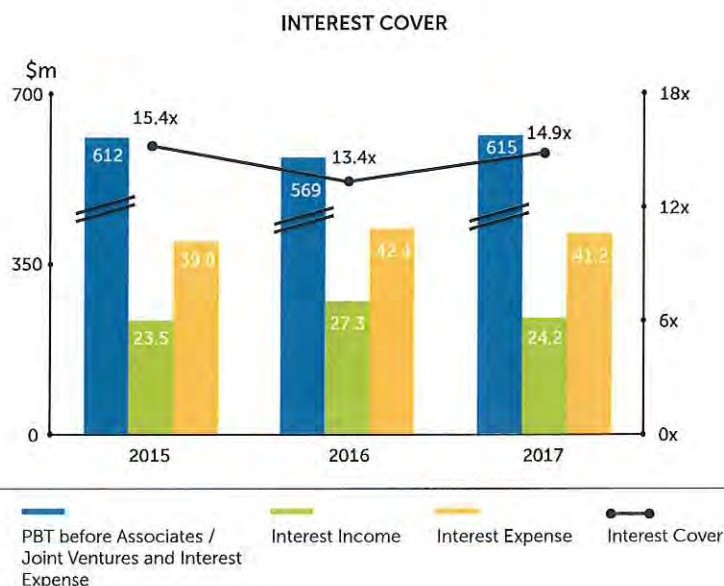


FINANCIAL REVIEW

DEBT RATIOS

Interest Cover Ratio

The Group's interest cover ratio increased to 14.9 times in FY2017 (2016: 13.4 times). The higher interest cover was due to a combination of higher profits and lower interest expense. The reduction in interest expense by \$1.2m arose from lower average borrowings and favourable USD against SGD movements.



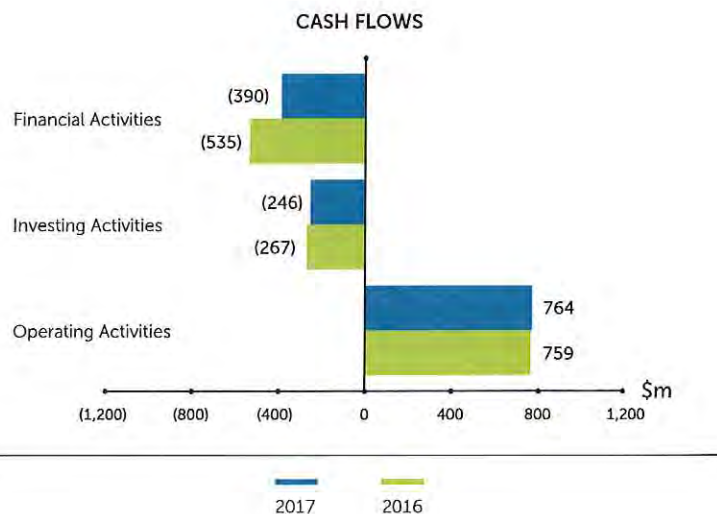
Gross Debt / Equity Ratio

Gross debt/equity ratio remained stable at 0.6 times in 2017. The Group continued to generate strong operating cash flow of \$764m in FY2017.

	2017	2016	2015
Gross Debt/Equity Ratio	0.6	0.6	0.7
Operating Cash Flow (\$m)	764	759	465
Free Cash Flow (\$m)	518	492	(12)
Net Debt (\$m)	(146)	(59)	(102)

CASH FLOWS

The Group delivered strong operating cash flow in FY2017 and ended the year with cash and cash equivalents balance (including funds under management) of \$1.3b.



Operating Activities

The Group generated net cash of \$764m in FY2017 from its operating activities compared to \$759m in FY2016. The increase in net cash from operating activities was due to improved profits, partially offset by an increase in income tax paid.

Investing Activities

Net cash used in investing activities of \$246m in FY2017 was primarily for investment in SPTel (\$55m), acquisition of Aethon (\$50m) and investment in property, plant and equipment by Aerospace (\$123m), Electronics (\$60m), Land Systems (\$30m) and Marine (\$44m) sectors, partially offset by net proceeds from sale of investments (\$144m).

Financing Activities

Net cash used in financing activities of \$390m in FY2017 was mainly attributable to the payment of both the FY2016 final dividend and FY2017 interim dividend (\$468m), partially offset by higher loans drawn down (\$106m).

TAX

During the year, the Marine sector achieved the Premium Status awarded by Inland Revenue Authority of Singapore (IRAS) following the completion of the Assisted Compliance Assurance Programme (ACAP) under the Singapore Goods and Services Tax (GST) regime. The Aerospace and Land Systems sectors achieved the Premium Status in FY2016. The GST compliance review is a voluntary risk management initiative and receiving the Premium Status is recognition of the strong compliance infrastructure put in place by the Group. The Electronics sector has also submitted the ACAP report and is awaiting review by IRAS.

The Group has also completed its voluntary submission of the Country-by-Country Reporting (CbCR) to IRAS. CbCR is a form of reporting by multinational enterprises initiated by

the Organisation for Economic Co-operation and Development. A CbCR report will include information on the global allocation of income and taxes paid in different jurisdictions and other financial data of a multinational enterprise. CbCR submitted to IRAS may be provided to tax authorities of jurisdictions with which Singapore has qualifying competent authority agreements for the automatic exchange of CbCR information.

The Group's effective tax rate for 2017 is 14% (2016: 17%). Excluding the favourable impact from the re-measurement of deferred tax balances due to the US tax reform, the Group's effective tax rate for 2017 would be 17%.

SIGNIFICANT ACCOUNTING POLICIES

The Group's financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS). The significant accounting policies are presented in Notes to the Financial Statements, Note 3 (pages 150 to 180). The Group has applied the same

accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2016 except for the adoption of FRS and INT FRS that are mandatory for financial year beginning on or after 1 January 2017. The adoption of these FRS and INT FRS has no significant impact on the financial statements.

TOTAL SHAREHOLDER RETURN

ST Engineering paid an interim dividend of 5 cents per share to shareholders in August 2017 and will recommend a final dividend of 10 cents per share to shareholders at the forthcoming Annual General Meeting. The total dividend per share (DPS) for FY2017 is 15 cents. Based on the average share price of \$3.25, the DPS of 15 cents translates to a dividend yield of 4.6%.

ST Engineering's share price ended the year at \$3.26, a 0.9% increase as compared to the prior year. With a dividend yield of 4.6%, shares of ST Engineering generated a total positive shareholder return of 5.5%.

TOTAL SHAREHOLDER RETURN



ST ENGINEERING

FINANCIAL REVIEW

ECONOMIC VALUE ADDED (EVA)

The Group's FY2017 EVA attributable to ordinary shareholders of \$321.6m was 27% or \$69.2m higher than that achieved in FY2016. The increase in EVA was mainly attributable to higher net operating profit after tax (NOPAT).

EVA Statement	2017 \$m	2016 \$m
Net profit before tax	574.0	526.9
Adjust for:		
Share of results of associates and joint ventures, net of tax	49.3	63.8
Interest expense	53.2	55.7
Others	15.8	7.1
Adjusted profit before interest and tax	692.3	653.5
Cash operating taxes (Note 1)	(110.8)	(124.1)
NOPAT - (a)	581.5	529.4
Average capital employed (Note 2)	4,458.0	4,426.3
Weighted average cost of capital (Note 3) (%)	5.7	5.6
Capital charge	(254.1)	(247.9)
Adjustment to capital charge (Note 4)	(2.6)	(39.3)
Adjusted capital charge - (b)	(256.7)	(287.2)
EVA - [(a) - (b)]	324.8	242.2
Non-controlling share of EVA	(3.2)	10.2
EVA attributable to ordinary shareholders	321.6	252.4

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

Note 2: Monthly average equity plus interest bearing liabilities, timing provision and present value of operating leases.

Major Capital Components:

	(\$m)
Borrowings	1,476.1
Equity	2,588.3
Others	393.6
	<u>4,458.0</u>

Note 3: The weighted average cost of capital is calculated in accordance to ST Engineering Group EVA Policy as follows:

- Cost of equity using capital asset pricing model with market risk premium at 5.0% (2016 @ 5.0%);
- Risk-free rate of 2.35% (2016 @ 2.21%) based on yield-to-maturity of Singapore government 10-years bonds;
- Ungeared beta at 0.71 (2016 @ 0.73) based on ST Engineering risk categorisation; and
- Cost of debt at 3.37% (2016 @ 3.65%) using actual cost of debt of the borrowings in US, Europe, China and Singapore.

Note 4: Adjustment on realisation of deferred capital charge on some acquisitions.

VALUE ADDED

The Group's total value added for FY2017 of \$2,865m was 1% lower compared to that of FY2016.

Value Added Statement	2017		2016		2015		2014		2013	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Value added from:										
Revenue earned	6,619.5		6,683.7		6,335.0		6,539.4		6,633.2	
Bought in materials and services	(3,866.1)		(3,942.3)		(3,792.5)		(4,022.0)		(4,002.2)	
	<u>2,753.4</u>		<u>2,741.4</u>		<u>2,542.5</u>		<u>2,517.4</u>		<u>2,631.0</u>	
Other income	38.7		67.8		55.4		40.2		34.2	
Finance income	38.2		33.7		56.2		43.5		68.9	
Finance costs (exclude interest expenses)	(15.0)		(3.3)		(10.1)		(7.3)		(33.5)	
Share of results of associates and joint ventures, net of tax	49.3		63.8		58.3		57.2		31.1	
Total value added	<u>2,864.6</u>		<u>2,903.4</u>		<u>2,702.3</u>		<u>2,651.0</u>		<u>2,731.7</u>	
Distribution of total value added										
To employees in wages, salaries and benefits	1,945.1	68	1,941.0	67	1,807.7	67	1,739.2	66	1,783.6	65
To government in taxes and levies	109.3	4	119.2	4	118.4	4	136.5	5	157.3	6
To providers of capital on:										
• Interest paid on borrowings	41.2	1	42.4	1	39.7	2	37.9	1	44.2	2
• Dividends to shareholders	467.6	16	465.9	16	497.6	18	498.8	19	521.3	19
	<u>2,563.2</u>		<u>2,568.5</u>		<u>2,463.4</u>		<u>2,412.4</u>		<u>2,506.4</u>	
Balance retained in business										
Depreciation and amortisation	217.0		247.3		187.3		170.5		142.0	
Retained profits	44.5		58.9		36.3		48.2		62.8	
Non-controlling interests	23.5		8.3		2.6		5.0		10.7	
	<u>285.0</u>	10	<u>314.5</u>	11	<u>226.2</u>	8	<u>223.7</u>	8	<u>215.5</u>	8
Non-production costs	16.4	1	20.4	1	12.7	1	14.9	1	9.8	0
Total distribution	<u>2,864.6</u>	100	<u>2,903.4</u>	100	<u>2,702.3</u>	100	<u>2,651.0</u>	100	<u>2,731.7</u>	100
Value added per employee (\$)	132,980		132,131		120,704		116,935		119,616	
Value added per \$ of employment costs (\$)	1.47		1.49		1.49		1.52		1.53	
Value added per \$ of gross property, plant and equipment (\$)	0.77		0.81		0.78		0.83		0.91	
Value added per \$ of revenue (\$)	0.43		0.43		0.43		0.41		0.41	

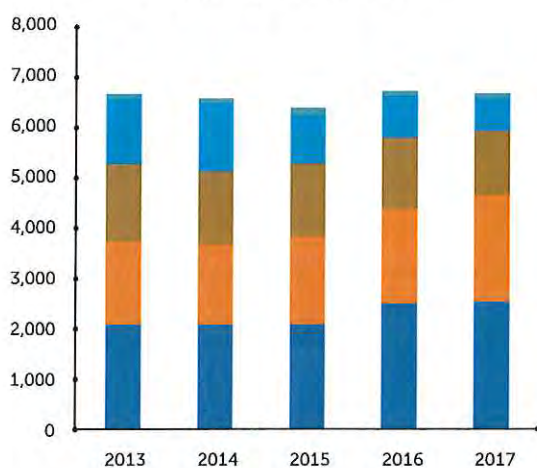
ST ENGINEERING

FINANCIAL REVIEW

5-Year Key Financial Data

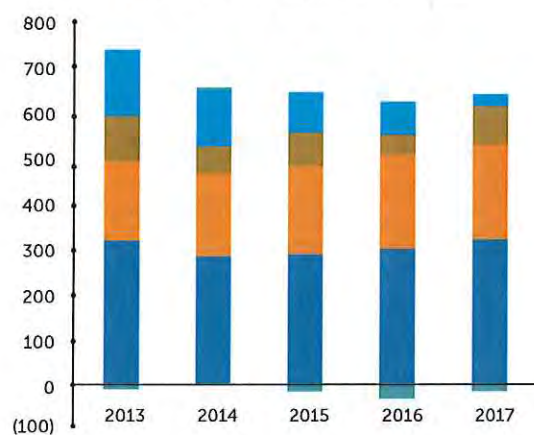
	2017	2016	2015	2014	2013
Income Statement (\$m)					
Revenue	6,619	6,684	6,335	6,539	6,633
Profit					
EBITDA	770.3	718.4	697.6	725.5	815.2
EBIT	553.3	471.1	510.3	555.0	673.2
PBT	623.3	590.6	630.3	650.7	729.7
Net Profit	511.9	484.5	529.0	532.0	580.8
Balance Sheet (\$m)					
Property, plant and equipment	1,719	1,670	1,709	1,578	1,520
Intangible and other assets	1,676	1,570	1,370	1,311	1,290
Inventories and work-in-progress	1,764	1,898	1,943	1,802	1,808
Trade receivables, deposits and prepayment	1,965	1,824	1,694	1,916	1,860
Bank balances and other liquid funds and funds under management	1,349	1,403	1,453	1,712	2,229
Current liabilities	3,901	3,801	3,720	3,716	4,094
Non-current liabilities	2,051	2,120	2,188	2,339	2,353
Share capital	896	896	896	889	853
Treasury shares	(23)	(44)	(67)	(6)	-
Capital and other reserves	52	57	48	24	71
Retained earnings	1,315	1,274	1,255	1,225	1,192
Non-controlling interests	281	262	129	132	144
Financial Indicators					
Earnings per share (cents)	16.43	15.60	17.05	17.06	18.73
Net assets value per share (cents)	71.89	70.20	68.74	68.38	68.14
Return on sales (%)	8.1	7.4	8.4	8.2	8.9
Return on equity (%)	22.9	22.2	24.8	24.9	27.4
Return on total assets (%)	6.3	5.9	6.5	6.5	6.8
Return on capital employed (%)	13.0	12.0	14.6	14.0	15.4
Dividend					
Gross dividend per share (cents)	15.0	15.0	15.0	15.0	15.0
Dividend yield (%)	4.62	4.81	4.68	4.08	3.86
Dividend cover	1.09	1.04	1.13	1.14	1.25
Productivity Data					
Average staff strength (numbers)	21,541	21,974	22,388	22,671	22,837
Revenue per employee (\$)	307,297	304,166	282,965	288,449	290,456
Net profit per employee (\$)	23,763	22,049	23,630	23,464	25,434
Employment costs (\$m)	1,951.6	1,947.5	1,813.7	1,745.8	1,789.7
Employment costs per \$ of revenue (\$)	0.29	0.29	0.29	0.27	0.27
Economic Value Added (\$m)	321.6	252.4	355.1	344.5	413.8
Economic Value Added spread (%)	7.3	5.5	8.7	8.4	10.2
Economic Value Added per employee (\$)	14,929	11,488	15,861	15,197	18,118

REVENUE BY SECTOR (\$m)



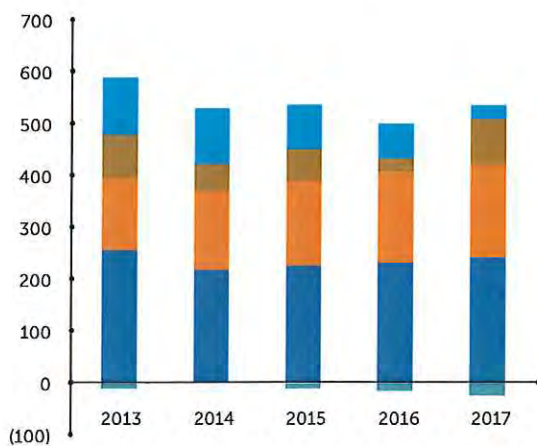
Aerospace Land Systems Others
 Electronics Marine

PROFIT BEFORE TAX BY SECTOR (\$m)



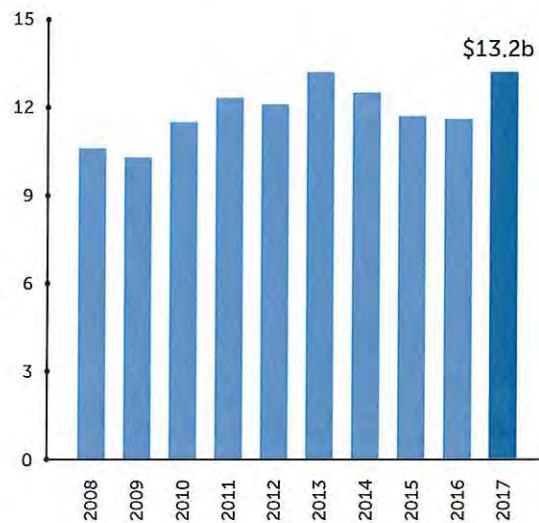
Aerospace Land Systems Others
 Electronics Marine

NET PROFIT BY SECTOR (\$m)



Aerospace Land Systems Others
 Electronics Marine

ORDER BOOK (\$b)



INVESTOR RELATIONS

ST Engineering believes it is vital to have regular, clear and open communications with the investing community, comprising both retail and institutional investors. Through a carefully planned, multi-platform investor relations programme, ST Engineering aims to ensure that all key stakeholders have the latest, most relevant information in order to make sound, accurate and informed decisions about the Group's value and long-term prospects. In communicating with the public, ST Engineering is committed to maintaining high standards of transparency and timely disclosures.

We participate actively in investor conferences, host regular non-deal roadshows, luncheons, one-on-one meetings and teleconferences to engage investors across regions including Asia Pacific, Europe and the US. At these meetings, candid discussions of the Group's various opportunities and challenges take place so that investors are aware of the circumstances under which our companies operate. We also arrange facility visits for institutional investors and analysts to better understand the Group's business offerings and operations.

All quarterly financial results briefings are webcast live and are made open to the public. Analysts and media are invited to these briefings where ST Engineering President & CEO, CFO and the Presidents of our business sectors share updates on the Group's financial performance, business operations, opportunities and challenges. The webcasts are archived on our corporate website for on-demand playback.

We ensure that investors have access to all relevant public information about the Group at all times. All SGX announcements, marketing press releases, annual reports and quarterly results materials in the last five years are archived on our corporate website. In support of SGX's move towards e-communication with shareholders, we will no longer produce CD-ROMS. Printed

copies of our Annual Reports will still be available upon request and investors can visit our corporate website for a library of archived annual reports. Investors can also subscribe to email alerts to obtain latest updates on the Group or reach out to the investor relations team via dedicated contact information published on our corporate website.

Through these various channels, we offer avenues for long-term and open dialogues with our stakeholders so that they understand our business better, and at the same time, allow us to address their concerns.

We are constantly looking for ways to enhance our communication platforms as new technology becomes available and we will continue to refine our communication efforts to ensure that the information needs of analysts, the media and our institutional and retail investors are met, if not exceeded.

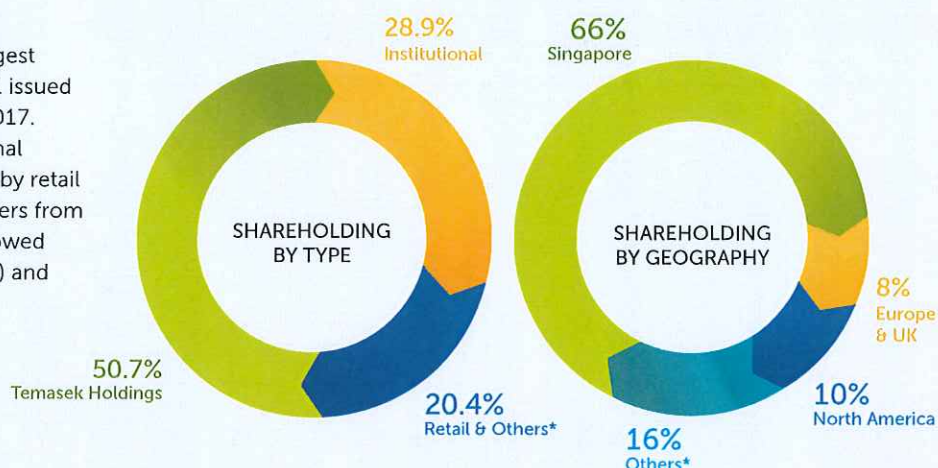
2017 INVESTOR RELATIONS CALENDAR

PERIOD	EVENT
1st Quarter	Visit to ST Engineering's 50 th Anniversary Innovation Showcase Annual management lunch with sell-side analysts FY2016 results briefing with live webcast Post-results investor lunch Maybank Kim Eng Invest ASEAN Conference
2nd Quarter	20 th Annual General Meeting 1Q2017 results briefing with live webcast DBAccess Asia Conference (Singapore) Visit to ST Electronics' booth at CommunicAsia 2017 Citi ASEAN Conference (Singapore) Non-deal roadshow to Europe
3rd Quarter	2Q2017 results briefing with live webcast Post-results investor lunch CLSA Investors' Forum (Hong Kong)
4th Quarter	3Q2017 results briefing with live webcast Post-results investor lunch Morgan Stanley Asia Pacific Summit (Singapore)

SHAREHOLDING

Temasek Holdings remains our largest shareholder, holding 50.7% of total issued share capital as at 31 December 2017. Another 28.9% is held by institutional investors, with the remainder held by retail and other shareholders. Shareholders from Singapore held a total of 66%, followed by those from North America (10%) and Europe and UK (8%).

* Others include unidentified holdings and holdings below analysis threshold



2017 SHARE PERFORMANCE

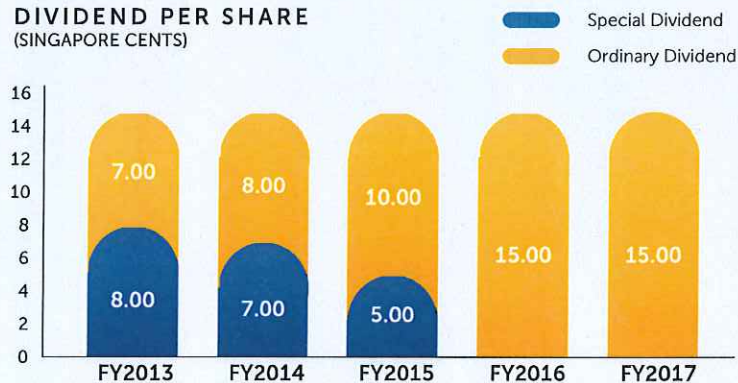
ST Engineering shares closed at \$3.26 as at 29 December 2017 (last trading day), representing a gain of 0.9% for the year, compared to the Straits Times Index of 18.1%. Market capitalisation was \$10.2

billion at year-end. The average share price over the course of the year was \$3.55, with a high of \$3.86 on 8 May, and a low of \$3.17 on 19 December. Average daily trading volume for the year was 3.7 million shares.

DIVIDENDS

The Board has proposed a final dividend of 10 cents per share for the financial year ending 31 December 2017. In addition to the interim dividend of 5 cents per share paid in August, ST Engineering declared dividends of a total of 15 cents per share, representing 91% of our net profit. Dividend yield for 2017 stands at 4.6% (computed using the average closing share price of the last trading day of 2017 and 2016).

DIVIDEND PER SHARE (SINGAPORE CENTS)



A W A R D S

BUSINESS EXCELLENCE

SINGAPORE CORPORATE GOVERNANCE AWARD (RUNNER-UP FOR INDUSTRIALS CATEGORY) AT THE 18TH INVESTORS CHOICE AWARDS

By Securities Investors Association (Singapore)

- ST Engineering

MOST PROFITABLE COMPANY (MULTI-INDUSTRY SECTOR) AT THE EDGE SINGAPORE BILLION DOLLAR CLUB CORPORATE AWARDS 2017

By The Edge Singapore

- ST Engineering

OVERALL MRO OF THE YEAR 2017 AT MRO GLOBAL DUBLIN AVIATION SUMMIT AWARDS

- ST Aerospace

TOP AIRFRAME MRO PROVIDER
By Aviation Week Network

- ST Aerospace

10 BEST TECH COMPANIES TO WORK FOR 2017 AWARD

By Singapore Computer Society

- ST Electronics (Info-Comm Systems)

STAR OF ENTERPRISE IN CHINA OUTSOURCING SERVICE INDUSTRIES

By China Council for International Investment Promotion, Gartner & IDC

- ST Aerospace Technologies (Xiamen)

TOP 100 CHINA GROWING ENTERPRISE IN OUTSOURCING SERVICE INDUSTRIES

By China Council for International Investment Promotion, Gartner & IDC

- ST Aerospace Technologies (Xiamen)

PRODUCT QUALITY

BEST INNOVATIVE INFOCOMM PRODUCT (CYBER SECURITY)

By Singapore Infocomm Technology Federation

- ST Electronics for ST Electronics Data Diode

WINNER OF AVIATION CHALLENGE 1 AND 2

By Civil Aviation Authority of Singapore

- ST Dynamics for Automated Baggage Handling and Automated Cargo Handling

WINNER OF BEST SELLING N95 MASK BRAND AT HWB AWARDS 2017

By Watsons Singapore

- Innosparks for AIR+Smart Mask

WINNER OF RADIANCE AWARD, FIRST AID FACEMASK AT HEALTH & BEAUTY AWARDS 2017

By Guardian Singapore

- Innosparks for AIR+Smart Mask

DEFENCE

DEFENCE TECHNOLOGY PRIZE (ENGINEERING) AWARD

By MINDEF

- ST Engineering
- ST Electronics

TOTAL DEFENCE AWARD

By MINDEF

- ST Electronics

NS ADVOCATE AWARD FOR LARGE COMPANIES

By MINDEF

- ST Electronics
- ST Aerospace Supplies

NS ADVOCATE AWARD

By MINDEF

- ST Electronics
- ST Aerospace Services

NS MARK AWARD (GOLD)

By MINDEF

- ST Electronics
- ST Aerospace Supplies

WORKPLACE SAFETY & HEALTH

SAFETY & HEALTH AWARD 2017

By Ministry of Manpower and the Workplace Safety and Health Council (WSH Council)

- ST Electronics for eight rail electronics projects

SINGAPORE HEALTH AWARD

By Health Promotion Board

- Certificate of Recognition
- ST Aerospace Supplies
- Merit
- ST Electronics

WSH INNOVATION AWARD (MANUFACTURING)(GOLD)

By WSH Council

- ST Aerospace Engineering
- ST Aerospace Services Company

**WSH INNOVATION
AWARD (CERTIFICATE OF
COMMENDATION)**

By WSH Council

- ST Aerospace Services Company

**WSH AWARD (SUPERVISOR)
(SILVER)**

By WSH Council

- ST Aerospace Services Company

**WSH AWARD (SUPERVISOR)
(SILVER)**

By Singapore Manufacturers' Federation

- ST Aerospace Engines

**WSH INNOVATION AWARD
(BRONZE) By Singapore
Manufacturers' Federation**

- ST Aerospace Engineering

**WSH INNOVATION CONVENTION
(GOLD)**

By Association of Singapore
Marine Industries

- ST Marine

**SAFETY & SECURITY WATCH
GROUP CLUSTER AWARD**

By Singapore Police Force

- ST Aerospace Systems

**NATIONAL STEPS CHALLENGE
(SEASON TWO)**

By Health Promotion Board

- ST Aerospace Engines

PEOPLE

HUMAN CAPITAL PARTNER

By Tripartite Alliance for Fair &
Progressive Employment Practices

- ST Electronics
(Info-Comm Systems)
- ST Electronics
(Info-Security Systems)

CORPORATE CITIZENSHIP

COMMUNITY CHEST

SHARE AWARD 2017

By Community Chest

In 2017, 17 business entities received
Community Chest Share Awards in the
Platinum, Gold and Silver categories.

Of these, six entities were awarded:

**20-YEAR OUTSTANDING SHARE
(PLATINUM) AWARD**

- ST Aerospace Services
- ST Aerospace Systems

**15-YEAR OUTSTANDING SHARE
(PLATINUM) AWARD**

- ST Aerospace
- ST Aerospace Engines
- ST Aerospace Engineering

**15-YEAR OUTSTANDING SHARE
(GOLD) AWARD**

- ST Marine

**STAR OF COMMENDATION AWARD
(GOLD)**

By Singapore Industrial and
Services Employees' Union

- ST Aerospace Engineering



**AVIATION
CHALLENGE**

In the past two years, ST Engineering focused on developing breakthrough robotics and autonomous solutions for airport logistics to reduce reliance on labour while enhancing performance, productivity and safety. One such initiative is our response to the challenge posed by the Civil Aviation Authority of Singapore in 2015 to solve the laborious airport cargo process (Aviation Challenge 2) and baggage handling process (Aviation Challenge 1). ST Engineering collaborated with Israel Aerospace Industries and won both Challenges with our autonomous solutions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kwa Chong Seng
(Chairman)

Vincent Chong Sy Feng
(President & CEO)

Quek See Tiat

Lieutenant-General
Lim Cheng Yeow Perry

Neo Kian Hong

Quek Gim Pew

Dr Stanley Lai Tze Chang

Khoo Boon Hui

Olivia Lum Ooi Lin

Dr Beh Swan Gin

Lim Sim Seng

Lim Ah Doo

Rear Admiral Alan Goh Kim Hua
(Alternate Director to
Lieutenant-General
Lim Cheng Yeow Perry)

COMPANY SECRETARIES

Chua Su Li

Ng Kwee Lian (Karen)

REGISTERED OFFICE

ST Engineering Hub
1 Ang Mo Kio Electronics Park Road
#07-01

Singapore 567710
Tel: (65) 6722 1818
Fax: (65) 6720 2293
www.stengg.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Quek Shu Ping (Partner-in-charge)
(Date of Appointment: 15 February
2017)

PRINCIPAL BANKERS

Bank of America, N.A.
50 Collyer Quay #14-01
OUE Bayfront
Singapore 049321

Citibank N.A.
8 Marina View #21-00
Asia Square Tower 1
Singapore 018960

DBS Bank Ltd
12 Marina Boulevard #45-01
DBS Asia Central @ MBFC Tower 3
Singapore 018982

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street #10-00
OCBC Centre
Singapore 049513

United Overseas Bank Limited
1 Raffles Place #25-61
One Raffles Place Tower 2
Singapore 048616

RISK & SUSTAINABILITY HIGHLIGHTS

Our sustainability report is presented across the following platforms:

- A summary of our sustainability efforts for the year 2017, including an overview of the initiatives and our performance for the current year, is reported in this section. Unless otherwise stated, data and activities relate to our Singapore operations only. Information on sustainability efforts relating to our operations in the US is reported on pages 86 to 87;
- Our management approach, including our corporate governance, enterprise risk management system, and materiality, is captured in the document 'Our Management Approach to Sustainability', which is available on our website at www.stengg.com;
- The Global Reporting Initiative Content Index is also available on our website at www.stengg.com;
- We have a dedicated sustainability section on our website which provides an overview of our sustainability commitment in general.

This section should be read in conjunction with the information published in the 'Sustainability' section of our website at www.stengg.com.

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RISK & SUSTAINABILITY HIGHLIGHTS

THE STATEMENT FROM THE BOARD

The Board is pleased to present our Sustainability Report 2017, which sets out the Group's environmental, social and governance (ESG) performance for the year. This report is prepared in accordance with the SGX Sustainability Reporting Guide and the Global Reporting Initiative Standards: Core option.

The Group's sustainability strategy is underpinned by our core values: Integrity, Value Creation, Courage, Commitment and Compassion. For more than 50 years, ST Engineering has built a successful technology, defence and engineering business based on good business fundamentals, a commitment to performance with integrity,

and zero tolerance for fraud and dishonest conduct. We conduct our business in a responsible manner, by ensuring that our products not only meet technical specifications and prevailing industry standards, but are also reliable over their life cycles and are safe to produce, operate and maintain.

Our sustainability strategy involves multistakeholder considerations that balance today's needs with longer term developments. As a global technology, defence and engineering group in the aerospace, electronics, land systems and marine sectors, our employees bring technology and innovation together to create solutions that help to protect the communities and environment.

The Board has delegated to the Risk and Sustainability Committee (RSC) the responsibility to oversee and monitor the sustainability efforts. The responsibility for implementing the sustainability efforts rests with the President & CEO of ST Engineering and the Management Committee.

Through the Group's Enterprise Risk Management Framework, significant risks and material ESG factors identified are assessed against our business portfolios and the external environment, and reported to the RSC. The RSC meets quarterly with the management to review and discuss the Group's risk and sustainability performance. The RSC reviews and endorses the Sustainability Report.

**AS A RESPONSIBLE DEFENCE
TECHNOLOGY MANUFACTURER,
WE DO NOT DESIGN, PRODUCE
AND SELL ANTI-PERSONNEL MINES,
CLUSTER MUNITIONS, WHITE
PHOSPHOROUS MUNITIONS AND
THEIR RELATED KEY COMPONENTS.**

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group deploys the Enterprise Risk Management Framework to identify the most important risks that will act as barriers to achieving its business goals in the short, medium and long term. Besides business risks, risks arising from changes in the environment, social issues as well as governance are also identified. The Framework provides discipline for the Group to identify, assess, control and monitor risks. It sets out a consistent definition of risks and risk tolerance limits to ensure that business units have a common understanding when identifying and assessing risks.

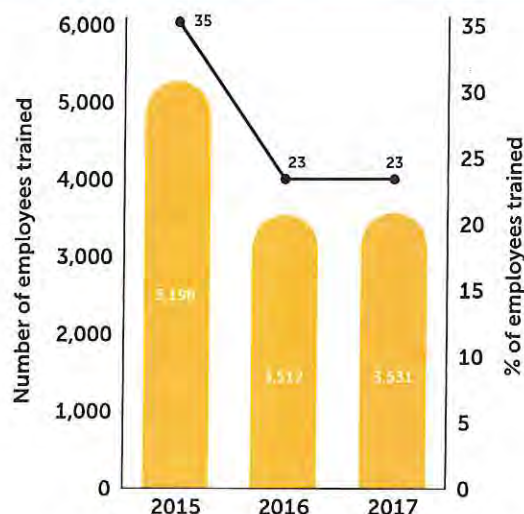
The RSC oversees management in the identification of risks as well as the implementation of risk

management policies and strategies. Further details on the Group's risk governance, including responsibilities of the Board, Audit Committee and RSC can be found in the Corporate Governance Report from page 88 to 116.

Important risks identified by the Group are set out below. A detailed description of the risks is set out in our website at www.stengg.com.

	OUR RISKS
Growth & Competition	Product and technology obsolescence Mergers and acquisitions
Ethics & Governance	Cyber risk Bribery and corruption Regulatory compliance
Operations	Contract compliance Business disruption Product liability and safety
Human Capital	Talent management and succession planning Occupational health and safety
Financial	Credit Foreign exchange

ANTI-BRIBERY AND CORRUPTION TRAINING IN SINGAPORE



ANTI-BRIBERY AND CORRUPTION

The Group has zero tolerance for corruption. We review and update our policies regularly to ensure their relevance. We also engaged a consultant to review our Anti-Corruption Framework to maintain its robustness.

Training on our Code of Business Conduct and Ethics is compulsory for all employees and is carried out annually. Additionally, all relevant employees are required to undergo Anti-Bribery and Corruption training once every two years.

RISK & SUSTAINABILITY HIGHLIGHTS

OUR SUSTAINABILITY PERFORMANCE

	2016 Performance	What we said we would do in 2017	What we did in 2017	What we will do in 2018
World-class Workforce	Reviewed compensation and benefits structure against industry-best practice, and conducted performance management training in response to feedback from the Employee Opinion Survey 2015. Organised a successful Team Excellence Convention 2016 with 15 participating teams. Reviewed the talent management framework to build up bench strength for the Group.	Review and refresh the methodology and process for Employee Opinion Survey. Review leadership competency framework to develop leaders of the future, with focus on global mindset, collaboration and innovative thinking.	Refreshed and re-launched the Employee Opinion Survey as the Employee Engagement Survey. Reviewed our leadership competency framework and re-calibrated our leadership development programmes in tandem with the revised leadership competencies.	Review and enhance the Group performance appraisal system. Review Employee Engagement Survey 2017 results and identify Group-wide initiatives for improvement.
Safe & Conductive Workplace	Reviewed existing Safety Operating Procedures against the National Total Workplace Safety & Health (WSH) Guidelines. Gaps identified were corrected for implementation. Organised campaigns and activities to promote health and safety. Conducted cross audits to benchmark best practices. Mixed results for Accident Frequency Rate (AFR) and Accident Severity Rate (ASR), with room for improvement.	Work towards achieving a Vision Zero target of no fatalities and improve on both the AFR and ASR. Benchmark best practices through cross audits. Share WSH best practices and resources. Drive WSH excellence by monitoring the leading indicators and organising awareness initiatives and programmes.	Improved both the AFR and ASR, with no workplace fatalities in 2017. Conducted cross audits and shared best practices across the sectors.	Develop new procedures at the workplace to increase our state of preparedness in the event of a terrorist attack. Improve upon the cross audit programme to focus on specific critical workplace safety issues to ensure compliance with procedures and safety standards.
Protecting Our Environ- ment	Installed the solar PV System for Singapore operations. Achieved verification in ISO 14064-1. Singapore operations commenced implementation of ISO 14001:2015. Reviewed our pollution control and waste management practices. Achieved reduction in Greenhouse Gas (GHG) intensity by 23% (unaudited) with the base year as 2010.	Continue implementation and sharing of best practices for ISO 14001:2015. Conduct visits to learn about new initiatives in environmental sustainability, and study their feasibility for implementation. Explore new initiatives for improving water efficiency.	Conversion to the new ISO 14001:2015 progressed as planned, with all business units in Singapore expected to achieve the new accreditation by 2018. Implemented various water-efficient initiatives.	Review the intensity target for GHG emissions. (Original target: 16% reduction in intensity on a business as usual basis by 2025 with the base year as 2010.) Improve water intensity by 1.5% from 2017 level.

OUR SUSTAINABILITY PERFORMANCE

	2016 Performance	What we said we would do in 2017	What we did in 2017	What we will do in 2018
Responsible Sourcing	Established a central procurement organisation led by a Chief Procurement Officer.	Strengthen central procurement organisation structure, resource and partnerships. Invest in technology solutions to drive efficiencies, streamline processes and enable visibility for better supply chain management.	Augmented our central procurement organisation with manpower and technological solutions. Implemented Spend Analytics Tool to enhance analytics capabilities.	Develop a strategic vendor management programme to strengthen vendor segmentation discipline aimed at improving responsible sourcing initiatives. Establish Vendor Code of Conduct.
Responsible Corporate Citizen	Embarked on developing a device to assist caregivers and wheelchair users to mount small flights of steps in and out of their homes. Successfully launched the ST Engineering Volunteer Week, with major activities across all business areas.	Review and develop a sustainable model for CSR investments, initiatives and activities. Achieve 50 Good Deeds.	Developed an ST Engineering community outreach framework, in line with the LBG Model. Achieved with a total of 8,842 man-hours in volunteer work.	Organise the ST Engineering Volunteers Week 2018. Increase the Group's participation rate in the Community Chest's SHARE programme.
Global Operations: United States	Improved disclosures from US operations relating to people, environment and the community. Established Group-wide goals for US business units in energy management, GHG emissions, waste management, and sustainable procurement.	Work towards a 15% reduction in GHG intensity by 2020 from the base year of 2015. Progressively report other targets and performance of the US sustainability efforts.	On track to achieving the target of 15% reduction in GHG intensity.	Progressively report other targets and performance of the US sustainability efforts.

RISK & SUSTAINABILITY HIGHLIGHTS



PRODUCTIVITY

Productivity is an enabler that underpins how we achieve our sustainability objectives, and improving it is a continuous process. Through various productivity programmes such as Economic Value-Added projects, Kaizen and Total Productive Maintenance, we encourage our employees to constantly explore new and better ways of working. We recognise high performing teams who demonstrate the use of technology, innovation, and continuous improvement tools to enhance their process, product, services and work environment through our annual Team Excellence Convention.

OUR PRODUCTIVITY EFFORTS

The Aerospace sector rolled out its latest Aerobook 3.0, an e-tool that seamlessly integrates the various aspects of the aircraft maintenance process. Aerobook 3.0 allows aircraft engineers and technicians to access pertinent maintenance information while on their job. Productivity is enhanced as aircraft engineers and technicians spend more time working on the aircraft, which leads to improved turnaround time.

The Electronics sector automated the hazardous work permit application and approval process. The e-Permit-To-Work system reduced the overall time taken to apply for and receive approval for hazardous work by more than 50%. The system also allows easy

document search and retrieval, enhancing overall work productivity.

The Land Systems sector continued to digitise its business processes. For its MRO operations, it launched several initiatives, including the introduction of a Wifi enabled workshop environment to allow technicians to quickly access and disseminate information, and the digitisation of the maintenance acceptance process that enhanced the productivity of Quality Assurance teams.

The Marine sector rolled out a hazard reporting smartphone application that allows staff to report hazards instantaneously. This application facilitated the prompt processing of hazard reporting, reducing processing time by up to two thirds compared to

the manual process. The smartphone application also encouraged reporting of hazards, which saw an increase by up to 30%.

During the year, ST Engineering also advanced its shared services project into implementation phase for its Singapore operations across seven functions comprising Finance, Human Resource, Information Technology, Procurement, Estate & Facilities Management, Corporate Communications and Legal.

WHAT WE WILL DO IN 2018

- Review the framework for productivity initiatives.

SAFE & RELIABLE PRODUCT

Product Quality encompasses all faculties of engineering including system safety and product reliability.

All major operations in Singapore have Quality Management Systems (QMS) that provide a set of policies and procedures to meet the stringent requirements of authorities and customers. The QMS are certified to international and relevant industry standards, including the latest ISO 9001:2015 QMS, AS9100D (for operations involved in aircraft maintenance and repair), AS9110D (for operations involved in aviation design and production), AS9120D (for operations involved in aviation

spares management) and National Aerospace and Defense Contractors Accreditation Programme (for special processes such as non-destructive testing).

System safety is a discipline of managing the safety implications of our products throughout the entire product life cycle, assessing and managing safety from the start at the design stage. We continued to enhance our product safety processes by adopting best practices and implementing new initiatives such as those listed below.

WE ACHIEVED FULL COMPLIANCE WITH PRODUCT SAFETY REQUIREMENTS IN 2017.

WHAT WE WILL DO IN 2018

- Complete the conversion of Quality Management System to ISO 9001:2015 standards.
- Review the framework for quality management.

AEROSPACE

Adopted the Unmanned Aerial Vehicle (UAV) Battery Safety Standard to ensure compliance with the criteria for selecting safe batteries in the operation of UAVs.

Initiated a Master Minimum Equipment List substantiation process to identify the critical safety items and differentiate them from the non-critical safety items. This list facilitates the prioritisation of efforts in the maintenance of aircraft and improves availability.

ELECTRONICS

Developed a Requirement Management Tool to identify and record hazards that may arise while developing and working on requirements of a project. The tool helps to ensure compliance with MIL-STD-882 on Standard Practice for System Safety.

LAND SYSTEMS

Implemented a checklist of standard safety requirements to improve overall safety assessment of our platform products.

MARINE

Developed an alternative method of identifying hazards by focusing on the Marine Class Rules and Reliability, Availability and Maintainability analysis. This alternative method provides a second perspective to hazards, and strengthens the overall rigour in analysing failure modes and their effects.

RISK & SUSTAINABILITY HIGHLIGHTS

WORLD-CLASS WORKFORCE

The Group recognises that people are a key contributor to our success and growth. In 2017, the Group reviewed and refreshed our Aspiration Statement. To support the new aspiration, three focal areas have been identified to further shape our workforce to support a world-class and high-performance organisation:

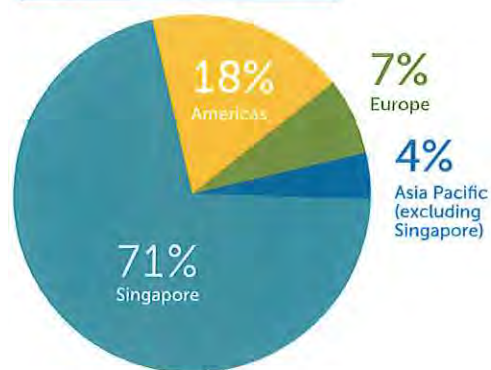
1. Enhancing capability and capacity for growth
2. Strengthening a passionate and engaged workforce
3. Being at the forefront of people practices

During the year:

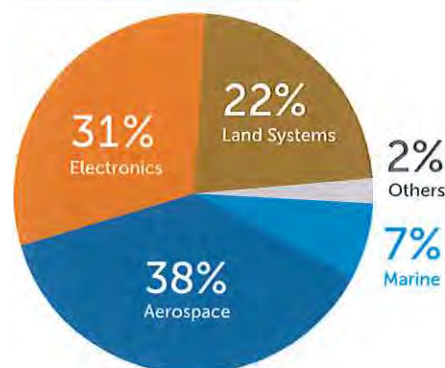
- We reviewed our leadership competency framework to sharpen our focus on developing leaders who are visionary, inspiring and transformational, and who will lead with a people-first mindset, based on principles. The ability to mobilise, engage and develop our people in the future workplace has been identified as a core competency. The leadership development programmes were recalibrated in tandem with the revised leadership competencies.
- The Employee Opinion Survey was refreshed and re-launched as the Employee Engagement Survey to all 15,000 employees in Singapore. The new survey measures existing levels of engagement and weighs our engagement score against external benchmarks. The results will form the basis for follow-up actions to identify areas of strengths and opportunities to further enhance engagement with our employees. The new survey will be extended to our employees globally in phases.

In the coming years, we will continue to develop other initiatives that deepen our skillsets and enhance core competencies, and promote leadership development and talent retention.

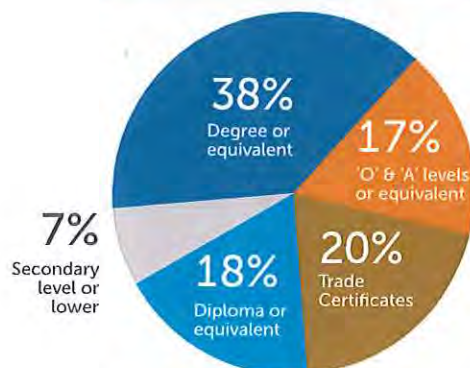
EMPLOYEES BY GEOGRAPHY



EMPLOYEES BY SECTORS

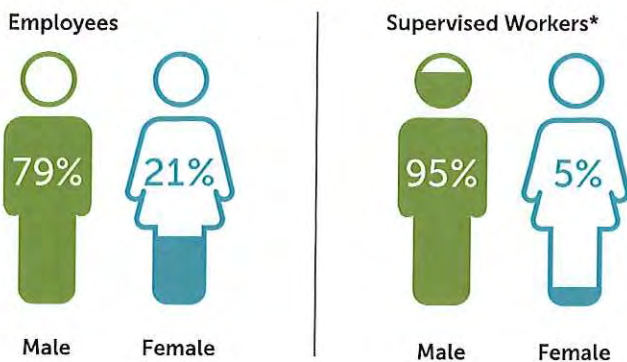


EMPLOYEES BY QUALIFICATIONS



Note: These statistics are calculated based on the Group's headcount of 21,541

WORKFORCE PROFILE FOR SINGAPORE OPERATIONS



* Supervised workers refer to workers hired through local contractors. They are on short-term contracts, work in our facilities and are supervised by ST Engineering.

AVERAGE TRAINING HOURS PER EMPLOYEE



TURNOVER RATE



WHAT WE WILL DO IN 2018

- Review and enhance the Group performance appraisal system.
- Review Employee Engagement Survey 2017 results and identify Group-wide initiatives for improvement.

RISK & SUSTAINABILITY HIGHLIGHTS

SAFE & CONDUCTIVE WORKPLACE

It is our duty to ensure that our employees return home safely to their loved ones.

In view of the mixed performances in our AFR and ASR in 2016, we stepped up efforts to improve our performances. For 2017, we managed to maintain our AFR at 2016's level, and greatly improved our ASR to below 2015's level. We also achieved our target for zero workplace fatality.

One area we focused on was to strengthen the safety culture of the organisation. We place high value on safety by encouraging shared responsibility among our employees, as well as reinforcing the concept that safety, health and work activities are inseparable.

(1) T.H.I.N.K (Tasks • Hazard • Information • No risk taking • Know your job) programme reminds our people to be more vigilant of their work surroundings and potential risks and make an informed decision before proceeding with their tasks.

(2) Automation helps to strengthen safety processes:

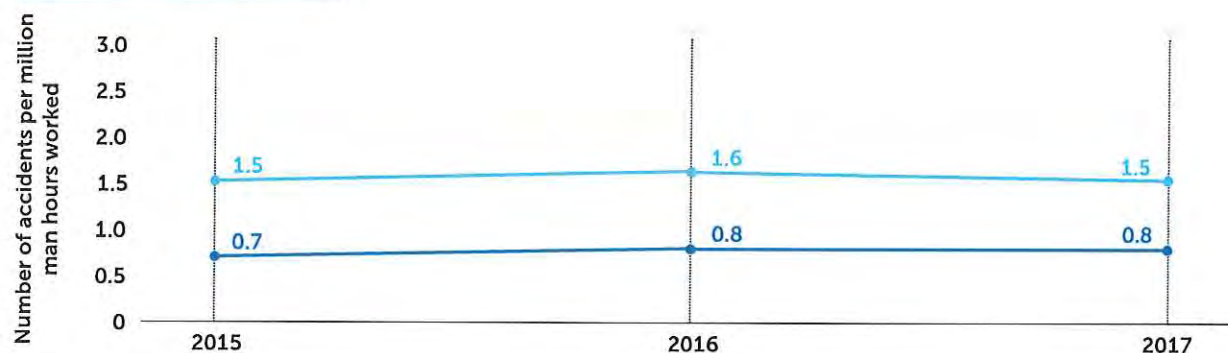
The Marine sector initiated the use of smartphones for reporting hazards. This not only improves the speed of reporting, but also encourages more people to do so.

The Electronics sector implemented the e-Permit-To-Work system which speeds up the processing time for hazardous work applications, and enhances overall compliance to procedures.

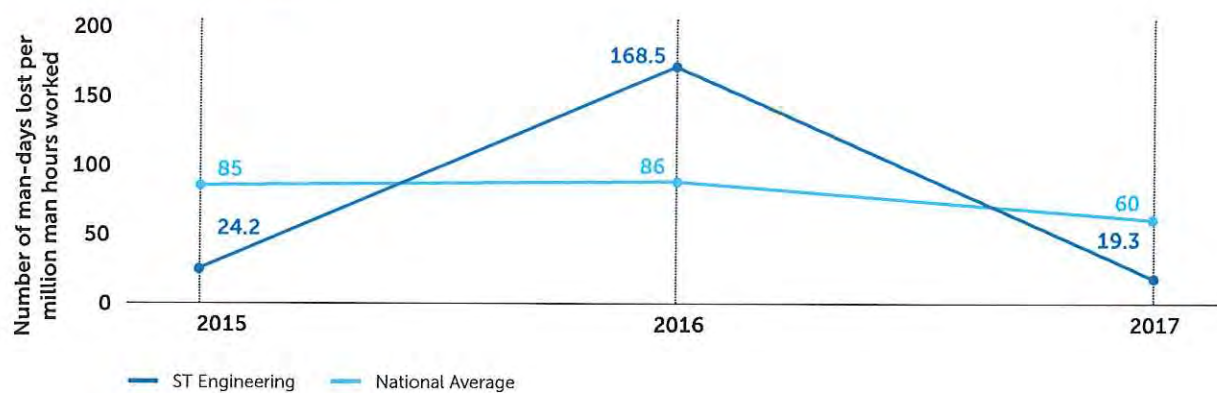
OUR MAJOR OPERATIONS IN SINGAPORE ACHIEVED OHSAS 18001 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION.



ACCIDENT FREQUENCY RATE



ACCIDENT SEVERITY RATE



OCCUPATIONAL HEALTH PERFORMANCE INDICATORS	GROUP
No. of occupational health activities organised	89
Percentage of at-risk staff who attended the Audiometric Examination	100
Percentage of at-risk staff who attended the Respiratory Protection Training	100
Number of Occupational Disease cases (Excluding Noise Induced Deafness cases)	0
Number of Advanced Noise Induced Deafness cases	4

WHAT WE WILL DO IN 2018

- Develop new procedures at the workplace to increase our state of preparedness in the event of a terrorist attack.
- Improve the cross audit programme to focus on specific critical workplace safety issues to ensure compliance with procedures and safety standards.

RISK & SUSTAINABILITY HIGHLIGHTS

PROTECTING OUR ENVIRONMENT

We commenced our journey towards clean energy in 2014 when we test-piloted the use of a PV system at our Jalan Boon Lay facility. To date, clean energy output from this project amounted to 0.72 giga-watt hour (GWh). Although modest, we continue to invest in solar energy. During the year, an agreement was reached to develop two grid-connected rooftop solar projects at two other facilities in Changi and Seletar, Singapore. These new projects will further contribute a combined capacity of 4.1MWp of clean solar energy.

When fully operational, we estimate our investments in solar energy will replace 8.9% of our existing electricity source of energy, thereby reducing our overall GHG by 4,408 tonnes of Carbon Dioxide Equivalent (tCO₂e) annually.

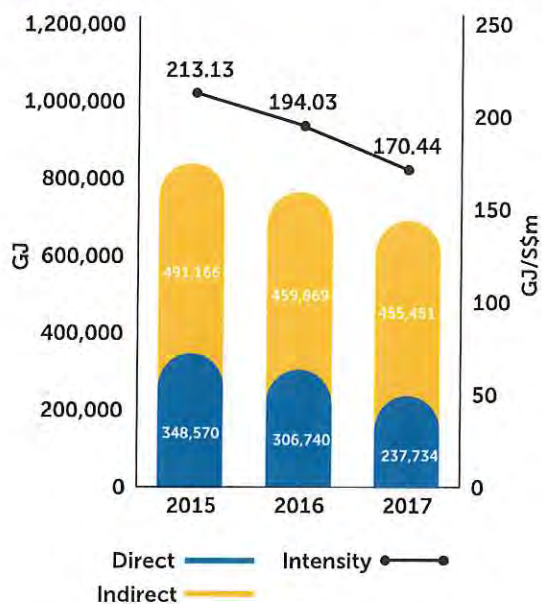
We continue to manage our water demand and consumption judiciously. We monitor our consumption regular to ensure that there is no abnormal spike and install water-efficient fittings in our facilities wherever feasible. To date, we have installed either auto-closing features or electronic sensors to about 58% of our taps. We also use NEWater wherever possible, with its usage accounting for about 21% of our total water consumption.

**OUR MAJOR OPERATIONS
IN SINGAPORE HAVE BEEN
CERTIFIED UNDER ISO 50001
SINCE 2015.**

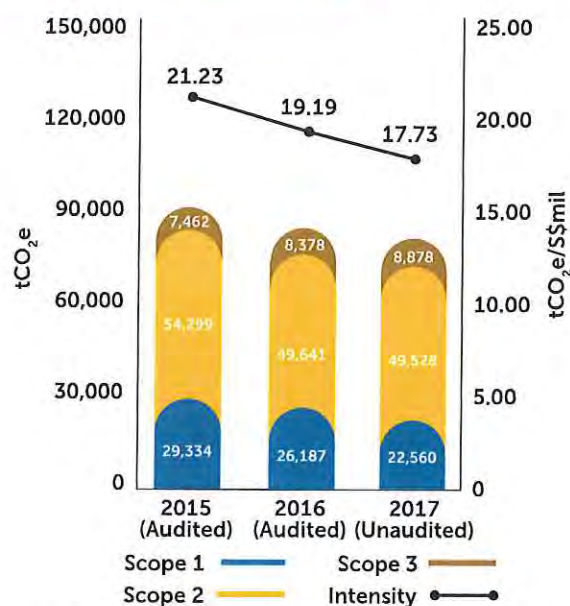
STAGE OF DEVELOPMENT	NUMBER OF PROJECTS TO REDUCE ENERGY CONSUMPTION	TOTAL ESTIMATED ANNUAL CO ₂ SAVINGS (tCO ₂ e)
TO BE IMPLEMENTED	5	392.7
IMPLEMENTATION COMMENCED	2	1,384.9
IMPLEMENTED	8	2,458.8



ENERGY CONSUMPTION AND INTENSITY



GHG EMISSION AND INTENSITY*



* GHG intensity figures are computed based on Scope 1 & 2 emissions normalised using revenue from Asia, where Singapore is a significant contributor.

In 2017, the Energy Market Authority (EMA) released revised Electricity Grid Emission Factors from 2012 onwards, as additional information on heat generation by co-generation plants are available. The differences in figures are less than 2%. We report our audited figures from 2013-2016, which are based on figures previously published by EMA.

Notes:

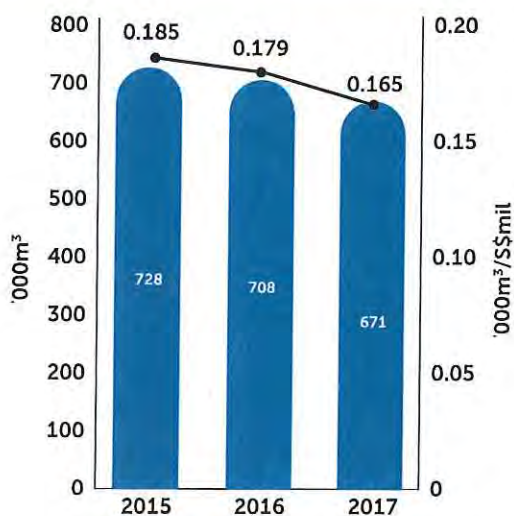
Energy consumption and GHG emissions figures for 2016 were adjusted as a result of audit, and restated accordingly.

Scope 1: Direct GHG emissions from sources owned or controlled by Singapore entities

Scope 2: Indirect GHG emissions from generation of purchased electricity consumed by Singapore entities

Scope 3: Indirect GHG emissions from business travels by air carried out by Singapore entities

WATER CONSUMPTION AND INTENSITY



WHAT WE WILL DO IN 2018

- Review the intensity target for GHG emissions. (Original target: 16% reduction in intensity on a business as usual basis by 2025, with the base year as 2010.)
- Improve water intensity by 1.5% from 2017 levels.

RISK & SUSTAINABILITY HIGHLIGHTS

RESPONSIBLE SOURCING

While timely sourcing of quality, safe and cost-effective goods and services for our products and solutions is critical, upholding responsible sourcing practices, within the Group and along our supply chain, is just as important.

In 2017, we augmented our central procurement organisation with manpower and technological solutions.

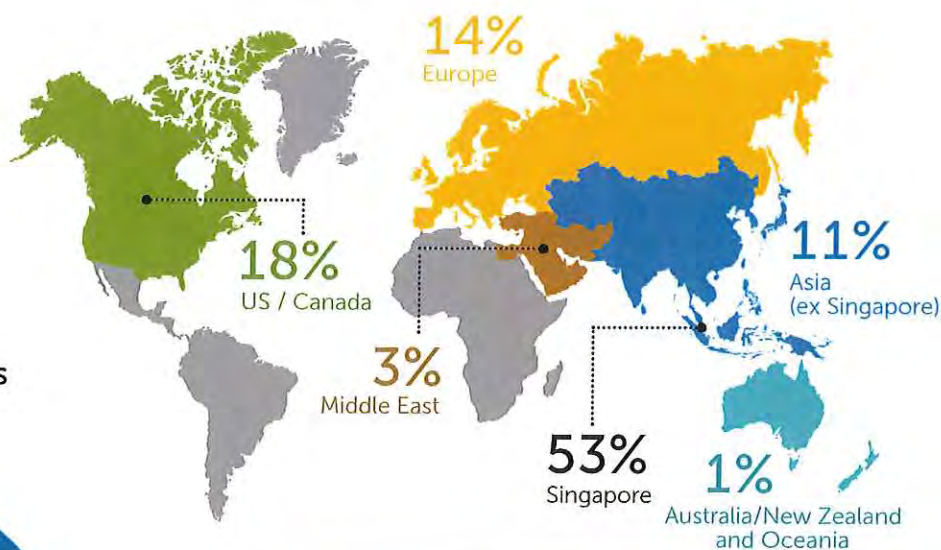
The Spend Analytics Tool was deployed to identify areas of significant spending, with the aim of rationalising the number of key suppliers, and driving greater economic value for the group. As we embark on the journey of responsible

sourcing, we are committed to engaging our suppliers on sustainability issues, and encouraging integration of sustainability considerations into our procurement decisions. Rationalising the number of suppliers and focusing on the ones with the greatest spend maximise the effectiveness of our programmes to manage sustainability impacts along the supply chain.

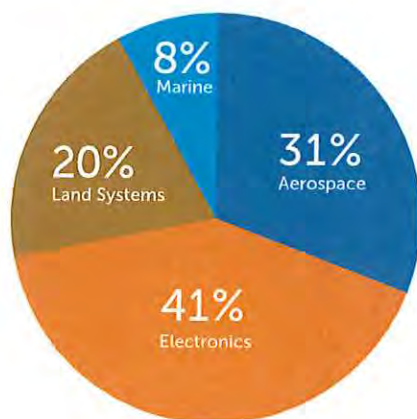
TOTAL PURCHASE VALUE

\$2.45b

DISTRIBUTION OF PURCHASES BY GEOGRAPHICAL LOCATION



DISTRIBUTION OF PURCHASES BY BUSINESS SECTORS



WHAT WE WILL DO IN 2018

- Develop a strategic vendor management programme to strengthen vendor segmentation discipline aimed at improving responsible sourcing initiatives.
- Establish a Vendor Code of Conduct.

RESPONSIBLE CORPORATE CITIZEN

The contributions of the Singapore's operations to our community totalled \$1.92m in 2017 and these went to address several key issues. On education, our contributions went to organisations such as the Assumption Pathway School and providing bond free tertiary scholarships to both local and overseas students. To raise awareness on the impact of climate change on our environment, the Group continued sponsorships for Cloud Forest Theatre and Cloud Forest Gallery (formerly known as +5 Degrees and Earth Check) at Gardens by the Bay. We continued our support to several social welfare homes through cash, in-kind contributions and staff volunteering.

Throughout the year, our employees volunteered for causes that they were passionate about, where every outreach was a charitable act involving at least 50 volunteer man hours. Our employees in Singapore engaged local communities and contributed a total of 8,842 volunteer man hours in 2017.

Over and above our total community contribution, the Group raised funds through our ST Engineering 50th Anniversary Charity Golf, ST Engineering Charity Draw and staff donation drive in support of 15 charities that support person with special needs, person with disabilities and youth at risk.

COMMUNITY CONTRIBUTIONS

\$1.92m

OUR CONTRIBUTION*



ISSUES ADDRESSED*



* LBG framework was applied to measuring community contributions and issues addressed.

WHERE OUR COMMUNITY EFFORTS WILL FOCUS ON:

- Enriching lives through education**
 We believe that education is a basic human right, and that it is the most compelling way to create positive and sustainable change for a better future. We work with partners and collaborators to provide opportunities and assistance to children and young adults so that their lives can be enriched and uplifted through education.
- Touching lives through engineering**
 As an engineering group, we have the innovative and creative expertise to bring about solutions to enhance living. Our focus in this aspect is the support of persons with disabilities or special needs. We work towards the development of assistive devices and special application engineering solutions to help persons with disabilities or special needs attain independent living and integrate into society.

WHAT WE WILL DO IN 2018

- Organise the ST Engineering Volunteers Week 2018.
- Increase the Group's participation rate in Community Chest's SHARE programme.

RISK & SUSTAINABILITY HIGHLIGHTS

GLOBAL OPERATIONS: UNITED STATES

In 2016, VT Systems set Group-wide environmental goals, including a 15% reduction in GHG emission intensity levels by 2020 from the base year of 2015. Since imposing these goals, our companies have been working hard to achieve them by implementing measures that would lead to more efficient use of resources as well as minimised impact on the environment.

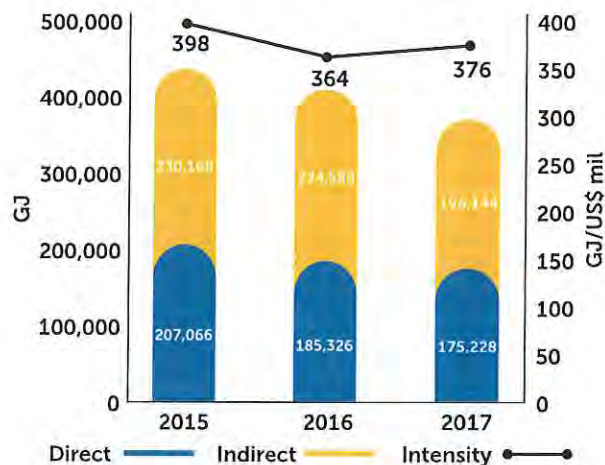
VT Mobile Aerospace Engineering, a company within the Aerospace sector, made significant reductions in energy consumption by changing the lightings in the hangar bays to LED. The LED replacement project was completed and is expected to reduce energy consumption by more than 15% going forward.

VT Hackney, a company in the Land Systems sector, also made efforts in reducing energy consumption and GHG emissions. In line with federal regulation, VT Hackney changed the foam-blowing agent that was used in their plants to a new type that does not contain Freon, hence emitting less GHG. With this change in the foam-blowing agent, GHG emissions were reduced by 41% in 2017. In addition to the reduction in GHG emissions, VT Hackney also made efforts to reduce energy consumption by replacing old lightbulbs with LED bulbs in their facilities. These efforts, amongst many others, will help us to achieve our goal of a 15% reduction in GHG Intensity by 2020.

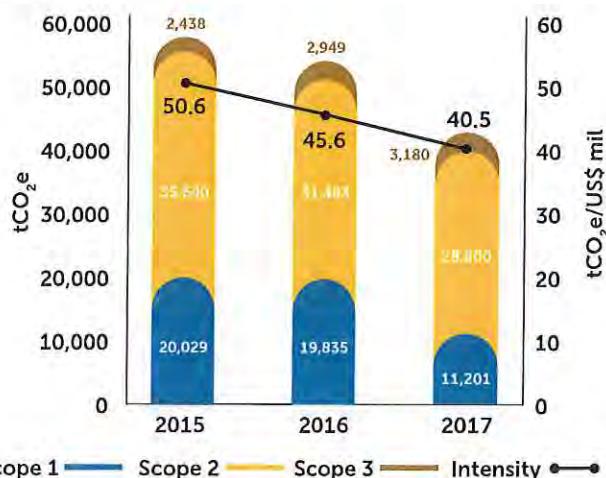
VT Systems continues to put time and effort into giving back to its surrounding community, supporting a variety of important causes and charitable organisations. Our goal over the past year was to increase the level of participation in events that impact the community, as well as implement programmes that seek to match financial contributions made by the company or by individuals to important causes.

In 2017, VT Systems contributed a total of US\$365,228 and 2,781 volunteering man hours to its community, in the form of cash donations, fundraisers, and volunteer hours. The organisations that the Group contributed to included St. Jude's Children's Hospital in Memphis, the San Antonio Food Bank, Episcopal Church of the Resurrection in Alexandria, Arlington Food Assistance Center, and the Texas Diaper Bank.

ENERGY CONSUMPTION AND INTENSITY



GHG EMISSION AND INTENSITY*



Scope 1 — Scope 2 — Scope 3 — Intensity —

* GHG intensity figures are computed based on Scope 1 & 2 emissions normalised using revenue from US operations.

Notes:

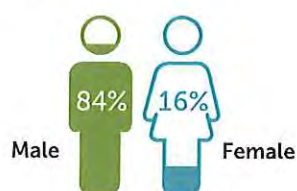
Scope 1: Direct GHG emissions from sources owned or controlled by US entities

Scope 2: Indirect GHG emissions from generation of purchased electricity consumed by US entities

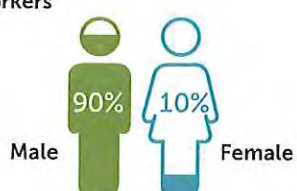
Scope 3: Indirect GHG emissions from business travels by air carried out by US entities

WORKFORCE PROFILE

Employees



Supervised Workers

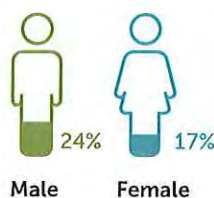


* Supervised workers refer to workers hired through local contractors. They are on short-term contracts, work in our facilities and are supervised by VT Systems.

TURNOVER RATE FOR EMPLOYEES

Turnover Rate

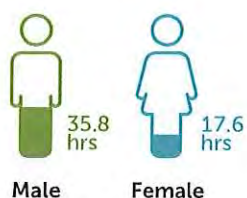
22.8%



AVERAGE TRAINING HOURS PER EMPLOYEE

Training Hours per Employee

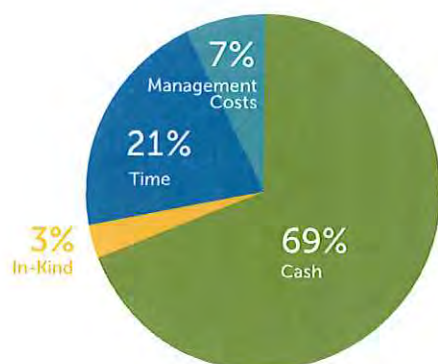
32.9 hrs



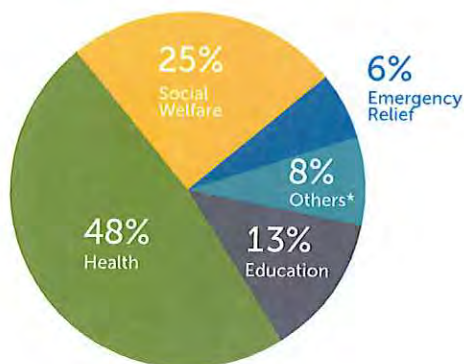
COMMUNITY CONTRIBUTIONS

US\$0.3m

OUR CONTRIBUTION



ISSUES ADDRESSED



* Others include Economic Development, Arts & Culture and Environment issues.

WHAT WE WILL DO IN 2018

- Progressively report other targets and performance of the US sustainability efforts.

C O R P O R A T E G O V E R N A N C E

Good corporate governance is the foundation for long term value creation of the Group. This Report sets out ST Engineering's corporate governance processes, practices and activities in 2017 with specific reference to the guidelines of the Singapore Code of Corporate Governance 2012 (the Code).

The Board is pleased to report that the Company has complied in all material aspects with the principles, guidelines and recommendations set out in the Code. Our Summary of Disclosures is enclosed on pages 109 to 116 of this Annual Report.

BOARD MATTERS

Board's Conduct of its Affairs

(Principle 1)

The Board is accountable to shareholders for overseeing the effective management of the Company. To this end, the Board relies on the integrity, commitment, skills and due diligence of its management, its external advisors and auditors. In addition to its statutory responsibilities, the Board reserves the following key matters for its decision:

- setting the Group's strategic objectives and ensuring that decisions made are consistent with these objectives;
- approval of annual budgets, major funding proposals, investment and divestment proposals in accordance with the approved delegation of authority framework;
- appointment of the President & Chief Executive Officer (CEO), Board succession and appointments on Board committees;
- appointment of key management personnel and succession planning as an ongoing process;
- review of the risk management framework through its Risk and Sustainability Committee (RSC) as set out in page 71; and
- approval of the unaudited quarterly, half yearly and full year audited results prior to their release.

Besides monitoring the performance of the Group, the Board also oversees and provides guidance on sustainability issues such as environmental and social factors, as part of the overall business strategy. Board meetings may include presentations by the Management to discuss business growth strategies.

In the discharge of its functions, the Board is supported by six Board committees (compared to eight in the previous year) to which it delegates specific areas of responsibilities for review and decision making. In May 2017, in a rationalisation exercise of the Board committees, the Business Investment and Divestment Committee (BIDC) and the Tenders Committee (TC) were dissolved. Henceforth, all investment and divestment decisions above the approval limits of Management and each Sector board are taken at the newly-formed Strategy & Finance Committee (SFC) and, beyond a certain threshold, at the Board level. As part of the streamlining, the Budget and Finance Committee was also dissolved in May 2017. Its functions have been transferred to the SFC.

The President & CEO, Mr Vincent Chong, is accountable to the Board. He is supported by the Management Committee which consists of the Chief Financial Officer (CFO), the Chief Corporate Officer (CCO) and the four sector Presidents.

On onboarding a Board member, a formal letter is sent to a director upon his appointment setting out his statutory obligations and duties and responsibilities as a director. He is also given the terms of reference for the respective Board committees. An induction programme is organised for a new director on the strategic direction and performance of the Group as well as his duties and obligations under the statutory compliance and corporate governance framework.

Visits to the Group's facilities are also arranged for new directors to enable them to develop a good understanding of the Group's business and operations and the respective key managements. The Board is routinely updated on the relevant laws, SGX continuing listing obligations and accounting standards requiring compliance, and their implications for the Group, so as to enable each Director to properly discharge his duties as a Board member and Board committee member.

Depending on their skillsets and background, directors are sponsored for relevant courses, conferences and seminars in order that they can be better equipped to fulfil their governance role and to comply with directors' obligations. Where there are statutory and regulatory changes that affect the obligations of directors, the Company will organise briefings by external legal counsel.

Board members receive monthly consolidated management reports on the financial performance of each business sector, capital commitments and significant operational highlights to keep the Board apprised of business investments and performance updates.

The Board convenes scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Special Board meetings may be convened as and when necessary to consider corporate actions requiring the Board's guidance or approval.

To facilitate the Board's decision-making process, the Company's Constitution provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and Board committees may also be obtained via circulation. At the end of every Board meeting, the Chairman allocates time for its non-executive Directors to meet without the presence of Management. Directors' attendance at Board and Board Committee meetings is tabulated on pages 89 and 90:

Name of Director	Board		Audit Committee		Executive Resource and Compensation Committee		Nominating Committee	
	Held	Attended	Held ⁷	Attended ⁷	Held	Attended	Held	Attended
Kwa Chong Seng	4	4			3	3	1	1
Vincent Chong Sy Feng	4	4						
Koh Beng Seng ¹	1	1	2	2				
Quek See Tiat ²	4	4	5	5				
LG Lim Cheng Yeow Perry	4	2						
Ng Chee Khern ³	2	2						
Neo Kian Hong ⁴	2	1						
Quek Gim Pew	4	3						
Davinder Singh ¹	1	1						
Dr Stanley Lai Tze Chang	4	4	5	5	3	2	1	1
Khoo Boon Hui	4	4	5	4				
Olivia Lum Ooi Lin	4	4						
Dr Beh Swan Gin	4	4						
Lim Sim Seng	4	4			3	3	1	1
Lim Ah Doo	4	4	5	5				
RADM Alan Goh Kim Hua	4	2						

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	Strategy & Finance Committee (revamped from Budget and Finance Committee on 11 May 2017)		Research, Development and Technology Committee		Risk and Sustainability Committee	
Name of Director	Held	Attended	Held	Attended	Held ⁷	Attended ⁷
Kwa Chong Seng	4	4				
Vincent Chong Sy Feng	4	4	2	2	5	5
Koh Beng Seng ¹						
Quek See Tiat ²						
LG Lim Cheng Yeow Perry					5	2
Ng Chee Khern ³						
Neo Kian Hong ⁴	2	1				
Quek Gim Pew			2	2		
Davinder Singh ¹					2	1
Dr Stanley Lai Tze Chang			2	2		
Khoo Boon Hui					5	5
Olivia Lum Ooi Lin					5	4
Dr Beh Swan Gin	2	2				
Lim Sim Seng	2	2				
Lim Ah Doo	2	2				
RADM Alan Goh Kim Hua						
Non Board Members						
Quek Poh Huat ⁵	4	4				
Bill Chua Teck Huat ⁶					2	1
Christopher Lau Loke Sam ⁶					2	2

No meetings were held for the Business Investment and Divestment Committee prior to the dissolution of the Committee in May 2017 as key matters were decided at the Board level. Matters of the Tenders Committee prior to the dissolution of the Committee were resolved via circular resolutions.

¹ Retired at AGM on 21 April 2017

² Appointed AC Chairman on 21 April 2017

³ Resigned on 19 June 2017

⁴ Appointed on 30 June 2017

⁵ Co-opted as SFC member on 11 May 2017

⁶ Co-opted as RSC member on 23 June 2017

⁷ Includes the joint AC and RSC meeting held on 14 February 2017

Board Composition and Guidance (Principle 2)

The Board comprises 12 directors and an alternate director. RADM Alan Goh is Alternate Director to LG Perry Lim. LG Lim, in his position as Chief of Defence Force, may be called away on duty at times and may not be able to attend all Board meetings. RADM Goh is fully apprised of all Board matters, receives notices to attend Board meetings and Board papers as well as Board resolutions by circulation. As Alternate Director, he is in a position to act on behalf of LG Perry Lim in the latter's absence.

The Board, through the Nominating Committee (NC), reviews the size and composition of the Board taking into consideration the skillsets, backgrounds and independence of directors. The current board is sized to take into account the global scale of the Group's business and ST Engineering's key role in supporting Singapore's defence technology ecosystem. The Board will continue to review its composition and size to facilitate effective decision making.

During the year, the Board welcomed Mr Neo Kian Hong, Permanent Secretary (Defence Development), who was appointed as a non-independent non-executive Director and member of the SFC on 30 June 2017.

The Board consists of members with established track record in defence, business, finance, banking, technology, legal and management. Each non-executive director brings to the Board an independent perspective based on his training and expertise to enable the Board to make balanced and well considered decisions.

The Board has eight independent directors who represent more than 60% of the Board. The Code requires the independent directors to comprise at least half of the Board. The independence of each director is determined upon appointment and reviewed annually by the NC.

The NC has affirmed that the independent directors are Mr Kwa Chong Seng, Dr Stanley Lai, Mr Khoo Boon Hui, Mr Quek See Tiat, Ms Olivia Lum, Dr Beh Swan Gin, Mr Lim Sim Seng and Mr Lim Ah Doo. The Board agrees with the NC's assessment.

One of our independent directors, Ms Olivia Lum who will be retiring at the coming AGM of the Company in April 2018, has decided not to seek re-election due to personal business commitments.

The Board has, at all times, exercised independent judgment in decision making, using its collective wisdom and experience to act in the best interests of the Company. Any director who has an interest that may conflict with a subject under discussion by the Board, declares his or her interest and either recuses himself or herself from the information and discussion of the subject matter or abstains from decision-making.

The Board held a total of four meetings during the year to consider, among other things, the approval and release of the FY2016, 1Q2017, 2Q2017 and 3Q2017 results.

The Board and the SFC reviewed the Group's growth and strategy plans to ensure that the work of the Group is aligned with its charter and corporate objectives taking into account the opportunities and challenges in the environment in which we operate.

Chairman and Chief Executive Officer (Principle 3)

The Chairman and President & CEO roles and responsibilities are kept separate in order to maintain effective oversight. The recommendation in the Code for a lead independent director is not applicable as the Chairman and the President &

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CEO are separate individuals. No individual or small group of individuals dominates the Board's decision making process. The President & CEO and senior management regularly consult with individual Board members and seek the advice of members of the Board committees through meetings, telephone calls as well as by electronic mail.

Mr Kwa Chong Seng joined the Board on 1 September 2012. He was appointed Chairman on 25 April 2013. Mr Kwa is the retired Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd. Other than serving as a non-executive Director on the Board of SeaTown Holdings Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited, Mr Kwa does not hold any other position in Temasek Holdings. The NC has determined that he is an independent director.

The Chairman is responsible for leading the Board and ensuring the effective functioning of the Board to act in the best interests of the Company and its shareholders. The Chairman facilitates the relationship between the Board, President & CEO and Management, engaging them in open dialogue over various matters, including strategic issues, sustainability, risks and business planning processes. He ensures that discussions at the Board level are conducted objectively and professionally where all views are heard and key issues are debated in a fair and open manner. The Chairman also ensures that adequate time is provided for discussion of strategic issues and key concerns at Board meetings. He represents the views of the Board to the shareholders.

Mr Vincent Chong who is an executive Director, and the President & CEO, is accountable to the Board for the conduct and performance of the Group. He sits on the boards of its key subsidiaries to ensure that decision-making processes and information flows are effectively channelled in a timely manner to ensure alignment with the ST Engineering Group's policies. He has been delegated authority to make decisions within certain financial limits authorised by the Board. He is supported in his work by the Management Committee.

Board Membership & Evaluation of Performance (Principles 4 and 5)

Supporting the Board are the following Board committees:

- Audit Committee
- Executive Resource and Compensation Committee
- Nominating Committee
- Strategy & Finance Committee (revamped from Budget and Finance Committee on 11 May 2017)
- Research, Development and Technology Committee
- Risk and Sustainability Committee

NOMINATING COMMITTEE

The NC is responsible for reviewing the composition of the Board and identifying suitable candidates to the Board, in particular, candidates with the appropriate qualifications, skillsets and experience who are able to discharge their responsibilities as directors. Shortlisted candidates are recommended to the Board for approval. The NC is also responsible for reviewing and determining the independence of non-executive directors annually, conducting board performance evaluation, succession planning for President & CEO and director training and development.

The NC comprises three non-executive independent directors. Mr Kwa Chong Seng is the Chairman of the NC. He abstains from voting when it comes to a determination of his independence. The other members are Dr Stanley Lai and Mr Lim Sim Seng.

The NC held one meeting in 2017 while other decisions were obtained by circulation. The NC is continually engaged in the board renewal process of ST Engineering and its key subsidiaries, having regard to the skills, experience and industry expertise needed for a balanced board composition to, among other things, oversee governance and risks within the Group's business. When the need for a new director is identified, potential candidates are identified from various sources. The NC will assess a shortlist according to the type of expertise needed. The NC will also assess a candidate's character, independence and experience to ensure that he/she has the requisite standard of competence to carry out his/her duties as a director of a listed company.

During the year, the NC reviewed and affirmed the independence of the Company's independent directors.

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of board and committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each Director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The review indicated that the Board continues to function effectively. The NC also took on board the feedback of the Board members on areas for improvement.

The NC also noted the list of other directorships held by our directors, taking into consideration their principal commitments. The NC is satisfied that each of the directors is able to devote time to carry out his/her duties as director in the Company.

The Board has considered and agreed not to set guidelines for maximum directorships in a listed company that a director can hold. Annually, an incumbent director is asked to affirm that he has adequate time to devote to his Board responsibilities. The ST Engineering Board members are selected on the basis of their ability to contribute to the Board through their relevant skillsets, experience, calibre and willingness to devote time. In addition, each Director is required to provide an annual affirmation of commitment to his Board responsibilities. With these considerations, the Board is of the view that setting a maximum number of board representations on listed companies for our Directors is not needed.

The NC is also responsible for renewal and succession plans to ensure Board continuity. At each Annual General Meeting (AGM), one third of the directors with the longest term in office since his last re-election is required to retire. A retiring director may submit himself for re-election. Under this provision, Mr Kwa Chong Seng, Dr Stanley Lai, Ms Olivia Lum and Dr Beh Swan Gin will retire. Mr Neo Kian Hong, who is newly appointed, will hold office until the forthcoming AGM of the Company. The retiring Directors, being eligible, have offered themselves for re-election, except for Ms Olivia Lum who has decided not to seek re-election due to personal business commitments.

Each of the retiring non-executive Directors has confirmed that he or she does not have any relationship with his fellow Directors nor with the Company and its substantial shareholders.

The Board, acting on the recommendation of the NC, proposes that each of the retiring Directors, save for Ms Olivia Lum, be re-elected at the Company's forthcoming AGM.

With the exception of Mr Vincent Chong, the remaining 11 directors are non-executive Directors.

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The composition of the Board and Board committees as at 31 December 2017 is tabulated below:

	Audit Committee (established on 15/1/1998)	Strategy & Finance Committee (revamped from Budget and Finance Committee on 11/5/2017)	Executive Resource & Compensation Committee (established on 6/12/1997)	Nominating Committee (established on 4/12/2002)	Research, Development & Technology Committee (established on 1/8/2003)	Risk & Sustainability Committee (established on 7/12/1998)
BOARD MEMBERS						
Kwa Chong Seng		C	C	C		
Vincent Chong Sy Feng		M			M	M
Quek See Tiat ¹	C					
LG Lim Cheng Yeow Perry						M
Neo Kian Hong ²		M				
Quek Gim Pew					C	
Dr Stanley Lai Tze Chang	M		M	M	M	
Khoo Boon Hui	M					C
Olivia Lum Ooi Lin						M
Dr Beh Swan Gin		M				
Lim Sim Seng		M	M	M		
Lim Ah Doo	M	M				
RADM Alan Goh Kim Hua ³						
NON BOARD MEMBERS						
Quek Poh Huat ⁴		CM				
Bill Chua Teck Huat ⁵						CM
Christopher Lau Loke Sam ⁵						CM

Denotes:

C – Chairman

M – Member

CM – Co-opted Member

¹ Appointed AC Chairman on 21 April 2017 / ² Appointed on 30 June 2017

³ Alternate Director to LG Perry Lim / ⁴ Appointed on 11 May 2017 / ⁵ Appointed on 23 June 2017

Access to Information (Principle 6)

The Management furnishes Board members with monthly management reports, providing updates on key operational activities and financial analysis. The Board also has unrestricted access to the President & CEO, the CFO, the Chief Corporate Officer, management and the Company Secretary as well as the internal and external auditors and the risk management team. The Board may also seek independent professional advice, if necessary, at the Company's expense.

Board papers are sent to Directors at least three days prior to meetings in order for Directors to be adequately prepared for the meetings.

The Company Secretary attends all Board meetings and ensures that board procedures are followed. The Company Secretary advises the Board on governance matters including their timely disclosure obligations. She also assists with the co-ordination of continuing training for board members to keep the Board up-to-date on corporate governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

REMUNERATION MATTERS

Procedures for Developing Remuneration policies

(Principle 7)

Level and Mix of Remuneration

(Principle 8)

Disclosure on Remuneration

(Principle 9)

ROLE OF EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE (ERCC)

The ERCC performs the role of the remuneration committee. The ERCC comprises Mr Kwa Chong Seng as Chairman, Dr Stanley Lai and Mr Lim Sim Seng. The members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration policies and trends. All the ERCC members are non-executive independent directors.

The ERCC met three times during the year. All decisions at any meeting of the ERCC are decided by a majority of votes of the ERCC members present and voting (the decision of the ERCC shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration).

The ERCC performs the following duties and responsibilities:

Executive Remuneration General Framework

- Reviews and recommends to the Board the Group's general framework for determining executive remuneration including the remuneration of the President & CEO, top five key management executives of the Group Companies and other Senior Management Executives (collectively referred to as "Senior Management Executives").

Executive Director and Senior Management Executives

- Reviews and recommends to the Board the entire specific remuneration package and service contract terms for the President & CEO, who is also the executive Director.
- Considers, reviews, approves and/or varies (if necessary) the entire specific remuneration packages and service contract terms for the Senior Management Executives of the Group's Companies. For FY2017, the Board reviewed and approved the specific remuneration packages and service contract terms for the key management executives.

Non-executive Director Remuneration

- Reviews and recommends to the Board the remuneration framework (including directors' fees) for non-executive Directors on the relevant Group boards.

Equity Based Plans

- Approves the design of equity based plans and reviews and administers such plans.

Executive and Leadership Development

- Oversees the development of management with the aim of a continual build up of talent and renewal of strong and sound leadership to ensure the continued success of the Group and its businesses.
- Approves appointments to Senior Management Executive positions in the Group's companies and reviews succession plans for key positions in the Group companies.

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For financial year 2017, Aon Hewitt Singapore Pte Ltd was engaged as remuneration consultant (Remuneration Consultant) to provide professional advice on board and executive remuneration matters. Aon Hewitt Singapore Pte Ltd and its principal consultant are independent and are not related to the Group or any of its Directors.

EXECUTIVE REMUNERATION STRUCTURE

Remuneration for the Senior Management Executives comprises a fixed component, variable cash component, share-based component and benefits.

A. Fixed Compensation:

The fixed component comprises the base salary and compulsory employer contribution to an employee's Central Provident Fund (CPF).

B. Variable Cash Compensation:

The variable component includes the Performance Target Bonus and EVA-based Incentive Scheme.

Performance Target Bonus (PTB)

The PTB is a cash-based incentive for Senior Management Executives which is linked to the achievement of annual performance targets that will vary depending on their job requirements.

Individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the overall strategic, financial and operational goals of the Group and Company, and are cascaded down to a select group of key executives using scorecards, creating alignment between the performance of the Group, Company and the individual.

The individual PTB payouts for the President & CEO and key management executives are determined by the ERCC based on the Group, Company and individual performance at the end of the financial year.

EVA-based Incentive Scheme (EBIS)

The EBIS was established with the objective of motivating and rewarding employees to create sustainable shareholder value achieved by growing profits, deploying capital efficiently and managing the risk profile and risk horizon of the business. A portion of the annual performance-related bonus of the Senior Management Executives is tied to the EVA achieved by the Group in the financial year.

Under the plan, one-third of the accumulated EVA-based bonus, comprising the EVA declared for the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollars retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EVA bank. Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in previous years. This mechanism encourages the senior management to work for sustained EVA generation and to adopt strategies that are aligned with the long term interests of the Group.

In addition, the Group has a clawback facility with respect to the EVA bank in the event of a restatement of the financial results of the Group subsequent to an earlier misstatement, and provisions for the forfeiture of the remaining EVA bank balance on termination due to misconduct or fraud resulting in any financial loss to the Group.

Based on the ERCC's assessment that the actual performance of the Group in financial year 2017 has partially met the predetermined targets, the resulting annual EVA declared under EBIS was adjusted accordingly.

C. Share-based Compensation:

Share awards which were granted in financial year 2017 were based on the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and the Singapore Technologies Engineering Restricted Share Plan 2010.

(RSP2010) approved and adopted by shareholders of the Company at the Extraordinary General Meeting held on 21 April 2010. Yearly awards under the PSP2010 and RSP2010 do not exceed the internal annual limit of 1% of the total number of issued shares of the Company, set by the ERCC.

Details of the share plans and awards granted are given in the Share Plans section of the Directors' Statement from pages 122 to 125.

PSP2010

The PSP2010 was established with the objective of motivating Senior Management Executives to strive for sustained growth and performance in the Group.

Pursuant to the PSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on meeting targets set for a three-year performance period. With effect from financial year 2010, the performance measures used in PSP grants under PSP2010 are:

- Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and
- Relative TSR against Defensive Stock Index, the constituents of which are selected "defensive stock" companies that have similar market risk as the Group and are listed on the Singapore Exchange (SGX).

A minimum threshold performance is required for any performance shares to be released to the recipient at the end of the performance period. The actual number of performance shares released will depend on the achievement of set targets over the performance period, capped at 170% of the conditional award.

The final PSP award is conditional on the vesting of the shares under the RSP2010 which have the same performance end period.

The Group has clawback policies for the unvested shares under PSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

The Group partially met the predetermined target performance level for PSP awards granted based on the performance period from financial years 2015 to 2017.

RSP2010

The RSP2010 was established with the objective of motivating managers and above to strive for sustained long term growth and superior performance in the Group. It also aims to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interests.

Pursuant to the RSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on targets set for a one-year performance period. The performance measures set based on the Group corporate objectives, are:

- Group Net Profit; and
- Group EBITDA Margin.

A minimum threshold performance is required for any restricted shares to be released to the recipient at the end of the performance period. The actual number of shares released will depend on the achievement of set targets over the performance period, and will be determined by the ERCC at the end of the performance period, capped at 150% of the conditional award. The shares will be released equally over four consecutive years.

The Group has clawback policies for the unvested shares under RSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

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The Group has met the pre-determined target performance level for the RSP awards granted in FY2017. The achievement for FY2017 grant is computed based on the performance period for financial year 2017.

D. Market-Related Benefits:

The benefits provided are comparable with local market practices.

The Code requires a company to disclose the names and remuneration of the CEO and at least the top five key management personnel (who are not also directors or the CEO). Details of the remuneration package for the President & CEO are provided in the Summary Compensation Table for Directors on pages 100 to 101. Details of the remuneration packages for the key management executives are provided in the Summary Compensation Table for Key Management Executives on page 102.

In performing the duties as required under its Terms of Reference, the ERCC ensures that remuneration paid to the Senior Management Executives is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short and long term quantifiable objectives. Pay-for-Performance Alignment study was conducted periodically by the Remuneration Consultant and reviewed by the ERCC for sufficient evidence indicating Pay-for-Performance Alignment for the Group in terms of both absolute and relative performance.

Under the Code, the compensation system shall take into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The ERCC will undertake periodic reviews of the compensation-related risks.

During financial year 2017, there were no termination, retirement and post-employment benefits granted to Directors, President & CEO and key management executives other than in accordance with the standard contractual agreement.

There were no employees who were immediate family members of a Director or the President & CEO and whose remuneration exceeded S\$50,000 during the financial year 2017, except for Mr Quek Gim Chuah (VP Quality, ST Aerospace), who is the brother of Mr Quek Gim Pew, Director of the Company.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive Directors (NEDs) have remuneration packages consisting of Directors' fees and attendance fees, which are approved in arrears by shareholders for services rendered in the previous year. The Directors' Fee Policy comprises a basic retainer, attendance and additional fees for serving on Board committees. There has been no revision to this Policy.

For services rendered in financial year 2017, as per policy rate, eligible NEDs will receive 70% of the total Directors' fees in cash and 30% of the total Directors' fees in the form of restricted shares which are governed by the terms of RSP2010, subject to shareholders' approval at its AGM in April 2018.

As the restricted shares are awarded in lieu of Directors' compensation in cash, the shares will be awarded outright as fully paid shares with no performance conditions attached and no vesting periods imposed. To encourage the alignment of interests of the NEDs with the interests of shareholders, the share award has a moratorium on selling. Each eligible NED is required to hold shares in the Group worth the lower of: (a) the total number of shares in the Group awarded to such NED as payment of the shares' component of the NEDs' fees for financial year 2011 and onwards; or (b) the number of shares of equivalent value to the prevailing annual basic retainer fee for a Director of the Group. An NED can sell all his shares in the Group a year after the end of his Board tenure.

The computation of NEDs' compensation is based on current fee policy rates.

	From Private Sector(\$) 2017
Chairman	600,000
Basic Retainer	
Director	72,000
Additional/Committee Fees	
Audit Committee:	
- Chairman	52,000
- Member	29,000
Executive Resource and Compensation Committee, Strategy & Finance Committee, Research, Development and Technology Committee and Risk and Sustainability Committee:	
- Chairman	35,000
- Member	18,000
Other Committee:	
- Chairman	29,000
- Member	14,000
Attendance Fees	
Per Board Meeting	2,000
Per Board Committee Meeting	1,000

The Chairman's fee is a fixed fee covering Board and Board Committee retainer and meeting attendance. The fee is paid in a combination of cash (70%) and shares (30%). The share award, as part of the fee, consists of fully-paid shares with no performance conditions attached and no vesting period imposed. However, the shares will have to be held for at least two years from the date of award, and the two year moratorium will apply even in the event of retirement.

The NEDs' compensation payable in respect of financial year 2017 is proposed to be \$1,547,391 (FY2016: \$1,752,233). Details of the Directors' remuneration are provided in the Summary Compensation Table for Directors on pages 100 to 101.

Fees for directors who hold public sector appointments follow the Directorship & Consultancy Appointments Council (DCAC)'s guidelines as set out below.

	From Public Sector(\$) 2017
Chairman	45,000
Deputy Chairman / Chairman Executive Committee / Chairman Audit Committee	33,750
Member Executive Committee / Member Audit Committee / Chairman of Other Board Committee(s)	22,500
Director / Other Committee Member	11,250

NEDs who hold public sector appointments will not be eligible for the shares component of the NEDs' compensation. 100% of their compensation in cash is payable to DCAC, where applicable.

ST ENGINEERING

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SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017 (GROUP):

Payable by the Company

Executive Director	Salary ^{*1}	Variable ^{*2}	Benefits ^{*3}	Share-based Compensation ^{*4}	Directors' Total Fees ^{*5}		Total
	\$	\$	\$	\$	Cash-based \$	Share-based \$	\$
Vincent Chong Sy Feng	893,043	1,696,640	130,219	1,500,000	-	-	4,219,902

Non-Executive Directors	Salary ^{*1}	Variable ^{*2}	Benefits ^{*3}	Share-based Compensation ^{*4}	Directors' Total Fees ^{*5}		Total
	\$	\$	\$	\$	Cash-based \$	Share-based \$	\$
Kwa Chong Seng	-	-	-	-	420,000	180,000	600,000
Koh Beng Seng	-	-	-	-	41,370 ^(a)	-	41,370
Quek See Tiat	-	-	-	-	91,048 ^(b)	39,020	130,068
LG Lim Cheng Yeow Perry	-	-	-	-	11,250 ^(c)	-	11,250
Ng Chee Khern	-	-	-	-	5,209 ^{(c)(d)}	-	5,209
Neo Kian Hong	-	-	-	-	5,702 ^{(c)(e)}	-	5,702
Quek Gim Pew	-	-	-	-	22,500 ^(c)	-	22,500
Davinder Singh	-	-	-	-	38,864 ^(a)	-	38,864
Dr Stanley Lai Tze Chang	-	-	-	-	118,300	50,700	169,000
Khoo Boon Hui	-	-	-	-	107,100	45,900	153,000
Olivia Lum Ooi Lin	-	-	-	-	102,000	-	102,000
Dr Beh Swan Gin	-	-	-	-	11,250 ^(c)	-	11,250
Lim Sim Seng	-	-	-	-	90,712	38,877	129,589
Lim Ah Doo	-	-	-	-	89,312	38,277	127,589
RADM Alan Goh Kim Hua (Alternate to LG Lim Cheng Yeow Perry)	-	-	-	-	-	-	-
Total	-	-	-	-	1,154,617	392,774	1,547,391

Payable by Subsidiaries

Executive Director	Salary ^{*1}	Variable ^{*2}	Benefits ^{*3}	Share-based Compensation ^{*4}	Directors' Total Fees ^{*5}		Total
	\$	\$	\$	\$	Cash-based \$	Share-based \$	\$
Vincent Chong Sy Feng	-	-	-	-	210,379 ^(f)	-	210,379

Non-Executive Directors	Salary ^{*1}	Variable ^{*2}	Benefits ^{*3}	Share-based Compensation ^{*4}	Directors' Total Fees ^{*5}		Total
	\$	\$	\$	\$	Cash-based \$	Share-based \$	\$
Quek Gim Pew	-	-	-	-	13,125 ^(c)	-	13,125
Dr Stanley Lai Tze Chang	-	-	-	-	31,500	13,500	45,000
Dr Beh Swan Gin	-	-	-	-	45,000 ^(c)	-	45,000
Lim Sim Seng	-	-	-	-	52,500	22,500	75,000
Lim Ah Doo	-	-	-	-	52,500	22,500	75,000
RADM Alan Goh Kim Hua	-	-	-	-	1,173 ^(c)	-	1,173
Total	-	-	-	-	195,798	58,500	254,298

*1 Salary includes base salary and employer CPF for the financial year ended 31 December 2017.

*2 Variable includes Performance Target Bonus paid & EVA-based incentive declared for the financial year ended 31 December 2017. The EVA-based incentive declared for the year is added to the balance brought forward in each of the executive's individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 Shares delivered in the form of PSP and RSP Contingent Awards to be granted in 2018.

*5 The directors' cash fees and share awards will only be paid/granted upon approval by the shareholders at the forthcoming AGMs of the Group.

(a) Pro-rated. Retired at AGM on 21 April 2017

(b) Quek See Tiat was appointed AC Chairman on 21 April 2017

(c) Fees for public sector directors are payable to a government agency, the DCAC

(d) Pro-rated. Ng Chee Khern resigned as Director on 19 June 2017

(e) Pro-rated. Neo Kian Hong was appointed Director on 30 June 2017

(f) Fees are payable to Singapore Technologies Engineering Ltd

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The following information relates to remuneration of directors of Singapore Technologies Engineering Ltd:

Number of Directors in Remuneration Bands	2017	2016
\$500,000 and above	2	3
\$250,000 to \$499,999	0	0
Below \$250,000	13	14
Total	15	17

SUMMARY COMPENSATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2017 (GROUP):

Remuneration	Salary ^{*1}	Variable ^{*2}	Benefits ^{*3}	Share-based Compensation ^{*4}	Total
	%	%	%	%	%
Between \$2,000,000 and \$2,250,000					
Lim Serh Ghee	32	42	1	25	100
Between \$1,750,000 and \$2,000,000					
Ravinder Singh s/o Harchand Singh	33	39	1	27	100
Between \$1,500,000 and \$1,750,000					
Foo Chee Keng Cedric	40	34	1	25	100
Between \$1,000,000 and \$1,250,000					
Ng Sing Chan	65	14	1	20	100
Dr Lee Shiang Long	40	35	1	24	100
Total for Key Management Executives					\$8,117,236

^{*1} Salary includes base salary and employer CPF for the financial year ended 31 December 2017.

^{*2} Variable includes Performance Target Bonus paid & EVA-based incentive declared for the financial year ended 31 December 2017. The EVA-based incentive declared for the year is added to the balance brought forward in each of the executives' individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

^{*3} Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

^{*4} Shares delivered in the form of PSP and RSP Contingent Awards to be granted in March 2018.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Board is responsible for providing a balanced assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly results announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's performance, position, risk review and prospects. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements, including compliance with the continuing listing obligations under the SGX Listing Manual. As and when new rules and regulations or accounting standards are introduced, external professionals will be invited to brief our Directors.

The appointment of auditors is subject to approval at each AGM. In making its recommendations to shareholders on the appointment and re-appointment of auditors, the Board relies on the review and recommendations of the AC. The AC's assessment of the external auditor is based on factors such as the performance and independence of the auditor. KPMG LLP in Singapore audits Singapore incorporated subsidiaries that are not exempt from audit under the Singapore Companies Act. Subsidiaries incorporated in countries outside Singapore that require an audit in their local jurisdictions are largely audited by other independent member firms of the KPMG network affiliated with KPMG International Cooperative, a Swiss entity. Some of our overseas associates and joint ventures engage other auditing firms, but the number of such entities is not significant.

In compliance with SGX requirements, an audit engagement partner may only be in charge of an audit for up to five consecutive years. KPMG LLP, which was first appointed in 2010 has been meeting this requirement. The current audit engagement partner took over ST Engineering's audit in February 2017. The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

Directors and key senior executives of the Group are prohibited from dealing in ST Engineering shares two weeks before the announcement of ST Engineering's first quarter, second quarter, third quarter and full year results up to the date of the announcement of the results. Directors are discouraged from trading on short term considerations. Additionally, all directors of the Group and employees are reminded not to trade in situations where the insider trading laws and rules would prohibit trading.

The directors' interests in shares of ST Engineering and its related companies during the year are found on pages 119 to 121 of this Annual Report.

Audit Committee (Principle 12)

The AC is supported in its work by the Risk and Audit Committees (RACs) of the four business sectors. The respective chairmen of the RACs are invited to attend the AC meetings of ST Engineering so as to have a clear understanding of policies made at the holding company level and to share any feedback or raise any issue that the Sectors' RACs may have.

The AC has full authority to commission and review findings of internal investigations into matters where it is alerted of any suspected fraud or irregularity or failure of internal controls or infringement of any law likely to have a material impact on the Group's operating results. It can investigate any matter within its terms of reference and with the full cooperation of management.

The AC's key terms of reference include the following:

- undertaking the statutory and regulatory functions of an AC as are prescribed by law from time to time;
- reviewing the reports of the external and internal auditors to provide a further layer of assurance of the integrity, confidentiality and availability of critical information;
- reviewing interested person transactions;
- evaluating the work of the external auditors to determine their independence and recommending to the Board their reappointment and compensation on an annual basis; and
- reviewing the level of non-audit services.

CORPORATE GOVERNANCE

The Company has in place a Whistle-Blowing framework, where staff may, in confidence and without fear of retaliation, raise concerns of incidents of possible wrongdoing or breach of applicable laws, regulations or policies to the respective chairmen of the RACs, as well as the AC. In accordance with this framework, a Whistle-Blowing dashboard reporting is presented to the Sectors' RACs and the AC at its quarterly meetings. As ST Engineering has become a global company with a presence in many countries, it is aware of the need to apply international corporate governance standards wherever it operates. It takes a serious view of all reports of violations received and may commission investigations as appropriate.

Mr Quek See Tiat took over as Chairman of the AC following the retirement of Mr Koh Beng Seng at the last AGM in April 2017. The other members of the AC are Dr Stanley Lai, Mr Khoo Boon Hui, and Mr Lim Ah Doo. All the members of the AC are independent directors and majority, including the AC Chairman, have the relevant accounting or financial management expertise or experience. None of the AC members were previous partners or directors of the Company's existing external audit firm within the previous 12 months prior to their appointment to the AC, and none of the AC members have any financial interest in the Company's existing audit firm.

The AC held five meetings during the year including a joint meeting with the RSC to review the significant risks and related key controls. The AC met twice with the external and internal auditors, without management, at the beginning and middle of the year.

During the year, the AC reviewed the financial statements of the Group before the announcement of the Group's quarterly, half-yearly and full-year results. The following significant matters impact the financial statements, and were reviewed by the AC in relation to their materiality and appropriate methodology/assessment. These matters were also discussed with management and the external auditors:

Significant matters	How the AC reviewed these matters
Impairment of non-financial assets, including goodwill and other intangible assets	The AC considered the approach and methodology that were applied to the valuation model in goodwill impairment assessment. It reviewed the reasonableness of cash flow forecasts, the long-term growth rate and discount rate.
Revenue recognition	The AC considered the approach and methodology that were applied to the recognition of revenue and profit from long term contracts. It reviewed the various controls that were designed and applied by the Group to ensure that the estimates used in determining the amount of revenue and costs recognised are appropriate.
Net realisable value of inventories and work-in-progress	The AC considered the approach and methodology that were applied to the valuation of aircraft components and to the assessment of recoverability of work-in-progress. The AC reviewed the reasonableness of the obsolescence policy that was applied to the aircraft components and the assumptions and estimates that were used in determining the work-in-progress amounts.
Provision for warranties	The AC considered the approach and methodology that were applied to the determination of the Group's provision for warranties. It assessed the reasonableness of the key assumptions that were used by management to evaluate the likelihood of claims and risks arising from contracts that were covered by warranty.
Adequacy of project-related provisions	The AC considered the approach and methodology that were applied to the determination of the Group's project-related provisions for liquidated damages and foreseeable losses. It reviewed the key assumptions that were used by management to assess the potential claims and losses.
Impairment of property, plant and equipment – Roll-on/Roll-off Passenger ferry (ROPAX)	The AC considered the approach and methodology that were applied to the valuation of the property, plant and equipment relating to ROPAX. The AC assessed the sale and charter scenarios, cash flow forecasts, long-term growth rate and discount rate that were used in the valuation model that was used.
Acquisition of Aethon, Inc and SP Telecommunications Pte Ltd (SPTel)	The AC reviewed the assessment of Aethon (a subsidiary) and SPTel (a joint venture). It considered the approach and methodology that were applied to determine the allocation of the purchase price over the fair value of the acquired assets and liabilities.

The AC concluded that the management's accounting treatment and estimates were appropriate for the above significant matters. All the key audit matters (KAMs) that were raised by the external auditors for the financial year ended 31 December 2017 have been addressed by the AC and traversed in the above commentary. The KAMs in the audit report for the financial year ended 31 December 2017 can be found on pages 128 – 131 of this Annual Report.

During the year, the AC considered and approved the 2017 Audit Plan and the 2017 Internal Audit (IA) Plan. In addition, the AC reviewed the adequacy of internal control procedures including IT security issues, Interested Person transactions and the issues raised in IA reports. It also considered the reappointment of the external auditors as well as their remuneration.

The AC also reviewed the level of non-audit services performed by its external auditors. For the full year 2017, \$7,954,000 was paid to the external auditors for audit and non-audit services of the Group, of which \$2,002,000 or 25% were for non-audit services. The AC was satisfied that the non-audit services performed by the auditors did not compromise their independence.

The AC is routinely updated on the proposed and impending changes in accounting standards and their implications for the Group.

Risk Management and Internal Control

(Principle 11)

Internal Audit

(Principle 13)

The AC, with the support of the respective Sectors' RACs oversees and appraises the quality of the IA function. The Board, through the AC, RSC and RACs, is responsible for oversight of the risk management responsibilities, sustainability, internal controls and governance processes delegated to Management.

IA supports the AC and RACs in reviewing the adequacy of the Group's internal control systems.

ST Engineering IA is staffed with individuals with the relevant qualifications and experience and comprises a team of 26 staff members, including the Head, Internal Auditor, who reports to the AC functionally and to the President & CEO administratively.

ST Engineering IA is a member of the Singapore Chapter of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. ST Engineering IA continues to meet or exceed the IIA standards in all key aspects.

IA plans its internal audit schedules in consultation with, but independently of, Management. The IA Plan is submitted to the RACs and the AC for approval at the beginning of each year.

The RACs and the AC also meet with IA at least once a year. During the year, RAC/AC met with IA twice without the presence of Management to gather feedback on Management's level of cooperation and other matters that warrant the RACs' and the AC's attention. All IA reports are submitted to the RACs and the AC for deliberation with copies of these reports extended to the relevant senior management, for prompt corrective actions, as recommended. Furthermore, IA's summary of findings, recommendations and updates on management actions taken are discussed at the quarterly RAC and AC meetings.

During the year, a joint RSC and AC meeting was held in accordance with the respective terms of reference of the committees to facilitate constructive sharing of the common issues that may need to be addressed by both these committees. During the joint committee meeting, members were updated on the key risks and the risk management process.

IA continues to work with Management to align companies to the Group's internal control environment and compliance standards in order to strengthen the self-regulating checks and balances. Control issues, if any, are discussed at AC meetings. IA made periodic visits to overseas subsidiaries to review their operations to ensure compliance with the internal

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controls framework. IA is assisted in its work by an external accounting firm which is not the external auditors of the Company to ensure independence of the internal audit role. In accordance with its plan, surprise audits were conducted in the course of the year on selected areas including treasury activities.

IA continued with its system of rating a company at the end of an internal audit for the purpose of differentiating the high risk issues which require immediate attention.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the RACs and the AC, is satisfied that the Group's framework of internal controls and procedures as well as risk management systems are adequate as at 31 December 2017; to provide reasonable, but not absolute, assurance of achieving its internal control objectives and addressing financial, operational, compliance and information technology risks.

The Board is satisfied that problems are identified on a timely basis and follow up actions are taken promptly to minimise lapses. The Board, through the Board Committees, is supported in these areas by the Internal Audit and Risk Management teams of the Company. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

Risk and Sustainability Committee

The RSC, chaired by Mr Khoo Boon Hui, comprises LG Perry Lim, Ms Olivia Lum and Mr Vincent Chong. The RAC chairmen, Mr Christopher Lau and Mr Bill Chua are co-opted members of the RSC.

a) Risk Governance

The RSC assists the Board in its risk governance responsibility. RSC's role is one of oversight of the responsibilities delegated to Management to ensure that there is a system of controls in place for identifying and managing risks in order to safeguard stakeholders' interests and the Company's assets. The RSC also oversees the Group's sustainability issues and reporting.

The RSC is supported by the Risk and Sustainability Team (RST), headed by Head, Risk and Sustainability, working with the Sector Chief Risk Officers from each of the following Sectors:

- 1) Aerospace
- 2) Electronics
- 3) Land Systems
- 4) Marine

The Head of RST reports to the Chairman of the RSC and ST Engineering's President & CEO. The RST provides leadership in the implementation of a Group-wide Enterprise Risk Management (ERM) framework that allows risks to be identified, assessed, monitored and managed by the business managers.

The respective RACs additionally take on the review of risks and risk management systems and assist in the discharge of the risk oversight responsibilities at the Sector level.

Administratively, the RACs are supported by the RST and the Sector Chief Risk Officers. The RST ensures that there is general alignment in the quarterly risk agenda of the RAC meetings to that of the RSC. The annual risk work plan of each sector is also aligned to the Group risk work plan before it is approved by the respective RACs and further endorsed by the RSC.

The RSC reviews the minutes of the RAC meetings which are circulated to all members of the RSC. During the year, the RAC Chairmen of the respective RACs were co-opted as members of the RSC.

In the respective Terms of Reference of the RSC and AC, the members of the RSC and the AC will meet at least once a year to discuss significant risks and audit issues of the Group. The RSC held a total of five meetings during the year including a joint meeting with AC.

There is at least a member on the RSC who is also a member of the AC to facilitate communication and access of information between the two committees.

b) Risk Aware Culture and Training

Embedding the right culture throughout the organisation is important for effective risk management. The RSC recognises good culture fosters openness that will enable Management and staff to escalate concerns in a timely manner without fear, as well as promote better judgment, which provides greater comfort to the Board and Management.

As part of the risk awareness and communication programme, annual risk management training plans covering various risk topics are developed and implemented by the respective sectors, and the status of the training is updated to the RSC and RAC at periodic intervals.

c) Risk Review Process

Under the ERM framework, a risk dashboard of the top 15 business risks (comprising the key inherent risks that may impact the business objectives) is developed and maintained by each of the significant business units, rolling up into a summary dashboard for each of the four business sectors – Aerospace, Electronics, Land Systems and Marine. Once the top business risks are identified, measures will then be taken to develop and implement risk preventive and mitigation actions (collectively known as "controls") and risk monitoring processes. The business managers are required to periodically review the effectiveness of the controls implemented, and initiate necessary changes as the risk profile changes.

Quarterly, the Presidents and the Sector Chief Risk Officers review, with the RSC and RAC, their respective dashboard of material business risks. At the meetings, the Presidents and Sector Chief Risk Officers would discuss the risk management action plans and measures to address these risks. At the same time, the Presidents and Sector Chief Risk Officers would also highlight the following for discussion:

- 1) emerging trends and issues in each business sector
- 2) new risk or changes to existing risk profile
- 3) new risk incidents
- 4) major risk exposures
- 5) risk management actions taken on previously identified risks

The RSC continues to monitor the implementation of risk management policies and procedures and receives updates to the risk registers maintained by the respective sectors. Major reviews include compliance with major laws and regulations, as well as business disruption risks and their continuity plans.

In addition, during the year the RSC reviewed with Management the incident notification framework and cyber risk management framework.

d) Risk Management Self Assurance Process

The Risk Management Self Assurance is a process whereby the business risk owners, together with the respective control owners, evaluate and assess the operational effectiveness of the controls established to manage the key risks that are reported in the Sector Risk Dashboards.

On the basis of this self assessment, annually, the RACs and RSC will receive from the respective Sector Presidents and Sector Group Financial Controllers, written assurances on the adequacy and effectiveness of the system of risk management and controls to manage the significant risks.

For more information on the Company's risk management framework, please refer to the ST Engineering website www.stengg.com for details.

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System of Internal Control and Risk Management

The Board receives, at regular intervals, updates from the Board Committees on the key business risks, the material controls to manage these risks, and the internal audit reports on the operational effectiveness of the material controls.

The Board has received assurance from the Group's President & CEO and CFO on the effectiveness of the Company's risk management and internal control systems, that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances.

The Board is satisfied with the risk management process in place, and, in its opinion, that the effectiveness and adequacy of the material controls to manage the key risks have been appropriately reviewed through the management self assurance process, as well as reasonable independent assurance provided by the Company's IA Function.

Strategy & Finance Committee

The Strategy & Finance Committee (SFC) was created as a result of the board committee rationalisation exercise carried out in 2017 (see page 88). The SFC's role includes guiding Management in the development and execution of the Group's strategies as well as assuming the role currently performed by the Tenders Committee.

Chaired by Mr Kwa Chong Seng, the SFC members include Mr Neo Kian Hong, Dr Beh Swan Gin, Mr Lim Sim Seng, Mr Lim Ah Doo, Mr Vincent Chong and Mr Quek Poh Huat (co-opted member).

During the year, the SFC held four meetings of which one meeting was held offsite to discuss the Group's long term strategy and initiatives, as well as the drivers, constraints, opportunities and challenges for each of the business areas. The SFC also reviewed the 2018 Plan and five-year forecast prior to submission to the Board for approval. In accordance with its Terms of Reference, the SFC also met to consider and approve tender proposals.

Business Investment and Divestment Committee

During the year, the Business Investment and Divestment Committee which was set up by the Board to consider investments and divestments up to certain threshold values, was dissolved in the rationalisation exercise to streamline board committees. Investment and divestment decisions above Management and Sector board approval limits were taken up at the SFC and the ST Engineering Board level.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

(Principle 14)

Communication with Shareholders

(Principle 15)

Conduct of Shareholder Meetings

(Principle 16)

At all times, ST Engineering is committed to disclosing material information in a timely, transparent and accurate manner in accordance with the Code.

All disclosures submitted to the Singapore Exchange Securities Trading Limited ("SGX-ST") through SGXNET are made available on the Group's corporate website at www.stengg.com.

The Investor Relations team and designated senior spokespersons establish and maintain regular dialogue with shareholders, media, analysts and the investment community through analyst and media briefings, facility visits, as well as investor roadshows and conferences. These platforms provide opportunities to present our business and investment case, as well as enable us to solicit and understand views of our stakeholders.

While we provide reasonable access to shareholders, media, analysts and the investment community to help them develop informed opinions of the Group, we do not respond or comment on rumours, market speculation, or forward projections of financial figures. In situations where the rumours or speculative news reports are materially incorrect or misleading, the Group may issue a clarification or confirmation statement through SGXNET.

The Group observes a "blackout period" of two weeks prior to the announcement of quarterly results. During this period, we do not comment on industry outlook, the Group's business performance and financial results. Neither do we participate in any investor meetings or conferences or proactively engage the financial media.

On dividend, the Company aims to provide shareholders with a sustainable dividend return and has, historically, been declaring interim and final dividends.

At general meetings of shareholders, we facilitate the opportunity for shareholders to participate effectively. Board members are present at these meetings where shareholders can seek clarification or question the Board on issues pertaining to the resolutions proposed before they are voted on. The external auditors are also present to assist the directors in answering questions on audit related matters. A copy of the AGM minutes is made available on the Group's corporate website at www.stengg.com.

At the AGM in April 2017, the President & CEO, delivered a presentation at the start of the Meeting, to update shareholders on the Group's recent developments and financial performance over the past year as well as focus areas for the Group.

To ensure authenticity of shareholder identity and due to other related security issues, the Company currently does not allow voting in absentia by mail, email or fax. For transparency in the voting process, ST Engineering has, since 2010, adopted the use of electronic poll voting for all the resolutions put to vote at its AGMs and Extraordinary General Meetings (EGMs). This is a fair and transparent way of voting based on the principle of one share one vote. The electronic process on how to vote is explained at the AGMs and EGMs. The Company also appoints an independent external party as scrutineer for the electronic poll voting. Prior to the AGMs and EGMs, the scrutineer will review the proxies and the electronic poll voting system, and be present at the proxy verification process, to ensure that the proxy and poll voting information is compiled correctly. The scrutineer attends the AGM to ensure that the polling process is properly carried out. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to shareholders immediately after the voting. Each proposal is put to the vote as a separate resolution at general meetings. We do not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

CODE OF CORPORATE GOVERNANCE 2012

SUMMARY OF DISCLOSURES

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 1.1	Board's Role	Yes page 88
Guideline 1.2	All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company	Yes page 88
Guideline 1.3	Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Yes page 88
Guideline 1.4	The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Yes pages 89-90
Guideline 1.5	The type of material transactions that require board approval under guidelines	Yes page 88
Guideline 1.6	The induction, orientation and training provided to new and existing directors	Yes pages 88-89

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SUMMARY OF DISCLOSURES (cont'd)

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 2.1	There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	Yes page 91
Guideline 2.2	Independent directors should make up at least half of the Board where the Chairman of the Board and the CEO is the same person or are immediate family members, or the Chairman is part of the management team or the Chairman is not an independent director.	Yes page 91 – Chairman and CEO are separate individuals.
Guideline 2.3	The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Yes page 91
Guideline 2.4	Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	NA – None of the directors have each served more than 9 years.
Guideline 2.5	The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making.	Yes page 91
Guideline 2.6	The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company.	Yes page 91
Guideline 2.7	Role of non-executive directors	Yes page 88
Guideline 2.8	To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management.	Yes page 89
Guideline 3.1	Relationship between the Chairman and the CEO where they are immediate family members	NA page 91
Guideline 3.2	Role of Chairman of the Board	Yes page 92
Guideline 3.3	Appointment of a lead independent director	NA page 91 – Chairman and CEO are separate individuals.
Guideline 3.4	Periodic meeting of independent directors without the presence of other directors and lead independent director to provide feedback to the Chairman after such meetings.	Yes page 89

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 4.1	Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Yes page 92
Guideline 4.2	NC should make recommendations to the Board on relevant matters relating to the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.	Yes pages 92-93
Guideline 4.3	The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors.	Yes pages 92-93
Guideline 4.4	The maximum number of listed company board representations which directors may hold should be disclosed	Yes Page 93
Guideline 4.5	Appointment of alternate directors.	Yes page 91
Guideline 4.6	Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Yes pages 92-93
Guideline 4.7	Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Yes page 91. More information can be found on "Board of Directors" section of the AR.
Guideline 5.1	The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	Yes page 93
Guidelines 5.2 and 5.3	Evaluation of the Board and individual directors	Yes Page 93 – Only evaluation of Board. No evaluation of individual directors.
Guidelines 6.1 to 6.3	Board should have separate and independent access to Management and company secretary. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions.	Yes page 94

C O R P O R A T E G O V E R N A N C E

SUMMARY OF DISCLOSURES (cont'd)

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 6.4	The appointment and the removal of the company secretary should be a matter for the Board as a whole.	Yes page 95
Guideline 6.5	Procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.	Yes page 94
Guideline 7.1	Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Yes pages 95-96
Guideline 7.2	RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel.	Yes pages 96-99
Guideline 7.3	Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Yes page 96
Guideline 7.4	RC should review the company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.	Yes page 98
Principle 8 Guidelines 8.1 to 8.4	The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate the directors and key management personnel	Yes pages 96-99
Principle 9	Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Yes pages 95-99
Guideline 9.1	Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and postemployment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Yes pages 100-102
Guideline 9.2	Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and their long-term incentives	Yes pages 100-101

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 9.3	Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/ fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Yes page 102
Guideline 9.4	Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	Yes page 98
Guideline 9.5	Details and important terms of employee share schemes	Yes pages 96-98
Guideline 9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	Yes pages 96-98
Principle 10 Guidelines 10.1 to 10.3	The Board should present a balanced and understandable assessment of the company's performance, position and prospects	Yes page 103
Guideline 11.1	The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	Yes pages 105-108
Guideline 11.2	The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	Yes page 108

C O R P O R A T E G O V E R N A N C E

SUMMARY OF DISCLOSURES (cont'd)

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 11.3	The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	Yes page 106 Yes page 108
Guideline 11.4	The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	Yes pages 106-108
Guideline 12.1	Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Yes pages 103-104
Guideline 12.2	Members of the AC should be appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	Yes page 104
Guideline 12.3	The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	Yes page 103
Guideline 12.4	Duties of AC	Yes page 103
Guideline 12.5	The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.	Yes page 104
Guideline 12.6	Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Yes page 105
Guideline 12.7	The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Yes page 104

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 12.8	Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Yes pages 104-105
Guideline 12.9	A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	Yes page 104
Guideline 13.1	Internal Auditor's (IA) primary line of reporting should be to the AC Chairman although the IA would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the IA function, or the accounting / auditing firm or corporation to which the IA function is outsourced. The IA should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	Yes page 105
Guideline 13.2	The AC should ensure that the IA function is adequately resourced and has appropriate standing within the company	Yes page 105
Guideline 13.3	The IA function should be staffed with persons with the relevant qualifications and experience	Yes page 105
Guideline 13.4	The IA should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors	Yes page 105
Guideline 13.5	The AC should, at least annually, review the adequacy and effectiveness of the IA function	Yes page 106
Guideline 14.1	Companies should facilitate the exercise of ownership rights by all shareholders	Yes page 108
Guideline 14.2	Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders	Yes page 109
Guideline 15.1	Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders	Yes page 108

C O R P O R A T E G O V E R N A N C E

SUMMARY OF DISCLOSURES (cont'd)

Principle and Guidelines	Description	Page Reference in ST Engineering Annual Report 2017
Guideline 15.2	Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	Yes page 108
Guideline 15.3	The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concern.	Yes page 108
Guideline 15.4	The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Yes Page 108
Guideline 15.5	Where dividends are not paid, companies should disclose their reasons.	NA
Guideline 16.1	Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	Yes page 109
Guideline 16.2	There should be separate resolutions at general meetings on each substantially separate issue.	Yes page 109
Guideline 16.3	All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	Yes page 109
Guideline 16.5	Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	Yes page 109

FINANCIAL REPORT

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ST ENGINEERING

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

We are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages 135 to 270 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and changes in equity of the Group and of the Company, and the financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Quek See Tiat	
LG Lim Cheng Yeow Perry	
Neo Kian Hong	(Appointed on 30 June 2017)
Quek Gim Pew	
Dr Stanley Lai Tze Chang	
Khoo Boon Hui	
Olivia Lum Ooi Lin	
Dr Beh Swan Gin	
Lim Sim Seng	
Lim Ah Doo	
RADM Alan Goh Kim Hua	(Alternate Director to LG Lim Cheng Yeow Perry)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the Singapore Technologies Engineering Share Option Plan (ESOP), Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) (collectively the ST Engineering Share Plans), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants, share options and awards in the Company and its related corporations were as follows:

	Holdings in the name of the director, spouse or infant children	
	1 January 2017 or date of appointment if later	31 December 2017
The Company		
Ordinary Shares		
Kwa Chong Seng	928,100 * ¹	975,600 * ¹
Vincent Chong Sy Feng	1,090,513	1,467,089
Quek See Tiat	25,200	34,200
Dr Stanley Lai Tze Chang	114,040	130,540
Khoo Boon Hui	10,700	21,700
Olivia Lum Ooi Lin	14,600	22,600
Lim Sim Seng	4,800 * ²	18,100 * ²
Lim Ah Doo	31,300	42,600
Conditional Award of Shares under PSP2010 for performance period 2015 to 2017		
Vincent Chong Sy Feng (126,000 shares)	0 to 214,200 * ¹	0 to 214,200 * ¹
Conditional Award of Shares under PSP2010 for performance period 2016 to 2018		
Vincent Chong Sy Feng (70,000 shares)	0 to 119,000 * ¹	0 to 119,000 * ¹
Conditional Award of Shares under PSP2010 for performance period 2017 to 2019		
Vincent Chong Sy Feng (258,800 shares)	—	0 to 439,960 * ¹
Time-based restricted shares under RSP2010 Vested in 2015 to 2017		
Vincent Chong Sy Feng (434,160 shares)	144,720 * ²	—

ST ENGINEERING

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2017 or date of appointment if later	31 December 2017
The Company		
<i>Time-based restricted shares under RSP2010 Vested in 2015 to 2017</i>		
Vincent Chong Sy Feng (647,061 shares)	215,687 ^{#2}	—
<i>Unvested shares under RSP2010 arising from release of Conditional Award for performance period 1 January 2015 to 31 December 2015</i>		
Vincent Chong Sy Feng (64,676 shares)	48,507 ^{#2}	32,338 ^{#2}
<i>Conditional Award of Shares under RSP2010 for performance period 1 January 2017 to 31 December 2017</i>		
Vincent Chong Sy Feng (72,800 shares)	—	0 to 109,200 ^{#3}
Related Corporations		
Ascendas Funds Management (S) Limited		
<i>Unit holdings in Ascendas Real Estate Investment Trust</i>		
Quek See Tiat	34,000	34,000
Mapletree Greater China Commercial Trust Management Ltd.		
<i>Unit holdings in Mapletree Greater China Commercial Trust</i>		
Khoo Boon Hui	300,000	300,000
Mapletree Logistics Trust Management Ltd.		
<i>Unit holdings in Mapletree Logistics Trust</i>		
Lim Ah Doo	185,000	185,000

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2017 or date of appointment if later	31 December 2017
Related Corporations		
Olam International Limited		
Ordinary Shares		
Kwa Chong Seng	420,000 * ²	609,279 * ³
Warrants		
Kwa Chong Seng	38,020 * ²	—
Singapore Airlines Limited		
Ordinary Shares		
Neo Kian Hong	9,000	9,000
Singapore Telecommunications Limited		
Ordinary Shares		
Kwa Chong Seng	26,466	26,466
Quek See Tiat	680	680
Neo Kian Hong	8,030	8,030
Quek Gim Pew	3,120	3,120
Khoo Boon Hui	3,087	3,087
Olivia Lum Ooi Lin	100,460	101,820
StarHub Ltd		
Ordinary Shares		
Quek See Tiat	5,000	5,000

*¹ Includes interest in 300,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*² Held in trust by a trustee company on behalf of the director.

*³ Includes interest in 189,279 shares in Olam International Limited, held in trust by a trustee company on behalf of the director.

*¹ A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

*² Balance of unvested restricted shares to be released according to the stipulated vesting periods.

*³ A minimum threshold performance over a 1-year period is required for any restricted shares to be released. The actual number of restricted shares to be released is capped at 150% of the conditional award and will be delivered in phases according to the stipulated vesting periods.

There was no change in any of above-mentioned directors' interest in the Company between the end of the financial year and 21 January 2018.

ST ENGINEERING

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS

The Executive Resource and Compensation Committee (ERCC) is responsible for administering the ST Engineering Share Plans.

The ERCC members are Mr Kwa Chong Seng (Chairman), Mr Lim Sim Seng and Dr Stanley Lai Tze Chang.

As at 31 December 2017, no participants have been granted options and/or have received shares under the ST Engineering Share Plans which, in aggregate, represent 5% or more of the total number of new shares available under the ST Engineering Share Plans.

The aggregate number of new shares issued pursuant to the RSP2010 and PSP2010 did not exceed 8% of the issued share capital of the Company.

Except as disclosed below, there were no options granted and no shares awarded by the Company to any person to take up unissued shares of the Company.

(a) ESOP

- (i) The options granted under the ESOP are as follows:

Participant	Aggregate options granted and accepted since commencement to end of financial year under review	Aggregate options exercised/ lapsed since commencement to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	5,405,566	5,405,566	–
Group Executives	193,717,858	193,717,858	–
Parent Group Executives and others	187,320	187,320	–

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(a) *ESOP* (continued)

- (ii) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.
- (iii) During the financial year, treasury shares in the Company were reissued pursuant to the exercise of options to take up unissued shares of the Company.

(b) *PSP2010 (PSP)*

The PSP is established with the objective of motivating senior management staff to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries (ST Engineering Group). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Relative TSR against Defensive Stock Index, the constituents of which are selected "defensive stock" companies that have similar market risk as the Group and are listed on the Singapore Exchange Securities Trading Limited (SGX).

In addition to PSP performance targets being met, the ERCC decided that the final award for PSP is conditional upon the performance targets for RSP that has the same end of performance period being met. Known as the plan trigger condition, this is to create alignment between senior management and other employees. The final award for PSP 2015 is therefore conditional on the performance targets for RSP 2017, which has the same end of performance period in December 2017, being met.

ST ENGINEERING

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(b) PSP2010 (PSP) (continued)

The awards granted under the PSP2010 are as follows:

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
Director of the Company					
Vincent Chong Sy Feng	0 to 439,960	–	0 to 773,160	–	0 to 773,160
Group Executives (including Vincent Chong Sy Feng)					
	0 to 2,914,905	– *	0 to 18,845,605	3,075,043	0 to 8,513,462

* During the year, the Group did not meet the pre-determined target performance level and that tranche of conditional award has thus lapsed.

(c) RSP2010 (RSP)

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth and superior performance in ST Engineering Group. It also aims to foster a share ownership culture among staff within the ST Engineering Group and to better align staff's incentive scheme with shareholders' interest.

Pursuant to the RSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 1-year performance period. The actual number of restricted shares delivered will depend on the achievement of set targets over the respective performance period. This will be determined by the ERCC at the end of the qualifying performance period and released equally to the recipient over a 4-year vesting period.

A minimum threshold performance is required for any restricted share to be released while the maximum number of restricted shares to be delivered is capped at 150% of the conditional award.

The targets measured over a 1-year performance period are set based on ST Engineering Group corporate objectives. The performance measures used for the 1-year performance period are ST Engineering Group Net Profit After Tax and EBITDA Margin.

Since 2011, the awards granted under the ST Engineering RSP2010 to the Non-Executive Directors (other than those from the public sector) are outright shares with no performance and vesting conditions but with a Moratorium on selling. These shares will form up to 30% of their total compensation with the remaining 70% payable in cash.

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(c) *RSP2010 (RSP)* (continued)

The awards granted under the RSP2010 are as follows:

Participant	Conditional awards/awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards/awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate awards not released as at end of financial year	Aggregate conditional awards not released as at end of financial year under review
<u>RSP2010</u>						
Directors of the Company						
Kwa Chong Seng	47,500	47,500	175,600	175,600	–	–
Vincent Chong Sy Feng	0 to 109,200	376,576	0 to 1,624,951	1,437,089	32,338	0 to 109,200
Quek See Tiat	9,000	9,000	34,200	34,200	–	–
Dr Stanley Lai Tze Chang	16,500	16,500	105,000	105,000	–	–
Khoo Boon Hui	11,000	11,000	21,700	21,700	–	–
Olivia Lum Ooi Lin	8,000	8,000	22,600	22,600	–	–
Lim Sim Seng	13,300	13,300	18,100	18,100	–	–
Lim Ah Doo	11,300	11,300	12,600	12,600	–	–
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)						
	145,100	145,100	1,042,400	1,042,400	–	–
Group Executives (including Vincent Chong Sy Feng)						
	0 to 7,627,183	4,147,360	0 to 58,135,156	20,687,852	5,647,978	0 to 7,107,340

ST ENGINEERING

DIRECTORS' STATEMENT

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are as follows:

Quek See Tiat (Chairman)
Dr Stanley Lai Tze Chang
Khoo Boon Hui
Lim Ah Doo

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee met during the year to review the scope of the internal audit functions and the scope of work of the statutory auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit Committee prior to their submission to the directors of the Company for adoption.

In addition, the Audit Committee has reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

AUDITORS

The Auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kwa Chong Seng
Director

Vincent Chong Sy Feng
Director

Singapore
22 February 2018

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SINGAPORE TECHNOLOGIES ENGINEERING LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statement of changes in equity of the Group and Company, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 135 to 270.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2017, and changes in equity of the Group and Company and the financial performance and cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ST ENGINEERING

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SINGAPORE TECHNOLOGIES ENGINEERING LTD

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
<i>Impairment of non-financial assets, including goodwill and other intangible assets</i> Goodwill and intangible assets form 13% of the Group's total assets. The Group uses the discounted cash flow technique to determine the recoverable amounts of each cash-generating unit ("CGU"). There is a risk of impairment of certain CGUs in United States which are operating in challenging business environment. This increases the level of judgement and estimation uncertainties within management's cash flow forecast.	Our procedures included, among others: • We evaluated the identification of CGUs within the Group against the requirements of the accounting standards. • We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs. • We assessed the key assumptions used in the cash flow projections, namely sales growth rates, earnings before interest, depreciation and amortisation ("EBIDA") growth rates, discount rates, terminal growth rates by comparing the Group's assumptions to externally derived data where available. • We reviewed the historical accuracy of the Group's estimates in the previous periods, identified and analysed changes in the assumptions from prior periods, focusing particularly on those CGUs operating in challenging business environment. • We have also assessed the adequacy of related disclosures in Note 15 to the financial statements. Findings: We found that the assumptions and resulting estimates used in the discounted cash flow projections for all the CGUs were within acceptable range, except for two CGUs in the United States, which includes growth estimates that exceeded historical performance. In these instances, we have re-computed the recoverable amount using reduced growth estimates and we agree with management that no impairment charge is required for these CGUs. Overall, the results of our evaluation of the Group's impairment charge are consistent with management's assessment. We found the Group's disclosure provides sufficient details on the sensitivity of the impairment assessment to variations in key assumptions.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SINGAPORE TECHNOLOGIES ENGINEERING LTD

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
<i>Impairment of property, plant and equipment – Roll-on/Roll-off Passenger ferry ("ROPAX")</i> The carrying amount of a ROPAX vessel, which is chartered out on a short term operating lease, representing a significant balance within the boats and barges class of property, plant and equipment may exceed its recoverable amount. ST Marine ("STM") was awarded a contract to design and build the ROPAX vessel in 2007. The contract was subsequently terminated in 2011, resulting in STM taking title of the vessel. Since the repossession of the vessel, management has tried to realise the value of the vessel through sale and charter. Limited market demand for such a vessel led to difficulties in selling or chartering the vessel out on a long term basis, resulting in write downs of the carrying value of the ROPAX between 2011 and 2013, to reflect its net realisable value. Since then, the ROPAX has been put to use through short term chartering arrangements. The vessel is currently under a charter to provide ferry services between Spain and Morocco for a two-year period beginning January 2016. The Group evaluated the recoverable amount of the ROPAX using the discounted cash flow ("DCF") technique across two scenarios where the ROPAX is chartered or disposed, weighted based on likelihood of outcomes to derive at a recoverable amount for the ROPAX. There are inherent uncertainties involved in estimating the recoverable amount of the ROPAX as it is dependent on the current economic conditions and whether the carrying amount can be realised through future sale or other chartering arrangements.	Our procedures included, amongst others: • We assessed the factors relevant to the likelihood of the outcome of each scenario. • We considered two other possible leasing scenarios that could happen and computed the recoverable amount after incorporating the additional scenarios and compared to the carrying amount of the ROPAX. • We evaluated the key assumptions used in the review, particularly charter rates by comparing to the rates used in the existing lease arrangement and externally derived data where available. • We compared the discount rate used by management to our calculations based on market data. Findings: The results of our evaluation of the valuation of the ROPAX are consistent with management's assessment that no further impairment charge is required. Nonetheless, uncertainties remain over the probability of securing longer term chartering arrangements or selling the vessel that may change the estimated recoverable amount.

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MEMBERS OF THE COMPANY
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THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Revenue recognition The Group's three largest revenue streams are derived from the sale of goods, rendering of services and long term contract revenues. Some of these revenue streams have contracts that are accounted for based on the stage of completion of each individual contract. The amount of revenue and profit recognised is dependent on management's assessment on the stage of completion and the forecast cost profile of each long term contract. As long-term contracts can extend over multiple years, changes in conditions and circumstances over time can result in changes in the nature or extent of project cost incurred. In addition, variations to the original contract terms, including cost overruns may require further negotiations and settlements resulting in penalties and provisions for losses. Judgement is applied in forecasting the costs to be incurred, the overall margins of these contracts and assessment of the stage of completion. Such estimates are inherently judgemental.	Our procedures included, amongst others: • We evaluated the revenue recognition policies of the Group for the different revenue streams to ensure revenue is recognised appropriately. • We tested the controls designed and applied by the Group to ensure that the estimates used in assessing revenue and costs are appropriate. The controls tested include, amongst others, controls over the preparation and authorisation of project evaluation, approval of revenue calculated and project budgets, and accuracy and completeness over manpower and labour rates computed. • We selected a sample of contracts for testing based on a number of qualitative and quantitative factors, such as contracts with significant deterioration in margin, those contracts with variations, claims and other factors which indicated that judgement is required in the estimates developed for current and forecast contract performance. • For each selected contract, we assessed the appropriateness of estimates used in the forecasts and whether the estimates showed any evidence of management bias. • We reviewed the contractual terms and work status of the customer contracts and verified that revenue is recognised according to the stage of completion of each project. Findings: We found that the actual results at completion of certain ship building contracts in the US that adopted first of class designs tend to be lower than the initial margins estimated at the inception of the contracts. The changes in margins were due to revisions in the quantity of materials calculated and the corresponding labour hours required as the design and engineering matures. We found that the estimates used to derive the revised margins were fair. For the other long term contracts of the Group, we found that the estimates used to derive budgeted margins were fair except for some projects where the actual profit margins at completion of the contracts tend to be marginally higher compared to the estimated margins used for profit recognition at various stages of completion.

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THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Net realisable value of inventories There are judgement and estimates used in the valuation of the Group's inventories. In particular, the Group holds a significant amount of aircraft components for trading purposes which are slow moving. Due to the weak economic environment, resulting in a slower demand for aircraft components, there is a risk that the estimates of net realisable values exceed future selling prices, resulting in losses when the inventories are sold. Based on independent valuation reports, the Group recorded write downs of the carrying amount of the aircraft components in 2014 and 2015. In 2016, the Group revised its inventory obsolescence policy for components related to younger fleet to better reflect the obsolescence rate based on industry data and trends. The policy was assessed to remain appropriate in FY2017.	Our procedures included, amongst others: • We evaluated management's basis of deriving the obsolescence policy by considering the current economic conditions and industry trends. • We analysed the historical sales transactions and orders for future sales, and compared them to inventory levels. • We compared the remaining useful lives of the aircraft components to the projected remaining economic life of the respective aircraft types relating to the component pool. Findings: We found that management's assessment to evaluate inventories at the lower of cost or net realisable value as at 31 December 2017 and the assumptions made by management on the valuation of aircraft components to be fair. However, there remains volatility in the components trading market that may impact the realisation of the value of inventories in the future.
Provision for warranties Warranties are provided as stipulated under each sales contract. Such specific provisions are assessed and decided by project managers based on their experience of the likelihood of claims and risks arising from contracts covered by warranty. For contracts that do not specifically indicate any warranty provision, warranties are provided based on a percentage of sales. Determining the amount of both specific and general warranties involves judgement and estimates.	Our procedures included, amongst others: • We assessed the key assumptions applied in determining the Group's provision amount for warranties. This included a comparison of the provision for warranties to the historical amounts being utilised, to determine whether the Group's estimation techniques were reasonable. Findings: Based on our procedures, we found that the Group's provision falls within the upper range of the potential claims assessed by management.

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INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
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Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Shareholding Statistics which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Shareholding Statistics, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SINGAPORE TECHNOLOGIES ENGINEERING LTD

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SINGAPORE TECHNOLOGIES ENGINEERING LTD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Quek Shu Ping.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
22 February 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Group 2017 \$'000	2016 \$'000
Revenue	4	6,619,491	6,683,737
Cost of sales		(5,296,209)	(5,378,469)
Gross profit		1,323,282	1,305,268
Distribution and selling expenses		(169,488)	(182,322)
Administrative expenses		(474,045)	(476,252)
Other operating expenses		(126,404)	(175,611)
Profit from operations	5	553,345	471,083
Other income		39,944	67,815
Other expenses		(1,278)	(15)
Other income, net	7	38,666	67,800
Finance income		38,222	33,691
Finance costs		(56,271)	(45,707)
Finance costs, net	8	(18,049)	(12,016)
Share of results of associates and joint ventures, net of tax		49,332	63,766
Profit before taxation		623,294	590,633
Taxation	9	(87,867)	(97,770)
Profit for the year		535,427	492,863
Attributable to:			
Shareholders of the Company		511,882	484,514
Non-controlling interests	40	23,545	8,349
		535,427	492,863
Earnings per share (cents)	10		
Basic		16.43	15.60
Diluted		16.35	15.60

The accompanying notes are an integral part of the financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Group 2017 \$'000	2016 \$'000
Profit for the year		535,427	492,863
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan remeasurements		(6,109)	(5,964)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net fair value changes on available-for-sale financial assets	33	8,670	1,089
Net fair value changes on cash flow hedges		56,112	4,124
Share of net fair value changes on cash flow hedges of joint ventures	33	(127)	–
Realisation of cash flow hedge reserve arising from disposal of an associate	33	–	11,368
Foreign currency translation differences		(47,327)	(2,937)
Share of foreign currency translation differences of associates and joint ventures	33	(11,102)	(2,809)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		2,161	9,446
		8,387	20,281
Other comprehensive income for the year, net of tax		2,278	14,317
Total comprehensive income for the year, net of tax		537,705	507,180
Total comprehensive income attributable to:			
Shareholders of the Company		502,229	501,379
Non-controlling interests	40	35,476	5,801
		537,705	507,180

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,719,396	1,670,132	9,661	3,251
Subsidiaries	12	–	–	1,277,232	1,277,609
Associates and joint ventures	13	448,387	405,530	17,657	17,657
Investments	14	360,346	322,051	–	–
Intangible assets	15	1,087,412	1,019,585	–	–
Long-term trade receivables		1,052	1,894	–	–
Deferred tax assets	17	74,047	92,528	2,200	4,813
Amounts due from related parties	20	4,806	4,806	344,514	507,257
Advances and other receivables	21	20,406	2,534	–	–
Derivative financial instruments	39	33,082	32,967	–	–
Employee benefits	28	243	151	–	–
		3,749,177	3,552,178	1,651,264	1,810,587
Current assets					
Inventories and work-in-progress	18	1,764,320	1,898,278	–	–
Trade receivables	19	1,645,824	1,457,982	–	–
Amounts due from related parties	20	28,271	24,618	388,894	199,634
Advances and other receivables	21	286,419	338,217	12,923	2,084
Short-term investments	14	357	188,890	–	–
Bank balances and other liquid funds	22	999,003	904,890	596,494	588,862
		4,724,194	4,812,875	998,311	790,580
Total assets		8,473,371	8,365,053	2,649,575	2,601,167
EQUITY AND LIABILITIES					
Current liabilities					
Advance payments from customers		822,958	932,515	–	–
Trade payables and accruals	23	1,612,509	1,722,488	21,019	24,148
Amounts due to related parties	24	104,042	28,449	545,066	504,827
Provisions	25	235,240	274,662	–	–
Progress billings in excess of work-in-progress	18	762,483	620,331	–	–
Provision for taxation		138,730	133,227	1,000	–
Borrowings	26	221,642	87,427	–	–
Deferred income	27	630	–	–	–
Employee benefits	28	2,491	1,916	–	–
		3,900,725	3,801,015	567,085	528,975
Net current assets		823,469	1,011,860	431,226	261,605

The accompanying notes are an integral part of the financial statements.

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BALANCE SHEETS

AS AT 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current liabilities					
Advance payments from customers		641,262	590,828	–	–
Trade payables and accruals	23	122,978	137,763	7,608	8,997
Deferred tax liabilities	17	205,200	216,592	–	–
Borrowings	26	894,422	992,848	–	–
Deferred income	27	69,156	77,159	–	–
Employee benefits	28	102,669	85,200	–	–
Derivative financial instruments	39	15,553	19,435	–	–
Amounts due to related parties	24	17	17	667,594	676,417
		2,051,257	2,119,842	675,202	685,414
Total liabilities		5,951,982	5,920,857	1,242,287	1,214,389
Net assets		2,521,389	2,444,196	1,407,288	1,386,778
Share capital and reserves					
Share capital	29	895,926	895,926	895,926	895,926
Treasury shares	30	(22,870)	(44,081)	(22,870)	(44,081)
Capital reserves	32	119,782	113,184	3,807	(2,791)
Other reserves	33	(67,468)	(56,653)	61,151	65,231
Retained earnings		1,314,610	1,273,886	469,274	472,493
Equity attributable to owners of the Company		2,239,980	2,182,262	1,407,288	1,386,778
Non-controlling interests	40	281,409	261,934	–	–
		2,521,389	2,444,196	1,407,288	1,386,778
Total equity and liabilities		8,473,371	8,365,053	2,649,575	2,601,167

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

The Group	Note	Share capital \$'000	Treasury shares \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2016		895,926	(66,870)	113,277	(65,495)	1,255,214	2,132,052	128,875	2,260,927
Total comprehensive income for the year									
Profit for the year		–	–	–	–	484,514	484,514	8,349	492,863
Other comprehensive income									
Net fair value changes on available-for-sale financial assets	33	–	–	–	1,089	–	1,089	–	1,089
Net fair value changes on cash flow hedges		–	–	–	572	–	572	3,552	4,124
Realisation of cash flow hedge reserve arising from disposal of an associate	33	–	–	–	11,368	–	11,368	–	11,368
Foreign currency translation differences		–	–	–	467	–	467	(3,404)	(2,937)
Share of foreign currency translation differences of associates and joint ventures	33	–	–	–	(2,809)	–	(2,809)	–	(2,809)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		–	–	–	9,446	–	9,446	–	9,446
Defined benefit plan remeasurements		–	–	–	–	(3,268)	(3,268)	(2,696)	(5,964)
Other comprehensive income for the year, net of tax		–	–	–	20,133	(3,268)	16,865	(2,548)	14,317
Total comprehensive income for the year, net of tax		–	–	–	20,133	481,246	501,379	5,801	507,180
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interests		–	–	–	–	–	–	448	448
Return of capital to non-controlling interests		–	–	–	–	–	–	(1,178)	(1,178)
Cost of share-based payment		–	–	–	9,515	–	9,515	20	9,535
Purchase of treasury shares	30	–	(3,137)	–	–	–	(3,137)	–	(3,137)
Treasury shares reissued pursuant to share plans		–	25,926	282	(16,719)	–	9,489	(97)	9,392
Dividends paid	34	–	–	–	–	(465,930)	(465,930)	–	(465,930)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(10,638)	(10,638)
Total contributions by and distributions to owners of the Company		–	22,789	282	(7,204)	(465,930)	(450,063)	(11,445)	(461,508)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–	–	(731)	–	(731)	564	(167)
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	–	154,816	154,816
Disposal of a subsidiary		–	–	(375)	(3,474)	3,474	(375)	(16,677)	(17,052)
Total transactions with owners of the Company		–	22,789	(93)	(11,409)	(462,456)	(451,169)	127,258	(323,911)
Transfer from retained earnings to statutory reserve		–	–	–	118	(118)	–	–	–
At 31.12.2016		895,926	(44,081)	113,184	(56,653)	1,273,886	2,182,262	261,934	2,444,196

The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

The Group	Note	Share capital \$'000	Treasury shares \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2017		895,926	(44,081)	113,184	(56,653)	1,273,886	2,182,262	261,934	2,444,196
Total comprehensive income for the year									
Profit for the year		–	–	–	–	511,882	511,882	23,545	535,427
Other comprehensive income									
Net fair value changes on available-for-sale financial assets	33	–	–	–	8,670	–	8,670	–	8,670
Net fair value changes on cash flow hedges		–	–	–	42,119	–	42,119	13,993	56,112
Share of net fair value changes on cash flow hedges of joint ventures	33	–	–	–	(127)	–	(127)	–	(127)
Foreign currency translation differences		–	–	–	(47,930)	–	(47,930)	603	(47,327)
Share of foreign currency translation differences of associates and joint ventures	33	–	–	–	(11,102)	–	(11,102)	–	(11,102)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		–	–	–	2,144	–	2,144	17	2,161
Defined benefit plan remeasurements		–	–	–	–	(3,427)	(3,427)	(2,682)	(6,109)
Other comprehensive income for the year, net of tax		–	–	–	(6,226)	(3,427)	(9,653)	11,931	2,278
Total comprehensive income for the year, net of tax		–	–	–	(6,226)	508,455	502,229	35,476	537,705
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interests		–	–	–	–	–	–	397	397
Return of capital to non-controlling interests		–	–	–	–	–	–	(43)	(43)
Cost of share-based payment		–	–	–	14,509	–	14,509	52	14,561
Purchase of treasury shares	30	–	(15,748)	–	–	–	(15,748)	–	(15,748)
Treasury shares reissued pursuant to share plans		–	36,959	6,598	(18,599)	–	24,958	(42)	24,916
Dividends paid	34	–	–	–	–	(467,641)	(467,641)	–	(467,641)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(16,615)	(16,615)
Total contributions by and distributions to owners of the Company		–	21,211	6,598	(4,090)	(467,641)	(443,922)	(16,251)	(460,173)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–	–	(589)	–	(589)	250	(339)
Total transactions with owners of the Company		–	21,211	6,598	(4,679)	(467,641)	(444,511)	(16,001)	(460,512)
Transfer from retained earnings to statutory reserve		–	–	–	90	(90)	–	–	–
At 31.12.2017		895,926	(22,870)	119,782	(67,468)	1,314,610	2,239,980	281,409	2,521,389

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total \$'000
The Company							
At 1.1.2016		895,926	(66,870)	(3,073)	72,512	551,751	1,450,246
Total comprehensive income for the year							
Profit for the year		–	–	–	–	386,672	386,672
Total comprehensive income for the year		–	–	–	–	386,672	386,672
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Cost of share-based payment		–	–	–	9,535	–	9,535
Purchase of treasury shares	30	–	(3,137)	–	–	–	(3,137)
Treasury shares reissued pursuant to share plans		–	25,926	282	(16,816)	–	9,392
Dividends paid	34	–	–	–	–	(465,930)	(465,930)
Total contributions by and distributions to owners of the Company		–	22,789	282	(7,281)	(465,930)	(450,140)
At 31.12.2016		895,926	(44,081)	(2,791)	65,231	472,493	1,386,778
At 1.1.2017		895,926	(44,081)	(2,791)	65,231	472,493	1,386,778
Total comprehensive income for the year							
Profit for the year		–	–	–	–	464,422	464,422
Total comprehensive income for the year		–	–	–	–	464,422	464,422
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Cost of share-based payment		–	–	–	14,561	–	14,561
Purchase of treasury shares	30	–	(15,748)	–	–	–	(15,748)
Treasury shares reissued pursuant to share plans		–	36,959	6,598	(18,641)	–	24,916
Dividends paid	34	–	–	–	–	(467,641)	(467,641)
Total contributions by and distributions to owners of the Company		–	21,211	6,598	(4,080)	(467,641)	(443,912)
At 31.12.2017		895,926	(22,870)	3,807	61,151	469,274	1,407,288

The accompanying notes are an integral part of the financial statements.

ST ENGINEERING

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	2017 \$'000	Group 2016 \$'000
Cash flows from operating activities			
Profit before taxation		623,294	590,633
Adjustments:			
Share of results of associates and joint ventures, net of tax		(49,332)	(63,766)
Share-based payment expense		14,561	9,535
Depreciation charge		183,616	195,678
Property, plant and equipment written off		431	709
Amortisation of other intangible assets	15	33,343	51,643
Other intangible assets written off		–	54
Gain on disposal of property, plant and equipment	7	(241)	(903)
Gain on disposal of investments, net	8	(540)	(3,672)
Remeasurement gains on fair value of pre-existing interest in an acquiree		–	(1,364)
Loss/(gain) on disposal of an associate	7	1	(731)
Gain on disposal of subsidiaries		–	(11,796)
Loss on disposal of a subsidiary		1,277	15
Bargain purchase arising from business combination	7	–	(1,333)
Changes in fair value of financial instruments and hedged items		13,166	(2,500)
Changes in fair value of financial instruments held for trading	8	–	11
Interest expense		41,198	42,441
Interest income		(24,190)	(27,342)
Impairment of property, plant and equipment		63	30,837
Impairment of goodwill and other intangible assets	15	11	9,322
Impairment of investments	8	447	1,579
Dividends from investments	8	(7)	(4)
Amortisation of deferred income		(61)	–
Operating profit before working capital changes		837,037	819,046
Changes in:			
Inventories and work-in-progress		116,497	75,264
Progress billings in excess of work-in-progress		143,749	50,477
Trade receivables		(210,959)	(106,021)
Advance payments to suppliers		42,042	(15,694)
Other receivables, deposits and prepayments		1,733	(3,902)
Amount due from holding company and related corporations balances		(9,286)	15,502
Amount due to holding company and related corporations balances		230	(7,248)
Amount due from associates		9,077	22,005
Amount due from joint ventures		55,063	15,966
Trade payables		(84,678)	19,074
Advance payments from customers		(50,025)	(67,602)
Other payables, accruals and provisions		(15,329)	(3,943)
Deferred income		(7,942)	(6,378)
Foreign currency translation of foreign operations		1,171	(912)
Cash generated from operations		828,380	805,634
Interest received		26,948	29,886
Income tax paid		(91,666)	(76,715)
Net cash from operating activities		763,662	758,805

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

	Note	Group 2017 \$'000	2016 \$'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,994	3,760
Proceeds from disposal of an associate		–	731
Proceeds from sale and maturity of investments		315,838	224,093
Dividends from associates and joint ventures		81,029	44,736
Dividends from investments		7	4
Purchase of property, plant and equipment		(272,561)	(250,922)
Purchase of investments		(171,433)	(216,297)
Investments in associates and joint ventures		(85,784)	(35,162)
Additions to other intangible assets		(73,271)	(76,823)
Acquisition of controlling interests in subsidiaries, net of cash acquired		(50,005)	9,127
Disposal of subsidiaries, net of cash disposed		8,324	29,526
Net cash used in investing activities		(245,862)	(267,227)
Cash flows from financing activities			
Proceeds from bank loans		171,412	199,478
Proceeds from loan from non-controlling interests of a subsidiary		5,152	–
Proceeds of a loan from a joint venture		36,463	2,000
Repayment of bank loans		(65,702)	(222,611)
Repayment of other loans		(137)	(161)
Repayment of lease obligations		(784)	(972)
Repayment of loan to a joint venture		(19,607)	(7,000)
Proceeds from share options exercised with issuance of treasury shares		24,916	9,392
Purchase of treasury shares		(15,748)	(3,137)
Capital contribution from non-controlling interests of subsidiaries		397	448
Return of capital to non-controlling interests of a subsidiary		(43)	(1,178)
Acquisition of non-controlling interests in a subsidiary		(223)	(167)
Dividends paid to shareholders of the Company	34	(467,641)	(465,930)
Dividends paid to non-controlling interests		(16,010)	(10,638)
Interest paid		(41,824)	(40,885)
Deposits (pledged)/discharged		(131)	6,117
Net cash used in financing activities		(389,510)	(535,244)
Net increase/(decrease) in cash and cash equivalents		128,290	(43,666)
Cash and cash equivalents at beginning of the year		903,632	944,119
Exchange difference on cash and cash equivalents at beginning of the year		(34,308)	3,179
Cash and cash equivalents at end of the year	22	997,614	903,632

The accompanying notes are an integral part of the financial statements.

ST ENGINEERING

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

SUMMARY OF EFFECT ON ACQUISITION/DIVESTMENT OF EQUITY INTERESTS AND BUSINESS

(a) Acquisition of controlling interest in subsidiaries

(i) Acquisition of controlling interests in Aethon, Inc. (Aethon) in 2017

During the year, the Group acquired 100% of Aethon for a cash consideration of \$52.6 million. Aethon specialises in provision of autonomous mobile robots for material transportation and delivery.

Aethon contributed revenue of \$9,780,000 and net profit of \$1,245,000 to the Group for the period from 11 August 2017 to 31 December 2017.

Identifiable assets acquired and liabilities assumed

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised on acquisition \$'000	Carrying amount before acquisition \$'000
Property, plant and equipment	993	993
Intangible assets	20,406	804
Inventories and work-in-progress	3,477	3,477
Trade receivables	2,455	2,454
Bank balances and other liquid funds	2,560	2,560
Trade payables and accruals	(9,504)	(9,457)
Deferred tax liabilities	(7,647)	-
Total identifiable net assets	12,740	831
Goodwill arising on consolidation	39,825	
Total purchase consideration	52,565	
Cash outflow on acquisition:		
Cash consideration paid	52,565	
Less: cash acquired	(2,560)	
Net cash outflow on acquisition	50,005	

The goodwill recognised on the acquisition of Aethon represents the synergies that the acquisition is expected to bring to the Group's businesses and products. Management assessed that the goodwill is allocated to two CGUs within the Group, namely Aethon and a Singapore business unit, amounting to \$23,895,000 and \$15,930,000, respectively, based on the expected future economic benefits to be realised by these entities through the combination of their businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related cost of \$1,874,000 on legal fees and due diligence costs. These costs have been included in administrative expenses in the Group's income statement.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

SUMMARY OF EFFECT ON ACQUISITION/DIVESTMENT OF EQUITY INTERESTS AND BUSINESS (continued)

(a) Acquisition of controlling interest in subsidiaries (continued)

(ii) Acquisition of Elbe Flugzeuwerke GmbH (EFW) in 2016

In the prior year, the Group acquired an additional 20% interests in EFW for a consideration of \$152,691,000 (Euro 98,700,000) comprising of \$4,943,000 (Euro 3,200,000) of cash and \$147,748,000 (Euro 95,500,000) in A320/A321 PTF engineering development work on 1 January 2016. As a result, the Group's equity interest in EFW increased from 35% to 55%, obtaining control of EFW. EFW contributed revenue of \$415,863,000 and net profit of \$8,158,000.

Consideration transferred

The following table summarised the acquisition-date fair value of each major class of consideration transferred:

	\$'000
Cash	4,943
To-be-developed intellectual property on A320/A321 passenger to freighter (PTF) conversion technology	136,922
Settlement of pre-existing relationship	(74,727)
Total consideration transferred	<u>67,138</u>

To-be-developed intellectual property on A320/A321 PTF conversion technology

The purchase consideration for the additional 20% acquisition in EFW includes a to-be-developed A320/A321 PTF conversion technology that is expected to cost the Group \$136,922,000.

Settlement of pre-existing relationship

In 2013, the Group invested in EFW by contributing a cash consideration of \$4,241,000 and a to-be-developed intellectual property on A330 PTF conversion technology valued at \$142,562,000 in return for a 35% equity ownership in EFW.

As at the date of the acquisition to obtain control in EFW, the Group had a remaining obligation to transfer intellectual property of \$74,727,000 to EFW. Management had estimated that this amount reflects the amount that the Group will need to incur, develop and deliver the intellectual property, with no favourable or unfavourable settlement impact. This pre-existing relationship was effectively settled when the Group acquired control of EFW.

The accompanying notes are an integral part of the financial statements.

ST ENGINEERING

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

SUMMARY OF EFFECT ON ACQUISITION/DIVESTMENT OF EQUITY INTERESTS AND BUSINESS (continued)

(a) Acquisition of controlling interest in subsidiaries (continued)

(ii) Acquisition of Elbe Flugzeugwerke GmbH (EFW) in 2016 (continued)

Identifiable assets acquired and liabilities assumed

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised on acquisition \$'000	Carrying amount before acquisition \$'000
Property, plant and equipment	77,233	77,233
Intangible assets	236,781	9,498
Derivative financial assets	3,533	3,533
Deferred tax assets	20,187	18,587
Inventories and work-in-progress	128,892	122,985
Trade receivables	68,957	68,957
Advances and other receivables	137,738	816
Bank balances and other liquid funds	14,070	14,070
Derivative financial liabilities	(36,494)	(36,494)
Provisions	(1,252)	(1,252)
Provision for taxation	(1,816)	(1,816)
Employee benefits	(70,366)	(70,366)
Trade payables and accruals	(114,389)	(109,393)
Deferred tax liabilities	(119,038)	(2,061)
Total identifiable net assets	344,036	94,297
Cash inflow on acquisition in 2016:		
Cash consideration paid	(4,943)	
Less: cash acquired	14,070	
Net cash inflow on acquisition	9,127	

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

SUMMARY OF EFFECT ON ACQUISITION/DIVESTMENT OF EQUITY INTERESTS AND BUSINESS (continued)

(a) Acquisition of controlling interest in subsidiaries (continued)

(ii) Acquisition of Elbe Flugzeuwerke GmbH (EFW) in 2016 (continued)

Goodwill

Goodwill arising from the acquisition had been recognised as follows:

	\$'000
Total consideration transferred	67,138
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	154,816
Fair value of pre-existing interest in the acquiree	145,616
Fair value of identifiable net assets	(344,036)
Goodwill	<u>23,534</u>

The remeasurement to fair value of the Group's existing 35% interest in EFW resulted in a gain of \$1,364,000. This amount had been recognised in 'other income, net' in the income statement.

The goodwill was attributable mainly to the synergies expected to be achieved from integrating the acquiree into the Group's existing aircraft business. None of the goodwill recognised was expected to be deductible for tax purposes.

The Group incurred acquisition-related costs of \$333,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

The accompanying notes are an integral part of the financial statements.

ST ENGINEERING

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CURRENCY – SINGAPORE DOLLARS)

SUMMARY OF EFFECT ON ACQUISITION/DIVESTMENT OF EQUITY INTERESTS AND BUSINESS (continued)

(b) Disposal of controlling interests in subsidiaries

In 2016, the Group disposed the following companies:

(i) Disposal of Guizhou Jonyang Kinetics Co., Ltd. (GJK)

On 5 May 2016, the Group entered into an agreement with its non-controlling shareholder to dispose its 60% equity interest in GJK for a consideration of \$41.4 million. A gain on disposal of \$10.4 million was recognised in the prior year.

(ii) Disposal of Keystone Holdings (Global) Pte. Ltd. (Keystone)

On 5 July 2016, the Group had completed the disposal of its 50% equity interest in Keystone to SJ Aviation Capital Pte. Ltd for a sale consideration of \$13.9 million. As a result, the Group's equity interest in Keystone decreased from 100% to 50% and Keystone was reclassified from a subsidiary to a joint venture.

The financial effects arising from the disposal of GJK and Keystone are as follows:

	GJK \$'000	Keystone \$'000	Total \$'000
Property, plant and equipment	26,521	105,717	132,238
Deferred tax assets	5,997	–	5,997
Inventories and work-in-progress	98,507	–	98,507
Trade receivables	45,219	326	45,545
Advances and other receivables	22,593	1,292	23,885
Bank balances and other liquid funds	14,418	3,010	17,428
Advance payments from customers	–	(16,733)	(16,733)
Trade payables and accruals	(161,810)	(2,066)	(163,876)
Borrowings	–	(65,741)	(65,741)
Deferred tax liabilities	–	(280)	(280)
Non-controlling interests	(16,677)	–	(16,677)
Net assets disposed	34,768	25,525	60,293
Realisation of reserves	(3,815)	920	(2,895)
Gain on disposal	10,404	1,392	11,796
Fair value of pre-existing interest in the acquiree	–	(13,916)	(13,916)
Sale consideration	41,357	13,921	55,278
Less: bank balances and other liquid funds in subsidiaries disposed	(14,418)	(3,010)	(17,428)
Consideration receivable as at 31 December 2016	(8,324)	–	(8,324)
Net cash inflow on disposal	18,615	10,911	29,526

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services. The principal activities of the Group are described in Note 37 to the financial statements.

The financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2017 and for the year then ended were authorised and approved by the Board of Directors for issuance on 22 February 2018.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost convention, except for the revaluation of certain financial instruments.

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12);*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016)*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendment to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 26).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

(i) *Business combinations*

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 3.5(i).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSS.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consistent accounting policies are applied to like transactions and events in similar circumstances. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) *Acquisitions of entities under amalgamation*

The Company's interests in Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd, and Singapore Technologies Marine Ltd (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method was adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises were recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired was recorded as capital reserve.

(iv) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

(v) *Investments in associates and joint ventures*

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group's Corporate Venture Capital unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(v) *Investments in associates and joint ventures* (continued)

For investments in associates acquired by the Group's Corporate Venture Capital Unit, the Group has elected to measure its investment in associates at fair value through profit or loss in accordance with FRS 39 *Financial Instruments*.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) *Transactions eliminated on consolidation*

All significant inter-company balances and transactions are eliminated on consolidation.

3.2 Foreign currency

The major functional currencies of the Group entities are Singapore dollar (SGD), United States dollar (USD) and Euro.

Transactions, assets and liabilities denominated in foreign currencies are translated into the respective functional currencies of the Group entities at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined
Non-monetary assets and liabilities carried at cost	Date of transaction

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss, except for qualifying cash flow hedges which are deferred to equity.

On consolidation, the assets, liabilities, income and expenses of foreign operations are translated into SGD using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments

(i) *Non-derivative financial assets and liabilities*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. The Group derecognises a financial asset when the contractual rights to the cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

A financial asset or financial liability is initially measured at fair value, plus, in the case of the financial asset or liability not carried at fair value through profit or loss, directly attributable transaction costs.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets and liabilities are categorised as follows:

Category	Subsequent measurement
(1) Loans and receivables	
– With fixed or determinable payments, that are not quoted in an active market	Amortised cost, computed using effective interest method, less impairment losses.
– Comprise bank balances and other liquid funds, and trade and other receivables (including finance lease receivables and amounts due from related parties)	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

(i) *Non-derivative financial assets and liabilities* (continued)

Category	Subsequent measurement
(2) Fair value through profit or loss (FVTPL)	
– Acquired principally for the purposes of selling in the near term	Gains and losses arising from fair value changes are recognised in profit or loss.
– Includes separable embedded derivatives and other derivatives not designed in hedging relationship	Fair value gains/losses arising from embedded derivatives and forward currency contracts that provide an economic hedge to trading transactions, are considered to be part of the Group's operating activities and are classified as part of cost of sales to reflect the nature of the transactions.
– Investments in associates acquired by the Group's Corporate Venture Unit which are designated upon initial recognition to be measured at fair value through profit or loss	
(3) Available for sale (AFS)	
– Designated or are not classified in the other categories of financial assets	Gains and losses arising from changes in fair value are recognised in OCI and presented in fair value reserve in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in reserve is included in profit or loss for the year.
– Comprise equity securities and bonds	
	For those financial assets where there is no active market and where fair value cannot be reliably measured, they are measured at cost.
(4) Liabilities at amortised cost	
– Comprise bank overdrafts, trade and other payables (including lease obligations and amounts due to related parties) and borrowings	Amortised cost, computed using effective interest method.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

(ii) *Derivative financial instruments and hedge accounting*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred.

Derivative financial assets and liabilities are categorised as follows:

	Category	Subsequent measurement
(1)	Fair value hedges	Gains and losses arising from fair value change of derivatives are recognised in profit or loss together with the fair value change of hedged items attributable to the hedged risks. When the hedge accounting is discontinued, adjustments to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.
(2)	Cash flow hedges	Effective portion is recognised in OCI and presented in fair value reserve in equity, until the hedged transaction occurs or is no longer expected to occur, at which time, the cumulative gain or loss in equity is transferred to profit or loss. The ineffective portion is taken to profit or loss immediately.
(3)	Net investment hedges	Gains and losses arising from translation of foreign currency financial liabilities designated as net investment hedges of foreign operations, if deemed effective, are recognised in OCI and presented in foreign currency translation reserve in equity. On disposal of the foreign operation, the cumulative gain or loss are released to profit or loss. The ineffective portion is taken to profit or loss immediately.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

(ii) *Derivative financial instruments and hedge accounting* (continued)

Category	Subsequent measurement
(4) Embedded derivatives	Any gains or losses arising from fair value changes of derivatives that are not designated in a hedging relationship are recognised immediately in profit or loss. Gains and losses that provide an economic hedge to trading transactions are classified as cost of sales to better reflect the nature of the transactions.

(iii) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) *Treasury shares*

When ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

(v) *Intra-group financial guarantees in the separate financial statements*

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities.

When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment and depreciation

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises expenditure that is directly attributable to the acquisition of the asset and subsequent costs incurred to replace parts that are eligible for capitalisation. Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment which were subject to a one-time revaluation in 1972 (the 1972 assets) are stated at valuation, net of depreciation and any impairment losses.

(ii) Depreciation

Depreciation of plant, property and equipment is recognised in profit and loss on a straight line basis, except for freehold land which are not depreciated, and leasehold land which are depreciated over the remaining lease term.

The estimated useful lives are as follows:

Item #	Useful life
Buildings	– 2 to 60 years *
Leasehold land	– Over the period of the lease of between 2 and 50 years *
Improvements to premises	– 3 to 30 years *
Wharves and slipways	– 20 years
Syncrolift and floating docks	– 15 years
Boats and barges	– 10 to 23 years
Plant and machinery	
– Aerospace	– 8 to 25 years
– Electronics	– 10 years
– Land Systems	– 5 to 15 years
– Marine	– 5 to 10 years
– Others	– 5 years
Production tools and equipment	
– Aerospace	– 5 to 15 years
– Electronics	– 10 years
– Others	– 3 to 5 years
Furniture, fittings, office equipment and computers	– 2 to 10 years
Transportation equipment and vehicles	– 4 to 5 years
Aircraft and aircraft engines	– 15 to 30 years
Satellite	– 5 years

Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

* Refer to Note 11(c)(ii) for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

(iii) Disposals

Profits or losses on disposal of property, plant and equipment are included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Other intangible assets

Class of intangible assets	Background	Measurement method	Amortisation method	Useful lives
Acquired as part of business combination/separately acquired				
Dealer network	Includes customer relationships and networks acquired	(i) Separately acquired intangible assets are initially recognised at cost (ii) Intangible assets that are acquired as part of business combination are initially recognised at its fair value as at the date of acquisition (iii) Carried at cost less any accumulated amortisation and impairment losses following initial recognition	Straight-line	5 to 25 years
Commercial and property rights	Relates to intellectual property			2 to 16 years
Brands	Includes corporate brands such as the LeeBoy™ and Rosco brand of road construction equipment.			Aerospace: 5 years Electronics: 20 years Land: 70 years
Licenses	Relates to licenses to – conduct commercial aviation activities – conduct pilot training in U.S. – purchase and lease Boeing parts – develop MRO capabilities for specific aircraft types			7 to 30 years
Technology agreements	Relates to the intellectual property assets required to operate the EcoPower Engine Wash business			13 years
Authorised repair centre agreements	Relates to the sole appointed authorised service centre for repair and overhaul of landing gear			5 years

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

(ii) Other intangible assets (continued)

Class of intangible assets	Background	Measurement method	Amortisation method	Useful lives
Development expenditure				
Development expenditure	Relates to costs incurred for - the prototyping and development of Boeing 757 15-Pallet Supplemental Type Certificate (B757 15-PTF) - the design, development and assembly of aircraft seats - the development of A330 passenger-to-freighter conversion Supplemental Type Certificate (A330-200 PTF and A330-300 PTF) - the development of A320/A321 passenger-to-freighter conversion Supplemental Type Certificate (A320/A321 PTF) The amortisation of the development and assembly of aircraft seats, development of A330-200 PTF as well as the development of A320/A321 PTF have been deferred for the year ended 31 December 2017 as the assets are not yet ready for management's intended use. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the development. The expenditure capitalised includes costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. In any other circumstances, development costs are recognised in profit or loss as incurred.	(i) Initially recognised at cost (ii) Carried at cost less any accumulated amortisation and impairment losses following initial recognition	A320/A321 PTF: Units of production method Others: Straight-line	B757 15-PTF: 10 years A330-A300 PTF: 41 years Others: 2 to 5 years

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

3.6 Inventories and work-in-progress

Inventories are measured at the lower of cost and net realisable value. Cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) is calculated on a first-in, first-out basis or by weighted average cost depending on the nature and use of the inventories. Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell.

Work-in-progress is measured at cost plus profits recognised to date less progress billings and recognised losses, if any, when the possibility of loss is ascertained.

Work-in-progress is included in current assets in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as "progress billings in excess of work-in-progress" and is included in current liabilities.

3.7 Impairment

(i) Non-derivative financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset not carried at FVTPL is impaired.

To determine whether there is objective evidence that financial assets (including equity securities) are impaired, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor/issuer, default or significant delay in payments, significant adverse changes in the business environment where the debtor/issuer operates and disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(i) *Non-derivative financial assets* (continued)

Financial assets carried at amortised cost

Individually significant financial assets are first tested for impairment on an individual basis. The Group considers if there are objective evidence of impairment, such as probability of insolvency or significant financial difficulties of the debt and default or significant delay in payments.

If it is determined that no objective evidence of impairment exists, the individually significant financial assets are included in the collective assessment for financial assets that are not individually significant. The financial assets are categorised based on credit risks characteristics for a collective assessment of impairment, based on past default experience.

The amount of loss is computed as the difference between the asset's carrying amount and the expected recoverable amount, discounted to its present value and recognised as an expense in profit or loss. The carrying amount of the asset shall be reduced through use of an allowance account. If there are changes in events subsequent to the recognition of the impairment loss, the changes in impairment loss is accounted for or reversed through profit or loss.

Financial assets carried at cost

Unquoted equity investments where the fair value cannot be reliably estimated are classified as available-for-sale investments.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss recognised is not reversed in future periods.

Available-for-sale financial assets

Significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is transferred from equity and recognised in the profit and loss. For available-for-sale equity instruments, impairment losses previously recognised are reversed through OCI and available-for-sale debt instruments are reversed through the profit and loss, if the increase in fair value is related objectively to a subsequent event.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(iii) *Non-financial assets*

The Group assess at each reporting date whether there is an indication that its non-financial assets, other than goodwill, inventories, work-in-progress and deferred tax assets, may be impaired. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the CGU to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

The recoverable amount is the higher of an asset's or a CGU's fair value less costs to sell and value in use. The value in use calculations are based on discounted cash flows expected to arise from the asset.

Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

3.8 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(i) *Warranties*

The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from six months to ten years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales. The warranty provision made as at 31 December 2017 is expected to be incurred over the applicable warranty periods.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Provisions (continued)

(ii) *Liquidated damages*

Provision for liquidated damages is made in respect of anticipated claims from customers due to a breach in contractual terms (e.g. late performance). The utilisation of provisions is dependent on the timing of claims.

(iii) *Foreseeable losses*

Provision for foreseeable losses on uncompleted contracts are recognised immediately in profit or loss when it is determinable.

(iv) *Closure costs*

Provision for closure costs is made in respect of the expected costs that the Group will undertake between the cessation of its China Specialty Vehicle business subsidiaries' operations to the completion of its liquidation.

3.9 Employee benefits

(i) *Employee equity compensation benefits*

The Group operates a number of share-based payment plans. A description of each type of share-based payment arrangement that existed at any time during the period is described in Note 31.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(ii) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iii) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and will have no legal or constructive obligation to pay further amounts. The Group's contributions to the defined contribution plans are recognised in the income statement as expenses in the financial year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Employee benefits (continued)

(iv) *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

(v) *Economic Value Added (EVA)-based Incentive Scheme*

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year.

Typically one-third of the accumulated EVA-based bonus, comprising the EVA declared in the financial year and the balance of such bonus brought forward from preceding years is paid out in cash each year, with the balance being carried forward to the following year. The balances of the EVA bank in future will be adjusted by the yearly EVA performance of the Group and the payouts made from the EVA bank.

3.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, net of any returns, trade discounts and volume rebates.

Revenue is recognised using the following methods:

- (i) Revenue from sale of goods is recognised when risks and rewards of ownership have transferred to the customer.
- (ii) Revenue from rendering of services is recognised in proportion to the stage of completion of these services.
- (iii) Revenue from long-term contracts is recognised by reference to stage of completion, which is measured by either:
 - (a) a combination of different cost components or a single cost component that would provide the most reliable indication of the stage of completion of a contract; or
 - (b) when goods and services, representing part of a contract, are delivered; or
 - (c) upon completion of designated phases of a contract.
- (iv) Management fee income is recognised when management services are rendered.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Other income

- (i) Government grants are recognised when the Group complies with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income in the same periods in which the expenses are recognised. Grants relating to depreciable assets are recognised in profit or loss as other income over the estimated useful lives of the relevant assets.
- (ii) Commission income in excess of the certain percentage of the total amount received is taken up in the income statement only upon the discharge of specified contractual obligations.
- (iii) Rental income from leasing of facilities is accounted for on a straight-line basis over the lease terms.
- (iv) The gain or loss on disposal of an item of property, plant and equipment, subsidiary, associate or joint venture is determined by comparing the proceeds from disposal with the carrying amount of the disposed item, and is recognised net within other income.
- (v) The gain from bargain purchase is recognised in other income from business combinations where the fair value of the identifiable nets assets or pre-existing equity interest in the acquiree exceeds the consideration transferred.

3.12 Finance income and finance costs

Finance income comprises interest income, dividend income, gains on disposal on investments and fair valuation of financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense, losses on disposal and fair valuation of financial assets or impairment losses recognised on investments, and losses on hedging instruments that are recognised in profit or loss.

Interest expense that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost.

3.13 Finance leases

- (i) As lessee

Finance lease are those leasing agreements, which transfer substantially all the risks and benefits incidental to ownership.

Assets financed under such leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Finance leases (continued)

(ii) As lessor

Leases where the Group transferred substantially all the risks and rewards incidental to legal ownership of the leased assets, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the leased income.

3.14 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.15 Income taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Income taxes (continued)

(ii) *Deferred tax* (continued)

However, deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists and they relate to taxes levied by the same tax authority on the same taxable entity.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

3.16 Operating segments

For management purposes, the Group is organised on a worldwide basis into four major operating segments. The management of the Company reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

3.17 Significant accounting estimates and judgements

(i) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate and growth rates in order to calculate the present value of those cash flows.

(b) Impairment of loans and receivables

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 39 to the financial statements.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Significant accounting estimates and judgements (continued)

(i) *Key sources of estimation uncertainty* (continued)

(c) Depreciation charge

Management estimates the useful lives, residual values to be within 2 to 60 years based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, if appropriate.

(d) Revenue recognition and provision for foreseeable losses

The Group has recognised revenue from long-term contracts by reference to the stage of completion. The bases for measuring the stage of completion are described in 3.10(iii).

Significant judgement based on management's knowledge and experience is required in determining the appropriate stage of completion and estimating a reasonable contribution margin or expected losses for revenue and costs recognition.

(e) Allowance for inventory obsolescence and write down of finished goods to net realisable value

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

(f) Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

(g) Provision for closure costs

The provision for closure costs is based on estimates of the expected costs that the Group will incur for the period between the cessation of its subsidiaries' operations to the completion of the subsidiary's liquidation. As the liquidation process is subjected to regulatory approval and subsequent negotiations with various stakeholders, the actual costs incurred may be higher or lower than the provision made.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Significant accounting estimates and judgements (continued)

(i) *Key sources of estimation uncertainty* (continued)

(h) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Certain subsidiaries of the Group have potential tax benefits arising from unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences, which are available for set-off against future taxable profits. Significant judgement is involved in determining the availability of future taxable profits against which the Group can utilise the tax benefits therefrom. The use of the potential tax benefits is also subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision and recognised deferred tax assets relating to the potential tax benefits in the period in which such determination is made.

(i) Measurement of fair values

A number of the Group's accounting policies require the measurement of fair values for both financial and non-financial assets and liabilities. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 39 to the financial statements.

(j) EVA-based Incentive Scheme (EBIS)

Estimates of the Group's obligations arising from the EBIS at the balance sheet date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA may result in a clawback of EVA bonus accumulated in previous years.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Significant accounting estimates and judgements (continued)

(ii) *Critical judgements made in applying accounting policies*

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

- (a) their ability to exercise power over its investees;
- (b) their exposure or rights to variable returns for its investments with those investees; and
- (c) their ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve of matters as agreed with the other shareholders.

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with the SFRS(I) issued by the ASC. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date.

- SFRS(I)15 *Revenue from Contracts with Customers* (Amendments to SFRS(I) 15 and Clarifications to SFRS(I) 15);
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts* (Amendments to SFRS(I) 4); and
- *SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.*

The Group does not expect a material impact on the financial statements from the application of the amendments to and interpretations of SFRS(I).

The Group's impact assessment of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 is set out below in pages 171 to 178.

(i) SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet, and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of mandatory exceptions and the election of optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

(ii) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specific criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to elect the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of SFRS(I) 15 are described below. The information below reflects the Group's expectations of the tax implications arising from the changes in accounting treatment. Tax effects may change when the transition adjustments are finalised.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

(ii) SFRS(I) 15 (continued)

(a) Identification of performance obligations

The Group currently recognises revenue for each long-term contract based on the different types of goods and services stipulated in its contracts. Under SFRS(I) 15, the Group is required to identify distinct performance obligations (PO) in bundled arrangements and account for each PO separately, unless it can be demonstrated that the Group provides a significant integrated service; and the goods or services within the contract are highly dependent on or highly integrated with other goods or services.

The Group has evaluated the criteria required for contracts with multiple performance obligations and has put in place process to assess, track and monitor the recognition of revenue for each performance obligation. For the long term contracts that are highly customised to the requirements of the customers and where the Group's right to payment for good and services rendered to date if the contract is terminated for reasons other than the Group's failure to performed as promised is established, the Group does not expect a significant impact on the timing and amount of revenue recognition. For certain contracts where the right to payment is not established, the Group will defer revenue recognition until completion of work. The potential impact is quantified in 'Summary of quantitative impact' below.

(b) Variable consideration

The Group's contracts may include variable considerations such as discounts, incentives, performance bonuses, penalties, including liquidated damages for delays, or other similar terms. Under SFRS(I) 15, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

For contracts that contain a significant financing components, the Group adjusts the transaction price for the effects of the time value of money. For this purpose, the Group will elect the practical expedient of not adjusting the transaction price if the period between payment and transfer of goods and/or services is less than one year.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

(iii) SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to elect the SFRS(I) exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 January 2018.
- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held.
 - The determination of whether contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If an investment in a debt security has low credit risk at 1 January 2018, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from the changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

(iii) SFRS(I) 9 (continued)

(a) Classification of financial assets and liabilities

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL and replaces the existing FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Classification under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification of financial liabilities.

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model.

(b) Expected credit losses on financial assets

SFRS(I) 9 replaces the 'incurred loss model' in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group expects an increase in impairment for trade receivables of \$627,000.

The Group does not expect any material tax impact on the increase in impairment arising from SFRS(I) 9 adoption.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

(c) Measurement of unquoted equity securities

SFRS(I) 9 is more restrictive in the use of cost when measuring unquoted equity securities. Consequently, the Group reviewed all such investments and recognised that the maximum impact would be a \$10,875,000 increase in long-term investments to be recorded in the fair value reserve.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impacts on initial adoption of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Summary of quantitative impact (continued)

Consolidated balance sheet

	31 December 2017			1 January 2018	
	Current framework \$'000	SFRS(I) 15 \$'000	SFRS(I) framework \$'000	SFRS(I) 9 \$'000	SFRS(I) framework \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	1,719,396	–	1,719,396	–	1,719,396
Associates and joint ventures	448,387	–	448,387	–	448,387
Investments	360,346	–	360,346	10,875	371,221
Intangible assets	1,087,412	–	1,087,412	–	1,087,412
Long-term trade receivables	1,052	(1,052)	–	–	–
Deferred tax assets	74,047	(19)	74,028	–	74,028
Amounts due from related parties	4,806	–	4,806	–	4,806
Advances and other receivables	20,406	–	20,406	–	20,406
Derivative financial instruments	33,082	–	33,082	–	33,082
Employee benefits	243	–	243	–	243
	<u>3,749,177</u>	<u>(1,071)</u>	<u>3,748,106</u>	<u>10,875</u>	<u>3,758,981</u>
Current assets					
Contract assets	–	939,073	939,073	–	939,073
Inventories and work-in-progress	1,764,320	(681,964)	1,082,356	–	1,082,356
Trade receivables	1,645,824	(705,099)	940,725	(627)	940,098
Amounts due from related parties	28,271	–	28,271	–	28,271
Advances and other receivables	286,419	105	286,524	–	286,524
Short-term investments	357	–	357	–	357
Bank balances and other liquid funds	999,003	–	999,003	–	999,003
	<u>4,724,194</u>	<u>(447,885)</u>	<u>4,276,309</u>	<u>(627)</u>	<u>4,275,682</u>
Total assets	<u>8,473,371</u>	<u>(448,956)</u>	<u>8,024,415</u>	<u>10,248</u>	<u>8,034,663</u>
EQUITY AND LIABILITIES					
Current liabilities					
Contract liabilities	–	1,246,021	1,246,021	–	1,246,021
Advance payments from customers	822,958	(804,923)	18,035	–	18,035
Trade payables and accruals	1,612,509	(12,770)	1,599,739	–	1,599,739
Amounts due to related parties	104,042	–	104,042	–	104,042
Provisions	235,240	24,906	260,146	–	260,146
Progress billings in excess of work-in-progress	762,483	(762,483)	–	–	–
Provision for taxation	138,730	(4,044)	134,686	–	134,686
Borrowings	221,642	–	221,642	–	221,642
Deferred income	630	–	630	–	630
Employee benefits	2,491	–	2,491	–	2,491
	<u>3,900,725</u>	<u>(313,293)</u>	<u>3,587,432</u>	<u>–</u>	<u>3,587,432</u>
Net current assets	<u>823,469</u>	<u>(134,592)</u>	<u>688,877</u>	<u>(627)</u>	<u>688,250</u>

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Summary of quantitative impact (continued)

Consolidated balance sheet (continued)

	31 December 2017			1 January 2018	
	Current framework \$'000	SFRS(I) 15 \$'000	SFRS(I) framework \$'000	SFRS(I) 9 \$'000	SFRS(I) framework \$'000
Non-current liabilities					
Contract liabilities	–	521,787	521,787	–	521,787
Advance payments from customers	641,262	(641,262)	–	–	–
Trade payables and accruals	122,978	8,865	131,843	–	131,843
Deferred tax liabilities	205,200	–	205,200	–	205,200
Borrowings	894,422	–	894,422	–	894,422
Deferred income	69,156	–	69,156	–	69,156
Employee benefits	102,669	–	102,669	–	102,669
Derivative financial instruments	15,553	–	15,553	–	15,553
Amounts due to related parties	17	–	17	–	17
	<u>2,051,257</u>	<u>(110,610)</u>	<u>1,940,647</u>	<u>–</u>	<u>1,940,647</u>
Total liabilities	<u>5,951,982</u>	<u>(423,903)</u>	<u>5,528,079</u>	<u>–</u>	<u>5,528,079</u>
Net assets	<u>2,521,389</u>	<u>(25,053)</u>	<u>2,496,336</u>	<u>10,248</u>	<u>2,506,584</u>
Share capital and reserves					
Share capital	895,926	–	895,926	–	895,926
Treasury shares	(22,870)	–	(22,870)	–	(22,870)
Capital reserves	119,782	–	119,782	–	119,782
Other reserves	(67,468)	(12)	(67,480)	10,875	(56,605)
Retained earnings	1,314,610	(24,957)	1,289,653	(615)	1,289,038
Equity attributable to owners of the Company	<u>2,239,980</u>	<u>(24,969)</u>	<u>2,215,011</u>	<u>10,260</u>	<u>2,225,271</u>
Non-controlling interests	281,409	(84)	281,325	(12)	281,313
	<u>2,521,389</u>	<u>(25,053)</u>	<u>2,496,336</u>	<u>10,248</u>	<u>2,506,584</u>
Total equity and liabilities	<u>8,473,371</u>	<u>(448,956)</u>	<u>8,024,415</u>	<u>10,248</u>	<u>8,034,663</u>

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Summary of quantitative impact (continued)

Consolidated income statement

	31 December 2017		
	Current framework \$'000	SFRS(I) 15 \$'000	SFRS(I) framework \$'000
Revenue	6,619,491	(98,428)	6,521,063
Cost of sales	(5,296,209)	87,931	(5,208,278)
Gross profit	1,323,282	(10,497)	1,312,785
Distribution and selling expenses	(169,488)	–	(169,488)
Administrative expenses	(474,045)	–	(474,045)
Other operating expenses	(126,404)	–	(126,404)
Profit from operations	553,345	(10,497)	542,848
Other income	39,944	–	39,944
Other expenses	(1,278)	–	(1,278)
Other income, net	38,666	–	38,666
Finance income	38,222	428	38,650
Finance costs	(56,271)	(1,411)	(57,682)
Finance costs, net	(18,049)	(983)	(19,032)
Share of results of associates and joint ventures, net of tax	49,332	–	49,332
Profit before taxation	623,294	(11,480)	611,814
Taxation	(87,867)	2,146	(85,721)
Profit for the year	535,427	(9,334)	526,093
Attributable to:			
Shareholders of the Company	511,882	(9,250)	502,632
Non-controlling interests	23,545	(84)	23,461
	535,427	(9,334)	526,093

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Summary of quantitative impact (continued)

Consolidated statement of comprehensive income

	31 December 2017		
	Current framework \$'000	SFRS(I) 15 \$'000	SFRS(I) framework \$'000
Profit for the year	535,427	(9,334)	526,093
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan remeasurements	(6,109)	–	(6,109)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net fair value changes on available-for-sale financial assets	8,670	–	8,670
Net fair value changes on cash flow hedges	56,112	–	56,112
Share of net fair value changes on cash flow hedges of joint ventures	(127)	–	(127)
Foreign currency translation differences	(47,327)	1	(47,326)
Share of foreign currency translation differences of associates and joint ventures	(11,102)	–	(11,102)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	2,161	–	2,161
	8,387	1	8,388
Other comprehensive income for the year, net of tax	2,278	1	2,279
Total comprehensive income for the year, net of tax	537,705	(9,333)	528,372
Total comprehensive income attributable to:			
Shareholders of the Company	502,229	(9,249)	492,980
Non-controlling interests	35,476	(84)	35,392
	537,705	(9,333)	528,372

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and IAS 28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below. The Group also preliminarily assessed that SFRS(I) 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

(i) SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 36).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

Applicable to financial statements for the year 2019 and thereafter (continued)

(i) SFRS(I) 16 (continued)

(a) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 4.8% of the consolidated total assets and 6.8% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(b) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

4. REVENUE

	Group	
	2017	2016
	\$'000	\$'000
Sale of goods	1,985,183	2,187,741
Service income	4,271,981	3,969,886
Contract revenue	362,327	526,110
	<u>6,619,491</u>	<u>6,683,737</u>

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5. PROFIT FROM OPERATIONS

Profit from operations is arrived after charging/(crediting) the following items (except where otherwise disclosed in the other notes to financial statements):

	Group	
	2017	2016
	\$'000	\$'000
After charging/(crediting)		
Auditors' remuneration		
– auditors of the Company	2,913	2,928
– other auditors [#]	3,039	3,664
Non-audit fees		
– auditors of the Company	990	1,234
– other auditors [#]	1,012	1,485
Fees paid to Auditors of the Company under business relationship arrangement	626	436
Fees and remuneration of directors [*]	6,022	8,308
Fees paid to a firm of which a director is a member	606	519
Allowance/(write-back of allowance) for		
– inventory obsolescence	35,012	54,864
– doubtful debts (trade)	5,590	10,559
– unbilled receivables (trade)	(4)	–
– doubtful lease receivables	–	697
Bad debts written off	11,040	1,616
Provision for foreseeable losses	25,333	8,037
Property, plant and equipment written off	431	709
Research, design and development expenses	117,470	109,108
Operating lease expenses	47,041	47,914
Fair value changes in embedded derivatives not designated as hedging instruments (included in cost of sales)		
– Gains	(22)	(293)
– Losses	1,177	287
Fair value changes of forward currency contracts not designated as hedging instruments (included in cost of sales)		
– Gains	–	(2,521)
– Losses	231	2,593
Ineffective portion of changes in fair value of cash flow hedges (included in cost of sales)	4,324	–

^{*} Includes share-based payment expense of \$1,951,274 (2016: \$2,518,525).

[#] Refers to other member firms of KPMG International

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6. PERSONNEL EXPENSES

	Group	
	2017	2016
	\$'000	\$'000
Wages and salaries *	1,582,092	1,580,071
Contributions to defined contribution plans	172,640	170,707
Defined benefit plan expenses	6,109	5,225
Share-based payments	14,160	8,946
Other personnel expenses	186,244	195,162
	<u>1,961,245</u>	<u>1,960,111</u>

* Includes directors' remuneration of \$2,589,683 (2016: \$3,869,794).

7. OTHER INCOME, NET

	Group	
	2017	2016
	\$'000	\$'000
Other income		
Government grants	14,089	16,761
Commission income	1	4
Rental income	6,525	6,333
Gain on disposal of property, plant and equipment	241	903
Gain on disposal of subsidiaries	–	11,796
Gain on disposal of an associate	–	731
Bargain purchase arising from business combination	–	1,333
Grant income from Wage Credit Scheme	6,955	19,835
Remeasurement gain on fair value of pre-existing interest in acquiree	–	1,364
Others	12,133	8,755
	<u>39,944</u>	<u>67,815</u>
Other expenses		
Loss on disposal of a subsidiary	(1,277)	(15)
Loss on disposal of a joint venture	(1)	–
	<u>(1,278)</u>	<u>(15)</u>
Other income, net, recognised in profit or loss	<u>38,666</u>	<u>67,800</u>

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. FINANCE COSTS, NET

	Group	
	2017 \$'000	2016 \$'000
Finance income		
Dividend income from quoted equity investments	7	4
Interest income		
– bank deposits	8,570	9,148
– staff loans	9	12
– finance lease	118	149
– bonds	13,846	15,295
– others	1,647	2,738
Exchange gain, net	12,025	–
Gain on disposal of investments	540	3,672
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	–	314
Fair value changes of financial instruments		
– gain on forward currency contract designated as hedging instrument	213	–
– gain on forward currency contract, cross currency interest rate swaps and cross currency swap not designated as hedging instrument	–	2,280
– gain on ineffective portion of forward currency contract designated as hedging instrument	–	42
Fair value changes of hedged items	1,247	37
	38,222	33,691
Finance costs		
Interest expense		
– bank loans and overdrafts	(7,397)	(8,122)
– bonds	(31,595)	(32,060)
– finance lease	(760)	(747)
– others	(1,446)	(1,512)
Exchange loss, net	–	(1,503)
Loss on fair value changes of investments held for trading	–	(11)
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	(1,598)	–
Fair value changes of financial instruments		
– loss on fair value changes of forward currency contract and forward currency denominated cash balance designated as hedging instrument	–	(173)
– loss on forward currency contract and cross currency interest rate swaps not designated as hedging instrument	(13,023)	–
– loss on ineffective portion of forward currency contract designated as hedging instrument	(5)	–
Impairment losses on investments	(447)	(1,579)
	(56,271)	(45,707)
Finance costs, net, recognised in profit or loss	(18,049)	(12,016)

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. TAXATION

	Group	
	2017	2016
	\$'000	\$'000
Current income tax		
Current year	122,789	143,979
Overprovision in respect of prior years	(8,882)	(18,431)
	<u>113,907</u>	<u>125,548</u>
Deferred income tax		
Current year	5,077	(13,523)
Overprovision in respect of prior years	(10,804)	(14,542)
Effect of change in tax rate	(20,313)	287
	<u>(26,040)</u>	<u>(27,778)</u>
	<u>87,867</u>	<u>97,770</u>

Reconciliation of tax expense

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

	Group	
	2017	2016
	\$'000	\$'000
Profit before taxation	623,294	590,633
Taxation at statutory tax rate of 17% (2016: 17%)	105,960	100,408
Adjustments:		
Income not subject to tax	(3,540)	(4,249)
Expenses not deductible for tax purposes	24,231	34,158
Different tax rates of other countries	3,380	(2,312)
Overprovision in prior years, net	(19,686)	(32,973)
Effect of change in tax rates	(20,313)	287
Effect of results of associates and joint ventures presented net of tax	(8,386)	(10,840)
Tax incentives	(2,778)	(4,916)
Deferred tax assets not recognised	15,624	27,619
Deferred tax assets previously not recognised now utilised	(6,580)	(11,246)
Others	(45)	1,834
	<u>87,867</u>	<u>97,770</u>

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. EARNINGS PER SHARE

Basic earnings per share

The calculation for basic earnings per share is based on:

	Group	
	2017	2016
	\$'000	\$'000
Profit attributable to shareholders	511,882	484,514

The weighted average number of ordinary shares is arrived at as follows:

	Group	
	2017	2016
	'000	'000
Number of shares		
Issued ordinary shares at beginning of the year	3,108,606	3,101,528
Effect of share options exercised, performance shares and restricted shares released	7,976	5,140
Effect of treasury shares held	(1,303)	(1,021)
Weighted average number of ordinary shares during the year	3,115,279	3,105,647

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The average fair value of one ordinary share during the financial year ended 31 December 2017 was \$3.55 (2016: \$3.18) per share. As at 31 December 2017, the Company has two categories of dilutive potential ordinary shares from performance share plan and restricted share plan. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

	Group	
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares * (used in the calculation of basic earnings per share)	3,115,279	3,105,647
Number of unissued shares under share options, performance shares and restricted shares	16,928	–
Number of shares that would have been issued at fair value	(1,371)	–
Weighted average number of ordinary shares (diluted) during the year	3,130,836	3,105,647

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

As at 31 December 2017, there was no outstanding balance of unexercised share options. As at 31 December 2016, 10,051,479 share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT

	Valuation/Cost							As at 31.12.2016 \$'000
	As at 1.1.2016 \$'000	Additions \$'000	Disposals/ write-off \$'000	Arising from acquisition of interest in a subsidiary \$'000	Due to disposal of subsidiaries \$'000	Reclassi- fications \$'000	Translation difference \$'000	
The Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Valuation								
Leasehold land and buildings	1,919	–	–	–	–	–	–	1,919
Wharves and slipways	1,317	–	–	–	–	–	–	1,317
Syncrolift and floating docks	4,613	–	–	–	–	–	–	4,613
Plant and machinery	1,683	–	–	–	–	–	–	1,683
Furniture, fittings, office equipment and computers	285	–	–	–	–	–	–	285
At Cost								
Freehold land and buildings	73,457	–	–	–	–	612	1,391	75,460
Leasehold land and buildings	1,104,440	15,752	(629)	27,374	(27,033)	7,544	(5,446)	1,122,002
Improvements to premises	128,239	7,400	(1,175)	–	(30)	956	1,445	136,835
Wharves and slipways	46,949	–	–	–	–	–	412	47,361
Syncrolift and floating docks	90,349	–	(263)	–	–	509	428	91,023
Boats and barges	181,182	–	(76)	–	–	(3,773)	28	177,361
Plant and machinery	820,467	59,780	(27,060)	25,557	(14,630)	11,019	667	875,800
Production tools and equipment	323,141	28,482	(7,927)	13,033	(504)	1,701	1,890	359,816
Furniture, fittings, office equipment and computers	281,237	25,728	(17,017)	2,245	(3,746)	1,411	783	290,641
Transportation equipment and vehicles	17,503	1,708	(1,152)	–	(1,619)	(59)	(63)	16,318
Aircraft and aircraft engines	346,299	25,564	–	–	(108,871)	(7,578)	(1,857)	253,557
Satellite	–	–	–	–	–	13,698	–	13,698
Construction-in-progress	32,453	87,941	(421)	11,005	(25)	(34,344)	(137)	96,472
	3,455,533	252,355	(55,720)	79,214	(156,458)	(8,304)	(459)	3,566,161

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	Valuation/Cost						As at 31.12.2017 \$'000
	As at 1.1.2017 \$'000	Additions* ¹ \$'000	Disposals/ write-off \$'000	Arising from acquisition of interest in a subsidiary \$'000	Reclassi- fications \$'000	Translation difference \$'000	
At Valuation							
Leasehold land and buildings	1,919	—	—	—	—	—	1,919
Wharves and slipways	1,317	—	—	—	—	—	1,317
Syncrolift and floating docks	4,613	—	—	—	—	—	4,613
Plant and machinery	1,683	—	—	—	—	—	1,683
Furniture, fittings, office equipment and computers	285	—	—	—	—	—	285
At Cost							
Freehold land and buildings	75,460	12,255	—	—	2,902	(5,517)	85,100
Leasehold land and buildings	1,122,002	29,431	(670)	—	49,039	(13,289)	1,186,513
Improvements to premises	136,835	11,760	(1,590)	4	12,667	(5,695)	153,981
Wharves and slipways	47,361	9	—	—	1,152	(1,472)	47,050
Syncrolift and floating docks	91,023	249	—	—	(14)	(1,509)	89,749
Boats and barges	177,361	120	—	—	—	(101)	177,380
Plant and machinery	875,800	79,951	(16,542)	—	32,097	(13,170)	958,136
Production tools and equipment	359,816	31,119	(2,227)	307	545	(8,451)	381,109
Furniture, fittings, office equipment and computers	290,641	35,617	(11,916)	682	3,044	(5,977)	312,091
Transportation equipment and vehicles	16,318	2,104	(1,197)	—	5	(284)	16,946
Aircraft and aircraft engines	253,557	1,370	—	—	8,339	(7,659)	255,607
Satellite	13,698	—	—	—	—	—	13,698
Construction-in-progress	96,472	68,689	(193)	—	(119,781)	(10)	45,177
	3,566,161	272,674	(34,335)	993	(10,005)	(63,134)	3,732,354

*¹ During the year, the Group's wholly-owned subsidiary, Vision Technologies Marine, Inc. acquired selected marine repair assets in Pascagoula, Mississippi in the US. This transaction has been accounted for as an asset acquisition. Total consideration transferred at acquisition date comprises of cash consideration of \$34 million (US\$25 million).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	Accumulated depreciation						As at 31.12.2016 \$'000
	As at 1.1.2016 \$'000	Depreciation charge/ impairment losses*2 for the year \$'000	Disposals/ write-off \$'000	Due to disposal of subsidiaries \$'000	Reclassi- fications \$'000	Translation difference \$'000	
At Valuation							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,317	–	–	–	–	–	1,317
Syncrolift and floating docks	4,613	–	–	–	–	–	4,613
Plant and machinery	1,683	–	–	–	–	–	1,683
Furniture, fittings, office equipment and computers	285	–	–	–	–	–	285
At Cost							
Freehold land and buildings	24,717	1,468	–	–	–	479	26,664
Leasehold land and buildings	483,036	64,306	(496)	(6,610)	46	1,234	541,516
Improvements to premises	52,154	10,916	(1,163)	(30)	(2)	395	62,270
Wharves and slipways	28,609	1,317	–	–	–	145	30,071
Syncrolift and floating docks	72,248	1,498	(263)	–	–	128	73,611
Boats and barges	55,574	6,372	(76)	–	(1,792)	28	60,106
Plant and machinery	469,719	63,061	(24,679)	(9,085)	13	1,377	500,406
Production tools and equipment	226,040	22,070	(7,569)	(476)	37	3,065	243,167
Furniture, fittings, office equipment and computers	233,978	35,613	(16,832)	(3,386)	(47)	990	250,316
Transportation equipment and vehicles	14,359	1,407	(1,076)	(1,479)	(48)	(44)	13,119
Aircraft and aircraft engines	76,503	17,117	–	(3,154)	(7,578)	708	83,596
Satellite	–	1,370	–	–	–	–	1,370
	1,746,754	226,515	(52,154)	(24,220)	(9,371)	8,505	1,896,029

^{*2} In the prior year, the Group recognised impairment losses of \$30,837,000, which mainly relate to:

- impairment of rotatable assets deployed to customers. Following the liquidation of one of its customers, the Group performed an impairment assessment and recognised an impairment loss of \$1,132,000 as part of cost of sales in the income statement. The recoverable amount was estimated based on its market value less cost to sell.
- impairment on certain property, plant and equipment. The Group performed an impairment assessment and recognised an impairment loss of \$28,170,000. The recoverable amounts of these property, plant and equipment were determined based on the fair value less costs of disposal of the property, plant and equipment. Management estimated the fair value less costs of disposal of these property, plant and equipment based on independent valuation, with reference to replacement costs (level 3 of fair value hierarchy), and market resale values of similar assets (level 2 of fair value hierarchy).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	Accumulated depreciation					As at 31.12.2017 \$'000
	As at 1.1.2017 \$'000	Depreciation charge/ impairment losses for the year \$'000	Disposals/ write-off \$'000	Reclassifications \$'000	Translation difference \$'000	
At Valuation						
Leasehold land and buildings	1,919	—	—	—	—	1,919
Wharves and slipways	1,317	—	—	—	—	1,317
Syncrolift and floating docks	4,613	—	—	—	—	4,613
Plant and machinery	1,683	—	—	—	—	1,683
Furniture, fittings, office equipment and computers	285	—	—	—	—	285
At Cost						
Freehold land and buildings	26,664	1,504	—	—	(2,006)	26,162
Leasehold land and buildings	541,516	40,822	(568)	204	(7,378)	574,596
Improvements to premises	62,270	9,030	(1,589)	(29)	(1,779)	67,903
Wharves and slipways	30,071	1,363	—	—	(471)	30,963
Syncrolift and floating docks	73,611	1,502	—	—	(365)	74,748
Boats and barges	60,106	5,994	—	—	(103)	65,997
Plant and machinery	500,406	60,214	(14,808)	(233)	(10,682)	534,897
Production tools and equipment	243,167	20,935	(2,155)	(3,583)	(4,689)	253,675
Furniture, fittings, office equipment and computers	250,316	24,050	(11,841)	3,618	(5,193)	260,950
Transportation equipment and vehicles	13,119	1,547	(1,190)	23	(244)	13,255
Aircraft and aircraft engines	83,596	13,978	—	—	(1,689)	95,885
Satellite	1,370	2,740	—	—	—	4,110
	1,896,029	183,679	(32,151)	—	(34,599)	2,012,958

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	31.12.2017 \$'000	Net book value	
		31.12.2016 \$'000	1.1.2016 \$'000
At Valuation			
Leasehold land and buildings	–	–	–
Wharves and slipways	–	–	–
Syncrolift and floating docks	–	–	–
Plant and machinery	–	–	–
Furniture, fittings, office equipment and computers	–	–	–
At Cost			
Freehold land and buildings	58,938	48,796	48,740
Leasehold land and buildings	611,917	580,486	621,404
Improvements to premises	86,078	74,565	76,085
Wharves and slipways	16,087	17,290	18,340
Syncrolift and floating docks	15,001	17,412	18,101
Boats and barges	111,383	117,255	125,608
Plant and machinery	423,239	375,394	350,748
Production tools and equipment	127,434	116,649	97,101
Furniture, fittings, office equipment and computers	51,141	40,325	47,259
Transportation equipment and vehicles	3,691	3,199	3,144
Aircraft and aircraft engines	159,722	169,961	269,796
Satellite	9,588	12,328	–
Construction-in-progress	45,177	96,472	32,453
	1,719,396	1,670,132	1,708,779

Due to changes in the use of assets,

- (a) Plant and machinery with net book value amounting to \$320,000 (2016: \$1,982,000) were reclassified to inventories;
- (b) Plant and machinery with net book value amounting to \$9,685,000 (2016: nil) were reclassified as prepayment for land use right; and
- (c) In 2016, inventories amounting to \$3,049,000 were reclassified to property, plant and equipment.

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31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Leasehold land and buildings \$'000	Furniture, fittings, office equipment and computers \$'000	Transportation equipment and vehicles \$'000	Total \$'000
Cost				
As 1.1.2016	2,841	5,378	525	8,744
Additions	–	374	–	374
Disposals/write-off	–	(1,279)	(57)	(1,336)
As at 31.12.2016	2,841	4,473	468	7,782
Additions	–	7,577	–	7,577
As at 31.12.2017	2,841	12,050	468	15,359
Accumulated depreciation				
As 1.1.2016	447	3,994	306	4,747
Depreciation charge for the year	282	609	94	985
Disposals/write-off	–	(1,144)	(57)	(1,201)
As at 31.12.2016	729	3,459	343	4,531
Depreciation charge for the year	282	791	94	1,167
As at 31.12.2017	1,011	4,250	437	5,698
Net book value				
As at 31.12.2017	1,830	7,800	31	9,661
As at 31.12.2016	2,112	1,014	125	3,251
As at 1.1.2016	2,394	1,384	219	3,997

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of \$107,201,000 (2016: \$62,252,000) are pledged as security for bank loans and other loans.

(b) Property, plant and equipment under lease obligations

Included in the above are property, plant and equipment acquired under finance lease obligations with a net book value of:

	Group	
	2017 \$'000	2016 \$'000
Leasehold land and buildings	15,064	16,953
Furniture, fittings, office equipment and computers	549	755
	15,613	17,708

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Major properties

(i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value	
			2017 \$'000	2016 \$'000
USA				
13442 Emerson Road, Kidron, Ohio	Industrial buildings	68,351	888	1,006
300 Hackney Ave, Independence, Kansas	Industrial buildings	117,358	4,330	4,891
400 Hackney Ave, Washington, North Carolina	Industrial buildings	39,942	1,464	1,676
914 Saegers Station Drive, Montgomery, Pennsylvania	Industrial buildings	122,659	4,491	4,574
7801 Trinity Drive, Escatawpa, Mississippi	Shipyards and buildings	839,564	3,880	4,201
5801 Elder Ferry Road, Moss Point, Mississippi	Shipyards and buildings	227,151	4,182	4,525
900 Bayou Casotte Parkway, Pascagoula, Mississippi	Shipyards and buildings	331,803	19,242	21,196
2810 Lousie Street, Pascagoula, Mississippi	Buildings	25,252	2,757	3,078
3800 Richardson Road South, Hope Hull, Alabama	Production facility	8,361	1,989	2,351
Australia				
2 Bowral Place, Ballarat, Victoria	Office building and training classrooms	7,714	1,163	1,217
Germany				
Am Sandberg 3, Kodersdorf	Factory and office building	29,562	14,485	—

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Major properties (continued)

(ii) Leasehold land, buildings and improvements

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2017 \$'000	2016 \$'000
Singapore					
501 Airport Road	Factory and office building	10.6 years from 1.6.2013	23,899	4,050	5,078
503 Airport Road	Factory and office building	10.6 years from 1.6.2013	7,175	622	735
505 Airport Road	Jet engine test cell	3 years from 1.7.2016	5,317	13,610	15,840
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	20,279	22,672
	Hangar and office building	22.5 years from 16.6.1999	14,860	1,655	1,796
	Hangar and office building	16.3 years from 20.8.2005	9,764	8,008	8,449
102 Gul Circle	Factory and office building	30 years from 17.7.2012	6,857	7,055	7,338
51 Loyang Drive	Leasehold land for factory building	30 years from 1.1.1992	6,045	408	511
540 Airport Road	Hangars and office building	3 years lease from 1.7.2016	52,212	13,078	14,984
Seletar West Camp	Hangars and office building	31.7 years lease from 5.1.2009	25,200	26,977	28,314
Seletar West Camp	Factory and office building	25.7 years from 1.2.2015	4,516	5,596	5,795
Seletar West Camp	New Aero Centre	28.4 years from 1.4.2012	23,094	9,363	9,725

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)**(c) Major properties (continued)****(ii) Leasehold land, buildings and improvements (continued)**

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2017 \$'000	2016 \$'000
Singapore					
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.2012	23,970	4,361	3,995
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.1988, renewable to 2048	11,232	5,181	5,550
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	55,473	59,892
6 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2011	5,000	16,070	17,018
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	46,271	—
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996 to 31.3.2026	6,669	1,327	1,480
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989 to 15.7.2019	6,981	1,440	1,459
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	206,031	103,096	109,876
16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.2013 to 15.8.2043	12,029	133	149
601 Rifle Range Road	Industrial buildings	Renewable every year *	556,074	6,025	5,701

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. PROPERTY, PLANT AND EQUIPMENT (continued)**(c) Major properties** (continued)**(iii) Leasehold land, buildings and improvements** (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2017 \$'000	2016 \$'000
Singapore (continued)					
15 Chin Bee Drive	Industrial buildings	60 years from 1.8.1973 to 31.7.2033	39,137	15,185	16,406
16 Benoi Road	Administrative offices and workshop	56 years from 1.6.1969	20,224	4,512	5,148
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,975	11,625	13,504
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	125,262	2,207	2,716
30/36 Kian Teck Avenue	Workers' dormitory	30 years from 1.9.1995	3,908	2,241	2,533
USA					
2100 Aerospace Drive Brookley Complex, Mobile, Alabama	Hangar and office building	29 years from 1.11.2012	103,825	28,386	28,603
9800 John Saunders Road, San Antonio, Texas	Hangar and office building	16.6 years from 1.6.2002	255,121	24,461	27,085
601 Bayou Casotte Parkway, Pascagoula, MS 39581	Shipyard and buildings	10 years from 30.6.2017	343,861	10,760	—

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Major properties (continued)

(ii) Leasehold land, buildings and improvements (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2017 \$'000	2016 \$'000
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Leasehold land for factory building	50 years from 20.11.2008	38,618	45,218	46,957
66 Xin Cheng Rui Shandong Road, Dantu, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	50 years from 30.11.2012 to 30.11.2062	51,576	9,282	9,467
68 Xin Cheng Rui Shandong Road, Dantu, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	50 years from 31.05.2013 to 31.05.2063	200,120	49,306	50,205
Germany					
Grenzstr. 1, Dresden	Hangar and office building	31 years from 1.1.1994	110,145	43,818	24,479
Zum Windkanal 32, Dresden	Hangar	18 years from 1.8.2007	5,415	6,638	6,747
Lindenstr. 1, Kodersdorf	Production hall with offices	5 years from 1.3.2013	5,688	21	20

* This relates to buildings constructed by subsidiaries on properties rented from the Ministry of Defence Singapore on leases which are renewable from one to three years. In view of the relationship between the landlord and the subsidiaries, the cost of the buildings is depreciated over the period of intended use, i.e. 30 years.

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12. SUBSIDIARIES

	Company	
	2017	2016
	\$'000	\$'000
Unquoted shares, at cost	1,176,486	1,177,733
Impairment in subsidiaries	(7,000)	(7,000)
Carrying amount after impairment in subsidiaries	1,169,486	1,170,733
Capital contribution * ¹	107,746	106,876
	<u>1,277,232</u>	<u>1,277,609</u>

*¹ The amount relates to capital contribution in the form of share options, performance shares and restricted shares issued to employees of subsidiaries.

Details of the subsidiaries are as follows:

	Effective equity interest held by the Group	
	2017	2016
	%	%
(a) Singapore Technologies Aerospace Ltd and its subsidiaries	100	100
Elbe Flugzeugwerke GmbH * ² and its subsidiaries	55	55
Aircraft Composites Sachsen GmbH * ²	55	55
CCI-Assembly GmbH * ²	55	55
Precision Products Singapore Pte Ltd	100	100
Singapore Aerospace K.K. * ^{1 #}	100	100
Singapore Technologies Engineering (Europe) Ltd *	100	100
ST Aerospace Aircraft Seats Pte. Ltd.	90	90
ST Aerospace Engineering Pte Ltd and its subsidiaries:	100	100
Pacific Flight Services Pte Ltd	100	100
Pacific Flight Services Pty Ltd #	100	100
ST Aerospace Academy Pte. Ltd. and its subsidiary:	100	100
Aviation Training Academy Australia Pty Ltd # and its subsidiary:	100	100
ST Aerospace Academy (Australia) Pty Ltd #	100	100
ST PAE Holdings Pty Ltd # and its subsidiaries:	100	100
Aerospace Engineering Services Pty Ltd * ^{2 #}	100	100
Aerospace Engineering Services Pty Ltd Unit Trust * ^{2 #}	100	100
ST Aerospace Engines Pte Ltd and its subsidiary:	100	100
ST Aerospace Technologies (Xiamen) Company Limited *	80	80
ST Aerospace International Structures Pte Ltd	100	100
ST Aerospace Resources Pte. Ltd.	100	100
ST Aerospace Rotables Pte. Ltd. * ³	–	100
ST Aerospace Services Co Pte. Ltd.	80	80
ST Aerospace Solutions (Europe) A/S * and its subsidiary:	100	100
Airline Rotables (UK Holdings) Limited * and its subsidiary:	100	100
Airline Rotables Limited *	100	100

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12. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group	
	2017 %	2016 %
(a) Singapore Technologies Aerospace Ltd and its subsidiaries (continued)	100	100
ST Aerospace Supplies Pte Ltd and its subsidiaries:	100	100
iShopAero Pte Ltd	100	100
ST Aerospace Guangzhou Aero-Technologies & Engineering Co Ltd.*	100	100
ST Aerospace Systems Pte Ltd and its subsidiary:	100	100
Singapore Precision Repair and Overhaul Pte Ltd	100	100
ST Aviation Resources Pte Ltd * ⁴	–	100
Viontech Engineering Pte Ltd	51	51
(b) Singapore Technologies Electronics Limited and its subsidiaries	100	100
GFM Electronics S.A. de C.V. #	51	51
SEEL Electronic & Engineering Sdn Bhd	100	100
ST Electronics (Enterprise 1) Pte. Ltd.	100	100
ST Electronics (Info-Comm Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Info-Security) Pte. Ltd.	100	100
STELCOMMS Pte. Ltd.	100	100
Telematics Wireless Ltd. and its subsidiary:	100	100
Telematics Wireless USA Corp #	100	100
ST Electronics (Info-Software Systems) Pte. Ltd. and its subsidiaries:	100	100
INFA Systems Limited	100	100
ST Electronics (e-Services) Pte. Ltd. and its subsidiary:	100	100
Knowledge Alive Pte. Ltd. * ⁵ and its subsidiary:	–	100
COMAT Training Services Pte Ltd * ⁵	–	100
ST Electronics (Data Centre Solutions) Pte. Ltd.	100	100
ST Electronics (Wuxi) Co., Ltd.	100	100
ST Electronics (Satcom & Sensor Systems) Pte. Ltd. and its subsidiaries:	100	100
iDirect Asia Pte. Ltd.	100	100
OrisTel Systems Pte. Ltd.	100	100
ST Electronics (Shanghai) Co., Ltd and its subsidiary:	100	100
ST Electronics (Tianjin) Co., Ltd	100	100
ST Electronics (Taiwan) Limited	100	100
ST Electronics (Thailand) Limited	100	100
ST Electronics (Training & Simulation Systems) Pte. Ltd. and its subsidiaries:	100	100
Antycip Simulation Limited and its subsidiary:	93	93
Antycip Simulation SAS	93	93
ST Education & Training Private Limited * ⁶ and its subsidiary:	–	100
STET Maritime Pte. Ltd. * ⁶	–	100
STET Homeland Security Services Pte. Ltd.	100	100

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12. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group	
	2017 %	2016 %
(b) Singapore Technologies Electronics Limited and its subsidiaries (continued)	100	100
ST Electronics do Brasil Serviços e Soluções em Sistemas Eletrônicos Ltda #	100	100
ST Electronics Saudi Arabia Limited *7	100	—
STELOP Pte. Ltd.	50.05	50.05
(c) Singapore Technologies Kinetics Ltd and its subsidiaries	100	100
Advanced Material Engineering Pte. Ltd. and its subsidiaries:	100	100
Advanced Pyrotechnic Materials Private Limited	51	51
SMART Systems Pte Ltd	51	51
Autonomous Technology Pte Ltd and its subsidiary:	100	100
Kinetics Automotive & Specialty Equipment Co., Ltd ^	100	100
Kinetics Systems (Shanghai) Co., Ltd.	100	100
Mobility Systems Pte Ltd and its subsidiaries:	100	100
Kinetics Drive Solutions Inc. #	100	100
Silvatech Global Systems Limited #	100	100
Silvatech Systems Corporation Pte Ltd *4	—	100
Technicae Projetos e Serviços Automotivos Ltda. #	100	94.36
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	100	100
SDDA Pte. Ltd. and its subsidiary:	100	100
Kinetics Link Services Sdn. Bhd. *1	60	60
SDG Kinetics Pte. Ltd. and its subsidiaries:	100	100
LeeBoy Brazil Equipamentos De Construção Ltda. #	100	100
LeeBoy India Construction Equipment Private Limited	100	100
Securedge Pte. Ltd. *4	—	100
Singapore Commuter Private Limited and its subsidiaries:	100	100
Jiangsu Huaran Kinetics Co., Ltd. *1	75.3	75.3
Jiangsu Huatong Kinetics Co., Ltd. *1	75.3	75.3
Singapore Test Services Private Limited	100	100
ST Kinetics Integrated Engineering Pte. Ltd.	100	100
ST Kinetics International Pte. Ltd. and its subsidiary:	100	100
VT Hackney, S.A. de C.V. #	100	100
ST Synthesis Pte Ltd *8	100	100
STA Inspection Pte Ltd	100	100
Unicorn International Pte Limited	100	100

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group	
	2017 %	2016 %
(d) Singapore Technologies Marine Ltd and its subsidiaries	100	100
Hovertrans Solutions Pte. Ltd. * ¹	51	51
ST Marine (Wuhan) Engineering Design Consultancy Co. Ltd. * ⁴	–	100
STSE Engineering Services Pte Ltd and its subsidiaries:	100	100
STSE (Shanghai) Co. Ltd.	100	100
STSE Engineering Services (B) Sdn Bhd #	100	100
(e) Vision Technologies Systems, Inc. and its subsidiaries	100	100
Vision Technologies Aerospace, Incorporated # and its subsidiaries:	100	100
Aviation Academy of America, Inc. #	100	100
DalFort Aerospace GP, Inc. * ² #	100	100
DalFort Aerospace, L.P. * ² #	100	100
EcoServices, LLC #	50.1	50.1
VT Aviation Services, Inc. #	100	100
VT Mobile Aerospace Engineering, Inc. **	100	100
VT San Antonio Aerospace, Inc. ** and its subsidiary:	100	100
AERIA Luxury Interiors, LLC * ⁷ #	100	–
VT Volant Aerospace, LLC #	100	100
Vision Technologies Electronics, Inc. # and its subsidiary:	100	100
VT iDirect, Inc. ** and its subsidiaries:	100	100
iDirect Government, LLC. **	100	100
iDirect International, Inc. **	100	100
iDirect Italy S.r.l. **	100	100
iDirect UK Limited	100	100
VT iDirect Canada, Inc. **	100	100
VT iDirect Solutions Limited	100	100
Vision Technologies Kinetics, Inc. # and its subsidiaries:	100	100
Miltope Corporation # and its subsidiary:	100	100
IV Phoenix Group, Inc. #	97	97
MÄK Technologies, Inc. #	100	100
Vision Technologies Land Systems, Inc. # and its subsidiaries:	100	100
Aethon, Inc. * ⁷ #	100	–
VT Dimensions, Inc. #	100	100
VT Hackney, Inc. **	100	100
VT LeeBoy, Inc. **	100	100
Vision Technologies Marine, Inc. # and its subsidiary:	100	100
VT Halter Marine, Inc. **	100	100
VT Systems International, LLC # and its subsidiary:	100	100
VT Systems Participações Ltda. #	100	100

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

12. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

		Effective equity interest held by the Group	
		2017	2016
		%	%
(f)	Singapore Technologies Dynamics Pte Ltd and its subsidiary Innospark Pte. Ltd.	100	100
(g)	ST Engineering Financial I Ltd.	100	100
(h)	ST Engineering Financial II Pte. Ltd.	100	100
(i)	ST Engineering Management Services Pte. Ltd.	100	100
(j)	ST Engineering Ventures Pte. Ltd. (formerly known as FusionTech Pte. Ltd.)	100	100
(k)	ST Engineering Ventures Fund Pte. Ltd. ^{*8} (formerly known ITS Technologies Pte Ltd)	100	100
(l)	Kaz-ST Engineering Bastau Limited Liability Partnership	51	51

^{*1} These companies are in the process of liquidation.

^{*2} These companies ceased operations.

^{*3} The company was amalgamated into ST Aerospace Supplies Pte Ltd from 1 September 2017.

^{*4} These companies were dissolved, struck off or had completed its members' voluntary liquidation during the year.

^{*5} These companies were amalgamated into ST Electronics (e-Services) Pte. Ltd. from 1 January 2017.

^{*6} These companies were amalgamated into ST Electronics (Training & Simulation Systems) Pte. Ltd. from 1 January 2017.

^{*7} These companies were acquired or incorporated during the year and was not audited for the purpose of consolidation.

^{*8} The ownership of these companies were transferred amongst Group's entities during the year and accounted for as common control transactions.

[^] These companies are not audited by KPMG LLP, Singapore and other member firms of KPMG International.

[#] Not required to be audited under the law in the country of incorporation.

^{*} Audited by member firms of KPMG International for consolidation purposes.

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12. SUBSIDIARIES (continued)

All subsidiaries that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

- (a) During the financial year, the Group incorporated the following companies:

Name of company	Country of incorporation/ place of business	Equity interest held %
ST Electronics Saudi Arabia Limited	Saudi Arabia	100
AERIA Luxury Interiors, LLC	USA	100

- (b) During the financial year, the Group acquired the following company:

Name of company	Interest acquired %	Consideration \$'000	Fair value of net identifiable assets acquired \$'000
Aethon, Inc.	100	52,565	12,740

- (c) During the financial year, the Group acquired additional equity interests in the following company:

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$'000	Carrying value of net identifiable liabilities acquired \$'000
Technicae Projetos e Serviços Automotivos Ltda.	5.64	100	339	(250)

- (d) During the financial year, the Group made additional capital contribution in the following companies:

Name of company	Capital contribution \$'000	Equity interest before capital contribution %	Equity interest after capital contribution %
ST Aerospace Aircraft Seats Pte. Ltd.	3,574	90	90
ST Aerospace Academy Pte. Ltd.	30,000	100	100
ST Aerospace Resources Pte. Ltd.	14,266	100	100
ST Electronics (Thailand) Limited	12,631	100	100
SDG Kinetics Pte. Ltd. and its subsidiaries	18,162	100	100
Mobility Systems Pte Ltd and its subsidiaries	22,635	100	100
Vision Technologies Aerospace, Incorporated	3,492	100	100
VT Volant Aerospace, LLC	4,505	100	100
Aviation Academy of America, Inc.	5,014	100	100
VT Aviation Services, Inc.	2,303	100	100
Vision Technologies Land Systems, Inc.	28,214	100	100

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

13. ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Unquoted shares, at fair value	7,863	–	–	–
Unquoted shares, at cost	330,460	252,540	17,657	17,657
Goodwill on acquisition written off, net	(146)	(146)	–	–
Share of net assets acquired	330,314	252,394	–	–
Impairment in associates and joint ventures	(865)	(865)	–	–
Share of post-acquisition reserves	111,075	154,001	–	–
	440,524	405,530	–	–
Total associates and joint ventures	448,387	405,530	17,657	17,657
Represented by:				
Interest in associates	315,760	344,925		
Interest in joint ventures	132,627	60,605		
	448,387	405,530		

(a) Details of associates are as follows:

Name of associate	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2017 %	2016 %
Airbus Helicopters Southeast Asia Private Limited #	Selling, maintaining and overhauling of helicopters	Singapore	25	25
Composite Technology International Pte Ltd #	Repairing and rebuilding helicopter rotor blades	Singapore	33.33	33.33
Shanghai Technologies Aerospace Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
ST Aerospace (Guangzhou) Aviation Services Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
Turbine Coating Services Pte Ltd #	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vaness	Singapore	24.5	24.5

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13. ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of associates are as follows: (continued)

Name of associate	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2017 %	2016 %
Turbine Overhaul Services Pte Ltd [#]	Repair and service of gas and steam turbine components	Singapore	49	49
WizVision Pte. Ltd. [#]	Providing information technology services and trading of computer accessories	Singapore	22.8	22.8
CityCab Pte Ltd [#]	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	46.5	46.5
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	27.68	27.68
TP-STM Water Resources Pte. Ltd. [@]	Collection, purification and distribution of water	Singapore	40	–
NanoScience Innovation Pte Ltd ^{#*1}	Research and development of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	10.17	10.17
Experia Events Pte. Ltd.	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	33	33
Singapore Airshow & Events Pte. Ltd. [^]	Dormant	Singapore	33	33
Janus Technologies, Inc.	Provider of next generation security platforms for enterprise users through its hardware and software solutions	United States of America	10.85	–

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13. ASSOCIATES AND JOINT VENTURES (continued)

(b) Details of joint ventures are as follows:

Name of joint venture	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2017 %	2016 %
Total Engine Asset Management Pte. Ltd. #	Leasing of engines	Singapore	50	50
WingStar Pte. Ltd. * ²	Acquisition, ownership and management of aircraft	Singapore	–	50
Keystone Holdings (Global) Pte. Ltd.	Investment holding	Singapore	50	50
SP Telecommunications Pte Ltd * ³	Running, operation, management and supply of telecommunications systems	Singapore	51	–
ST Electronics (Satellite Systems) Pte. Ltd.	Design and development, system integration, manufacturing and sale of satellite equipment	Singapore	51	51
ATREC Pte. Ltd.	Research and technology development in advanced materials for both defence and commercial applications	Singapore	50	50
Takata CPI Singapore Pte Ltd #	Manufacture of pyrotechnic components for seatbelts and air bags used in motor vehicles	Singapore	49	49
First Response Marine Pte. Ltd.	Ship and boat leasing with operator (including chartering)	Singapore	50	50
Fortis Marine Solutions Pte. Ltd. # * ¹	Provide design and systems engineering services and maintenance of specialised naval vessels	Singapore	51	51
Joint Shipyard Management Services Pte Ltd	Construction and managing workers' dormitories	Singapore	30	30

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13. ASSOCIATES AND JOINT VENTURES (continued)

(b) Details of joint ventures are as follows: (continued)

Name of joint venture	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2017 %	2016 %
Nova Star Cruises Limited # *4	Provision of ferry services	Canada	10	10
ZHR Marine Limited	Performing reconditioning, testing and maintenance of naval ships and vessels, integrated electronic systems and related ancillary training	Saudi Arabia	33	33

*1 These entities were placed under members' voluntary liquidation.

*2 This entity was wound up during the year.

*3 On 2 May 2017, the Group acquired 51% equity interest in SP Telecommunications Pte Ltd ("SPTel") for a cash consideration of S\$55 million. Following the acquisition, SPTel became a joint venture of the Group. At the acquisition date, based on provisionally determined fair values of the identifiable assets acquired and liabilities assumed of SPTel, a provisional goodwill of S\$2.9 million was recognised within the cost of investment.

*4 This entity has filed an assignment of bankruptcy during the year.

Not audited by KPMG LLP, Singapore and other member firms of KPMG International.

@ Not required to be audited as at the date of this report.

All associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

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13. ASSOCIATES AND JOINT VENTURES (continued)

Associates

The following table summarises the information of each of the Group's material associates, based on their respective financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate	Shanghai Technologies Aerospace Company Limited \$'000	ST Aerospace (Guangzhou) Aviation Services Co Ltd \$'000	Turbine Coating Services Pte Ltd \$'000	Turbine Overhaul Services Pte Ltd \$'000	CityCab Pte Ltd \$'000	Experia Events Pte. Ltd. \$'000	Immaterial associates \$'000	Total \$'000
2017								
Percentage of interest	49%	49%	24.5%	49%	46.5%	33%		
Revenue	88,119	58,947	53,538	311,274	366,555	10,219		
Profit/(loss) for the year	10,607	3,218	19,735	49,300	22,131	(5,734)		
Other comprehensive income	(2,641)	(1,316)	(3,980)	(9,361)	—	—		
Total comprehensive income	7,966	1,902	15,755	39,939	22,131	(5,734)		
Attributable to NCI	—	—	—	—	255	—		
Attributable to investee's shareholders	7,966	1,902	15,755	39,939	21,876	(5,734)		
Non-current assets	86,477	81,583	30,195	28,960	204,182	55,303		
Current assets	67,273	28,444	36,640	93,672	75,956	47,546		
Non-current liabilities	—	—	—	—	(21,932)	(3,631)		
Current liabilities	(22,536)	(8,826)	(11,243)	(13,932)	(61,267)	(42,304)		
Net assets	131,214	101,201	55,592	108,700	196,939	56,914		
Attributable to NCI	—	—	—	—	1,470	—		
Attributable to investee's shareholders	131,214	101,201	55,592	108,700	195,469	56,914		
Group's interest in net assets of investee at beginning of the year	67,271	48,657	12,470	67,576	108,622	23,974	16,355	344,925
Group's share of:								
– Profit/(loss) for the year	5,197	1,577	4,835	24,162	10,172	(1,892)	1,906	45,957
– Total other comprehensive income	(1,294)	(645)	(975)	(4,587)	—	—	395	(7,106)
Total comprehensive income	3,903	932	3,860	19,575	10,172	(1,892)	2,301	38,851
Group's contribution during the year	—	—	—	—	—	—	9,663	9,663
Dividends received during the year	(6,879)	—	(2,710)	(33,883)	(27,899)	(3,300)	(3,008)	(77,679)
Carrying amount of interest in investee at end of the year	64,295	49,589	13,620	53,268	90,895	18,782	25,311	315,760

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13. ASSOCIATES AND JOINT VENTURES (continued)

Associates (continued)

Name of associate	Flugzeugwerke GmbH \$'000	Elbe Aerospace Company Limited \$'000	Shanghai Technologies Aerospace Company Limited \$'000	ST Aerospace (Guangzhou) Aviation Services Co Ltd \$'000	Turbine Coating Services Pte Ltd \$'000	Turbine Overhaul Services Pte Ltd \$'000	CityCab Pte Ltd \$'000	Experia Events Pte. Ltd. \$'000	Immaterial associates \$'000	Total \$'000
2016										
Percentage of interest	55%	49%	49%	49%	24.5%	49%	46.5%	33%		
Revenue	—	91,671	34,034	35,828	195,216	389,503	53,345			
Profit for the year	—	9,650	4,008	15,619	43,679	28,567	17,085			
Other comprehensive income	—	(6,359)	(4,999)	947	2,139	—	—			
Total comprehensive income	—	3,291	(991)	16,566	45,818	28,567	17,085			
Attributable to NCI	—	—	—	—	—	259	—			
Attributable to investee's shareholders	—	3,291	(991)	16,566	45,818	28,308	17,085			
Non-current assets	—	89,443	64,290	59,128	29,007	222,630	57,937			
Current assets	—	69,127	47,292	2,895	216,105	106,412	33,784			
Non-current liabilities	—	—	—	—	—	(28,341)	(3,416)			
Current liabilities	—	(21,282)	(12,281)	(11,127)	(107,202)	(65,626)	(15,657)			
Net assets	—	137,288	99,301	50,896	137,910	235,075	72,648			
Attributable to NCI	—	—	—	—	—	1,480	—			
Attributable to investee's shareholders	—	137,288	99,301	50,896	137,910	233,595	72,648			
Group's interest in net assets of investee at beginning of the year	121,330	66,630	14,367	11,760	71,995	104,202	18,336	14,052	422,672	
Group's share of:										
– Profit for the year	—	4,728	1,964	3,826	21,401	13,163	5,638	5,320	56,040	
– Total other comprehensive income	—	(3,115)	(2,450)	233	1,050	—	—	(165)	(4,447)	
Total comprehensive income	—	1,613	(486)	4,059	22,451	13,163	5,638	5,155	51,593	
Group's contribution during the year	—	—	34,776	—	—	—	—	—	34,776	
Dividends received during the year	—	(972)	—	(3,349)	(26,870)	(8,743)	—	(2,852)	(42,786)	
Disposal of an associate during the year	(121,330)	—	—	—	—	—	—	—	(121,330)	
Carrying amount of interest in investee at end of the year	—	67,271	48,657	12,470	67,576	108,622	23,974	16,355	344,925	

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13. ASSOCIATES AND JOINT VENTURES (continued)

Joint venture

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences in accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture	Keystone Holdings (Global) Pte. Ltd. \$'000	Total Engine Asset Management Pte Ltd. \$'000	Telecommunication SP Pte Ltd \$'000	Immaterial joint ventures \$'000	Total \$'000
2017					
Percentage of interest	50%	50%	51%		
Revenue	15,477	24,003	11,499		
Profit/(loss) for the year	1,465	6,015	(6,256)		
Other comprehensive income ^a	(2,669)	(5,282)	–		
Total comprehensive income	(1,204)	733	(6,256)		
^a Includes:					
– Depreciation and amortisation of:	8,903	9,542	4,105		
– Interest expense of:	3,311	5,435	–		
– Income tax expense/(credit) of:	149	1,405	(634)		
Non-current assets	128,006	303,550	29,717		
Current assets ^b	17,336	26,261	82,715		
Non-current liabilities ^c	(64,258)	(258,174)	(4,054)		
Current liabilities ^d	(23,772)	(5,839)	(12,452)		
Net assets excluding goodwill	57,312	65,798	95,926		
^b Includes cash and cash equivalents of:	16,635	14,101	78,510		
^c Includes non-current financial liabilities (excluding trade and other payables and provisions)	64,258	258,174	–		
^d Includes current financial liabilities (excluding trade and other payables and provisions)	23,772	4,948	–		
Group's interest in net assets of investee at beginning of the year	15,560	26,025	–	19,020	60,605
Share of total comprehensive income	(602)	367	(3,191)	2,949	(477)
Group's contribution during the year	14,271	6,837	52,113	–	73,221
Dividends received during the year	(573)	(330)	–	(2,447)	(3,350)
Group's share of net assets	28,656	32,899	48,922	19,522	129,999
Goodwill	–	–	2,628	–	2,628
Carrying amount of interest in investee at end of the year	28,656	32,899	51,550	19,522	132,627

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13. ASSOCIATES AND JOINT VENTURES (continued)**Joint venture (continued)**

Name of joint venture	Keystone Holdings (Global) Pte. Ltd. \$'000	Total Engine Asset Management Pte Ltd. \$'000	Fortis Marine Solutions Pte. Ltd. \$'000	Immaterial joint ventures \$'000	Total \$'000
2016					
Percentage of interest	50%	50%	51%		
Revenue	6,760	58,509	108		
Profit/(loss) for the year	1,684	8,692	(518)		
Other comprehensive income ^a	1,604	1,286	—		
Total comprehensive income	3,288	9,978	(518)		
^a Includes:					
– Depreciation and amortisation of:	1,822	7,072	—		
– Interest expense of:	702	3,394	—		
– Income tax expense of:	101	1,608	39		
Non-current assets	111,493	168,003	—		
Current assets ^b	5,973	25,965	11,815		
Non-current liabilities ^c	(54,181)	(139,527)	—		
Current liabilities ^d	(32,166)	(2,390)	(159)		
Net assets	31,119	52,051	11,656		
^b Includes cash and cash equivalents of:	4,912	2,543	10,978		
^c Includes non-current financial liabilities (excluding trade and other payables and provisions)	54,181	139,527	—		
^d Includes current financial liabilities (excluding trade and other payables and provisions)	32,166	2,380	—		
Group's interest in net assets of investee at beginning of the year	—	21,036	6,209	11,643	38,888
Share of total comprehensive income	1,644	4,989	(264)	2,996	9,365
Group's contribution during the year	13,916	—	—	386	14,302
Dividends received during the year	—	—	—	(1,950)	(1,950)
Carrying amount of interest in investee at end of the year	15,560	26,025	5,945	13,075	60,605

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14. INVESTMENTS

	Note	2017 \$'000	Group 2016 \$'000
Quoted investments			
Equity shares, at fair value (Available-for-sale)	39	357	639
Equity shares, at fair value (Fair value through profit or loss)	39	–	364
		<u>357</u>	<u>1,003</u>
Unquoted investments			
Equity shares (Available-for-sale)			
Non-related corporations, net of impairment losses		9,359	10,114
Bonds, at fair value (Available-for-sale)	39	350,975	499,812
Interest rate: 1.875% to 7.625% (2016: 1.29% to 5.75%) per annum			
Maturity: 21.03.2018 to 28.03.2073 (2016: 1.2.2017 to 31.12.2049)			
Venture capital funds and limited partnership, at fair value	39	12	12
Total unquoted investments		<u>360,346</u>	<u>509,938</u>
Total investments, net of impairment losses		<u>360,703</u>	<u>510,941</u>
Represented by:			
Short-term investments		357	188,890
Long-term investments		<u>360,346</u>	<u>322,051</u>
		<u>360,703</u>	<u>510,941</u>

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15. INTANGIBLE ASSETS

The Group	Goodwill \$'000	Dealer network \$'000	Development expenditure \$'000	Commercial and intellectual property rights \$'000
Cost				
At 1.1.2016	531,165	24,274	87,068	75,252
Additions	–	–	75,187	–
Acquisition of a subsidiary/finalisation of purchase price allocation	23,534	150,454	78,414	–
Disposal of a subsidiary	–	–	–	(517)
Write-off	–	–	–	–
Translation difference	9,159	(1,928)	42	1,734
At 31.12.2016 and 1.1.2017	563,858	172,800	240,711	76,469
Additions	–	–	70,548	2,721
Acquisition of a subsidiary	39,825	–	–	20,406
Translation difference	(37,198)	6,301	1,641	(5,092)
At 31.12.2017	566,485	179,101	312,900	94,504
Accumulated amortisation and impairment losses				
At 1.1.2016	48,577	13,614	16,044	62,248
Amortisation for the year *	–	7,373	24,302	2,600
Impairment losses +	6,732	657	–	1,933
Disposal of a subsidiary	–	–	–	(517)
Write-off	–	–	–	–
Translation difference	1,406	240	1,018	1,435
At 31.12.2016 and 1.1.2017	56,715	21,884	41,364	67,699
Amortisation for the year *	–	7,620	14,260	3,265
Impairment losses +	–	–	–	–
Translation difference	(2,422)	(226)	(2,269)	(4,213)
At 31.12.2017	54,293	29,278	53,355	66,751
Net book value				
At 31.12.2017	512,192	149,823	259,545	27,753
At 31.12.2016	507,143	150,916	199,347	8,770
At 1.1.2016	482,588	10,660	71,024	13,004

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Film cost inventory \$'000	Brands \$'000	Licenses \$'000	Technology agreement \$'000	Authorised repair centre agreement \$'000	Others \$'000	Total \$'000
11,803	84,554	55,790	35,702	5,914	11,332	922,854
–	–	1,572	–	–	64	76,823
–	–	–	–	(57)	7,595	259,940
–	–	–	–	–	–	(517)
(11,803)	–	–	–	–	(54)	(11,857)
–	1,711	125	762	–	(9)	11,596
–	86,265	57,487	36,464	5,857	18,928	1,258,839
–	–	–	–	2	–	73,271
–	–	–	–	–	–	60,231
–	(6,115)	(21)	(2,721)	–	–	(43,205)
–	80,150	57,466	33,743	5,859	18,928	1,349,136
11,803	12,502	4,982	7,683	–	8,431	185,884
–	1,316	2,434	2,650	1,339	9,629	51,643
–	–	–	–	–	–	9,322
–	–	–	–	–	–	(517)
(11,803)	–	–	–	–	–	(11,803)
–	263	81	282	–	–	4,725
–	14,081	7,497	10,615	1,339	18,060	239,254
–	1,314	2,414	2,636	1,339	495	33,343
–	–	–	–	–	11	11
–	(876)	(13)	(865)	–	–	(10,884)
–	14,519	9,898	12,386	2,678	18,566	261,724
–	65,631	47,568	21,357	3,181	362	1,087,412
–	72,184	49,990	25,849	4,518	868	1,019,585
–	72,052	50,808	28,019	5,914	2,901	736,970

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

15. INTANGIBLE ASSETS (continued)

- * Amortisation charge of \$33,343,000 (2016: \$51,643,000) is recognised in the income statement as part of:
 - Other operating expenses of \$15,072,000 (2016: \$21,716,000); and
 - Cost of sales of \$18,271,000 (2016: \$29,927,000)
- * In the prior year,
 - an impairment loss on goodwill of \$6,732,000 was recognised in other operating expenses in the income statement as the recoverable amount of two CGUs were determined to be lower than the carrying amount.
 - the Group assessed that certain licenses and commercial and intellectual property rights were impaired as these intangible assets were not expected to be generating future economic benefits for the Group. Hence, impairment losses of \$2,590,000 were recognised last year.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's business divisions. The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cashflow projections derived from the financial budgets approved by management for the next five years. The aggregate carrying amounts of goodwill allocated to each CGU within the business divisions and the key assumptions used in determining the recoverable amount of each CGU are as follows:

	Group		Pre-tax discount rate		Terminal value growth rate	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	%	%	%	%
Aerospace						
Aircraft Maintenance & Modification	13,400	14,392	10.5 – 12.5	9.5 – 12.8	2.0 – 2.5	2.0 – 3.5
Component/Engine Repair & Overhaul	13,097	14,153	14.1	10.4	2.5	3.0
Engineering & Material Services	26,683	25,569	6.9 – 12.6	6.5 – 9.8	2.0	1.3 – 2.0
Electronics						
Communication & Sensor Systems Group	241,427	261,234	10.5 – 13.5	10.4 – 12.7	4.0 – 5.0	4.0 – 5.0
Software Systems Group	27,536	28,764	8.6 – 22.2	8.5 – 19.6	2.0 – 3.0	2.0 – 3.0
Land Systems						
Automotive	155,544	125,744	12.9 – 16.0	7.8 – 18.6	4.0	4.2 – 5.0
Others	34,505	37,287	12.4	11.7	3.0	3.0
	512,192	507,143				

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15. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

The discount rate used is estimated based on past experience and the industry weighted average cost of capital.

The long-term terminal value growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term compound annual growth rate estimated by management by reference to forecasts included in industry reports and expected market development.

Sensitivity to changes in assumptions:

- (a) In the prior year, following the impairment in two of the CGUs within the business divisions, the recoverable amount in these CGUs are approximately equal to the carrying amounts. Therefore, any adverse movement in a key assumption would lead to a further impairment in these CGUs.
- (b) Management has identified the following change in the financial budgets approved by management as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	Assumption	Change required for carrying amount to equal the recoverable amount	
		2017	2016
		%	%
Others	Sales growth rate (average of next 5 years)	0.4	0.6

No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

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16. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements with customers with terms for one year (2016: one to two years) and at an effective interest rates of 5.6% (2016: 5.6%) per annum.

	Gross investment in finance lease/present value of minimum lease receivables \$'000	Allowance for doubtful lease receivables \$'000	Net investment in finance lease \$'000
The Group			
2017			
Within 1 year	819	(819)	–
2016			
Within 1 year	885	(885)	–

	Group	
	2017 \$'000	2016 \$'000
Individually assessed		
Doubtful lease receivables	819	885
Allowance for doubtful lease receivables	(819)	(885)
	–	–

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17. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

The Group	Assets		Liabilities	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Property, plant and equipment	(267)	(255)	110,251	113,806
Intangible assets	—	—	180,852	195,360
Allowance for doubtful debts	(990)	(1,655)	—	—
Allowance for inventory obsolescence	(13,865)	(25,581)	—	—
Provisions and accruals	(121,108)	(131,691)	—	—
Unabsorbed capital allowances and unutilised tax losses	(26,844)	(25,072)	—	—
Fair value of derivative financial instruments designated as cash flow hedges	(666)	(12,860)	5,401	72
Fair value of defined benefit plan	(13,124)	(10,087)	—	—
Other items	(8,675)	(10,228)	20,188	32,255
Deferred tax (assets)/liabilities	(185,539)	(217,429)	316,692	341,493
Set off of tax	111,492	124,901	(111,492)	(124,901)
Net deferred tax (assets)/ liabilities	(74,047)	(92,528)	205,200	216,592

The Company	Assets		Liabilities	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Property, plant and equipment	—	—	1,458	44
Provisions and accruals	(3,653)	(4,105)	—	—
Unabsorbed capital allowances and unutilised tax losses	—	(795)	—	—
Other items	(5)	—	—	43
Deferred tax (assets)/liabilities	(3,658)	(4,900)	1,458	87
Set off of tax	1,458	87	(1,458)	(87)
Net deferred tax assets	(2,200)	(4,813)	—	—

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17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movement in deferred tax balances during the year:

The Group	As at 1.1.2016 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Acquired in business combinations/ finalisation of purchase price allocation \$'000	Divest- ment of subsidiaries \$'000	Utilisation of tax losses \$'000
Property, plant and equipment	113,490	(1,734)	–	971	(2)	–
Intangible assets	82,455	(6,371)	–	117,766	–	–
Allowance for doubtful debts	(3,196)	(100)	–	–	1,615	–
Allowance for inventory obsolescence	(28,861)	731	–	(22)	2,690	–
Provisions and accruals	(130,291)	(548)	–	(1,078)	774	–
Unabsorbed capital allowances and unutilised tax losses	(23,013)	(16,444)	–	–	–	14,654
Fair value of derivative financial instruments designated as cash flow hedges	(4,848)	(149)	3,019	(10,949)	–	–
Fair value of defined benefit plan	–	–	(2,570)	(7,638)	–	–
Other items	23,528	(3,163)	(6)	74	640	711
	29,264	(27,778)	443	99,124	5,717	15,365

The Company	As at 1.1.2016 \$'000	Recognised in profit or loss \$'000	As at 31.12.2016 \$'000	Recognised in profit or loss \$'000	Utilisation of tax losses \$'000	As at 31.12.2017 \$'000
Property, plant and equipment	307	(263)	44	1,414	–	1,458
Provisions and accruals	(4,973)	868	(4,105)	452	–	(3,653)
Unabsorbed capital allowances and unutilised tax losses	(1,181)	386	(795)	(1,791)	2,586	–
Other items	1,147	(1,104)	43	(48)	–	(5)
	(4,700)	(113)	(4,813)	27	2,586	(2,200)

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Exchange difference \$'000	As at 31.12.2016 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Acquired in business combinations \$'000	Utilisation of tax losses \$'000	Exchange difference \$'000	As at 31.12.2017 \$'000
826	113,551	(699)	—	—	—	(2,868)	109,984
1,510	195,360	(17,402)	—	7,647	—	(4,753)	180,852
26	(1,655)	569	—	—	—	96	(990)
(119)	(25,581)	10,613	—	—	—	1,103	(13,865)
(548)	(131,691)	8,388	—	—	—	2,195	(121,108)
(269)	(25,072)	(20,329)	—	—	17,090	1,467	(26,844)
139	(12,788)	259	17,514	—	84	(334)	4,735
121	(10,087)	—	(2,555)	—	—	(482)	(13,124)
243	22,027	(7,439)	(17)	—	(2,705)	(353)	11,513
1,929	124,064	(26,040)	14,942	7,647	14,469	(3,929)	131,153

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17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017	2016
	\$'000	\$'000
Tax losses	413,285	468,987
Deductible temporary differences	17,869	19,336
Unabsorbed wear and tear allowance and investment allowance	5,470	4,560
	<u>436,624</u>	<u>492,883</u>

The tax benefits have not been recognised in the financial statements due to the uncertainty over the sufficiency of future taxable profits to be generated in the foreseeable future.

The use of these potential tax benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

(d) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2017, a deferred tax liability of \$121,028,000 (2016: \$145,718,000) for temporary difference of \$470,431,000 (2016: \$510,973,000) related to undistributed earnings of certain subsidiaries was not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

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18. INVENTORIES AND WORK-IN-PROGRESS

	Group	
	2017	2016
	\$'000	\$'000
Inventories of equipment and spares	753,397	686,674
Work-in-progress in excess of progress billings		
Work-in-progress, including profits recognised	4,851,129	4,732,408
Progress billings	(3,840,206)	(3,520,804)
	1,010,923	1,211,604
Total inventories and work-in-progress at lower of cost and net realisable value	1,764,320	1,898,278
Progress billings in excess of work-in-progress		
Work-in-progress, including profits recognised	5,077,331	4,740,173
Progress billings	(5,839,814)	(5,360,504)
	(762,483)	(620,331)

In 2017, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to \$5,052,661,000 (2016: \$5,027,908,000).

Allowances for inventory obsolescence and foreseeable losses

As at 31 December 2017, the inventories are stated after allowance for inventory obsolescence of \$366,574,000 (2016: \$356,651,000) and work-in-progress in excess of progress billings and progress billings in excess of work-in-progress are stated after provision for foreseeable losses of \$9,788,000 (2016: \$9,377,000) and \$25,419,000 (2016: \$8,143,000) respectively.

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19. TRADE RECEIVABLES

	Group	
	2017	2016
	\$'000	\$'000
Not past due and not impaired	559,286	656,163
Past due and not impaired	256,088	302,566
	<u>815,374</u>	<u>958,729</u>
Collectively assessed		
Gross receivables	4,211	4,781
Allowance for doubtful debts	(4,211)	(4,781)
	<u>-</u>	<u>-</u>
Individually assessed		
Gross receivables	37,563	43,582
Allowance for doubtful debts	(37,563)	(43,582)
	<u>-</u>	<u>-</u>
Unbilled receivables	830,742	500,478
Allowance for unbilled receivables	(292)	(1,225)
	<u>830,450</u>	<u>499,253</u>
Trade receivables, net	<u>1,645,824</u>	<u>1,457,982</u>

At 31 December 2017, trade receivables of the Group included retentions of \$43,290,000 (2016: \$40,843,000) related to projects in progress.

Trade receivables denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- \$189,620,000 (2016: \$236,755,000) denominated in USD
- \$35,920,000 (2016: \$36,458,000) denominated in Euro

Trade receivables amounting to \$2,571,000 (2016: \$7,461,000) are arranged to be repaid through letters of credit issued by reputable banks.

A subsidiary within the Group has not recognised \$13,985,000 (2016: \$16,500,000) of trade receivable due from one of its customers in view of uncertainty over the collectability of the debts. The amount would be recognised in the financial statements upon receipt.

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20. AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade:				
Subsidiaries	–	–	2,607	7,756
Associates	2,955	7,650	–	–
Joint ventures	4,462	4,687	–	–
Related corporations	20,016	10,795	51	27
	27,433	23,132	2,658	7,783
Non-trade:				
Subsidiaries * ¹	–	–	740,250	699,108
Joint ventures * ²	5,579	6,292	–	–
Related corporations	65	–	–	–
	5,644	6,292	740,250	699,108
Allowance for doubtful debts	–	–	(9,500)	–
	33,077	29,424	733,408	706,891
Receivable:				
Within 1 year	28,271	24,618	388,894	199,634
After 1 year	4,806	4,806	344,514	507,257
	33,077	29,424	733,408	706,891

There were no significant amounts due from related parties denominated in currencies other than the functional currencies of the Group as at 31 December 2017 and 31 December 2016.

Amounts due from related parties denominated in currencies other than the functional currency of the Company as at 31 December 2017 is \$152,983,000 (2016: \$162,599,000) denominated in USD.

*¹ Included in the amounts due from subsidiaries (non-trade) are:

- (a) loans of \$611,579,000 (2016: \$693,886,000) bearing interest at rates ranging 0.56% to 2.46% (2016: 0.72% to 2.46%) per annum. The loans are unsecured and repayable from 3 March 2018 to 31 October 2019;
- (b) unsecured interest-free loans of \$9,500,000 (2016: \$20,307,000) which were fully impaired. The fully impaired loans in 2016 were forgiven in the prior year; and
- (c) dividend receivable of \$110,000,000 from a subsidiary (2016: nil).

*² Included in the amounts due from joint ventures (non-trade) is a loan of \$4,806,000 (2016: \$4,806,000) bearing interest at 6.38% (2016: 6.38%) per annum, which is the effective interest rate. The loan is unsecured and repayable by 2029.

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21. ADVANCES AND OTHER RECEIVABLES

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deposits		18,669	20,495	35	12
Interest receivables		5,280	7,047	382	368
Other recoverables		38,403	32,213	12,144	1,024
Non-trade receivables		18,889	38,124	17	18
Advance payments to suppliers		135,606	178,303	–	–
Prepayments		66,474	57,268	345	662
Derivative financial instruments	39	20,501	4,048	–	–
Housing and car loans and advances to staff		2,836	3,074	–	–
Loans to third parties		167	179	–	–
		306,825	340,751	12,923	2,084
Receivable:					
Within 1 year		286,419	338,217	12,923	2,084
After 1 year		20,406	2,534	–	–
		306,825	340,751	12,923	2,084

22. BANK BALANCES AND OTHER LIQUID FUNDS

		Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed deposits with financial institutions		371,724	530,811	316,352	469,047
Cash and bank balances		627,279	374,079	280,142	119,815
		999,003	904,890	596,494	588,862
Deposits pledged		(1,389)	(1,258)	–	–
Cash and cash equivalents		997,614	903,632	596,494	588,862

Cash and cash equivalents comprise cash balances and fixed deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

Fixed deposits with financial institutions mature at varying periods within twelve months (2016: twelve months) from the financial year-end. Interest rates range from 0% to 3.75% (2016: 0% to 6.5%) per annum, which are also the effective interest rates.

At the reporting date, cash and cash equivalents for the Group include \$541,958,000 (2016: \$492,676,000) cash from subsidiaries and joint ventures pooled together and managed centrally by the Company in bank balances and fixed deposits as part of the Group cash management and treasury activities.

Cash and bank balances of \$1,389,000 (2016: \$1,258,000) have been placed with banks as security for letters of credit issued to third parties. Cash and cash equivalents denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- \$222,044,000 (2016: \$432,363,000) denominated in USD
- \$94,480,000 (2016: \$29,707,000) denominated in Euro

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23. TRADE PAYABLES AND ACCRUALS

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables		736,075	822,022	–	–
Non-trade payables		84,696	91,181	14,058	11,339
Purchase of property, plant and equipment		1,546	1,433	–	–
Accrued operating expenses ^{*1}		886,499	877,861	14,529	21,806
Accrued interest payable		16,554	17,651	–	–
Derivative financial instruments	39	10,117	50,103	40	–
		1,735,487	1,860,251	28,627	33,145
Payable:					
Within 1 year		1,612,509	1,722,488	21,019	24,148
After 1 year		122,978	137,763	7,608	8,997
		1,735,487	1,860,251	28,627	33,145

Trade payables denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- \$57,144,000 (2016: \$89,674,000) denominated in USD
- \$28,030,000 (2016: \$32,054,000) denominated in Euro

^{*1} Included in the accrued operating expenses is an amount of \$349,079,000 (2016: \$375,170,000) for its obligations under its employee compensation schemes.

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24. AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade:				
Subsidiaries	–	–	2,812	1,985
Associates	8,166	3,784	–	–
Joint ventures	244	22,509	–	–
Related corporations	2,372	2,166	48	8
	10,782	28,459	2,860	1,993
Non-trade:				
Subsidiaries * ¹	–	–	1,133,437	1,179,251
Joint ventures	93,246	–	76,363	–
Related corporations	31	7	–	–
	93,277	7	1,209,800	1,179,251
	104,059	28,466	1,212,660	1,181,244
Payable:				
Within 1 year	104,042	28,449	545,066	504,827
After 1 year	17	17	667,594	676,417
	104,059	28,466	1,212,660	1,181,244

There were no significant amounts due to related parties denominated in currencies other than the functional currencies of the Group as at 31 December 2017 and 31 December 2016.

Amounts due to related parties denominated in currencies other than the functional currency of the Company as at 31 December 2017 are \$462,715,000 (2016: \$477,553,000) denominated in USD.

*¹ Included in the amounts due to subsidiaries (non-trade) are:

- loans of \$606,733,000 (2016: \$642,313,000) bearing interest at 5.03% (2016: 4.75%) per annum. The loans are unsecured and repayable on 16 July 2019.
- an amount of \$541,958,000 (2016: \$492,676,000) placed by subsidiaries and joint ventures to the Company under a cash pooling arrangement.

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25. PROVISIONS

Movements in provisions are as follows:

The Group	Warranties \$'000	Liquidated damages \$'000	Foreseeable losses \$'000	Closure costs \$'000	Total \$'000
2017					
At beginning of the year	200,381	43,030	19,645	11,606	274,662
Charge/(write-back) to profit or loss	34,377	(9,555)	1,046	–	25,868
Provision utilised	(32,395)	(12,453)	(6,963)	(11,173)	(62,984)
Translation difference	(2,171)	(117)	(18)	–	(2,306)
At end of the year	200,192	20,905	13,710	433	235,240
2016					
At beginning of the year	206,084	24,926	26,514	–	257,524
Charge to profit or loss	27,263	20,377	3,929	11,606	63,175
Provision utilised	(33,645)	(2,343)	(9,072)	–	(45,060)
Acquisition of a subsidiary	1,252	–	–	–	1,252
Disposal of a subsidiary	(1,399)	–	(1,782)	–	(3,181)
Translation difference	826	70	56	–	952
At end of the year	200,381	43,030	19,645	11,606	274,662

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26. BORROWINGS

The Group	Note	Non-current \$'000	Current \$'000	Total \$'000
2017				
Unsecured fixed rate bonds	(a)	667,750	–	667,750
Bank loans	(b)	210,640	214,217	424,857
Lease obligations	(c)	16,017	622	16,639
Other loans	(d)	15	6,803	6,818
		<u>894,422</u>	<u>221,642</u>	<u>1,116,064</u>
2016				
Unsecured fixed rate bonds	(a)	721,098	–	721,098
Bank loans	(b)	253,471	85,053	338,524
Lease obligations	(c)	18,124	661	18,785
Other loans	(d)	155	1,713	1,868
		<u>992,848</u>	<u>87,427</u>	<u>1,080,275</u>

(a) Unsecured fixed rate bonds

	Group	
	2017 \$'000	2016 \$'000
Principal	668,500	722,400
Unamortised discount	(750)	(1,302)
	<u>667,750</u>	<u>721,098</u>
Unamortised discount:		
At beginning of the year	1,302	1,733
Amortisation for the year	(471)	(446)
Translation difference	(81)	15
	<u>750</u>	<u>1,302</u>

On 16 July 2009, the Group issued US\$500 million 4.80% Notes due 2019 under its US\$1.2 billion Multicurrency Medium Term Note Programme. The bonds bear interest at a fixed rate of 4.80% per annum and interest is payable every six months from the date of issue. The bonds are unconditionally and irrevocably guaranteed by the Company.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

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26. BORROWINGS (continued)

(b) Secured and unsecured bank loans

Currency	Effective interest rate		Maturity		Group	
	2017 %	2016 %	2017	2016	2017 \$'000	2016 \$'000
SGD	1.15	1.00	2018	2017	25,000	25,000
USD	1.56 – 4.63	1.14 – 2.31	2018 – 2020	2017 – 2020	321,639	242,726
RMB	4.75 – 5.66	4.35 – 5.66	2018 – 2019	2017 – 2018	32,422	43,006
BRL	–	23.30	–	2017	–	1,031
EUR	1.35 – 1.59	0.63 – 1.59	2018 – 2026	2017 – 2026	45,796	26,761
					424,857	338,524
Unsecured					361,402	252,065
Secured					63,455	86,459
					424,857	338,524

There are bank loans which are secured by assets as follows:

Secured by	Loan amount (\$)
Certain property, plant and equipment of subsidiaries	\$57,032,000 (2016: \$57,678,000)
Subsidiary's land use right	\$6,423,000 (2016: \$6,510,000)

Bank loans denominated in currencies other than the functional currency of the Company and its subsidiaries as at 31 December are as follows:

- \$42,206,000 (2016: \$43,344,000) denominated in USD

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26. BORROWINGS (continued)

(c) Lease obligations

A subsidiary leases certain land, buildings and equipment from a foreign Airport Authority under a finance lease arrangement until 31 October 2041, with an option to terminate the lease at any time with a 36-month written notice. The leased assets are pledged as collateral against the lease.

The obligations under the finance leases to be paid by the subsidiaries are as follows:

The Group	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	Total \$'000
2017				
Minimum lease payment	1,280	4,590	26,654	32,524
Interest	(658)	(2,666)	(12,561)	(15,885)
Present value of payment	622	1,924	14,093	16,639
2016				
Minimum lease payment	1,353	5,040	30,082	36,475
Interest	(692)	(2,845)	(14,153)	(17,690)
Present value of payment	661	2,195	15,929	18,785

	Group	
	2017 \$'000	2016 \$'000
Repayable:		
Within 1 year	622	661
After 1 year	16,017	18,124
	16,639	18,785

Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

(d) Other loans

Included in the other loans are:

- (i) US dollar denominated term notes of \$100,000 (US\$75,000) (2016: \$250,000 (US\$173,000)) and \$45,000 (US\$33,000) (2016: \$77,000 (US\$53,000)) owing to the Pennsylvania Industrial Development Authority and the Industrial Properties Corporation, respectively, by a US entity of the Group. These notes are secured by land and buildings of the entity and bear effective interest, respectively, at 2.8% and 4% (2016: 2.75% and 4%) per annum, and are payable through 1 September 2018 and 28 June 2019, respectively; and
- (ii) A RMB denominated loan of \$6,673,000 (RMB32,520,000) (2016: \$1,541,000 (RMB7,410,000)) from a non-controlling shareholder of a subsidiary. This loan is unsecured, bears effective interest at 7.5% to 9% (2016: 9%) per annum, and is repayable within the next twelve months.

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26. BORROWINGS (continued)**(d) Other loans**

Reconciliation of movements of liabilities to cash flows arising from financing activities

The Group	Liabilities				Total \$'000
	Borrowings \$'000	Trade payables and accruals \$'000	Amounts due to related parties \$'000	Deposit pledged \$'000	
Balance as at 1 January 2017	1,080,275	1,860,251	28,466	(1,258)	2,967,734
Changes from financing cash flows					
Proceeds from bank loans	171,412	–	–	–	171,412
Proceeds from loan from non- controlling interests of a subsidiary	5,152	–	–	–	5,152
Proceeds of a loan from a joint venture	–	–	36,463	–	36,463
Repayment of bank loans	(65,702)	–	–	–	(65,702)
Repayment of other loans	(137)	–	–	–	(137)
Repayment of lease obligations	(784)	–	–	–	(784)
Repayment of loan to a joint venture	–	–	(19,607)	–	(19,607)
Interest paid	–	(41,824)	–	–	(41,824)
Deposit pledged	–	–	–	(131)	(131)
Total changes from financing cash flows	109,941	(41,824)	16,856	(131)	84,842
Changes arising from obtaining or losing control of subsidiaries or other businesses	–	9,504	–	–	9,504
The effect of changes in foreign exchange rates	(74,623)	(25,236)	–	–	(99,859)
Change in fair value	–	(39,986)	–	–	(39,986)
Other changes					
Liability-related					
Working capital changes	–	(67,949)	58,737	–	(9,212)
Interest expense	471	40,727	–	–	41,198
Total liability-related other changes	471	(27,222)	58,737	–	31,986
Balance as at 31 December 2017	1,116,064	1,735,487	104,059	(1,389)	2,954,221

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27. DEFERRED INCOME

	Group	
	2017	2016
	\$'000	\$'000
Government compensation	25,434	31,154
Government grants	37,230	41,997
Deferred rents	7,122	4,008
	69,786	77,159
Current	630	–
Non-current	69,156	77,159
	69,786	77,159

Government compensation and grants relate mainly to grants received:

- (a) for the relocation of a subsidiary's manufacturing facility in the People's Republic of China; and
- (b) to subsidise the cost of capital assets.

28. EMPLOYEE BENEFITS

	Group	
	2017	2016
	\$'000	\$'000
Net defined benefit asset	(243)	(151)
Total employee benefit asset	(243)	(151)
Net defined benefit liabilities	100,514	82,438
Liability for staff benefits	4,646	4,678
Total employee benefit liabilities	105,160	87,116
Non-current	102,669	85,200
Current	2,491	1,916
	105,160	87,116
Net defined benefit liabilities		
Present value of unfunded obligations	107,366	89,179
Fair value of plan assets	(7,095)	(6,892)
	100,271	82,287

Certain subsidiaries of the Group provide pension plans for its employees. These pension plans are recognised in the Group's financial statements as defined benefit liability/(asset) that corresponds to whether the plan's funded asset is lesser/(exceeded) the pension liability. A net defined benefit asset of \$243,000 (2016:\$151,000) was recognised for a particular pension plan as its funded asset exceeded its pension liability. The surplus of \$243,000 (2016:\$151,000) cannot be offset against other pension liabilities as there is no legally enforceable right to use these surplus to settle obligations under the other plans.

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28. EMPLOYEE BENEFITS (continued)

Movement in net defined (asset)/liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset)/liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
The Group						
Balance at 1 January	89,706	–	(7,419)	–	82,287	–
Included in profit or loss						
Current service cost	4,975	3,843	–	–	4,975	3,843
Interest cost/(income)	1,737	1,812	(162)	(127)	1,575	1,685
Administrative expenses	–	–	(238)	(222)	(238)	(222)
Translation difference	770	98	(698)	(90)	72	8
	7,482	5,753	(1,098)	(439)	6,384	5,314
Included in OCI						
Remeasurements						
loss/(gain):						
• Actuarial loss/(gain) arising from:						
– demographic assumptions	8,662	–	–	–	8,662	–
– financial assumptions	(1,880)	6,543	–	(11)	(1,880)	6,532
– experience assumptions	1,918	1,878	8	137	1,926	2,015
• Return on plan assets excluding interest income	–	–	(30)	(14)	(30)	(14)
	8,700	8,421	(22)	112	8,678	8,533
Others						
Contributions paid by the employer	881	821	–	(369)	881	452
Benefits paid	(2,427)	(1,993)	448	203	(1,979)	(1,790)
Change in measurement	–	172	–	(172)	–	–
Acquisition of a subsidiary	–	70,672	–	(306)	–	70,366
Translation difference	3,532	(947)	488	(140)	4,020	(1,087)
Others	–	6,807	–	(6,308)	–	499
Balance at 31 December	107,874	89,706	(7,603)	(7,419)	100,271	82,287

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28. EMPLOYEE BENEFITS (continued)**Movement in net defined (asset)/liability (continued)**

	Group	
	2017	2016
	\$'000	\$'000
Represented by:		
Net defined benefit asset	(243)	(151)
Net defined benefit liability	100,514	82,438
	<u>100,271</u>	<u>82,287</u>

The expenses are recognised in the following line items in profit or loss:

	Group	
	2017	2016
	\$'000	\$'000
Cost of sales	6,146	5,150
Administrative expenses	(12)	26
Other operating expenses	(25)	49
Finance cost	275	89
Defined benefit obligation expenses	<u>6,384</u>	<u>5,314</u>

The fair values of planned assets in each category are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Equity securities	228	207
Government bonds	426	378
Derivatives	97	93
Funds managed by a trustee	2,163	2,046
Funds with insurance companies	4,689	4,695
Fair value of planned assets	<u>7,603</u>	<u>7,419</u>

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

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28. EMPLOYEE BENEFITS (continued)

Defined benefit obligation

(a) Actuarial assumptions

The following relates to the actuarial assumptions (expressed as weighted-averages) of the significant post employment defined benefit plans in a subsidiary. The remaining defined benefit plans are not material to the Group and additional disclosures are not shown at the reporting date:

	2017 %	Group 2016 %
Discount rate	1.8	1.7
Future salary growth	2.8	2.8
Future pension growth	1.5	1.7

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2017	Group 2016
Longevity at age 65 for current pensioners		
Males	19.4	19.3
Females	23.5	23.4
Longevity at age 65 for current members aged 45		
Males	22.0	21.9
Females	25.9	25.9

At 31 December 2017, the weighted-average duration of the defined benefit obligation was 18.9 years (2016: 14.2 years).

(b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

The Group	2017		2016	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	(8,044)	9,206	(5,155)	5,278
Future salary growth (0.25% movement)	988	(932)	212	(193)
Future pension growth (0.25% movement)	243	(220)	736	(696)
Future mortality (10% movement)	–	1,041	–	580

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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29. SHARE CAPITAL

	Group and Company	
	2017	2016
	\$'000	\$'000
Issued and fully paid		
At beginning and end of the year		
3,122,495,197 ordinary shares	895,926	895,926

Included in share capital is a special share issued to the Minister for Finance. The special share enjoys all the rights attached to the ordinary shares. In addition, the special share carries the right to approve any resolution to be passed by the Company, either in general meeting or by its Board of Directors, on certain matters specified in the Company's Constitution. The special share may be converted at any time into an ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

30. TREASURY SHARES

	Group and Company	
	2017	2016
	\$'000	\$'000
At beginning of the year	(44,081)	(66,870)
Purchased during the year	(15,748)	(3,137)
Reissue of treasury shares pursuant to share plans	36,959	25,926
At end of the year	(22,870)	(44,081)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 4,500,000 (2016: 1,088,900) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity.

The cost of treasury shares re-issued pursuant to the share option plans amounted to \$23,272,000 (2016: \$10,399,000). In addition, 4,292,460 (2016: 4,890,801) treasury shares, at a cost of \$13,687,000 (2016: \$15,527,000), were reissued pursuant to its RSP.

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31. SHARE-BASED PAYMENT ARRANGEMENTS

Singapore Technologies Engineering Share Option Plan (ESOP)

The Company ceased to grant options under the ESOP with effect from 2007. Information regarding ESOP is as follows:

- (a) The exercise price of the options is equal to volume-weighted average price for the shares on the SGX over the three consecutive trading days immediately preceding the date of grant.
- (b) The options are exercisable at the end of the first year after date of grant, in accordance with a vesting schedule to be determined by ERCC and are settled in cash.
- (c) The options granted expire after five years for non-executive directors and 10 years for the employees of the Company and its subsidiaries.

During the year, 7,323,524 (2016: 3,276,310) options were exercised under ESOP and settled by reissuance of treasury shares.

At the end of the financial year, outstanding options granted to eligible employees and directors of the Company are as follows:

(i) Options outstanding under the ESOP

	Number of shares	
	2017	2016
ESOP		
At beginning of the year	10,051,479	17,636,741
Exercised	(7,323,524)	(3,276,310)
Lapsed	(2,727,955)	(4,308,952)
At end of the year	–	10,051,479
Exercisable at end of the year	–	10,051,479

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31. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

Singapore Technologies Engineering Share Option Plan (ESOP) (continued)

(ii) Details of share options

Details of share options to subscribe for ordinary shares pursuant to ESOP are as follows:

2017

Date of Grant	Balance as at 1.1.2017	Options lapsed	Options exercised	Balance as at 31.12.2017	No. of holders at 31.12.2017	Exercise Price (\$)	Exercisable period
15.3.2007	4,874,992	869,510	4,005,482	–	–	3,230	16.3.2008 to 15.3.2017
10.8.2007	5,176,487	1,858,445	3,318,042	–	–	3,610	11.8.2008 to 10.8.2017
	<u>10,051,479</u>	<u>2,727,955</u>	<u>7,323,524</u>	<u>–</u>			

2016

Date of Grant	Balance as at 1.1.2016	Options lapsed	Options exercised	Balance as at 31.12.2016	No. of holders at 31.12.2016	Exercise Price (\$)	Exercisable period
9.2.2006	3,434,439	3,411,231	23,208	–	–	3,010	10.2.2007 to 9.2.2016
10.8.2006	3,590,392	541,416	3,048,976	–	–	2,840	11.8.2007 to 10.8.2016
15.3.2007	5,228,849	157,780	196,077	4,874,992	448	3,230	16.3.2008 to 15.3.2017
10.8.2007	5,383,061	198,525	8,049	5,176,487	579	3,610	11.8.2008 to 10.8.2017
	<u>17,636,741</u>	<u>4,308,952</u>	<u>3,276,310</u>	<u>10,051,479</u>			

The options were exercised on a regular basis throughout the year and the weighted average share price for options exercised during the year was \$3.68 (2016: \$3.29). The weighted average remaining contractual life for these options is nil (2016: 0.41 year).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the options were granted.

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31. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010)

Outstanding Awards under PSP2010 are as follow:

	2017	Year of grant 2016	2015	Total
Number of performance shares				
At grant date	1,714,650	1,949,000	1,841,900	5,505,550
Lapsed	(165,815)	(209,606)	(122,210)	(497,631)
Outstanding as at 31.12.2017	1,548,835	1,739,394	1,719,690	5,007,919

During the current and prior year, the Group did not meet the pre-determined target performance level and hence, no performance shares were awarded in respect of grant made in 2014 and 2013 respectively under PSP2010.

The fair value of the performance shares is determined on conditional grant date using the Monte Carlo simulation model.

The significant inputs to the model used for the conditional grants are as follows:

	2017	Year of grant 2016	2015
Market conditions			
Volatility of Defensive Index (%)	n.a.	n.a.	9.18
Volatility of the Company's shares (%)	18.50	17.78	14.71
Correlation of Index Constituents / Defensive Index vs. the Company (%)	-7.3 – 59.9	12.9 – 67.3	57.2
Risk-free rate (%)	1.36	1.12	1.45
Share price (\$)	3.66	3.23	3.43
Cost of equity (%)	7.10	7.00	7.60
Dividend yield	(--- Management's forecast in line with dividend policy ---)		

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31. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010)

Outstanding Awards under RSP2010 are as follow:

Date of grant	Number of restricted shares as at grant date	Number of restricted shares lapsed	Number of restricted shares released	Balance outstanding as at 31.12.2017
RSP2010				
16 March 2011	7,380,041	1,033,826	6,343,239	2,976
22 March 2013	4,347,000	1,951,743	2,395,257	–
13 March 2014	4,873,600	2,490,459	1,875,842	507,299
4 April 2014	300,000	–	300,000	–
28 April 2014	1,404,751	–	1,404,751	–
16 March 2015	12,000	–	12,000	–
18 March 2015	5,054,850	943,347	2,329,106	1,782,397
5 June 2015	24,000	–	16,000	8,000
18 March 2016	5,358,700	1,304,827	1,200,505	2,853,368
4 July 2016	289,661	–	193,107	96,554
1 August 2016	14,930	–	4,976	9,954
3 October 2016	152,901	–	76,450	76,451
14 November 2016	173,077	–	57,692	115,385
1 March 2017	16,600	–	8,300	8,300
27 March 2017	5,112,063	148,202	93,646	4,870,215
10 April 2017	2,800	–	–	2,800
16 May 2017	145,100	–	145,100	–
18 July 2017	13,484	–	–	13,484
30 August 2017	65,275	–	–	65,275

During the year, restricted shares amounting to 4,292,460 (2016: 4,890,801) ordinary shares were awarded under RSP2010. These shares were awarded by reissuance of treasury shares.

The fair value of the restricted shares is determined at conditional grant date using the Monte Carlo simulation model.

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31. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) (continued)

The significant inputs to the model used for the conditional grant in 2016 and 2017 are as follows:

	Year of grant	
	2017	2016
Volatility of the Company's shares (%)	18.50	17.73
Risk-free rate (%)	0.97 – 1.55	0.813 – 1.337
Share price (\$)	3.66	3.23
Dividend yield	(–Management's forecast in line with dividend policy–)	

32. CAPITAL RESERVES

Included in capital reserve is:

- (a) an amount of \$115,948,000 (2016: \$115,948,000) relating to share premium of the respective pooled enterprises, namely Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd and Singapore Technologies Marine Ltd classified as capital reserve for the Group upon the pooling of interests during the financial year ended 31 December 1997; and
- (b) a realised gain of \$3,807,000 and \$3,834,000 for the Company and the Group respectively on re-issuance of treasury shares under share-based payment arrangements of the Company as at 31 December 2017. In 2016, there was a realised loss of \$2,791,000 and \$2,764,000 for the Company and the Group respectively.

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33. OTHER RESERVES

The Group	Note	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Premium paid on acquisition of non- controlling interests \$'000	Total \$'000
At 1.1.2016		(107,308)	5,330	(40,924)	82,666	(5,259)	(65,495)
Other comprehensive income							
Net fair value changes on available-for-sale financial assets (i)		–	–	1,089	–	–	1,089
Net fair value changes on cash flow hedges (ii)		–	–	572	–	–	572
Realisation of cash flow hedge reserve arising from disposal of an associate		–	–	11,368	–	–	11,368
Foreign currency translation differences (iii)		503	–	(1)	–	(35)	467
Share of foreign currency translation differences of associates and joint ventures		(2,809)	–	–	–	–	(2,809)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		9,446	–	–	–	–	9,446
Total comprehensive income for the year, net of tax		7,140	–	13,028	–	(35)	20,133
Cost of share-based payment		–	–	–	9,515	–	9,515
Treasury shares reissued pursuant to share plans		–	–	–	(16,719)	–	(16,719)
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–	–	–	(731)	(731)
Disposal of a subsidiary		–	(3,474)	–	–	–	(3,474)
Transfer from retained earnings to statutory reserve		–	118	–	–	–	118
At 31.12.2016		(100,168)	1,974	(27,896)	75,462	(6,025)	(56,653)

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33. OTHER RESERVES (continued)

The Group	Note	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Premium paid on acquisition of non- controlling interests \$'000	Total \$'000
At 1.1.2017		(100,168)	1,974	(27,896)	75,462	(6,025)	(56,653)
Other comprehensive income							
Net fair value changes on available-for-sale financial assets (i)		–	–	8,670	–	–	8,670
Net fair value changes on cash flow hedges (ii)		–	–	42,119	–	–	42,119
Share of net fair value changes on cash flow hedges of joint ventures (ii)		–	–	(127)	–	–	(127)
Foreign currency translation differences (iii)		(48,053)	–	(2)	–	125	(47,930)
Share of foreign currency translation differences of associates and joint ventures		(11,102)	–	–	–	–	(11,102)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		2,144	–	–	–	–	2,144
Total comprehensive income for the year, net of tax		(57,011)	–	50,660	–	125	(6,226)
Cost of share-based payment		–	–	–	14,509	–	14,509
Treasury shares reissued pursuant to share plans		–	–	–	(18,599)	–	(18,599)
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–	–	–	(589)	(589)
Transfer from retained earnings to statutory reserve		–	90	–	–	–	90
At 31.12.2017		(157,179)	2,064	22,764	71,372	(6,489)	(67,468)

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

33. OTHER RESERVES (continued)

	Group	
	2017	2016
	\$'000	\$'000
(i) Net fair value changes on available-for-sale financial assets:		
– Net fair value changes during the year	9,627	3,955
– Reclassification adjustment to profit or loss on disposal of financial assets		
in finance costs, net	(510)	(1,295)
– Reclassification to profit or loss on impairment	(447)	(1,571)
	<u>8,670</u>	<u>1,089</u>
(ii) Net fair value changes on cash flow hedges:		
– Net fair value changes during the year	39,618	(1,871)
– Reclassification adjustment to profit or loss on occurrence of forecast		
transaction in finance costs, net	1,598	(314)
– Recognised in the carrying value of non-financial assets on occurrence		
of the hedged transactions	776	2,757
	<u>41,992</u>	<u>572</u>
(iii) Foreign currency translation differences arising from:		
– Translation of quasi equity loans forming part of net investments in		
foreign entities	5,255	(1,705)
– Translation of foreign currency loans used as hedging instruments for		
effective net investment hedges	25,225	(7,859)
– Translation of foreign entities	(78,533)	10,067
	<u>(48,053)</u>	<u>503</u>

As at 31 December 2017, bonds amounting to \$312.9 million (US\$234 million) (2016: \$338.1 million (US\$234 million)) have been designated as a hedge of the net investment in Vision Technologies Systems, Inc. and its subsidiaries (US subsidiaries) and are being used to hedge the Group's exposure to foreign exchange risk on this investment.

Exchange gain or loss on the re-translation of these bonds is transferred to other comprehensive income to offset any exchange gain or loss on translation of the net investment in the US subsidiaries. There is no ineffectiveness in the hedge during the year.

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33. OTHER RESERVES (continued)

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprise of transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves.
Fair value reserve	Fair value reserve records the cumulative fair value changes of available-for-sale financial assets and the effective portion of hedging instruments, until they are disposed or impaired.
Share-based payment reserve	Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors.
Premium paid on acquisition of non-controlling interests	Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired.

34. DIVIDENDS

	Group and Company	
	2017	2016
	\$'000	\$'000
Final dividend paid in respect of the previous financial year of 10.0 cents (2016: 5.0 cents) per share	312,250	156,125
Special dividend paid in respect of the previous financial year of nil cents (2016: 5.0 cents) per share	–	156,125
Interim dividend paid in respect of the current financial year of 5.0 cents (2016: 5.0 cents) per share	155,996	155,412
	468,246	467,662
Additional final dividend paid in respect of the previous financial year due to issue of shares before books closure date	(605)	(1,732)
	467,641	465,930

The Directors propose a final dividend of 10.0 cents (2016: 10.0 cents) per share amounting to \$312.2 million (2016: \$312.2 million), in respect of the financial year ended 31 December 2017. These dividends have not been recognised as a liability as at year end as they are subject to approval of the shareholders at the Annual General Meeting of the Company.

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35. RELATED PARTY INFORMATION

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling activities of the Group. The executive directors and senior management executives of the Group Companies are considered as key management personnel.

	Group	
	2017	2016
	\$'000	\$'000
Short-term employee benefits	38,468	34,493
Contributions to defined contribution plans	825	746
Share-based payments	8,141	5,569
	<u>47,434</u>	<u>40,808</u>

In addition to related party information disclosed elsewhere in the financial statements, the Group has significant transactions with the following related parties on terms agreed between the parties.

	Group	
	2017	2016
	\$'000	\$'000
Associates of the Group		
Sales and services rendered	10,137	10,423
Purchases and services received	(41,054)	(30,123)
Dividend income	<u>77,679</u>	<u>42,786</u>
Joint ventures of the Group		
Sales and services rendered	17,501	21,018
Purchases and services received	(28,554)	(23,466)
Dividend income	<u>3,350</u>	<u>1,950</u>
Other related parties*		
Sales and services rendered	46,226	49,544
Purchases and services received	(27,918)	(20,765)
Rental expense	(5,994)	(8,009)
Rental income	<u>2,216</u>	<u>2,402</u>

* Other related parties refer to subsidiaries, associates and joint ventures of immediate holding company.

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36. COMMITMENTS

(i) Capital commitments

	Group	
	2017	2016
	\$'000	\$'000
Capital expenditure contracted but not provided in the financial statements	34,621	52,328

(ii) Leases – As lessee

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Third parties		
Within 1 year	48,267	46,506
Between 1 and 5 years	122,879	130,658
After 5 years	188,381	206,243
	<u>359,527</u>	<u>383,407</u>
Related parties		
Within 1 year	5,657	5,342
Between 1 and 5 years	14,708	15,430
After 5 years	24,821	28,419
	<u>45,186</u>	<u>49,191</u>

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

None of the operating leases is subject to contingent rent arrangements.

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36. COMMITMENTS (continued)

(iii) Leases – As lessor

The Group has entered into commercial leases on its aircraft, aircraft engines and certain property, plant and equipment. The non-cancellable leases have lease term ranging from 1 to 15 years.

The future lease payment receivables under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Within 1 year	16,926	13,614
Between 1 and 5 years	25,657	28,727
After 5 years	9,876	11,650
	<u>52,459</u>	<u>53,991</u>

(iv) Investments

As at 31 December 2017, the Group has outstanding commitments in respect of uncalled capital to the extent of \$0.2 million (2016: \$0.2 million) in subsidiaries.

(v) Contingent liabilities (unsecured)

The Group is a party to various claims that arise in the normal course of the Group's business. The total liability on these matters cannot be determined with certainty. However, in the opinion of management, the ultimate liability, to the extent not otherwise provided for, will not materially impact the consolidated financial statements of the Group.

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37. SEGMENT INFORMATION

For management purposes, the Group is organised on a worldwide basis into four major operating segments. The management of the Company reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The operating segments and principal activities identified within the Group are outlined below:

Segments	Principal activities
Aerospace	Provides a spectrum of maintenance and engineering services that include airframe, engine and component maintenance, repair and overhaul, engineering design, development and technical services; and aviation materials and management services, including Total Aviation Support. It also provides leasing of aircraft and aircraft engines and the manufacture and sale of aircraft components.
Electronics	Delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide. It specialises in the design, development and integration of advanced electronics and communications systems, such as broadband radio frequency and satellite communication, e-Government solutions, information communications technologies and IT, rail and traffic management, real-time command and control, modelling and simulation, eLearning and interactive digital media, training services, intelligent building management and information security.
Land Systems	Provides design and engineering services, manufacture, sales and knowhow transfer of military and commercial vehicles, automotive subsystems, robotic systems, armament, weapons, weapon systems, ammunition and explosives. It also provides engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of vehicles and weapon systems, and trading in motor vehicles, equipment, vehicle spares and related accessories, integrated logistics management, integrated facilities management, warehousing.
Marine	Provides turnkey building, repair and conversion services for a wide spectrum of naval and commercial vessels. In shipbuilding, it has the proven capabilities to provide turnkey solutions from concept definition to detailed design, construction, on-board system installation and integration, testing, commissioning to through-life support. It has also established a track record in providing high engineering content ship repair and ship conversion services for a worldwide clientele. It also provides a suite of sustainable environmental engineering solutions.
Others *	Research and development, treasury, investment holding and provision of management, consultancy and other support services.

* None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2017 and 2016.

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37. SEGMENT INFORMATION (continued)

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2017							
Revenue							
External sales	2,535,265	2,107,667	1,243,511	637,444	95,604	–	6,619,491
Inter-segment sales	11,990	31,171	19,148	87	6,021	(68,417)	–
	<u>2,547,255</u>	<u>2,138,838</u>	<u>1,262,659</u>	<u>637,531</u>	<u>101,625</u>	<u>(68,417)</u>	<u>6,619,491</u>
Reportable segment							
profit from operations	270,837	206,773	70,231	14,795	(90,537)	81,246	553,345
Other income	13,793	14,911	11,230	7,122	545,228	(552,340)	39,944
Other expenses	(5,261)	(66)	(1,766)	(109)	(1)	5,925	(1,278)
Finance income	8,061	1,778	935	2,690	133,759	(109,001)	38,222
Finance costs	(10,801)	(8,771)	(6,820)	(3,196)	(110,459)	83,776	(56,271)
Share of results of associates and joint ventures, net of tax	41,171	(2,282)	11,229	1,106	–	(1,892)	49,332
Profit before taxation	317,800	212,343	85,039	22,408	477,990	(492,286)	623,294
Taxation	(51,525)	(33,477)	3,677	4,641	(6,465)	(4,718)	(87,867)
Non-controlling interests	(22,172)	(77)	(1,296)	–	–	–	(23,545)
Profit attributable to shareholders	<u>244,103</u>	<u>178,789</u>	<u>87,420</u>	<u>27,049</u>	<u>471,525</u>	<u>(497,004)</u>	<u>511,882</u>
Other assets	2,912,667	2,185,630	1,560,510	935,769	4,941,982	(4,511,574)	8,024,984
Associates and joint ventures	248,168	54,523	108,233	10,493	25,520	1,450	448,387
Segment assets	<u>3,160,835</u>	<u>2,240,153</u>	<u>1,668,743</u>	<u>946,262</u>	<u>4,967,502</u>	<u>(4,510,124)</u>	<u>8,473,371</u>
Segment liabilities	<u>2,195,746</u>	<u>1,931,636</u>	<u>1,344,733</u>	<u>827,415</u>	<u>2,754,115</u>	<u>(3,101,663)</u>	<u>5,951,982</u>
Capital expenditure	170,519	83,678	33,137	44,176	14,435	–	345,945
Depreciation and amortisation	103,537	47,810	32,503	28,875	4,276	(42)	216,959
Impairment losses	11	–	314	–	196	–	521
Other non-cash expenses	188	141	102	–	–	–	431

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37. SEGMENT INFORMATION (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000 (Restated) #	Marine \$'000	Others \$'000 (Restated) #	Elimination \$'000	Group \$'000
2016							
Revenue							
External sales	2,484,337	1,884,733	1,390,071	840,582	84,014	–	6,683,737
Inter-segment sales	8,520	25,768	15,245	578	6,375	(56,486)	–
	<u>2,492,857</u>	<u>1,910,501</u>	<u>1,405,316</u>	<u>841,160</u>	<u>90,389</u>	<u>(56,486)</u>	<u>6,683,737</u>
Reportable segment							
profit from operations	240,431	191,846	4,119	63,576	(93,380)	64,491	471,083
Other income	22,736	19,400	26,245	7,548	480,858	(488,972)	67,815
Other expenses	(4,339)	(15)	(1,675)	(124)	–	6,138	(15)
Finance income	11,431	4,089	2,372	3,866	45,817	(33,884)	33,691
Finance costs	(12,038)	(7,827)	(7,199)	(596)	(59,767)	41,720	(45,707)
Share of results of associates and joint ventures, net of tax	42,097	305	14,896	851	–	5,617	63,766
Profit before taxation	300,318	207,798	38,758	75,121	373,528	(404,890)	590,633
Taxation	(49,102)	(33,194)	(21,831)	(7,370)	19,488	(5,761)	(97,770)
Non-controlling interests	(16,831)	(58)	8,534	6	–	–	(8,349)
Profit attributable to shareholders	<u>234,385</u>	<u>174,546</u>	<u>25,461</u>	<u>67,757</u>	<u>393,016</u>	<u>(410,651)</u>	<u>484,514</u>
Other assets	2,770,573	2,054,854	1,592,285	967,208	5,011,293	(4,436,690)	7,959,523
Associates and joint ventures	244,263	1,565	126,737	8,666	17,657	6,642	405,530
Segment assets	<u>3,014,836</u>	<u>2,056,419</u>	<u>1,719,022</u>	<u>975,874</u>	<u>5,028,950</u>	<u>(4,430,048)</u>	<u>8,365,053</u>
Segment liabilities	<u>2,030,556</u>	<u>1,783,937</u>	<u>1,471,566</u>	<u>809,473</u>	<u>2,842,261</u>	<u>(3,016,936)</u>	<u>5,920,857</u>
Capital expenditure	200,041	80,070	37,664	10,235	1,193	(25)	329,178
Depreciation and amortisation	112,988	45,536	40,149	28,422	20,268	(42)	247,321
Impairment losses	2,667	8	37,492	–	1,571	–	41,738
Other non-cash expenses	393	56	314	–	–	–	763

* Pursuant to the transfer of ST Synthesis Pte Ltd (ST Synthesis) to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one-stop integrated solution to Land Systems sector customers, comparative FY2016 figures in the income statement and segmental information were restated.

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37. SEGMENT INFORMATION (continued)

(i) Analysis by country of incorporation

Revenue is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments, employee benefits and deferred tax assets, are based on the location of those assets.

The Group	Revenue		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Asia	4,790,828	4,599,078	2,071,813	2,005,125
USA	1,219,072	1,524,481	915,986	867,663
Europe	552,621	494,651	559,755	457,397
Others	56,970	65,527	94,251	96,347
	6,619,491	6,683,737	3,641,805	3,426,532

(ii) Analysis by geographical areas

Revenue is based on the location of customers regardless of where the goods are produced or services rendered.

The Group	Revenue	
	2017 \$'000	2016 \$'000
Asia	4,066,561	3,951,297
USA	1,359,722	1,631,675
Europe	725,719	610,188
Others	467,489	490,577
	6,619,491	6,683,737

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks, namely, interest rate, foreign exchange, market, liquidity and credit risks, arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bank guarantees, performance bonds, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option ("Permitted Transactions"). These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

The policies for managing each of these risks are broadly summarised below.

Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	376,530	535,617	316,352	469,047
Financial liabilities	(818,211)	(850,380)	–	–
	(441,681)	(314,763)	316,352	469,047
Variable rate instruments				
Financial assets	350,975	499,812	611,579	693,886
Financial liabilities	(297,853)	(229,895)	(606,733)	(642,313)
	53,122	269,917	4,846	51,573

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

The Group's debts include 10-year bonds issued, bank loans and lease commitments. The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps and cross-currency interest rate swaps. An increase of 50 basis points in interest rate at the reporting date would lead to a reduction of the Group's profit or loss and other comprehensive income by approximately \$1.5 million (2016: \$1.1 million) and \$6.8 million (2016: \$7.7 million) respectively. A decrease in 50 basis points in interest rate at the reporting date would increase the Group's profit or loss and other comprehensive income by approximately \$1.5 million (2016: \$1.1 million) and \$7.0 million (2016: \$7.5 million) respectively. This analysis assumes that all other variables remain constant.

Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

Foreign exchange risk

The Group is exposed to foreign exchange risk from its global operations and revenues, costs and borrowings denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The Group's foreign exchange exposures are primarily from USD and Euro, and manage its exposure through forward currency contracts, cross currency interest rate swaps and embedded derivatives.

The Company's centralised Treasury Unit monitors the current and projected foreign currency cash flow within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in the exchange rate would not result in any significant impact on the Group's results.

Market Risk

The Group has strategic investments in quoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as the Company had assessed that a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

The Group	Contractual cash flow \$'000	Within 1 year \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000
2017				
Bank loans	(439,014)	(217,399)	(206,407)	(15,208)
Bonds	(718,058)	(32,088)	(685,970)	–
Other loans	(7,418)	(7,403)	(15)	–
Lease obligations	(32,524)	(1,280)	(4,590)	(26,654)
Trade and other payables	(1,829,429)	(1,706,434)	(120,379)	(2,616)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
– payments	(1,291,846)	(697,921)	(587,116)	(6,809)
– receipts	1,312,620	709,860	596,041	6,719
• Net-settled interest rate swaps	2,769	441	2,328	–
• Net-settled cross currency interest rate swaps	8,624	1,529	7,095	–
Financial guarantee	(84,856)	(84,856)	–	–
2016				
Bank loans	(352,097)	(85,785)	(254,127)	(12,185)
Bonds	(810,629)	(34,675)	(775,954)	–
Other loans	(1,892)	(1,551)	(341)	–
Lease obligations	(36,475)	(1,353)	(5,040)	(30,082)
Trade and other payables	(1,847,896)	(1,710,116)	(135,674)	(2,106)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
– payments	(1,186,418)	(744,840)	(441,578)	–
– receipts	1,153,563	716,980	436,583	–
• Net-settled interest rate swaps	1,616	(788)	2,404	–
• Net-settled cross currency interest rate swaps	25,298	2,136	23,162	–
Financial guarantee	(52,000)	(52,000)	–	–

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The Company	Contractual cash flow \$'000	Within 1 year \$'000	Between 1 and 5 years \$'000
2017			
Trade payables and accruals	28,587	20,979	7,608
Amounts due to related parties	1,212,660	545,066	667,594
Derivative financial instruments:			
• Gross-settled forward currency contracts			
– payments	(2,695)	(2,695)	–
– receipts	2,655	2,655	–
Intra-group financial guarantee	270,074	270,074	–
2016			
Trade payables and accruals	(33,145)	(24,148)	(8,997)
Amounts due to related parties	(1,181,244)	(504,827)	(676,417)
Intra-group financial guarantee	(187,824)	(187,824)	–

For derivative financial instruments, the cash inflows/(outflows) represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Gross inflows and outflows are included for derivatives that are gross-settled on a simultaneous basis. Net-settled derivative financial assets are included in the maturity analysis as they are held to hedge the cash flow variability of the Group's bank loans and bonds.

Except for the cash flow arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Credit risk

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Investments	360,703	510,941	–	–
Finance lease receivables	–	–	–	–
Derivative financial instruments, non-current	33,082	32,967	–	–
Trade receivables	1,646,876	1,459,876	–	–
Amounts due from related parties	33,077	29,424	733,408	706,891
Advances and other receivables	104,745	105,180	12,578	1,422
Bank balances and other liquid funds	999,003	904,890	596,494	588,862
Recognised financial assets	<u>3,177,486</u>	<u>3,043,278</u>	<u>1,342,480</u>	<u>1,297,175</u>

The Group limits its exposure to credit risk on investments held by investing mostly in bonds of high credit ratings. Management actively monitors the credit ratings and does not expect any counterparty to fail to meet its obligations.

Derivatives are entered into with financial institutions, which have long-term rating of A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

Cash and bank deposits are placed with reputable financial institutions.

As at 31 December 2017, there were no significant concentrations of credit risk, except for 32% (2016: 38%) of trade debts excluding unbilled receivables relating to three major customers of the Group. The table below analyses the trade receivables by the Group's main reportable segments.

	Group	
	2017	2016
	\$'000	\$'000
Aerospace	607,422	584,730
Electronics	684,993	515,146
Land Systems	200,107	241,573
Marine	140,313	97,526
Others	14,041	20,901
	<u>1,646,876</u>	<u>1,459,876</u>

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

The ageing of financial assets excluding cash and cash equivalents, investments and derivative financial instruments, net of impairment losses, are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Not past due *	1,476,669	1,239,095	733,408	708,313
1 – 90 days	234,836	264,562	–	–
91 – 180 days	36,699	36,372	–	–
181 – 360 days	14,298	39,231	–	–
> 360 days	1,695	11,172	–	–
	1,764,197	1,590,432	733,408	708,313

* This includes unbilled receivables which relates to services rendered but not billed.

The movements in allowance for impairment losses in respect of financial assets excluding cash and cash equivalents, investments and derivative financial instruments are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	56,907	78,278	–	13,562
Charge to profit or loss	5,642	19,223	9,500	6,700
Allowance utilised	(12,418)	(11,113)	–	(20,307)
Acquisition of a subsidiary	78	(28,511)	–	–
Translation difference	(2,025)	(970)	–	45
At end of the year	48,184	56,907	9,500	–

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group	Carrying amount					Fair value				
	Loans and receivables	Fair value through profit or loss	Available -for-sale	Liabilities at amortised cost	Derivatives used for hedging	Total carrying amount	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017										
Financial assets measured at fair value										
Investments	–	–	351,344	–	–	351,344	357	350,975	12	351,344
Associates	–	7,863	–	–	–	7,863	–	7,863	–	7,863
Derivatives financial instruments	–	18,247	–	–	35,336	53,583	–	53,583	–	53,583
	–	26,110	351,344	–	35,336	412,790	357	412,421	12	412,790
Financial assets not measured at fair value										
Investments	–	–	9,359	–	–	9,359				
Trade receivables	1,646,876	–	–	–	–	1,646,876				
Amounts due from related parties	33,077	–	–	–	–	33,077				
Advances and other receivables	84,244	–	–	–	–	84,244				
Bank balances and other liquid funds	999,003	–	–	–	–	999,003				
	2,763,200	–	9,359	–	–	2,772,559				
Financial liabilities measured at fair value										
Derivatives financial instruments	–	(3,459)	–	–	(22,211)	(25,670)	–	(25,670)	–	(25,670)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	(1,725,370)	–	(1,725,370)				
Amounts due to related parties	–	–	–	(104,059)	–	(104,059)				
Borrowings	–	–	–	(1,116,064)	–	(1,116,064)				
	–	–	–	(2,945,493)	–	(2,945,493)				

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group	Carrying amount						Fair value			
	Loans and receivables \$'000	Fair value through profit or loss \$'000	Available -for-sale \$'000	Liabilities at amortised cost \$'000	Derivatives used for hedging \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016										
Financial assets measured at fair value										
Investments	—	364	500,463	—	—	500,827	1,003	499,812	12	500,827
Derivatives financial instruments	—	28,894	—	—	8,121	37,015	—	37,015	—	37,015
	—	29,258	500,463	—	8,121	537,842	1,003	536,827	12	537,842
Financial assets not measured at fair value										
Investments	—	—	10,114	—	—	10,114				
Trade receivables	1,459,876	—	—	—	—	1,459,876				
Amounts due from related parties	29,424	—	—	—	—	29,424				
Advances and other receivables	101,132	—	—	—	—	101,132				
Bank balances and other liquid funds	904,890	—	—	—	—	904,890				
	2,495,322	—	10,114	—	—	2,505,436				
Financial liabilities measured at fair value										
Derivatives financial instruments	—	(13,776)	—	—	(55,762)	(69,538)	—	(69,538)	—	(69,538)
Financial liabilities not measured at fair value										
Creditors and accruals	—	—	—	(1,810,148)	—	(1,810,148)				
Amounts due to related parties	—	—	—	(28,466)	—	(28,466)				
Borrowings	—	—	—	(1,080,275)	—	(1,080,275)				
	—	—	—	(2,918,889)	—	(2,918,889)				

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Carrying amount				Fair value			
	Loans and receivables \$'000	Fair value through profit or loss \$'000	Liabilities at amortised cost \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
The Company								
2017								
Financial assets not measured at fair value								
Amounts due from related parties	733,408	–	–	733,408				
Advances and other receivables	12,578	–	–	12,578				
Bank balances and other liquid funds	596,494	–	–	596,494				
	<u>1,342,480</u>	<u>–</u>	<u>–</u>	<u>1,342,480</u>				
Financial liabilities measured at fair value								
Derivatives financial instruments	–	40	–	40	–	40	–	40
Financial liabilities not measured at fair value								
Trade payables and accruals	–	–	(28,587)	(28,587)				
Amounts due to related parties	–	–	(1,212,660)	(1,212,660)				
	<u>–</u>	<u>–</u>	<u>(1,241,247)</u>	<u>(1,241,247)</u>				
2016								
Financial assets not measured at fair value								
Amounts due from related parties	706,891	–	–	706,891				
Advances and other receivables	1,422	–	–	1,422				
Bank balances and other liquid funds	588,862	–	–	588,862				
	<u>1,297,175</u>	<u>–</u>	<u>–</u>	<u>1,297,175</u>				
Financial liabilities not measured at fair value								
Trade payables and accruals	–	–	(33,145)	(33,145)				
Amounts due to related parties	–	–	(1,181,244)	(1,181,244)				
	<u>–</u>	<u>–</u>	<u>(1,214,389)</u>	<u>(1,214,389)</u>				

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value

The Group has an established approach with respect to the measurement of fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	Available-for-sale – Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at balance sheet date.
	Fair value through profit or loss – Equity investments (quoted)	
Level 2	Available-for-sale – Bonds (unquoted)	Determined based on quoted market prices.
	Derivatives – Forward currency contracts – Cross currency interest rate swaps – Interest rate swaps – Embedded derivatives	Determined based on broker quotes. Similar contract are traded in an active market and the quotes reflect the actual transactions in similar instruments.
	Fair value through profit or loss – Investment in associates	Determined by reference to the most recent purchase price.
	Level 3 Available-for-sale – Venture capital funds and limited partnership	Determined by reference to valuation provided by non-related fund managers based on non-observable data. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

There were no transfers between Level 1, Level 2 and Level 3 during 2017 and 2016.

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2017	2016
	\$'000	\$'000
Equity instruments (unquoted)		
Opening balance	12	12
Total gain or loss:		
– recognised in other comprehensive income	–	–
Closing balance	12	12

The following methods and assumptions are used to estimate the fair value of other classes of financial instruments:

Types of financial instruments	Valuation method
Bank balances, other liquid funds and short-term receivables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
Short term borrowings and other current payables	
Long-term receivables	Estimated based on the expected cash flows discounted to present value.
Long-term payables	Estimated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments included in Balance Sheet are as follows:

		2017			2016		
		Contractual/ notional amount \$'000	Estimated fair value		Contractual/ notional amount \$'000	Estimated fair value	
	Note		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000
Cash flow hedges							
Forward currency contracts:							
– to hedge confirmed sales in foreign currencies	(a)(i)	576,409	19,445	(4,136)	559,209	370	(28,518)
– to hedge firm purchase commitments in foreign currencies	(a)(ii)	269,182	3,816	(2,533)	148,701	2,871	(1,503)
– to hedge accounts receivable in foreign currencies	(a)(i)	9,410	283	(15)	64,495	2,122	(294)
– to hedge accounts payable in foreign currencies	(a)(i)	12,024	254	(50)	18,487	51	(397)
Interest rate swaps	(b)	207,235	2,035	–	223,944	221	(84)
Embedded derivatives	(a)(i)	322,926	5,671	(11,302)	277,606	–	(20,828)
Fair value hedges							
Forward currency contracts:							
– to hedge confirmed sales in foreign currencies	(a)(i)	146,880	628	(2,134)	51,221	2,397	(260)
– to hedge firm purchase commitments in foreign currencies	(a)(i)	–	–	–	–	–	–
– to hedge accounts receivable in foreign currencies	(a)(i)	–	–	–	30,490	–	(632)
– to hedge accounts payable in foreign currencies	(a)(i)	354	–	(18)	6,490	89	(1)
Embedded derivatives	(a)(i)	132,321	2,551	(1,928)	45,640	–	(3,245)
Non-hedging instruments							
Forward currency swaps contracts:							
– sales	(a)(ii)	227,002	5,082	(2,312)	244,440	206	(13,776)
– purchases	(a)(ii)	67,426	2,599	(135)	24,500	4,420	–
Cross currency interest rate swaps	(c)	124,025	10,788	–	124,025	23,767	–
Embedded derivatives	(a)(ii)	8,137	431	(1,107)	8,137	501	–
Total			53,583	(25,670)		37,015	(69,538)
Less: Current portion			(20,501)	10,117		(4,048)	50,103
Non-current portion			33,082	(15,553)		32,967	(19,435)

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39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Forward currency contracts

- (i) As at 31 December 2017, the Group has forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to \$1,469,506,000 (2016: \$1,202,339,000) designated as hedges of confirmed sales in foreign currencies, firm purchase commitments in foreign currencies, accounts receivable in foreign currencies and accounts payable in foreign currencies.

The maturity dates of the forward currency contracts and embedded derivatives separated from the foreign currency portion of the sales contracts approximate the timing of the expected cash flows of their respective hedged items, which are on varying periods up to seven years (2016: eight years) from the financial year-end.

- (ii) As at 31 December 2017, the Group has outstanding forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to \$302,565,000 (2016: \$277,077,000). These were not designated as accounting hedges, but were used to economically hedge confirmed sales in foreign currencies and firm purchase commitments in foreign currencies.

(b) Interest rate swaps

As at 31 December 2017, the Group has outstanding interest rate swaps amounting to \$207,235,000 (2016: \$223,944,000), which are designated as cash flow hedges.

The USD interest rate swaps are being used to hedge the exposure to variability in cash flows associated with the floating rate of the unsecured USD long-term loans. Under the USD interest rate swaps, the Group pays fixed rates of interest of 1.57% to 1.63% (2016: 1.15% to 1.67%) per annum and receives variable rates of interest equal to the LIBOR per annum on the notional amount. The USD interest rate swaps have the same maturity terms as the unsecured USD long-term loans with maturity periods ranging from 2018 to 2020 (2016: 2018 to 2020).

(c) Cross currency interest rate swaps

As at 31 December 2017, the Group has outstanding cross currency interest rate swaps amounting to \$124,025,000 (2016: \$124,025,000), which are not designated as hedging instruments.

The swaps are being used to economically hedge the foreign currency exposure of the US\$500 million bond liability and convert the fixed USD bond interest rate of 4.8% (2016: 4.8%) per annum to floating SGD interest rate at 6-month SOR plus margins. The effective SGD interest rates range from 3.6% to 3.9% (2016: 3.6% to 4.5%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

39. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Master netting or similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's and the Company's balance sheets; or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheets.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the balance sheets.

The derivative transactions that the Group and the Company enter into, are not subject to master netting arrangements. These derivative transactions are also not offset into the balance sheets as the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of recognised financial instruments \$'000	Gross amounts of recognised financial instruments offset in the balance sheets \$'000	Net amounts of financial instruments presented in the balance sheets \$'000	Related financial instruments that are not offset \$'000	Net amount \$'000
The Group					
31 December 2017					
Financial assets					
Trade receivables	–	–	–	–	–
Financial liabilities					
Trade payables	–	–	–	–	–
31 December 2016					
Financial assets					
Trade receivables	–	–	–	–	–
Financial liabilities					
Trade payables	2	–	2	–	2

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the balance sheets that are disclosed in the above tables are measured at amortised cost.

The amounts in the above table that are offset in the balance sheets are measured on the same basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

40. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the information relating to each of the Group's subsidiaries with material NCI, based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of NCI	ST Aerospace Services Co Pte. Ltd. \$'000	EcoServices, LLC \$'000	Elbe Flugzeugwerke GmbH \$'000	STELOP Pte. Ltd. \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
2017							
NCI percentage	20%	49.9%	45%	49.95%			
Principal place of business/ Country of incorporation	Singapore	USA	Germany	Singapore			
Revenue	260,475	27,196	489,127	42,233			
Profit	34,539	3,106	28,205	285			
Other comprehensive income	4,904	(4,361)	28,297	–			
Total comprehensive income	39,443	(1,255)	56,502	285			
Attributable to NCI:							
– Profit/(loss)	6,908	1,550	12,692	145	2,700	(450)	23,545
– Other comprehensive income	981	(2,176)	12,734	–	383	9	11,931
– Total comprehensive income	7,889	(626)	25,426	145	3,083	(441)	35,476
Non-current assets	55,021	23,411	533,691	2,674			
Current assets	209,938	34,999	304,341	53,910			
Non-current liabilities	(9,769)	–	(243,243)	–			
Current liabilities	(76,378)	(4,269)	(178,575)	(44,961)			
Net assets	178,812	54,141	416,214	11,623			
Net assets attributable to NCI	35,762	27,016	187,296	5,806	23,915	1,614	281,409
Cash flows from operating activities	50,231	(4,913)	89,780	8,218			
Cash flows from investing activities	(6,111)	(919)	(74,184)	(100)			
Cash flows from financing activities *	(46,610)	(4,527)	17,814	6,987			
Net (decrease)/increase in cash and cash equivalents	(2,490)	(10,359)	33,410	15,105			
* including dividends to NCI	(12,000)	(1,507)	–	–			

ST ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)*

40. NON-CONTROLLING INTERESTS IN SUBSIDIARIES (continued)

Name of NCI	ST Aerospace Services Co Pte. Ltd. \$'000	EcoServices, LLC \$'000	Elbe Flugzeugwerke GmbH \$'000	STELOP Pte. Ltd. \$'000	Guizhou Jonyang Kinetics Co., Ltd \$'000	Jiangsu Huatong Kinetics Co., Ltd \$'000	Other individually immaterial subsidiaries \$'000	Intra- group elimination \$'000	Total \$'000
2016									
NCI percentage	20%	49.9%	45%	49.95%	–	24.7%			
Principal place of business/ Country of incorporation	Singapore	USA	Germany	Singapore	China	China			
Revenue	248,788	29,183	427,702	46,181	24,801	12,754			
Profit/(loss)	37,714	3,850	14,127	553	(1,847)	(70,031)			
Other comprehensive income	(2,769)	1,248	1,319	–	(5,700)	(1,976)			
Total comprehensive income	34,945	5,098	15,446	553	(7,547)	(72,007)			
Attributable to NCI:									
– Profit/(loss)	7,543	1,921	6,357	276	(740)	(10,406)	3,189	209	8,349
– Other comprehensive income	(554)	623	594	–	(2,280)	(488)	(59)	(384)	(2,548)
– Total comprehensive income	6,989	2,544	6,951	276	(3,020)	(10,894)	3,130	(175)	5,801
Non-current assets	56,476	28,822	489,570	2,287	–	66,294			
Current assets	240,509	34,858	224,751	56,304	–	14,666			
Non-current liabilities	(14,303)	–	(215,829)	–	–	(31,154)			
Current liabilities	(83,353)	(5,264)	(135,876)	(46,042)	–	(49,806)			
Net assets	199,329	58,416	362,616	12,549	–	–			
Net assets attributable to NCI	39,866	29,150	163,177	6,268	–	–	22,730	743	261,934
Cash flows from operating activities	38,602	13,480	36,202	(1,817)	–	(12,538)			
Cash flows from investing activities	(3,453)	(509)	(12,912)	(23)	–	1,189			
Cash flows from financing activities *	(26,892)	(5,250)	22,087	(3,221)	–	9,724			
Net increase/ (decrease) in cash and cash equivalents	8,257	7,721	45,377	(5,061)	–	(1,625)			
* including dividends to NCI	(6,000)	(1,348)	–	(605)	–	–			

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

The Group is currently in a net debt position after inclusion of present value of operating lease obligations. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than those imposed by local regulatory bodies.

	Group	
	2017	2016
	\$'000	\$'000
Gross debt		
Bank loans	424,857	338,524
Bonds	667,750	721,098
Capitalised lease obligations	16,639	18,785
Present value of operating leases	293,724	330,585
Other loans	6,818	1,868
Financial guarantees	84,856	52,000
	<u>1,494,644</u>	<u>1,462,860</u>
Shareholders' funds		
Share capital	895,926	895,926
Treasury shares	(22,870)	(44,081)
Capital and other reserves	52,314	56,557
Retained earnings	<u>1,314,610</u>	<u>1,273,860</u>
	<u>2,239,980</u>	<u>2,182,262</u>
Non-controlling interests	<u>281,409</u>	<u>261,934</u>
	<u>2,521,389</u>	<u>2,444,196</u>
Gross debt/equity ratio	0.6	0.6
Cash and cash equivalents	997,614	903,632
Funds under management	350,975	499,812
	<u>1,348,589</u>	<u>1,403,444</u>
Gross debt (excluding bank overdrafts)	<u>(1,494,644)</u>	<u>(1,462,860)</u>
Net debt position	<u>(146,055)</u>	<u>(59,416)</u>

ST ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

42. SUBSEQUENT EVENT

- (a) On 6 February 2018, the Group entered into an agreement with SatixFy UK Limited to invest 49% equity stake in a joint venture company for a consideration of S\$26 million (US\$20 million).
- (b) On 8 February 2018, the Group entered into an agreement to divest 5% equity stake in an associate, ST Aerospace (Guangzhou) Aviation Services Company Limited (STA Guangzhou) to Japan Airlines Co., Ltd for a consideration of S\$9.2 million (US\$7 million). Upon completion, which is subject to customary closing conditions, the Group will own 44% stake in STA Guangzhou.

SECTORAL FINANCIAL REVIEW

- AEROSPACE

INCOME STATEMENT

	2017 \$'000	2016 \$'000
Revenue	2,547,255	2,492,857
Cost of sales	(2,110,063)	(2,081,493)
Gross profit	437,192	411,364
Distribution and selling expenses	(10,487)	(12,059)
Administrative expenses	(119,356)	(118,873)
Other operating expenses	(36,512)	(40,001)
Profit from operations	270,837	240,431
Other income	13,793	22,736
Other expenses	(5,261)	(4,339)
Other income, net	8,532	18,397
Finance income	8,061	11,431
Finance costs	(10,801)	(12,038)
Finance costs, net	(2,740)	(607)
Share of results of associates and joint ventures, net of tax	41,171	42,097
Profit before taxation	317,800	300,318
Taxation	(51,525)	(49,102)
Profit for the year	266,275	251,216
Attributable to:		
Shareholder of the Company	244,103	234,385
Non-controlling interests	22,172	16,831
	266,275	251,216

ST ENGINEERING

SECTORAL FINANCIAL REVIEW – AEROSPACE

BALANCE SHEET

	2017 \$'000	2016 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	848,949	833,628
Associates and joint ventures	248,168	244,263
Investments	12	12
Intangible assets	473,671	433,294
Long-term receivables	18,552	2,333
Deferred tax assets	18,993	27,356
Derivative financial instruments	3,663	221
Employee benefits	243	151
	1,612,251	1,541,258
Current assets		
Inventories and work-in-progress	484,222	475,477
Trade receivables	607,422	584,730
Amount due from related parties	38,462	24,301
Advances and other receivables	95,582	116,023
Short-term investments	–	364
Bank balances and other liquid funds	322,896	272,683
	1,548,584	1,473,578
TOTAL ASSETS	3,160,835	3,014,836
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers	92,977	98,760
Trade payables and accruals	682,975	640,341
Amount due to related parties	338,085	244,950
Provisions	54,250	61,503
Progress billing in excess of work-in-progress	254,913	165,426
Provision for taxation	62,014	60,941
Borrowings	53,902	64,805
Employee benefits	2,491	1,916
Other payables	–	700
	1,541,607	1,339,342
NET CURRENT ASSETS	6,977	134,236
Non-current liabilities		
Advance payments from customers	126,040	192,438
Trade payables and accruals	57,163	70,238
Deferred tax liabilities	157,117	158,831
Borrowings	99,642	83,771
Employee benefits	101,793	84,531
Derivative financial instruments	–	6,734
Amount due to related parties	112,384	94,671
	654,139	691,214
TOTAL LIABILITIES	2,195,746	2,030,556
NET ASSETS	965,089	984,280
Share capital and reserves	701,679	740,805
Non-controlling interests	263,410	243,475
	965,089	984,280
TOTAL EQUITY AND LIABILITIES	3,160,835	3,014,836

SECTORAL FINANCIAL REVIEW

– AEROSPACE

STATEMENT OF CASH FLOWS

	2017 \$'000	2016 \$'000
Net cash from operating activities	392,908	469,077
Net cash used in investing activities	(143,054)	(177,632)
Proceeds from sale of property, plant and equipment	1,124	3,237
Dividends from associates and joint ventures	47,054	33,906
Dividends from investments	7	4
Purchase of property, plant and equipment	(123,073)	(137,620)
Acquisition of subsidiary (net of cash acquired)	–	9,127
Investment in joint ventures and an associate	(21,108)	(34,776)
Proceeds from disposal of a subsidiary	–	10,911
Proceeds from sale of an investment	388	–
Development of intangible assets	(47,446)	(62,421)
Net cash used in financing activities	(194,181)	(254,213)
Capital contribution from non-controlling interests	397	448
Proceeds from bank loans	56,805	154,578
Repayment of bank loans	(46,922)	(60,624)
Repayment of lease obligations, net	(784)	(947)
Proceeds from loans with related corporations	92,817	2,140
Loan to related corporations	(6,017)	–
Repayment of loans with related corporations	(93,156)	(251,943)
Dividends paid to shareholder	(174,904)	(80,639)
Dividends paid to non-controlling interests	(14,081)	(8,024)
Interest paid	(8,336)	(9,202)
Net increase in cash and cash equivalents	55,673	37,232
Cash and cash equivalents at beginning of the year	272,683	234,274
Exchange difference on cash and cash equivalents at beginning of the year	(5,460)	1,177
Cash and cash equivalents at end of the year	322,896	272,683

ST ENGINEERING

SECTORAL FINANCIAL REVIEW – AEROSPACE

FINANCIAL HIGHLIGHTS

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Income Statement					
Revenue	2,547,255	2,492,857	2,095,614	2,071,464	2,088,105
Profit					
EBITDA	374,374	353,419	293,483	321,637	342,022
EBIT	270,837	240,431	222,013	261,471	291,828
PBT	317,800	300,318	290,600	282,999	319,442
Net Profit	244,103	234,385	226,720	220,144	259,214
Balance Sheet					
Property, plant and equipment	848,949	833,628	820,145	671,068	679,552
Intangible and other assets	761,576	706,002	465,133	470,953	469,284
Inventories and work-in-progress	484,222	475,477	494,257	560,001	666,523
Trade receivables, deposits and prepayments	743,192	727,046	626,286	579,149	551,883
Bank balances and other liquid funds	322,896	272,683	234,274	243,856	382,226
Current liabilities	1,541,607	1,339,342	1,262,967	1,139,953	1,519,751
Non-current liabilities	654,139	691,214	611,257	639,407	703,080
Share capital	368,512	368,512	368,512	368,512	152,512
Capital and other reserves	(4,563)	(9,517)	(18,560)	(41,493)	(37,753)
Retained earnings	337,730	381,810	336,358	341,402	338,557
Non-controlling interests	263,410	243,475	79,561	77,246	73,321
Financial Indicators					
Earnings per share (cents)	52.10	50.03	48.39	46.99	102.65
Net assets value per share (cents)	149.77	158.12	146.49	142.67	179.52
Return on sales (%)	10.5	10.1	11.2	11.1	12.7
Return on equity (%)	30.6	28.1	29.2	29.2	48.0
Return on total assets (%)	8.4	8.3	8.9	9.1	9.7
Return on capital employed (%)	13.2	13.7	16.9	15.7	19.6
Productivity Data					
Average staff strength (numbers)	8,192	7,600	7,126	7,314	7,370
Revenue per employee (\$)	310,944	328,008	294,080	283,219	283,325
Net profit per employee (\$)	29,798	30,840	31,816	30,099	35,172
Employment costs	752,319	747,045	625,475	607,228	648,113
Employment costs per \$ of revenue (\$)	0.30	0.30	0.30	0.29	0.31
Economic Value Added	140,431	154,055	169,548	162,092	217,064
Economic Value Added spread (%)	7.1	7.9	11.1	10.1	14.4
Economic Value Added per employee (\$)	17,142	20,270	23,793	22,162	29,452
Value added	1,189,126	1,178,284	1,002,326	975,569	1,035,479
Value added per employee (\$)	145,157	155,037	140,658	133,384	140,499
Value added per \$ of employment costs (\$)	1.58	1.58	1.60	1.61	1.60
Value added per \$ of gross property, plant and equipment (\$)	0.70	0.72	0.64	0.72	0.79
Value added per \$ of revenue (\$)	0.47	0.47	0.48	0.47	0.50

SECTORAL FINANCIAL REVIEW - ELECTRONICS

INCOME STATEMENT

	2017 \$'000	2016 \$'000
Revenue	2,138,838	1,910,501
Cost of sales	(1,579,735)	(1,369,016)
Gross profit	559,103	541,485
Distribution and selling expenses	(90,901)	(95,215)
Administrative expenses	(177,462)	(164,522)
Other operating expenses	(83,967)	(89,902)
Profit from operations	206,773	191,846
Other income	14,911	19,400
Other expenses	(66)	(15)
Other income, net	14,845	19,385
Finance income	1,778	4,089
Finance costs	(8,771)	(7,827)
Finance costs, net	(6,993)	(3,738)
Share of results of associate and joint ventures, net of tax	(2,282)	305
Profit before taxation	212,343	207,798
Taxation	(33,477)	(33,194)
Profit for the year	178,866	174,604
Attributable to:		
Shareholder of the Company	178,789	174,546
Non-controlling interests	77	58
	178,866	174,604

ST ENGINEERING

SECTORAL FINANCIAL REVIEW - ELECTRONICS

BALANCE SHEET

	2017 \$'000	2016 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	233,744	212,030
Associate and joint ventures	54,523	1,565
Investments	9,359	10,114
Intangible assets	333,744	347,989
Long-term trade receivable	1,052	966
Deferred tax assets	20,850	25,889
Derivative financial instruments	163	845
	653,435	599,398
Current assets		
Inventories and work-in-progress	499,125	589,492
Trade receivables	683,941	514,180
Amounts due from related parties	32,426	38,020
Advances and other receivables	75,662	79,149
Bank balances and other liquid funds	295,564	236,180
	1,586,718	1,457,021
TOTAL ASSETS	2,240,153	2,056,419
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers	173,660	204,375
Trade payables and accruals	484,990	474,434
Amounts due to related parties	181,705	101,719
Provisions	66,559	64,347
Progress billings in excess of work-in-progress	467,473	380,396
Provision for taxation	42,358	45,649
	1,416,745	1,270,920
NET CURRENT ASSETS	169,973	186,101
Non-current liabilities		
Advance payments from customers	145,755	148,317
Trade payables and accruals	34,229	34,620
Deferred tax liabilities	7,949	7,700
Employee benefits	876	669
Deferred income	10,842	3,108
Derivative financial instruments	824	-
Amounts due to related parties	314,416	318,603
	514,891	513,017
TOTAL LIABILITIES	1,931,636	1,783,937
NET ASSETS	308,517	272,482
Share capital and reserves	302,410	265,872
Non-controlling interests	6,107	6,610
	308,517	272,482
TOTAL EQUITY AND LIABILITIES	2,240,153	2,056,419

SECTORAL FINANCIAL REVIEW - ELECTRONICS

STATEMENT OF CASH FLOWS

	2017 \$'000	2016 \$'000
Net cash from operating activities	207,822	148,504
Net cash used in investing activities	(136,988)	(77,459)
Proceeds from sale of property, plant and equipment	43	66
Proceeds from disposal of an associate	-	731
Proceeds from disposal of investments	-	253
Dividends from an associate	114	137
Purchase of property, plant and equipment	(59,028)	(65,881)
Investment in a joint venture	(55,013)	-
Purchase of an investment	-	(9)
Acquisition of other intangible assets	(23,104)	(12,756)
Net cash used in financing activities	(7,202)	(106,209)
Repayment of related parties loans	(207,183)	(79,467)
Repayment of loans by a related party	-	17,500
Repayment of loans to a joint venture	(19,607)	(7,000)
Proceeds from related parties loans	194,891	117,719
Proceeds of loans from a joint venture	36,463	2,000
Loans to a related party	-	(17,500)
Dividends paid to shareholder	(5,363)	(133,274)
Dividends paid to non-controlling interests	-	(605)
Interest paid	(6,272)	(5,568)
Deposits pledged	(131)	(14)
Net increase/(decrease) in cash and cash equivalents	63,632	(35,164)
Cash and cash equivalents at beginning of the year	234,952	270,221
Exchange difference on cash and cash equivalents at beginning of the year	(4,379)	(105)
Cash and cash equivalents at end of the year	294,205	234,952

ST ENGINEERING

SECTORAL FINANCIAL REVIEW - ELECTRONICS

FINANCIAL HIGHLIGHTS

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Income Statement					
Revenue	2,138,838	1,910,501	1,743,174	1,614,079	1,682,278
Profit					
EBITDA	254,583	237,382	218,570	212,733	194,652
EBIT	206,773	191,846	178,699	174,371	165,546
PBT	212,343	207,798	190,952	183,968	170,328
Net Profit	178,789	174,546	163,000	152,143	137,119
Balance Sheet					
Property, plant and equipment	233,744	212,030	185,192	179,704	170,244
Intangible and other assets	419,536	388,241	377,131	348,855	315,530
Inventories and work-in-progress	499,125	589,492	528,333	381,322	280,051
Trade receivables, deposits and prepayments	792,184	630,476	499,940	606,661	489,634
Bank balances and other liquid funds	295,564	236,180	271,435	277,528	478,062
Current liabilities	1,416,745	1,270,920	1,114,278	1,086,428	1,081,005
Non-current liabilities	514,891	513,017	523,445	510,536	457,767
Share capital	52,522	52,522	52,522	52,522	52,522
Capital and other reserves	(3,244)	23,432	15,802	(5,135)	(20,609)
Retained earnings	253,132	189,918	148,764	144,460	150,841
Non-controlling interests	6,107	6,610	7,220	5,259	11,995
Financial Indicators					
Earnings per share (cents)	170.20	166.16	155.17	144.84	130.53
Net assets value per share (cents)	287.89	253.10	206.66	182.63	173.98
Return on sales (%)	8.4	9.1	9.4	9.5	8.3
Return on equity (%)	41.2	44.0	46.8	47.1	43.7
Return on total assets (%)	8.0	8.5	8.8	8.5	8.1
Return on capital employed (%)	21.5	23.1	23.7	22.2	23.3
Productivity Data					
Average staff strength (numbers)	6,570	6,568	6,293	5,933	5,678
Revenue per employee (\$)	325,546	290,880	277,002	272,051	296,280
Net profit per employee (\$)	27,213	26,575	25,902	25,644	24,149
Employment costs	632,285	622,933	591,543	536,807	527,360
Employment costs per \$ of revenue (\$)	0.30	0.33	0.34	0.33	0.31
Economic Value Added	144,747	138,891	130,117	118,650	106,127
Economic Value Added Spread (%)	15.3	17.0	17.8	16.6	18.1
Economic Value Added per employee (\$)	22,032	21,147	20,676	19,998	18,691
Value added	905,422	887,570	833,641	764,967	737,285
Value added per employee (\$)	137,812	135,136	132,471	128,934	129,849
Value added per \$ of employment costs (\$)	1.43	1.42	1.41	1.43	1.40
Value added per \$ of gross property, plant and equipment (\$)	1.80	1.95	2.13	2.12	2.23
Value added per \$ of revenue (\$)	0.42	0.46	0.48	0.47	0.44

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

INCOME STATEMENT

	2017 \$'000	2016 \$'000 Restated *
Revenue	1,262,659	1,405,316
Cost of sales	(1,030,876)	(1,164,095)
Gross profit	231,783	241,221
Distribution and selling expenses	(40,177)	(57,193)
Administrative expenses	(86,300)	(102,432)
Other operating expenses	(35,075)	(77,477)
Profit from operations	70,231	4,119
Other income	11,230	26,245
Other expenses	(1,766)	(1,675)
Other income, net	9,464	24,570
Finance income	935	2,372
Finance costs	(6,820)	(7,199)
Finance costs, net	(5,885)	(4,827)
Share of results of associates and joint ventures, net of tax	11,229	14,896
Profit before taxation	85,039	38,758
Taxation	3,677	(21,831)
Profit for the year	88,716	16,927
Attributable to:		
Shareholder of the Company	87,420	25,461
Non-controlling interests	1,296	(8,534)
	88,716	16,927

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative FY2016 figures were restated.

ST ENGINEERING

SECTORAL FINANCIAL REVIEW - LAND SYSTEMS

BALANCE SHEET

	2017 \$'000	2016 \$'000 Restated *
ASSETS		
Non-current assets		
Property, plant and equipment	296,739	298,689
Associates and joint ventures	108,233	126,737
Investments	-	86
Intangible assets	245,371	200,881
Deferred tax assets	12,753	18,246
Amounts due from related parties	5,719	6,180
Derivative financial instruments	12,099	1,780
	680,914	652,599
Current assets		
Inventories and work-in-progress	569,188	547,476
Trade receivables	200,107	256,720
Amounts due from related parties	12,116	11,852
Advances and other receivables	67,861	74,596
Derivative financial instruments	2,857	1,997
Bank balances and other liquid funds	135,700	173,782
	987,829	1,066,423
TOTAL ASSETS	1,668,743	1,719,022
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers	110,970	240,724
Trade payables and accruals	326,726	350,573
Amounts due to related parties	25,849	83,868
Progress billings in excess of work-in-progress	5,501	7,895
Provisions	65,835	100,206
Provision for taxation	20,466	29,585
Borrowings	15,322	11,064
Derivative financial instruments	5,432	12,614
	576,101	836,529
NET CURRENT ASSETS	411,728	229,894
Non-current liabilities		
Advance payments from customers	355,778	250,073
Trade payables and accruals	4,680	499
Amounts due to related parties	319,588	282,490
Borrowings	15	155
Deferred income	34,756	32,054
Deferred tax liabilities	40,744	63,329
Derivative financial instruments	13,071	6,437
	768,632	635,037
TOTAL LIABILITIES	1,344,733	1,471,566
NET ASSETS	324,010	247,456
Share capital and reserves	312,575	236,125
Non-controlling interests	11,435	11,331
	324,010	247,456
TOTAL EQUITY AND LIABILITIES	1,668,743	1,719,022

SECTORAL FINANCIAL REVIEW

- LAND SYSTEMS

STATEMENT OF CASH FLOWS

	2017 \$'000	2016 \$'000 Restated *
Net cash from operating activities	29,023	47,695
Cash flows used in investing activities	(52,010)	(8,899)
Proceeds from sale of property, plant and equipment	80	254
Proceeds from sale of unquoted equity investment	93	3
Proceeds from disposal of a subsidiary	8,324	18,615
Acquisition of subsidiary, net of cash acquired	(50,005)	—
Acquisition of subsidiary under common control	(6,876)	—
Dividends from associates and a joint venture	29,511	9,893
Purchase of property, plant and equipment	(30,416)	(36,092)
Purchase of intangible assets	(2,721)	(1,572)
Cash flows used in financing activities	(12,994)	(67,485)
Interest paid	(3,783)	(6,988)
Repayment of short-term related party loans	(18,208)	(11,952)
Proceeds from short-term related party loans	2,718	581
Repayment of short-term immediate holding company loans	(42,700)	(32,000)
Proceeds from short-term immediate holding company loans	—	15,200
Proceeds from long-term related party loans	56,449	—
Repayment of long-term related party loans	(8,956)	(18,957)
Repayment of short-term loans	(137)	(161)
Proceeds from short-term bank loans	3,161	7,802
Repayment of short-term bank loans	(3,859)	(10,287)
Proceeds from a short-term loan from non-controlling interest	5,152	—
Dividends paid to shareholder	—	(13,500)
Dividends paid to related parties	(679)	—
Dividends paid to non-controlling interests	(1,929)	(2,009)
Acquisition of non-controlling interests in a subsidiary	(223)	(167)
Return of capital to non-controlling interest of a subsidiary	—	(1,178)
Deposits discharged	—	6,131
Net decrease in cash and cash equivalents	(35,981)	(28,689)
Cash and cash equivalents at beginning of the year	173,752	202,080
Exchange difference on cash and cash equivalents at beginning of the year	(2,101)	361
Cash and cash equivalents at end of the year	135,670	173,752

ST ENGINEERING

SECTORAL FINANCIAL REVIEW - LAND SYSTEMS

FINANCIAL HIGHLIGHTS

	2017 \$'000	2016 \$'000 Restated *	2015 \$'000 Restated *	2014 \$'000 Restated *	2013 \$'000 Restated *
Income Statement					
Revenue	1,262,659	1,405,316	1,485,591	1,482,086	1,564,434
Profit					
EBITDA	102,734	44,268	94,768	79,368	122,635
EBIT	70,231	4,119	54,553	40,001	82,171
PBT	85,039	38,758	73,256	57,829	102,979
Net Profit	87,420	25,461	62,618	51,536	84,853
Balance Sheet					
Property, plant and equipment	296,739	298,689	356,472	373,943	332,479
Intangible and other assets	381,313	349,727	362,014	339,596	349,416
Inventories and work-in-progress	569,188	547,476	664,498	677,302	677,059
Trade receivables, deposits and prepayment	285,803	349,348	420,554	554,338	526,886
Bank balances and other liquid funds	135,700	173,782	208,241	292,977	260,014
Current liabilities	576,101	836,529	966,904	988,985	920,924
Non-current liabilities	768,632	635,037	773,858	975,968	902,133
Share capital	194,445	194,445	194,445	194,445	194,445
Capital and other reserves	(4,380)	5,911	14,695	13,739	23,224
Retained earnings	122,510	35,769	20,334	15,640	47,304
Non-controlling interests	11,435	11,331	41,543	49,379	57,824
Financial Indicators					
Earnings per share (cents)	16.62	4.84	11.91	9.80	16.13
Net assets value per share (cents)	59.43	44.89	43.63	42.55	50.38
Return on sales (%)	7.0	1.2	3.9	3.1	5.5
Return on equity (%)	16.5	6.0	16.7	13.9	20.6
Return on total assets (%)	5.3	1.0	2.9	2.1	4.0
Return on capital employed (%)	9.7	3.3	6.9	5.3	10.7
Productivity Data					
Average staff strength (numbers)	4,899	5,801	6,839	7,208	7,467
Revenue per employee (\$)	257,738	242,254	217,223	205,617	209,513
Net profit per employee (\$)	17,844	4,389	9,156	7,150	11,364
Employment costs	363,173	369,438	377,217	365,175	362,675
Employment costs per \$ of revenue (\$)	0.29	0.26	0.25	0.25	0.23
Economic Value Added	27,274	(39,512)	16,760	6,312	53,986
Economic Value Added spread (%)	3.7	(6.0)	0.9	(0.3)	5.5
Economic Value Added per employee (\$)	5,567	(6,811)	2,451	876	7,230
Value added	489,184	512,960	518,512	509,483	532,784
Value added per employee (\$)	99,854	88,426	75,817	70,683	71,352
Value added per \$ of employment costs (\$)	1.35	1.39	1.37	1.40	1.47
Value added per \$ of gross property, plant and equipment (\$)	0.67	0.72	0.71	0.70	0.81
Value added per \$ of revenue (\$)	0.39	0.37	0.35	0.34	0.34

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative FY2013 to FY2016 figures were restated.

SECTORAL FINANCIAL REVIEW

- MARINE

INCOME STATEMENT

	2017 \$'000	2016 \$'000
Revenue	637,531	841,160
Cost of sales	(559,857)	(727,591)
Gross profit	77,674	113,569
Distribution and selling expenses	(18,557)	(8,460)
Administrative expenses	(33,254)	(32,809)
Other operating expenses	(11,068)	(8,724)
Profit from operations	14,795	63,576
Other income	7,122	7,548
Other expenses	(109)	(124)
Other income, net	7,013	7,424
Finance income	2,690	3,866
Finance costs	(3,196)	(596)
Finance (costs)/income, net	(506)	3,270
Share of results of associate and joint ventures, net of tax	1,106	851
Profit before taxation	22,408	75,121
Taxation	4,641	(7,370)
Profit for the year	27,049	67,751
Attributable to:		
Shareholder of the Company	27,049	67,757
Non-controlling interests	-	(6)
	27,049	67,751

ST ENGINEERING

SECTORAL FINANCIAL REVIEW

- MARINE

BALANCE SHEET

	2017 \$'000	2016 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	319,653	315,031
Associate and joint ventures	10,493	8,666
Intangible assets	121	134
Long-term receivables	1,854	1,129
Deferred tax assets	27,002	21,334
Amounts due from related parties	4,806	4,806
Derivative financial instruments	2,400	2,397
	366,329	353,497
Current assets		
Inventories and work-in-progress	179,708	239,936
Trade receivables	140,313	96,598
Amounts due from related parties	147,909	153,011
Advances and other receivables	27,252	50,972
Bank balances and other liquid funds	84,751	81,860
	579,933	622,377
TOTAL ASSETS	946,262	975,874
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers	269,133	286,860
Trade payables and accruals	210,068	242,581
Amounts due to related parties	147,210	61,461
Provisions	46,921	47,042
Progress billings in excess of work-in-progress	33,581	65,811
Provision for taxation	10,562	304
Short-term bank loans	9,359	11,558
	726,834	715,617
NET CURRENT LIABILITIES	(146,901)	(93,240)
Non-current liabilities		
Other long-term payables	19,298	23,409
Deferred income	37,230	41,997
Amounts due to related parties	43,327	26,343
Derivative financial instruments	726	2,107
	100,581	93,856
TOTAL LIABILITIES	827,415	809,473
NET ASSETS	118,847	166,401
Share capital and reserves	118,847	166,375
Non-controlling interests	-	26
	118,847	166,401
TOTAL EQUITY AND LIABILITIES	946,262	975,874

SECTORAL FINANCIAL REVIEW

– MARINE

STATEMENT OF CASH FLOWS

	2017 \$'000	2016 \$'000
Net cash (used in)/from operating activities	(4,351)	51,604
Net cash used in investing activities	(44,336)	(9,794)
Proceeds from disposal of property, plant and equipment	590	27
Purchase of property, plant and equipment	(44,176)	(10,171)
Dividends from a joint venture	1,050	800
Investment in associate and joint venture	(1,800)	(386)
Acquisition of other intangible assets	–	(64)
Net cash from/(used in) financing activities	52,947	(38,588)
Proceeds from short-term bank loans	–	37,097
Repayment of short-term bank loans	(1,396)	(43,856)
Proceeds from related party loans	109,660	52,929
Loans to related parties	(70,000)	(51,000)
Repayment of loans by related parties	95,000	61,000
Dividends paid to shareholder	(77,158)	(94,287)
Interest paid	(3,116)	(471)
Return of capital to non-controlling interests	(43)	–
Net increase in cash and cash equivalents	4,260	3,222
Cash and cash equivalents at beginning of the year	81,860	78,605
Exchange difference on cash and cash equivalents at beginning of the year	(1,369)	33
Cash and cash equivalents at end of the year	84,751	81,860

SECTORAL FINANCIAL REVIEW - MARINE

FINANCIAL HIGHLIGHTS

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Income Statement					
Revenue	637,531	841,160	958,373	1,341,951	1,238,847
Profit					
EBITDA	43,670	91,998	101,404	127,933	152,993
EBIT	14,795	63,576	71,795	100,835	134,479
PBT	22,408	75,121	88,275	122,780	146,310
Net Profit	27,049	67,757	85,725	108,086	109,955
Balance Sheet					
Property, plant and equipment	319,653	315,031	332,533	334,075	324,043
Intangible and other assets	40,016	32,531	30,219	28,776	70,050
Inventories and work-in-progress	179,708	239,936	205,539	110,445	112,178
Trade receivables, deposits and prepayment	322,134	306,516	355,956	416,932	301,487
Bank balances and other liquid funds	84,751	81,860	78,605	224,027	333,058
Current liabilities	726,834	715,617	709,493	856,315	846,639
Non-current liabilities	100,581	93,856	101,234	99,068	103,680
Share capital	50,856	50,856	50,856	50,856	50,856
Capital and other reserves	12,444	9,863	9,051	2,494	28,425
Retained earnings	55,547	105,656	132,186	105,484	111,178
Non-controlling interests	—	26	32	38	38
Financial Indicators					
Earnings per share (cents)	13.83	34.65	43.83	55.27	56.22
Net assets value per share (cents)	60.77	85.07	98.22	81.22	97.39
Return on sales (%)	4.2	8.1	8.9	8.1	8.9
Return on equity (%)	16.7	35.2	39.2	58.4	50.7
Return on total assets (%)	2.9	6.9	8.5	9.7	9.6
Return on capital employed (%)	9.1	25.3	41.3	42.9	63.3
Productivity Data					
Average staff strength (numbers)	1,522	1,690	1,822	1,884	1,871
Revenue per employee (\$)	418,877	497,728	526,001	712,288	662,131
Net profit per employee (\$)	17,772	40,093	47,050	57,370	58,768
Employment costs	139,138	154,490	173,487	180,390	197,545
Employment costs per \$ of revenue (\$)	0.22	0.18	0.18	0.13	0.16
Economic Value Added	9,897	51,113	76,544	93,593	114,848
Economic Value Added spread (%)	3.4	19.7	35.8	37.3	58.2
Economic Value Added per employee (\$)	6,503	30,244	42,011	49,678	61,383
Value added	208,752	264,414	294,698	336,164	366,414
Value added per employee (\$)	137,156	156,458	161,744	178,431	195,839
Value added per \$ of employment costs (\$)	1.50	1.71	1.70	1.86	1.85
Value added per \$ of gross property, plant and equipment (\$)	0.28	0.37	0.41	0.49	0.56
Value added per \$ of revenue (\$)	0.33	0.31	0.31	0.25	0.30

SHAREHOLDING STATISTICS

AS AT 26 FEBRUARY 2018

SHARE CAPITAL

Paid-Up Capital (including treasury shares)	:	S\$895,925,583.405
Number of issued ordinary shares (excluding treasury shares)	:	3,115,797,366
Number of ordinary shares held in treasury	:	6,697,831
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury)	:	0.21%
Class of Shares	:	Ordinary Shares One Special Share held by the Minister for Finance
Voting Rights	:	One vote per share

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 26 February 2018, 48.95% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares (excluding treasury shares)	%
1 --- 99	869	2.29	18,220	0.00
100 --- 1,000	5,162	13.58	4,287,094	0.14
1,001 --- 10,000	25,093	66.00	115,067,597	3.69
10,001 --- 1,000,000	6,858	18.04	260,582,047	8.36
1,000,001 and above	35	0.09	2,735,842,408	87.81
	38,017	100.00	3,115,797,366	100.00

Substantial Shareholder	Number of Shares			%*
	Direct Interest	Deemed Interest	Total Interest	
Temasek Holdings (Private) Limited	1,554,764,574	33,526,878 ⁽¹⁾	1,588,291,452	50.97

Notes:

⁽¹⁾ Includes deemed interests held through subsidiaries and associated companies.

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 26 February 2018, excluding any ordinary shares held in treasury as at that date.

ST ENGINEERING

SHAREHOLDING STATISTICS

AS AT 26 FEBRUARY 2018

MAJOR SHAREHOLDERS LIST – TOP 20

No.	Name	No. of Shares Held	%*
1	Temasek Holdings (Private) Limited	1,554,764,574	49.90
2	Citibank Nominees Singapore Pte Ltd	341,687,931	10.97
3	DBS Nominees (Private) Limited	298,941,945	9.60
4	DBSN Services Pte. Ltd.	157,288,650	5.05
5	HSBC (Singapore) Nominees Pte Ltd	95,086,387	3.05
6	United Overseas Bank Nominees (Private) Limited	85,482,755	2.74
7	BPSS Nominees Singapore (Pte.) Ltd.	46,920,108	1.51
8	Raffles Nominees (Pte.) Limited	36,667,351	1.18
9	Vestal Investments Pte. Ltd.	28,501,000	0.92
10	DB Nominees (Singapore) Pte Ltd	23,068,783	0.74
11	OCBC Nominees Singapore Private Limited	8,164,054	0.26
12	Mrs Lee Li Ming Nee Ong	6,590,000	0.21
13	DBS Vickers Securities (Singapore) Pte Ltd	5,944,547	0.19
14	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,732,837	0.18
15	Philip Securities Pte Ltd	5,647,950	0.18
16	OCBC Securities Private Limited	3,528,023	0.11
17	Tan Pheng Hock	2,995,900	0.10
18	Heng Siew Eng	2,630,000	0.08
19	Merrill Lynch (Singapore) Pte. Ltd.	2,576,587	0.08
20	UOB Kay Hian Private Limited	2,442,110	0.08
		<u>2,714,661,492</u>	<u>87.13</u>

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 26 February 2018, excluding any ordinary shares held in treasury as at that date.

SGX LISTING MANUAL REQUIREMENTS

31 DECEMBER 2017

(CURRENCY – SINGAPORE DOLLARS)

INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX") by the Group are as follows:

	Aggregate value of all transactions excluding transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual		Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	FY2017 \$'000	FY2016 \$'000	FY2017 \$'000	FY2016 \$'000
Transactions for the Sale of Goods and Services				
CapitaLand Limited and its Associates	-	-	-	157
SembCorp Industries Ltd and its Associates	-	-	2,548	5,394
SembCorp Marine Ltd and its Associates	-	-	-	746
SATS Ltd. and its Associates	-	-	857	191
StarHub Ltd and its Associates	-	-	-	5,915
Singapore Airlines Limited and its Associates	-	-	222	1,528
SIA Engineering Company Limited and its Associates	-	-	102	-
Singapore Telecommunications Limited and its Associates	-	-	414	2,693
Temasek Holdings (Private) Limited and its Associates (non-listed)	-	-	23,262	8,040
	-	-	27,405	24,664
Transactions for the Purchase of Goods and Services				
SATS Ltd. and its Associates	-	-	3,353	2,345
SembCorp Industries Ltd and its Associates	-	-	-	260
SembCorp Marine Ltd and its Associates	-	-	-	-
Singapore Airlines Limited and its Associates	-	-	-	-
Singapore Telecommunications Limited and its Associates	-	-	3,268	4,006
StarHub Ltd and its Associates	-	-	1,114	1,700
Mapletree Industrial Trust	-	-	1,068	1,068
Temasek Holdings (Private) Limited and its Associates (non-listed)	55,326	-	9,905	10,190
	55,326	-	18,708	19,569
Total Interested Person Transactions	55,326	-	46,113	44,233

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**END OF CITY OF PENSACOLA UPDATED APPLICATION FOR FUNDS
FOR PENSACOLA INTERNATIONAL AIRPORT MRO AVIATION
CAMPUS**

TERM SHEET
FOR
GRANT AWARD CONTRACT
BETWEEN
TRIUMPH GULF COAST, INC.
AND
CITY OF PENSACOLA

This Term Sheet summarizes the basic terms upon which Triumph Gulf Coast, Inc. ("Triumph") is considering awarding a grant to the City of Pensacola (the "City") under the Triumph Gulf Coast Trust Fund. This Term Sheet is intended for discussion and negotiation purposes only and (a) does not constitute a grant, or an approval of a grant, by Triumph to the City, and (b) does not create any binding obligations on Triumph or the City with respect to (i) any grant, (ii) any approval of a grant, or (iii) engaging in any further discussions or negotiations with respect to a grant. Any binding agreement between Triumph and the City with respect to any grant must be contained in a definitive grant award contract ("Contract"), approved by the Board of Directors of Triumph and by the Pensacola City Council and executed by Triumph and the City. At any time prior to such execution of a Contract, either Triumph or the City may terminate negotiations, and upon such termination, neither party shall have any liabilities or obligations to the other.

GRANT AMOUNT	Fifty Six Million Dollars (\$56,000,000)
PURPOSE:	To provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, "Project Titan") at Pensacola International Airport ("Airport"): • Hangar 2 – 173,000 square feet • Hangar 3 – 191,000 square feet • Hangar 4 – 191,000 square feet • Warehouses/shops/support facilities – 100,000 square feet • Administrative Offices – 120,000 square feet • Aircraft taxiways accessing the hangar aprons • Aircraft aprons at the hangars • Automobile ingress and egress roadways and auto parking All as further described in the City's Updated Application for Funds submitted to Triumph on July 5, 2018.

CONTINGENCIES FOR GRANT APPROVAL	Triumph's approval of the grant is expressly contingent upon the City having by December 31, 2018 cash in hand or firm and enforceable commitments for funding covering the entire planning and construction cost of Project Titan. The estimated total planning and construction cost of Project Titan is \$210,125,000, with the Triumph grant being \$56,000,000, so the City's cash or other funding commitments must total approximately \$154,125,000, of which \$35,000,000 has been committed by MRO Lessee. The City must provide Triumph with evidence satisfactory to Triumph that such funding commitments are in place. In the event cash and funding commitments totaling approximately \$154,125,000 are not in place by December 31, 2018, the grant shall be deemed automatically rescinded and revoked and the Contract shall be deemed automatically terminated. Further, Triumph's obligations under the Contract shall be expressly contingent upon the City and the construction manager at risk ("CMAR") agreeing upon a guaranteed maximum price within the Project Titan budget no later than December 31, 2020. The City must provide Triumph with evidence satisfactory to Triumph that such guaranteed maximum price is in place. In the event that such guaranteed maximum price is not in place by December 31, 2020, the grant shall be deemed automatically rescinded and revoked and the Contract shall be deemed automatically terminated.
DISBURSEMENTS	Subject to the satisfaction of the contingencies set forth below, the full amount of the grant (\$56,000,000) shall be available for disbursement as of the date of execution of the grant agreement out of uncommitted funds currently held by Triumph. The grant will be drawn down periodically in accordance with the requirements under "FUNDING MECHANISM" below. It is anticipated that the grant funds will be drawn down generally pursuant to the projected funding schedule attached hereto. All disbursements shall be contingent upon (i) cash and/or funding from all other sources for Project Titan continuing to be in hand or fully committed as described in "CONTINGENCIES FOR GRANT APPROVAL" above, and (ii) satisfaction of the other funding contingencies under "FUNDING MECHANISM" below.

	The City acknowledges that grant funds are not and shall not be deemed a general obligation of the State of Florida, nor are the grant funds backed by the full faith and credit of the State of Florida.
FUNDING MECHANISM	Prior to the initial disbursement of any grant funds, all applicable permits, development orders, concurrency certificates, and other governmental approvals ("Permits") necessary for the construction of Hangar 3 shall have been obtained; prior to disbursement of grant funds in excess of \$20,000,000, all Permits necessary for the construction of Hangar 4 shall have been obtained; and prior to any subsequent disbursement of any grant funds, such Permits shall remain in full force and effect. The grant funds shall be used only to pay the amounts due and owing from time to time by the City to the Construction Manager at Risk ("CMAR") under and in accordance with the CMAR contract for Project Titan. At the end of each month, the City shall submit documentation to Triumph documenting the extent of completion of each eligible element of Project Titan and the cost of each eligible element of Project Titan incurred to that point. The City shall also submit an application for reimbursement ("Application for Reimbursement") for a portion of the costs of Project Titan incurred to that point; provided that at any point in time prior to the completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed thirty-five percent (35%) of the total cumulative amount disbursed by all funding sources including Triumph; and provided further that upon completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed 27% of the total cumulative amount disbursed by all funding sources including Triumph (i.e., \$56,000,000 / \$210,125,000). The current anticipated funding schedule is attached hereto. Documentation and invoices shall be submitted in detail sufficient for a proper pre-audit and post-audit thereof, based on deliverables as established by the Contract. Within forty-five (45) days of receipt of an Application for Reimbursement, Triumph shall either approve or disapprove of the Application for Reimbursement in a written notice to the City. If Triumph approves the Application for Reimbursement, then it shall disburse the approved amount to the City within thirty (30) days after delivery of the notice of approval. If Triumph disapproves the Application for Reimbursement, Triumph shall state in the notice of disapproval the reasons for such disapproval. The City shall have thirty (30) days to address the reasons for disapproval and submit documentation for reconsideration of the Application for Reimbursement. Triumph will honor requests for reimbursement to the City;

	however, Triumph may elect by notice in writing not to make a payment if: (a) Missing or incomplete documentation; (b) The Application for Reimbursement seeks reimbursement for an amount in excess of the amount permitted by the 35% and 26.65% limitations set forth above; (c) The amount requested for disbursement under the Application for Reimbursement, together with all amounts previously disbursed under the Grant, would exceed the \$56,000,000.00 maximum amount of the Grant; (d) The City made a misrepresentation of a material nature in its application, or any supplement or amendment to its application, or with respect to any document or data furnished to Triumph; (e) There is any pending litigation with respect to the performance by the City of its duties or obligations which may materially jeopardize or adversely affect Project Titan, the Contract, or the disbursement of the grant; (f) The City shall have taken any action pertaining to Project Titan which requires the approval of Triumph, and the City has failed to obtain such approval; (g) There has been any material violation of the prohibited interests (conflicts of interest) provisions of the Contract; (h) The City is in material violation, default, or breach of or under any provision of the Contract; (i) The City is in breach of any material representation or warranty contained in the Contract; (j) Any federal, state or local agency or municipality (including the City and Escambia County), or VT Mobile Aerospace Engineering, Inc. ("MRO Lessee") providing financial assistance to Project Titan as stated in the Contract has revoked, suspended or terminated that financial assistance to Project Titan, including but not limited to the City's matching amount stated in the Contract and MRO Lessee's \$35,000,000 funding commitment; (k) The City has abandoned or, before completion, discontinued Project Titan, or for any reason (other than force majeure as defined in the Contract) the commencement, prosecution or timely completion of Project Titan will be rendered improbable, infeasible, impossible, or illegal; (l) All or any portion of the requested reimbursement includes costs that are not shown or contemplated under the budget attached to the Contract; or (m) The CMAR contract has been materially modified, amended, or terminated without the prior consent or approval of Triumph. Upon completion of elements of Project Titan that have been funded in whole or in part by Triumph grant funds, the City shall send
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	Triumph a notice certifying that elements of Project Titan have been completed in accordance with the plans and specifications. Within thirty (30) days after receipt of certification of completion, Triumph and/or its agents, engineers, and consultants shall have the right to inspect the Project Titan elements to determine if they were in fact completed in accordance with the plans and specifications. If so, Triumph shall disburse final payment of the grant to the City within thirty (30) days of such determination; if not, no grant funds shall be disbursed unless and until the City promptly corrects any deficiencies and Triumph thereafter determines that it was finally completed in accordance with the plans and specifications. In connection with its inspection of the Project, the City shall make available to Triumph copies of any and all invoices, contracts, plans and specifications, and other documentation relating to the construction and completion of the Project.
ELIGIBLE COSTS/ DOCUMENTATION	The City shall seek reimbursement only for costs of Project Titan construction as shown or contemplated under the budget attached to the Contract. All amounts paid by the City with respect to Project Titan shall be supported by properly executed payrolls, time records, invoices, contracts, or vouchers evidencing in proper detail for the nature and propriety of the charges. Any check or order drawn by the City with respect to any item which is or will be chargeable against the Project Titan account will be drawn only in accordance with a properly signed voucher then on file in the office of the City stating in proper detail the purpose for which such check or order is drawn. All checks, payrolls, invoices, contracts, vouchers, orders, or other accounting documents pertaining in whole or in part to Project Titan shall be clearly identified, readily accessible, and, to the extent feasible, kept separate and apart from all other such documents.
MAINTENANCE OF RECORDS:	Records of costs incurred shall be maintained in the Project Titan account and made available upon request to Triumph at all times during the period of the Contract and for five (5) years after final grant payment is made. Copies of these documents and records shall be furnished to Triumph upon request. Records of costs incurred include the City's general accounting records and the Project Titan records, together with supporting documents and records, of the City and all sub-consultants performing work on Project Titan and all other records of the City and sub-consultants considered necessary by Triumph for a proper audit of costs. If any litigation, claim, or audit is started before the expiration of the five (5) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.
AUDITS:	Triumph, the Chief Financial Officer of the State of Florida, the Auditor General of the State of Florida, the Florida Office of

	Program Policy Analysis and Government Accountability or representatives of the federal government and their duly authorized representatives shall have access to any of the City's books, documents, papers, and records, including electronic storage media, as they may relate to Project Titan, for the purposes of conducting audits or examinations or making excerpts or transcriptions.
TERMINATION OR SUSPENSION OF PROJECT:	If the City abandons or, before completion, finally discontinues Project Titan; or for any other reason (other than force majeure as defined in the Contract), the commencement, prosecution, or timely completion of Project Titan by the City is rendered improbable, infeasible, impossible, or illegal, Triumph will, by written notice to the City, suspend any or all of its obligations under the Contract until such time as the event or condition resulting in such suspension has ceased or been corrected, or Triumph may terminate any or all of its obligations under the Contract. Upon receipt of any final termination or suspension notice, the City shall proceed promptly to carry out the actions required in such notice, which may include any or all of the following: (1) necessary action to terminate or suspend, as the case may be, Project Titan activities and contracts and such other action as may be required or desirable to keep to the minimum the costs upon the basis of which the grant is to be computed; (2) furnish a statement of Project Titan activities and contracts, and other undertakings the cost of which are otherwise includable as Project Titan costs; and, (3) remit to Triumph such portion of the grant and any advance payment previously received as is determined by Triumph to be due under the provisions of the Contract.
APPROVAL OF CONTRACTS/COMPLIANCE WITH LAWS:	The City shall comply with all applicable laws regarding third party contracts, labor laws, civil rights laws, and other matters as set forth in any existing Joint Participation Agreement ("JPA") related to Project Titan between the City and FDOT. The Parties hereto agree that Triumph funds will be used for the construction of facilities. The City intends to use the Construction Manager at Risk (CMAR) with a guaranteed maximum price method of project delivery. Triumph shall have the right to review and approve the CMAR contracts that will be paid for, in whole or part, with Triumph funds, and any material amendments thereto. Triumph's agrees that its approvals shall not be unreasonably delayed, conditioned, or withheld. Triumph shall have fifteen (15) days from receipt thereof to approve or disapprove such CMAR contracts and any material amendments thereto; Triumph's failure to approve or disapprove within said fifteen (15) days shall be deemed approval.
INSURANCE:	At all times during the term of the Contract, the City shall maintain or cause to be maintained casualty insurance on all improvements, the cost of which was, in whole or in part, reimbursed using Triumph grant

	funds, to the extent such improvements can in fact be insured. Prior to the Date of Beneficial Occupancy, the CMAR will maintain builder's risk insurance on the improvements. From the Date of Beneficial Occupancy, the MRO Lease will require the MRO Lessee to maintain casualty insurance on the improvements.
CLAWBACK:	Clawback from City Any grant funds disbursed by Triumph to the City shall be subject to being clawed back (a "clawback") if the City shall (i) have made any misrepresentation of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to the Contract, (ii) have breached a material representation or warranty made in the Contract, or (iii) have materially breached, violated, or is in any way in material default under any of its obligations under the Contract. If a substantial portion of Project Titan is not constructed, all grant funds disbursed by Triumph to the City shall be subject to repayment to Triumph. Clawback from MRO Lessee Prior to the initiation of Project Titan, the City will lease Project Titan ("MRO Lease") to MRO Lessee. The Contract will provide that the MRO Lease and the MRO Guaranty (as defined below) will each contain a clawback provision that provides for the following: (a) In order for the City to remain qualified for the Grant authorized in the Contract and for MRO Lessee to avoid imposition of sanctions as further set forth below, the MRO Lessee must meet the conditions below: (1) (A) Tier 1 Jobs: Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), creation of at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) in Escambia County and maintenance of each of those jobs for at least three (3) years from the date of their creation. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. In order for a Project Job under this paragraph (A) to have been created and maintained for three 3 years in accordance with the terms of this Agreement, it must have been created no later than three (3) years after the Date of Beneficial Occupancy of Hangar 4 of Project Titan, and maintained for at least three years after creation.

	Such period is herein referred to as the "Job Maintenance Review Period for Tier 1 Jobs." (B) Tier 2 Jobs: Creation of at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs in Escambia County and maintenance of each of those jobs during any three (3) years (which three years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending four (4) years thereafter. Such period is herein referred to as the "Job Maintenance Review Period for Tier 2 Jobs." The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs which are in excess of a base of nine hundred ninety four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B). (C) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (a)(1) (A) and (a)(1)(B) above, the jobs creation requirements of the Contract shall be considered satisfied and the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred. As a start-up project, the Project will not have a "Base Period" for the calculation of Project Jobs. No Project Jobs may be transferred by the MRO Lessee from other parts of the State of Florida in fulfillment the jobs creation requirements described herein. (2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of the Contract. <i>Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for "maintaining" or "maintenance" of Project Jobs hereunder.</i>
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(3) The "Grant Performance Completion Date" shall be the later of (a) the date on which the entirety of the Grant Award has been disbursed as described herein; or (b) the date on which the MRO Lessee shall have established as required herein that it has satisfied each requirement of this Paragraph (a).

(b) This Agreement may be terminated by Triumph upon failure of the MRO Lessee to comply with any material term or condition of the Contract to be performed or complied with by the MRO Lessee that has not been cured within thirty (30) days of MRO Lessee's receipt of written notice of default from Triumph, or a decision by the MRO Lessee not to proceed with the Project Titan. Notwithstanding the foregoing, the Triumph agrees to use its best efforts to accommodate MRO Lessee by extending the cure period for an appropriate period of time should such default arise beyond the reasonable control of the MRO Lessee, provided that the MRO Lessee is making diligent efforts to cure the default.

(c) Any termination under Paragraph (b) will result in the loss of eligibility for receipt of the Grant payments previously authorized. In addition, the MRO Lessee will be required to repay an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. MRO Lessee will be given credit against its repayment obligations in the amount of \$42,264.15 [$\$56,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of the Contract and for any repayments that have been previously required.

(d) For any year during the Job Maintenance Review Period for Tier 1 Jobs that the average number of Project Jobs falls below 795 [80% of 994; 994 being 75% of 1,325], then the MRO Lessee shall repay an amount equal to one-fifth (1/5) of the Grant, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date noncompliance is established until the applicable portion of the Grant is repaid.

(e)(1) For any year during the Job Maintenance Review Period for Tier 1 Jobs, that the average number of Project Jobs is between 795 and 993, then the MRO Lessee shall repay an amount calculated based on the following formula: the difference between 994 and the average number of Project Jobs for the applicable year multiplied by \$42,264.15, together with interest thereon at a rate per annum determined as set forth in Paragraph (h)

	below from the date noncompliance is established until the applicable portion of the Grant is repaid. (e)(2) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs the MRO Lessee has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs in accordance with Paragraph (a)(1)(B) above during at least three years during the Job Maintenance Review Period for Tier 2 (which three years need not be consecutive), then the MRO Lessee shall repay an amount calculated based on the following formula: the number of Project Jobs by which the MRO Lessee failed to comply with Paragraph (a)(1)(B) multiplied by \$42,264.15. (f) If during the Job Maintenance Review Period for Tier 1 Jobs the MRO Lessee fails to achieve the creation and maintenance of 994 Project Jobs, then the MRO Lessee will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "Compliance Plan"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event MRO Lessee fails to comply with the benchmarks in the Compliance Plan within one (1) year of its institution, the Contract may be terminated by Triumph and the MRO Lessee shall be required to repay the Grant as described in Paragraph (b) above. (g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then the MRO Lessee shall be required to repay the Grant as described in Paragraph (c) above. (h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by the MRO Lessee. This rate is published online at http://fltreaury.org. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period the MRO Lessee, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies. (i) The amount of any payment made by the MRO Lessee pursuant to Paragraph (d) and (e) shall be reduced by the amount, if any, of any prior recapture payments made by the
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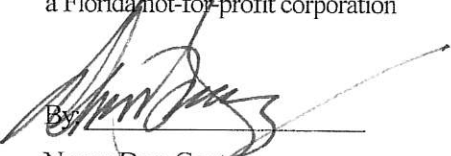
	MRO Lessee in prior years. The amount required to be repaid pursuant to this Paragraph shall never exceed the value of the total Grant award plus interest as determined in Paragraph (h) above. (j) Any required undisputed repayment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph. (k) Triumph, or its designated agent, may conduct on site visits of the Project facilities to verify the MRO Lessee's investment, employment and wage records and MRO Lessee will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide the MRO Lessee notice of at least ten (10) business days before an impending on-site visit. All payments under this provision will be made by the MRO Lessee directly to Triumph. The MRO Lessee will be solely liable to Triumph for all such clawback payments. Such liability shall be established pursuant to a written guaranty agreement by MRO Lessee in favor of Triumph (the "MRO Guaranty") in form and substance satisfactory to Triumph and executed concurrently with the execution of the Contract. With regard to the clawback provision in the MRO Lease, Triumph will be designated a Third-Party Beneficiary to the MRO Lease with rights thereunder and may enforce the clawback provisions therein as if it were a party to the MRO Lease. If and to the extent City may lawfully do so, the City shall (i) bear fifty percent (50%) of the cost of Triumph's attorneys fees and costs incurred in connection with any enforcement actions of the clawback provision against MRO Lessee; and (ii) cooperate in all reasonable respects with Triumph's efforts to enforce the clawbacks, and/or the Contract shall provide that the City shall enforce the clawback provisions in the MRO Lease against the MRO Lessee and that any recovery shall be applied to the amounts owed Triumph under the clawback provisions. The parties agree that the Contract shall include more detailed provisions regarding the terms and conditions of the City's obligations under this paragraph. If during the Measurement Period there occurs (i) a United States recession as determined by the National Bureau of Economic Research (NBER) or (ii) significant damage to Facilities (more than fifty (50%) destroyed) due to one or more Force Majeure events that materially and adversely affect the MRO Lessee's business and its ability to comply with the Minimum Jobs Level, the MRO Lessee may exercise a one-time election to extend the Measurement Period by twenty four months without repayment penalty. Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics
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	were not achieved due to negative economic conditions beyond the City's control, including but not limited to MRO Lessee's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that the City's MRO Lessee made a good faith effort to achieve full performance metrics and its failure to fully achieve the metrics does not substantially frustrate the general purpose of the grant, or (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected the City's MRO Lessee's ability to achieve the metrics.
TRAINING OF QUALIFIED WORKFORCE	As soon as practicable after execution of the Contract, Triumph and MRO Lessee will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the aerospace and aviation industry in Northwest Florida. Such an academy may be operated by a public school district, institution of higher education, charter school, or other qualified provider eligible to apply for funding from Triumph.
ASSIGNMENT OF CONTRACT	Upon the corporate dissolution of Triumph, Triumph shall have the right to assign its right and obligations under the Contract to any person or entity.
OTHER TERMS AND CONDITIONS:	The Contract shall contain such other terms and conditions as required by Triumph and its counsel.

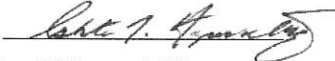
By signing below, the parties are indicating a willingness to proceed with having a draft grant award Contract prepared on substantially the terms set forth herein. However, as indicated above, this Term Sheet is merely intended for discussion and negotiation purposes only and (a) does not constitute a grant, or an approval of a grant, by Triumph to the City, and (b) does not create any binding obligations on Triumph or the City with respect to (i) any grant, (ii) any approval of a grant, or (iii) engaging in any further discussions or negotiations with respect to a grant. Any binding agreement between Triumph and the City with respect to any grant must be contained in a definitive grant award Contract, approved by the Board of Directors of Triumph and by the Pensacola City Council and executed by Triumph and the City. At any time prior to such execution of a Contract either Triumph or the City may terminate negotiations, and upon such termination neither party shall have any liabilities or obligations to the other.

Dated: 10/23, 2018

Triumph Gulf Coast, Inc.
a Florida not-for-profit corporation

By: 
Name: Don Gaetz
Title: Chairman

City of Pensacola
a Florida municipal corporation

By: 
Ashton J. Hayward, III
Mayor

Project Element	Project Year Cashflow Schedule															
	2019				2020				2021				2022			
Quarterly Billing	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Hanger 2																
Total Project Cost																
Plan/Specialization & Soft Costs	\$ 7,350,000	\$ 1,838,000	\$ 1,837,000	\$ 1,837,000	\$ 1,837,000	\$ -	\$ 6,942,000	\$ 6,940,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 41,650,000	-	-	-	-	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,940,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 48,000,000	\$ 1,838,000	\$ 1,838,000	\$ 1,838,000	\$ 1,838,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,940,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hanger 3																
Total Project Cost																
Plan/Specialization & Soft Costs	\$ 8,250,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 48,750,000	-	-	-	-	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ -	\$ -	\$ -
Construction Costs	\$ 53,000,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ -	\$ -	\$ -
Warehouse																
Total Project Cost																
Plan/Specialization & Soft Costs	\$ 2,950,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 15,150,000	-	-	-	-	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000
Construction Costs	\$ 19,000,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000
Hanger 4																
Total Project Cost																
Plan/Specialization & Soft Costs	\$ 8,250,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 48,750,000	-	-	-	-	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ 6,679,000	\$ 6,678,000	\$ 6,678,000
Construction Costs	\$ 55,000,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 6,678,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,678,000	\$ 6,679,000	\$ 6,678,000	\$ 6,678,000
Office Bld																
Total Project Cost																
Plan/Specialization & Soft Costs	\$ 4,900,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ 27,200,000	-	-	-	-	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000
Construction Costs	\$ 32,200,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000	\$ 5,440,000
Construction Costs	\$ 210,000,000	\$ 8,666,000	\$ 8,666,000	\$ 13,609,000	\$ 13,609,000	\$ 19,451,000	\$ 18,951,000	\$ 22,530,000	\$ 28,968,000	\$ 22,328,000	\$ 22,028,000	\$ 18,795,000	\$ 12,118,000	\$ 6,676,000	\$ 6,676,000	\$ 6,676,000
Percent of Total Project	100.00%	3.18%	3.19%	6.48%	5.49%	7.59%	6.02%	11.20%	13.79%	10.49%	8.95%	3.18%	3.18%	3.18%	3.18%	3.18%

	2019		2020		2021		2022	
	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Harapan No. 2 Plans and Specification Construction								
Tersebutlah ke Harapan 3.4. Environmental Assessment Plans and Specification								
Harapan No. 4 Construction								
Harapan No. 4 Construction Manufacturing and Shop Construction Offices Construction								

Source of funds	Construction Budget	Projected Application of Funds										Construction Spend
177 MAE	\$ 35,000,000	\$ 3,334,000	\$ 3,334,000	\$ 2,283,000	\$ 2,283,000	\$ 1,865,000	\$ 6,801,000	\$ 4,681,000	\$ -	\$ -	\$ -	\$ 35,000,000
- Legislature	3,000,000	-	1,000,000	800,000	-	-	-	-	-	-	-	3,000,000
- Governors Jet Growth	24,000,000	-	3,168,000	2,000,000	-	-	5,000,000	5,000,000	10,000,000	-	-	24,000,000
- DOT - Grant	50,000,000	-	-	3,298,000	-	9,000,000	6,000,000	6,000,000	6,000,000	-	-	50,000,000
- City/County	20,000,000	3,334,000	3,334,000	2,292,000	2,292,000	1,865,000	1,802,000	1,802,000	-	9,000,000	-	20,000,000
- Federal EDA	17,000,000	-	2,833,000	2,833,000	2,833,000	2,833,000	2,833,000	-	-	-	-	17,000,000
- Funding Shortfall	5,000,000	-	-	-	-	-	-	1,000,000	-	-	-	5,000,000
- Unmanned Aerial Vehicle	15,000,000	8,868,000	8,868,000	13,899,000	13,899,000	5,088,000	6,833,000	5,437,000	1,000,000	1,000,000	1,000,000	56,000,000
- Other	210,000,000	-	-	18,451,000	18,451,000	16,851,000	28,969,000	22,028,000	9,795,000	4,415,000	9,676,000	210,000,000
- Total	334,000,000	8,868,000	28,968,000	38,083,000	38,083,000	38,083,000	126,388,000	172,413,000	19,785,000	12,119,000	6,676,000	334,000,000
- Cumulative	334,000,000	8,868,000	28,968,000	38,083,000	38,083,000	38,083,000	126,388,000	172,413,000	19,785,000	12,119,000	6,676,000	334,000,000
- Trumpet Cumulative	210,000,000	-	-	-	-	8,033,000	17,121,000	31,063,000	35,111,000	49,956,000	50,324,000	210,000,000
- Trumpet Cumulative	210,000,000	-	-	-	-	8,033,000	17,121,000	31,063,000	35,111,000	49,956,000	50,324,000	210,000,000
- Trumpet Funding Percentage Project Cost		0.00%	0.00%	0.00%	0.00%	14.66%	19.32%	20.05%	20.67%	24.01%	24.75%	25.67%

TERM SHEET
FOR
CLAWBACK GUARANTY AGREEMENT
BETWEEN
TRIUMPH GULF COAST, INC.
AND
VT MOBILE AEROSPACE ENGINEERING, INC.

This Term Sheet summarizes the basic terms upon which VT Mobile Aerospace Engineering, Inc. ("VT") would agree to guaranty certain "clawback" obligations related to a proposed \$56,000,000 grant award (the "Grant") by Triumph Gulf Coast, Inc. ("Triumph") to the City of Pensacola (the "City") under the Triumph Gulf Coast Trust Fund. This Term Sheet is intended for discussion and negotiation purposes only and does not create any binding obligations on Triumph or VT with respect to (i) any guaranty, or (ii) engaging in any further discussions or negotiations with respect to a guaranty. Any binding agreement between Triumph and VT with respect to any guaranty must be contained in a definitive written guaranty agreement ("Guaranty"), approved by the Board of Directors of Triumph and by VT and executed by Triumph and VT. At any time prior to such execution of a Guaranty, either Triumph or VT may terminate negotiations, and upon such termination, neither party shall have any liabilities or obligations to the other.

PROJECT AND GRANT:	The proposed Grant to the City is to provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, "Project Titan") at Pensacola International Airport: • Hangar 2 – 173,000 square feet • Hangar 3 – 191,000 square feet • Hangar 4 – 191,000 square feet • Warehouses/shops/support facilities – 100,000 square feet • Administrative Offices – 120,000 square feet • Aircraft taxiways accessing the hangar aprons • Aircraft aprons at the hangars • Automobile ingress and egress roadways and auto parking
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CLAWBACK:

The Guaranty will contain a clawback provision that provides for the following:

(a) In order for VT to avoid imposition of clawbacks as further set forth below, VT must meet the conditions below:

(1) (A) Tier 1 Jobs: Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), creation of at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 hours per year) in Escambia County and maintenance of each of those jobs for at least three (3) years from the date of their creation. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. In order for a Project Job under this paragraph (A) to have been created and maintained for three 3 years, it must have been created no later than three (3) years after the Date of Beneficial Occupancy of Hangar 4 of Project Titan, and maintained for at least three years after creation. Such period is herein referred to as the "Job Maintenance Review Period for Tier 1 Jobs."

(B) Tier 2 Jobs: Creation of at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs in Escambia County and maintenance of each of those jobs during any three (3) years (which three years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending four (4) years thereafter. Such period is herein referred to as the "Job Maintenance Review Period for Tier 2 Jobs." The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs

	which are in excess of a base of nine hundred ninety four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B). (C) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (a)(1) (A) and (a)(1)(B) above, the jobs creation requirements of the Contract shall be considered satisfied and the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred. As a start-up project, the Project will not have a "Base Period" for the calculation of Project Jobs. No Project Jobs may be transferred by VT from other parts of the State of Florida in fulfillment the jobs creation requirements described herein. (2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of the Contract. <i>Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for "maintaining" or "maintenance" of Project Jobs hereunder.</i> (3) The "Grant Performance Completion Date" shall be the later of (a) the date on which the entirety of the Grant has been disbursed as described herein; or (b) the date on which VT shall have established as required herein that it has satisfied each requirement of this Paragraph (a). (b) [Intentionally Omitted] (c) Upon VT's failure to timely satisfy the foregoing performance metrics in paragraph (a) above, VT will be required to repay to Triumph an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. VT will be given credit against its repayment obligations in the amount of \$42,264.15 [$\\$56,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of the Contract and for any repayments that have been previously required. (d) For any year during the Job Maintenance Review Period for Tier 1 Jobs that the average number of Project Jobs falls below 795 [80% of 994; 994 being 75% of 1,325], then VT shall repay an amount equal to one-fifth (1/5) of the Grant, together with interest thereon at a rate per annum determined as set forth in
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	Paragraph (h) below from the date noncompliance is established until the applicable portion of the Grant is repaid. (e)(1) For any year during the Job Maintenance Review Period for Tier 1 Jobs, that the average number of Project Jobs is between 795 and 993, then VT shall repay an amount calculated based on the following formula: the difference between 994 and the average number of Project Jobs for the applicable year multiplied by \$42,264.15, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date noncompliance is established until the applicable portion of the Grant is repaid. (e)(2) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs VT has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs in accordance with Paragraph (a)(1)(B) above during at least three years during the Job Maintenance Review Period for Tier 2 (which three years need not be consecutive), then VT shall repay an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (a)(1)(B) multiplied by \$42,264.15. (f) If during the Job Maintenance Review Period for Tier 1 Jobs VT fails to achieve the creation and maintenance of 994 Project Jobs, then VT will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "Compliance Plan"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event VT fails to comply with the benchmarks in the Compliance Plan within one (1) year of its institution, VT shall be required to repay the Grant as described in Paragraph (c) above. (g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then VT shall be required to repay the Grant as described in Paragraph (c) above. (h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by VT. This rate is published online at
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	http://fttreasury.org. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period VT, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies. (i) The amount of any payment made by VT pursuant to Paragraph (d) and (e) shall be reduced by the amount, if any, of any prior recapture payments made by VT in prior years. The amount required to be repaid pursuant to this Paragraph shall never exceed the value of the total Grant plus interest as determined in Paragraph (h) above. (j) Any required undisputed repayment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph. (k) Triumph, or its designated agent, may conduct on site visits of the Project facilities to verify VT's investment, employment and wage records and VT will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide VT notice of at least ten (10) business days before an impending on-site visit. All payments under this provision will be made by VT directly to Triumph. If during the Measurement Period there occurs (i) a United States recession as determined by the National Bureau of Economic Research (NBER) or (ii) significant damage to Facilities (more than fifty (50%) destroyed) due to one or more Force Majeure events that materially and adversely affect VT's business and its ability to comply with the Minimum Jobs Level, VT may exercise a one-time election to extend the Measurement Period by twenty four months without repayment penalty. Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics were not achieved due to negative economic conditions beyond the City's control, including but not limited to VT's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that the City and VT made a good faith effort to achieve full performance metrics and its failure
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	to fully achieve the metrics does not substantially frustrate the general purpose of the Grant, or (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected the City's and/or VT's ability to achieve the metrics.
TRAINING OF QUALIFIED WORKFORCE	As soon as practicable following the execution of the grant agreement with the City, Triumph and VT will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the aerospace and aviation industry in Northwest Florida. Such an academy may be operated by a public school district, institution of higher education, charter school, or other qualified provider eligible to apply for funding from Triumph.
ASSIGNMENT OF GUARANTY	Upon the corporate dissolution of Triumph, Triumph shall have the right to assign its rights and obligations under the Guaranty to any person or entity.
ATTORNEYS FEES	The Guaranty shall have a prevailing party attorneys' fees clause.
OTHER TERMS AND CONDITIONS:	The Guaranty shall contain such other terms and conditions as required by Triumph and VT and their respective counsel.

By signing below, the parties are indicating a willingness to proceed with having a draft Guaranty prepared on substantially the terms set forth herein. However, as indicated above, this Term Sheet is merely intended for discussion and negotiation purposes only and does not create any binding obligations on Triumph or VT with respect to (i) any guaranty, or (ii) engaging in any further discussions or negotiations with respect to a guaranty. Any binding agreement between Triumph and VT with respect to any guaranty must be contained in a definitive written Guaranty agreement approved by the Board of Directors of Triumph and by VT and executed by Triumph and VT. At any time prior to such execution of a Guaranty, either Triumph or VT may terminate negotiations, and upon such termination, neither party shall have any liabilities or obligations to the other.

Dated: October 30, 2018

Triumph Gulf Coast, Inc.
a Florida not-for-profit
corporation

By: 
Name: Don Gaetz
Title: Chairman

VT Mobile Aerospace Engineering, Inc.

By: _____
Name: _____
Title: _____

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Dated: October____, 2018

Triumph Gulf Coast, Inc.
a Florida not-for-profit
corporation

By:

Name: Don Gaetz

Title: Chairman

VT Mobile Aerospace Engineering, Inc.

By:

Name: Stephen Lim

Title: Executive Director

GROVER C. ROBINSON, IV
MAYOR

MEMORANDUM

TO: Triumph Gulf Coast, Inc. Board of Directors

FROM: Grover C. Robinson, IV, Mayor



DATE: February 1, 2019

RE: Triumph Gulf Coast, Inc. - Board Meeting
February 8, 2019 9:30 AM
Panama City, Florida

Background

In its meeting on July 18, 2018, the Triumph Gulf Coast, Inc. Board of Directors (Triumph) approved a \$56 million grant award to the City of Pensacola (City) for the expansion of a Maintenance, Repair and Overhaul (MRO) Aviation campus (Project Titan) at Pensacola International Airport, contingent upon all other funding being secured by December 31, 2018. On October 23, 2018 Triumph approved a term sheet with the City, and both parties are currently working toward the finalization of a Grant Agreement consistent with the Term Sheet. Separately, Triumph has completed a Term Sheet and is working toward finalization of a Performance Agreement with VT Mobile Aerospace Engineering, Inc. (now branded as ST Engineering and hereinafter referred to as ST). In the interim, the City has been working diligently to secure all of the funding required for Project Titan and has made significant progress in securing grant funding from multiple parties, as detailed in **Funding Status** below. On December 7, 2018, Triumph extended the funding commitment deadline to March 31, 2019.

The following information is being submitted by the City to Triumph in support of City's request for an additional grant award of \$12.5 million, bringing the total grant award amount from Triumph to \$68.5 million. With this additional grant award from Triumph, City believes it will have secured, received firm commitments or have otherwise planned for 100% of the funding necessary to proceed with the development of Project Titan. Accordingly, City also requests that the March 31 grant contingency deadline regarding other financial commitments be removed, thereby providing assurance to ST and City that all funds are substantially committed in order to timely commence Project Titan.

Current Status of MRO Aviation Campus at Pensacola International Airport

On October 27, 2018, the City of Pensacola and ST entered into a binding MOU to enter into a Development Agreement for the construction of Project Titan at Pensacola International Airport, contingent upon the commitment of funding needed for the project.

Overall, the MRO Aviation Campus is a \$335 million development owned by the City, and Project Titan represents \$210 million of City owned infrastructure, which includes three MRO Aviation Hangars, an Administrative Office building and Warehouse/Shops and support facilities, along with supporting aprons, roadways, taxiways, and related site development. Upon completion of Project Titan, ST is committed to create 1,325 new direct jobs in the aviation/aerospace industry sector with an average annual wage of at least \$45,394. In addition to average compensation, ST provides an attractive benefits package to its employees. Further, ST will contribute \$35 million cash to Project Titan, will agree to pay rent of approximately \$1 million per year to City under a triple net Master ground lease and will, under the Master lease, the Triumph and other grant agreements, be subject to claw back provisions if their jobs commitment is not met.

City and ST have been in ongoing negotiations regarding the Development Agreement and Master Lease for Project Titan. Furthermore, both parties have commenced planning and development activities for Hangar 2 (part of Project Titan), again contingent upon obtaining full funding. However, Project Titan is now at a critical moment for two reasons. We have been told by ST leadership that by February 14, ST must be able to make a corporate decision about either proceeding with Project Titan in Pensacola or seeking an alternative to their business plans elsewhere. As they are the global leader in providing MRO services and the MRO business is a highly desirable sector in the Aviation/Aerospace industry, the competition from other cities is both abundant and intense. Second, the Triumph grant award commitment has a deadline of March 31, therefore it is essential to resolve all funding issues immediately.

Funding Status

As previously noted, the City has been diligent and tireless in its efforts to acquire funding for Project Titan. The Triumph board will recall that at the time of City's initial application, City had already identified a funding shortfall of \$10.125 million which it needed and planned to resolve (See Triumph application page 53). This shortfall was based on City's best estimate at the time of its potential funding partners and amounts. Since that time and notwithstanding the best efforts of the City, the expected Source of Funds did not materialize as City anticipated. The following chart illustrates how the grant awards actually received compared to what City forecast at the time of its initial application:

Source of Funds		PROJECT TITAN	
	Requested funds	Actual funds	Difference
ST Engineering	35,000,000	35,000,000	0
FDOT	50,000,000	25,000,000	(25,000,000)
County	12,000,000	10,000,000	(2,000,000)
City	8,000,000	10,000,000	2,000,000
Federal EDA	17,000,000	12,250,000	(4,750,000)
Governor's Job Growth Fund – Year 1	4,000,000	4,000,000	0
Governor's Job Growth Fund – Year 2	15,000,000	10,000,000	(5,000,000)
Legislative Appropriation	3,000,000	3,000,000	0
Triumph	56,000,000	56,000,000	0
Funding shortfall known at time of Triumph application	10,125,000	0	(10,125,000)

TOTAL CURRENT Over (Short)	210,125,000	165,250,000	(44,875,000)
Current Funding Activities (See discussion below)			
Additional request – City (February 6, 2019)			5,000,000
Additional request – County (February 7, 2019)			5,000,000
Additional request – FDOT			20,000,000
Anticipated Additional Funding - City			2,375,000
Triumph Request for Remaining Shortfall (February 8, 2019)			12,500,000
Total Additional Funding Activities			44,875,000

Status of Ongoing Funding Activities

Additional FDOT Funding

Given the change of administrations at both the state and city level; and the acknowledgement of the identified funding shortfall, Mayor Robinson, City Administrator Holley and City staff have gone back to state funding partners to discuss options for covering the shortfall. Now that Governor Desantis and most of his leadership team are in place, including new FDOT Secretary Thibault, the Mayor and staff met in Tallahassee January 23-25 with several key leaders and had positive discussions about the State of Florida and FDOT support for Project Titan. The Mayor also met with District 3 Secretary Phillip Gainer in Chipley, who continues to be supportive and an advocate for this project. Also, the Mayor has discussed Project Titan with the members of the NW Florida delegation and has their support for this project. Mayor Robinson has requested that FDOT make an additional award of \$20 million to Project Titan. While not confirmed at this time, it is reasonable to be optimistic that an additional \$20 million will be earmarked for this project by the state of Florida, and the City anticipates being able to provide additional information to the Triumph Board at its February 8 meeting.

Additional City and County Funding

The Mayor has asked for a special meeting of Pensacola City Council to be held on February 6, 2019 to consider the Mayor's request for an additional \$5.0 million for Project Titan. Also, the Mayor has made a request to the Escambia Board of County Commissioners for an additional \$5.0 million for Project Titan and will be appearing before the Board at its next meeting on February 7. If these meetings are successful and additional funding is committed by the City and County, City is hopeful that this demonstration of additional local "skin in the game" will be a positive influence on the Triumph board in its decision to provide the additional funding requested.

Additional Funding of \$2.375 million

The City will be responsible for the remaining \$2,375,000 as needed, however the City will continue to pursue additional funding sources to offset the remaining amount needed.

For example, the City has filed a \$6.0 million appropriations request with the Florida House of Representatives and Florida Senate for Project Titan. The final decision regarding this request will not be known until the 2019/20 budget is approved by the Governor in late April or early May. By way of background, last year the City also filed an appropriations request for \$6.0 million and actually received an appropriation of \$3.0 million. The City's local legislative delegation has assured the City that they will continue to seek additional legislative appropriations for Project Titan in future years as needed.

Jobs (Direct, Indirect and Induced) + Industry + Economic Diversification + Technical Workforce Training = Transformation

A frequently discussed evaluative metric is the cost per job associated with a Triumph grant. However, in the overall evaluation of any economic development project, there are many factors that should be considered in determining the economics of a grant award. As the Triumph board considers this request for additional funding, City urges Triumph to consider all of the transformative impacts this project will bring.

First, direct high-paying jobs subject to claw back are 1,325; and it is estimated that another 216 industry jobs will be created as a result of the MRO campus complex. When combined with the 400 new jobs associated with Hangar 1 (not a part of Project Titan) nearly 2,000 direct jobs in the targeted aviation/aerospace industry will be created. Further, indirect and induced jobs are estimated to be another 3,400, per the Haas Center study. The financial impact to the state of Florida is a net annual increase of GDP of \$600 million per year and a net annual increase in personal net incomes of \$400 million per year. These are incremental net new jobs and net new economic impacts and they are substantial. This type of economic impact is exactly the type of result Triumph was designed to create, and in the post-Hurricane Michael period, is absolutely essential to recovery and resiliency in the NW Florida region.

As a result of the scope and scale of this project, a new, vibrant and technologically advanced new industry is created in NW Florida, where none existed before. This industry creation is essential to future growth and will have significant spin-off effects including being a magnet for supply chain companies and most importantly, talent. The demand for talented workers will enhance local workforce development and certification programs currently in existence at local schools and colleges. Further it will provide job opportunities for transitioning military. And as a near-term strategy to meet the growing demand for a trained work force, the creation of an Aerospace Airman Academy, jointly developed by ST and local education providers, will develop a sustained pipeline of talent not only for ST but also for the aerospace industry in Florida. Chairman Gaetz has met directly with ST leadership and Triumph staff has had continuing discussions directly with ST about this Aerospace Airman Academy as a separate project from Project Titan. The term sheet between ST and Triumph includes a commitment between the parties to develop an MOU outlining the terms of an Aerospace Academy, as soon as practical after the grant agreement between City and Triumph is finalized.

Timing of Triumph funds – “Committed” Funds versus Schedule of Disbursements

The Triumph board may recall that the initial grant of \$56.0 million to the City was required to be committed from funds currently on hand and could not be contingent up Triumph's receipt of future BP payments. This requirement is based on the fact that the City cannot lawfully enter into contractual commitments to pay third parties if the primary source of funding is contingent. Further, ST has been

clear, in communications both to the City and to Triumph, that from a business perspective, the risk associated with the contingency for the expected receipt of future payments from BP is unacceptable to them. However, although the Triumph grant must be *committed* from funds on hand (as opposed to funds to be received in the future), the City has consistently acknowledged that those committed funds can be *disbursed* to the City over the course of several years if that is Triumph's desire. The City's position has not changed, but it should be noted that if, as and when Triumph receives the next annual \$80 million payment in April of this year, then Triumph's "funds on hand" will by definition increase by such amount.

With regard to the schedule of disbursement of funds, just as with regards to the initial \$56.0 million, City anticipates the additionally requested \$12.5 million would be disbursed in a manner consistent with the Funding Mechanism outlined in the agreed to Term Sheet, which basically follows the construction schedule for Hangars 3, 4 and the support facilities. The construction of Hangar 2 will not utilize Triumph funds; therefore, currently Triumph funds are not expected to be drawn until the first quarter of 2020, but, if Triumph so desires, the first disbursement of Triumph funds could conceivably be pushed back to 2021.

Airport Ground Rents from ST to Leverage Additional City Debt

One suggestion that the City has also evaluated in its efforts to reduce the funding shortfall is whether the stream of rental income to be received by the Airport from ST for its ground rents may be used to leverage additional debt to finance a portion of the construction costs. While this arrangement may be possible in normal commercial environments, the fact that the rental income is within the Airport and is Airport Revenue requires compliance with both Federal law as well as the Airline Operating Agreements between the City and the airlines utilizing Pensacola International Airport.

Under Federal law, Airport Revenue must be used exclusively for airport-related purposes. Federal law expressly prohibits the use of Airport Revenues for economic development and, consequently, the use of Airport Revenue to service a debt obligation related to general economic development is prohibited. Likewise, the FAA Compliance Manual provides that using airport revenue for general economic development is a prohibited use of airport revenue. The use of Airport Revenue for unauthorized or prohibited purposes is "revenue diversion", the penalties for which are severe, including the loss of future federal funding to the City.

Next and separate from the federal law prohibiting revenue diversion, any proposed diversion of ground rent to pay for debt service associated with special purpose facilities such as those in Project Titan would violate the City's Airline Operating Agreements and would likely result in a contract enforcement action by the airlines. The Airline Operating Agreements require all non-airline revenue to be used to reduce the annual airline landing fee requirement. Therefore, the Airport is prohibited from pledging ground rent to finance these type of costs as they would provide no direct benefit to the airlines and would not reduce landing fees. Such a use would cause the City to be in default of the Airline Operating Agreement and the mere filing of an enforcement action by the airlines would defer and ultimately make Project Titan not viable.

Short Term Transitional Financing

It is anticipated that Triumph funds will be drawn toward the latter stages of the project. Based on City's analysis of the timing of flow of funds, there will be years when transitional bridge financing may be needed to cover temporary fund shortfalls, pending the future receipt of grant funds. The City has the

ability to enter into bridge financing arrangements, similar to Hangar 1 transitional financing. Costs associated with such bridge financing will be project costs and consequently do not affect airport operations. Subsequent grant awards will be used when available to repay the temporary financing obligation.

Conclusion

The development of an MRO Aviation Campus at Pensacola International Airport is a transformative project for NW Florida and the state. The City is aware of no other projects in the pipeline that have the scale and scope to deliver high paying jobs, create a targeted industry, build a trained workforce and create economic resiliency that mitigates risks associated with either an economic downturn or a natural disaster. Project Titan is an outstanding example of the economic development activity that Triumph Gulf Coast was designed to promote.

We are grateful for the support that Triumph has shown to the City of Pensacola and urge the Board to approve the current request for \$12.5 million of additional funding. City also requests that the March 31 grant contingency deadline regarding other financial commitments be removed, thereby providing timely assurance to ST and City that all funds are substantially committed in order to commence Project Titan.

Project Titan Sources and Uses of Funds
Pensacola International Airport
For Periods Ending September 30

Funding Uses	Amounts	Total FY 2019 Project Year 1	Total FY 2020 Project Year 2	Total FY 2021 Project Year 3	Total FY 2022 Project Year 4	Total FY 2023 Project Year 5	Total
Hangar 2							
Plans and Specifications	\$ 7,350,000	\$ 3,676,000	\$ 3,674,000	13,882,000			\$ 7,350,000
Construction Costs	41,650,000		27,768,000				41,650,000
TOTAL	\$ 49,000,000						\$ 49,000,000
Hangar 3							
Plans and Specifications	\$ 8,250,000		\$ 6,600,000	\$ 1,650,000			\$ 8,250,000
Construction Costs	46,750,000			20,037,000	26,713,000		46,750,000
TOTAL	\$ 55,000,000						\$ 55,000,000
Warehouse							
Plans and Specifications	\$ 2,850,000		\$ 2,280,000	\$ 570,000			\$ 2,850,000
Construction costs	16,150,000			9,690,000	6,460,000		16,150,000
TOTAL	\$ 19,000,000						\$ 19,000,000
Hangar 4							
Plans and Specifications	\$ 8,250,000		\$ 3,300,000	\$ 4,950,000			\$ 8,250,000
Construction costs	46,750,000			6,679,000	26,716,000	13,355,000	46,750,000
TOTAL	\$ 55,000,000						\$ 55,000,000
Office Building							
Plans and Specifications	\$ 4,800,000		\$ 3,840,000	\$ 960,000			\$ 4,800,000
Construction costs	27,325,000			16,397,000	10,928,000		27,325,000
TOTAL	\$ 32,125,000						\$ 32,125,000
Total Use of Funds	\$ 210,125,000	\$ 3,676,000	\$ 47,462,000	\$ 74,815,000	\$ 70,817,000	\$ 13,355,000	\$ 210,125,000

Funding Sources	Amounts	Total FY 2019 Project Year 1	Total FY 2020 Project Year 2	Total FY 2021 Project Year 3	Total FY 2022 Project Year 4	Total FY 2023 Project Year 5	Total
Beginning Balance Fund Requirement - Over/(Short)							
ST Engineering Aerospace (formerly VT MAE)	\$ 35,000,000	\$ 1,838,000	\$ 9,848,000	\$ -	\$ 23,314,000	\$ -	\$ 35,000,000
Legislature	3,000,000	3,000,000	-	-	-	-	3,000,000
Governors Job Growth	14,000,000	4,000,000	10,000,000	-	-	-	14,000,000
FDOT - Grant ¹	25,000,000	-	8,000,000	14,000,000	1,000,000	2,000,000	25,000,000
FDOT - Grant ²	20,000,000	-	-	-	10,000,000	10,000,000	20,000,000
City	15,000,000	6,000,000	-	2,000,000	7,000,000	-	15,000,000
Federal EDA	12,250,000	-	12,250,000	-	-	-	12,250,000
Triumph	68,500,000	-	-	51,817,000	16,683,000	-	68,500,000
Anticipated Additional Funding (City Responsibility)	2,375,000	-	-	-	-	2,375,000	2,375,000
Total	\$ 210,125,000	\$ 14,838,000	\$ 43,298,000	\$ 67,817,000	\$ 59,997,000	\$ 24,175,000	\$ 210,125,000
Net Funding		\$ 14,838,000	\$ 54,460,000	\$ 74,815,000	\$ 59,997,000	\$ 13,355,000	
Annual Project Fund Requirement - Over/(Short) -- negative years will require cash flow financing.		\$ 11,162,000	\$ 6,998,000	\$ -	\$ (10,820,000)	\$ -	

**RESOLUTIONS RELATING TO PROPOSED GRANT FOR
PENSACOLA AIRPORT MRO (Project #120)**

WHEREAS, Triumph and the City of Pensacola (the “City”) have previously entered into a non-binding Term Sheet dated October 23, 2018 (“Term Sheet”) with respect to the Pensacola Airport MRO project (the “Project”). The proposed grant amount was \$56,000,000; and

WHEREAS, the Term Sheet contained a deadline on December 31, 2018 whereby the City must obtain additional funding commitments for the Project; and

WHEREAS, at the December 7, 2018, Triumph Board meeting, Triumph approved an extension to March 31, 2019 for the City to obtain additional funding commitments for the Project; and

WHEREAS, by letter dated February 1, 2019, the City has requested a \$12,500,000 increase in the grant amount to a total of \$68,500,000.

NOW, THEREFORE, BE IT RESOLVED, that Triumph hereby agrees to increase the grant amount by \$10,000,000.00 to a total of \$66,000,000.00; provided, however, that the additional \$10,000,000.00 shall only be available as follows: \$5,000,000.00 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected disbursement on or about April 8, 2020, and \$5,000,000.00 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected disbursement on or about April 8, 2021.

RESOLVED FURTHER, that none of the grant funds shall be disbursed unless and until the City has provided Triumph with satisfactory evidence that there are firm and enforceable funding commitments for the Project totaling not less than \$144,125,000, of which not less than \$35,000,000 has been committed by ST Aerospace.

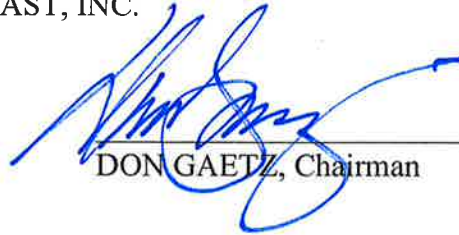
RESOLVED FURTHER, that the job maintenance period set forth in the proposed performance metrics shall be increased from 3 years to 7 years.

RESOLVED FURTHER, that pursuant to the separate performance agreement to be entered into between Triumph and ST Aerospace, ST Aerospace shall enter into discussions with Triumph about establishing a joint venture, such as an academy, that would provide training to employees of private sector partners around the region.

RESOLVED FURTHER, that pursuant to the separate performance agreement to be entered into between Triumph and ST Aerospace, ST Aerospace shall make a good faith effort to locate additional divisions of the company or additional jobs to Northwest Florida.

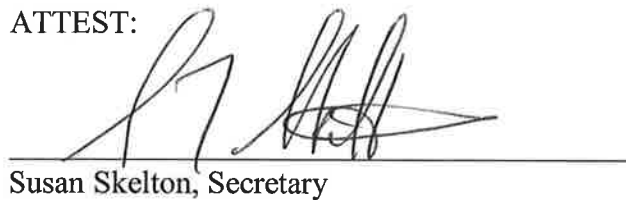
RESOLVED FURTHER, that the Triumph staff and legal counsel are directed to proceed with negotiations with the City over a definitive Grant Award Agreement that incorporates the terms of the Term Sheet, as modified by the foregoing resolutions, together with such other terms and conditions as are recommended by staff and counsel.

DULY PASSED AND ADOPTED by Triumph Gulf Coast, Inc., this 8th day of February, 2019.
TRIUMPH GULF COAST, INC.



DON GAETZ, Chairman

ATTEST:



Susan Skelton, Secretary

Application Score Sheet

Proposed Project: City of Pensacola, Pensacola International Airport MRO Aviation Campus (#120)

Proposed Project/Program County: Escambia

Board of County Commission Support: Yes

Total Projected Project Cost: \$334,825,000.00

Match Provided: \$278,825,000.00

Triumph Funds Requested: \$56,000,000.00 (17%)

Triumph Funds Recommended by Staff: \$56,000,000.00

Score: A

Triumph Board Approval: Yes/No

Triumph Funds Approved by Board:

Date:

Economic Advisor Summary

The City of Pensacola proposal describes infrastructure improvements including hangars, runway, taxiway and apron improvements, warehouse and machine shop facilities, and an administrative building on the airport campus at Pensacola International Airport. The Triumph request of \$56 million represents 16.7 percent of the \$335 million total cost of the MRO campus.

The size of the commercial aircraft fleet is growing in the U.S. and internationally due to rising income levels that enable air travel and due to changing trade patterns in which high value-added products and services call for air transportation. The extensive MRO activities required for continued airworthiness over a multi-decade aircraft useable lifespan will generate high-wage employment opportunities for skilled technicians both in MRO hangars and across an extensive supply chain. Northwest Florida had not hosted substantial MRO operations for the commercial fleet until activities commenced in 2018 at a 400-person facility at the Pensacola airport. The proposed project will expand these activities to directly employ more than 1,725 people plus several hundred associated administrative, engineering and other jobs, in addition to several thousand new local indirect and induced jobs.

The City of Pensacola expects that the proposed infrastructure improvements will generate private investment and employment jobs at wage rates well above existing County average wages. The increased volume of commercial aircraft traffic as planes arrive to be serviced at the facility will in and of itself generate lower ticket prices and increased tourist travel to the region. The positive fiscal impact of the activities associated with the job growth at the MRO campus and through the supply chain will be seen in local tax revenues via ad valorem, sales and use, LOST (local option sales tax), and tourist development tax revenues. The project will help elevate the

function and visibility of the region in the important aviation/aerospace target industry sector. It will likely drive supplier relocation and expansion to the local community.

The MRO activities generate revenue from outside our region to generate payroll and supply chain activity in the local economy. Because the project is large, and the direct MRO jobs require high levels of skills and pay high annual wages, there will be large spin-off impacts. Because of the above-mentioned characteristics and the likelihood of supply chain co-location decisions due to the large size of the project, it is clear that the fully implemented project will be transformational for the local and regional economy. Further, these jobs are in the regional and state target cluster of aviation and aerospace. Triumph should consider these jobs as very desirable.

For these reasons, staff rate this program “A” in terms of economic impact to Escambia County.

Project Summary (based on information provided by the applicant)

The City of Pensacola (City) requests \$56,000,000.00 in Triumph funds towards the construction of Phase Two of the Pensacola International Airport Maintenance, Repair and Overhaul (MRO) Aviation Campus. The proposed MRO Aviation Campus will be situated on approximately 112 acres of land located at the Pensacola International Airport, an enterprise department of the City. Phase Two of the proposed project includes construction of a 173,000 sq. ft. MRO Hanger, two 191,000 sq. ft. MRO Hangers, 100,000 sq. ft. of warehouse and shop space, a 120,000 sq. ft. administrative office building, and associated roadways, taxiways, and aprons.

The land and buildings will be leased to a primary tenant, VT Mobile Aerospace Engineering, Inc. (VTMAE), subject to a long-term Real Property lease. The entire MRO development, including all roadways, taxiways, aprons, hangers and buildings; and all related infrastructure necessary to support this proposed project will be City owned assets of Pensacola International Airport. VTMAE began operating in June 2018 at Phase One of the Pensacola International Airport MRO Aviation Campus in a new 173,000 sq. ft. MRO hanger.

On November 14, 2017, the City and VTMAE signed a Memorandum of Understanding (MOU) to expand VTMAE's aircraft maintenance, repair and overhaul business operations at the Pensacola International Airport, Phase Two. A similar MOU signed by the City and VTMAE in December 2013 led to VTMAE's decision to establish its initial MRO business in a newly developed facility owned by the City.

Phase Two of the MRO Aviation Campus will create at least 1,325 jobs at an average annual salary of \$44,461 plus benefits in the aerospace industry. When combined with the 400 new jobs associated with the first hangar, total aerospace sector jobs employed directly by VTMAE would be 1,725.

In addition to the total 1,725 new direct VTMAE jobs at the MRO Aviation campus additional full time equivalent jobs directly related to the aviation and aerospace industry will be located at the Pensacola International Airport. These include approximately 77 VTMAE administrative and engineering staff, 60 full time VTMAE customer airline engineering jobs on site to oversee the

repair and maintenance protocols associated with their aircraft, and an additional 16 vendor and auditor positions.

The project will also require non-aerospace jobs created associated with security, maintenance and janitorial services, estimated to be approximately another 25 full time jobs. And, under discussion, is the opportunity for establishing approximately 63 North America executive and senior administrative jobs at the Airport MRO Campus.

VTMAE will spend approximately \$35 million annually in the procurement of airplane and non-airplane components from approximately 1,200 vendors supplying the business. This supply chain activity will create enhanced economic activities in the region and may lead to the permanent relocation of key suppliers to the region, further building the critical mass in the aerospace industry for the northwest Florida region.

When combined, Phase One and Two of the MRO Aviation Campus will result in the employment of over 1,900 jobs directly related to the aerospace industry. As a result of these direct jobs and as indicated in a Haas Center report another 3,400 indirect jobs in various industries will also be created.

Upon completion of the MRO Aviation Campus, these facilities will be the 2nd largest MRO complex in North America, and #1 in North America for technical sophistication and smart technologies. In day-to-day operations, VT engineers, technicians, and mechanics will next generation technology including:

- Laser scan technology to fabricate parts
- 3D printing to fabricate parts
- Drones for remote aircraft inspection
- Composites for appropriate aircraft
- Robotics following the recent VT acquisition of a robotics company

With the evolution of the aerospace industry to these new technologies, the employees of VTMAE will be among the most highly skilled in the industry and will be in great demand. This reputation for being a technological leader in the MRO industry will be a magnet for future talent.

The employees who will be employed by VTMAE will be very well trained and technologically on the cutting edge of the aerospace industry. The skill sets they will acquire and maintain will support high paying jobs and long-term careers.

The ability to create an industry cluster and critical mass in the aviation and aerospace sector will elevate the region and Northwest Florida will become a magnet for talent and will attract other business enterprises to the region.

In addition to VTMAE as the primary tenant, much of the city-owned infrastructure proposed will have multiple users. All of the common usage aprons and taxiways will be utilized by general airfield traffic. Within the MRO hangars, a training center will be established for use by

a secondary education provider to offer aviation maintenance technology programs to prepare students for a career in the commercial aviation industry. Administrative offices will be used by multiple entities including airline representatives i.e. Delta, American, UPS and the Federal Aviation Administration.

The scale of this project will provide significant economic benefit and diversification across the entire region of Northwest Florida. Because of the critical mass associated with the levels of employment, all the counties in the region will enjoy increased levels of personal incomes, gross domestic product and growth.

When combined with the new jobs already created associated with the development of Phase One, total new direct aerospace industry sector jobs will be 1,725 with total annual payrolls of approximately \$69.0 million. Phase Two's direct total annual payroll will be approximately \$58.9 million. Upon full operation, personal net incomes in the state of Florida will increase by \$400 million annually and GDP in the state of Florida will increase by \$600 million annually.

The project is sustainable because the MRO business is a growing and technologically expanding industry. The anticipated global expansion of the MRO industry is expected to grow from total gross revenues of \$75.6 billion in 2017 to an estimated \$109.2 billion in 2027. As the leader in this industry, ST Aerospace and its subsidiary VTMAE will likely experience a similar growth pattern in the future. Based on the quality of the primary tenant and the expected growth and sustainability of the MRO industry, it is reasonable to expect this project will have long-term financial viability and sustainability.

Furthermore, the state-of-the-art facilities to be developed in the MRO Aviation campus will enable VTMAE to efficiently implement "Smart MRO" technologies as described below. This will further solidify their global industry leadership and long-term sustainability. This Smart MRO technology, such as robotics, aerial inspection and data connectivity to enhance workplace safety, productivity and quality of solutions adds value to their customers and enhances the technical skills of their employees.

The primary deliverable from the proposed project is the creation of new direct jobs at the agreed-to average annual compensation. It is anticipated that the real property lease between the City and VTMAE, as well as agreements with funding partners, will have terms and conditions that will require VTMAE to demonstrate it has met its obligations regarding minimum job and salary levels. Similar agreements were documented in funding commitments for the development of Hangar 1; and will serve as a guideline to measure outcomes and determine clawbacks if performance measures are not achieved for the current proposed project. The City will have the primary responsibility to verify that the deliverables, jobs at a stated average salary level, are being realized on an annual basis.

In addition to regional economic diversification and the creation of high-quality new jobs, an MRO campus further leverages the expanding Aviation and MRO industry opportunities along entire Gulf Coast. Through this project, the region will participate in the projected global growth of the MRO industry.

An additional benefit of the complete buildout of the MRO Campus will result in increased air service, an increase in Passenger Facility Charge revenue, a contribution to non-aeronautical revenue base, and a reduction in the overall cost per enplaned passenger.

The proposed project leverages and enhances existing workforce development programs through Washington High School (Aviation Maintenance Academy), George Stone Technical Center (Airframe & Power plant Technology) and Pensacola State College certification programs. It would be expected that each of these educational institutions will expand their programs and capabilities to respond to the increasing workforce development demands. In addition, this proposed project will assist in transitioning veteran military personnel to commercial aviation and aerospace jobs.

Additionally, a near-term strategic vision is the collaboration between VTMAE and local education providers to create an MRO Aviation Training Academy to develop the workforce needed for the available jobs and to maintain a pipeline of trained technicians for the future.

The development of the MRO Aviation Campus at Pensacola International Airport is a technically challenging and significant project. In accordance with the Master Plan for the airport, land adjacent to the airport has been acquired over the years with the intention of creating commerce related activities compatible with airport operations. The development of an MRO Aviation Campus is the culmination of years of planning and forward thinking.

In order to execute the development of an MRO Aviation Campus and bring VTMAE to Pensacola as its primary tenant, significant costs have been and will be required to be incurred for land acquisition and construction of facilities; as well as costs incurred by VTMAE to properly staff and equip the facilities for its MRO operations. Although not part of this specific request for funding, Hangar 1 was the first step in the development of the MRO Aviation Campus and was completed as of May 1. VTMAE commenced operations in June 2018.

In addition to the land that Pensacola International Airport and the City are providing, the State of Florida, City of Pensacola, Escambia County, the Florida Department of Transportation, the Governor's Jobs Growth Grant Fund and the Federal Economic Development Administration are expected to provide funding to support the project. VTMAE will also make a substantial investment to support the proposed project. Upon completion, VTMAE will have invested approximately \$75 million of its own funds to create what will be one of the largest MRO facilities in North America.

Provided that funding and lease terms can be successfully negotiated in the coming months, design work on the new facilities could begin in mid-2018 and construction of a second hangar could begin in early 2019. Design and construction of the other MRO campus facilities could conceivably be completed by the end of 2021.

Funding and Budget (as provided by the applicant)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs:			
Example Costs (Note: Not exhaustive list of possible Cost categories.)			
	Hangar 1	Project Titan	Total
Construction:	\$ 37,577,000	\$ 176,463,000	\$ 214,040,000
Reconstruction:			
Design & Engineering:	3,256,000	14,855,000	18,111,000
Land Acquisition:	4,835,000	31,335,000	36,170,000
Land Improvement:	-	-	-
Equipment Supplies:	-	-	-
Salaries:	-	-	-
Other (specify):	-	-	-
Project Planning and Development	915,000	4,174,000	5,089,000
Contract Administration	308,000	1,405,000	1,713,000
FAA Nav Aid relocation	763,000	2,000,000	2,763,000
Professional Services	555,000	2,532,000	3,087,000
Construction Administration	1,075,000	4,904,000	5,979,000
Bridge Financing Costs	750,000	-	750,000
Owner Contingency	531,000	2,423,000	2,954,000
Testing and Parking Lights	300,000	1,369,000	1,669,000
Tenant Improvements	2,500,000	10,000,000	12,500,000
Relocation, training and recruitment, asset impairment - projected	6,000,000	14,000,000	20,000,000
Runway extension allowance	-	10,000,000	10,000,000
Total Project Costs:	\$ 59,365,000	\$ 275,460,000	\$ 334,825,000

B. Other Project Funding Sources:			
Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)			
	Hangar 1	Project Titan	Total
FDOT Hangar #1	\$ 23,015,000	-	\$ 23,015,000
VTMAE Cash Contribution	7,244,000	35,000,000	\$ 42,244,000
FDOT Airport grant #1	-	25,000,000	25,000,000
FDOT Airport grant #2	-	25,000,000	25,000,000
Governor's Job Growth Fund #1	-	4,000,000	4,000,000
Florida Legislature allocation	-	3,000,000	3,000,000
Governor's Job Growth Fund #2	-	15,000,000	15,000,000
Federal Economic Development Administration (forecast)	-	17,000,000	17,000,000
IRREF	7,000,000	-	7,000,000
City Funds	3,971,000	8,000,000	11,971,000
County funds	4,800,000	12,000,000	16,800,000
Other (specify):			-
Airport Funded Land Acquisition:	4,835,000	31,335,000	36,170,000
VTMAE Funded Tenannt Improvements	2,500,000	10,000,000	12,500,000
VTMAE - Funded Relocation, training and recruitment, asset impairment - projected	6,000,000	14,000,000	20,000,000
Airport Funded Runway Extension	-	10,000,000	10,000,000
Funding shortfall Funding TBD	-	10,125,000	10,125,000
Total Other Funding:	\$ 59,365,000	\$ 219,460,000	\$ 278,825,000
Total Amount Requested:	-	56,000,000	56,000,000
Total Project Costs:	\$ 59,365,000	\$ 275,460,000	\$ 334,825,000

Note: The total amount requested must equal the difference between the costs in 3A. and the other project funding sources in 3.B.

Letters of Support

Andrews Institute Orthopedics & Sports Medicine
Baptist Health Care Corporation
CareerSource Escarosa
Greater Pensacola Chamber
The School District of Escambia County
First Place Partners
FloridaWest Economic Development Alliance
Navy Federal Credit Union
Pensacola State College
Sacred Heart Health System
The University of West Florida

GRANT AWARD AGREEMENT
(Pensacola Airport MRO/Project #120)

THIS GRANT AWARD AGREEMENT ("**Agreement**"), made and entered into this _____ day of _____, 2019 (the "**Effective Date**"), by and between TRIUMPH GULF COAST, INC., a Florida not-for-profit corporation ("**Triumph**"), and the CITY OF PENSACOLA, a Florida municipal corporation (the "**City**").

WITNESSETH:

WHEREAS, pursuant to its authority under **Section 288.8017, Florida Statutes**, Triumph has agreed to make a Grant (as defined below) to the City, on and subject to the terms and conditions set forth in this Agreement, to provide partial funding for the Project Titan (as defined below) portion of an aircraft Maintenance, Repair, Overhaul Aviation Campus (the "**MRO Campus**") at Pensacola International Airport. The planning and construction of the following projects are collectively referred to herein as "**Project Titan**":

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

all as further described in the City's Updated Application for Funds submitted to Triumph on July 5, 2018 (the "**Grant Application**"), which Grant Application is incorporated herein by reference. In the event of a conflict between a provision of the Grant Application and a provision of this Agreement, the provision of this Agreement shall control. The parties acknowledge that Project Titan is in its conceptual design phase and that the details of the elements of Project Titan may change. Notwithstanding such changes, MRO Lessee's ability to satisfy the performance metrics of Section 8.4 below shall not be materially adversely affected and the MRO Lessee shall continue to be responsible for achieving the performance metrics described in Section 8.4.

WHEREAS, the City, by Council Resolution No. 2019-11 adopted March 28, 2019, a copy of which is attached as **Exhibit "A"** and made a part of this Agreement, has authorized the Mayor of the City to execute this Agreement on its behalf; and

NOW, THEREFORE, for and in consideration of the agreements, covenants and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

1. **Purpose of Agreement.** The purpose of this Agreement is to (i) award the Grant, (ii) state the terms and conditions upon which the Grant will be disbursed, and (iii) set forth certain requirements as to the manner in which Project Titan will be undertaken and completed.

2. **Grant Award.** On and subject to the terms and conditions set forth herein, Triumph hereby agrees to make a grant to the City in the aggregate maximum amount of Sixty Six Million and 00/100 Dollars (\$66,000,000.00) (the “**Grant**”) to provide partial funding for Project Titan.

3. **Contingencies for Grant.** Triumph’s approval of the Grant is expressly contingent upon the following:

3.1 The estimated total planning and construction cost of the entire MRO Campus is \$334,825,000. The estimated total planning and construction cost of the Project Titan portion of the MRO Campus is \$210,125,000, with the Grant constituting \$66,000,000 of that amount. Accordingly, the City’s cash or other funding commitments for Project Titan under this Section 3.1 must total not less than \$144,125,000, of which \$35,000,000 must be committed by VT Mobile Aerospace Engineering, Inc. (“**MRO Lessee**”). No Grant funds shall be disbursed to the City unless and until the City has provided Triumph with satisfactory evidence that there are firm and enforceable funding commitments for the Project totaling not less than \$144,125,000, of which not less than \$35,000,000 has been committed by MRO Lessee.

3.2 The City and a qualified construction manager at risk (“**CMAR**”) executing a guaranteed maximum price contract (the “**CMAR Contract**”) within the Project Titan budget of \$210,125,000 no later than December 31, 2021. Triumph shall have the right to approve the CMAR Contract in accordance with Section 5.7 below. The City shall provide Triumph with a true, correct, complete, and executed copy of the CMAR Contract. In the event that the CMAR Contract is not in place by December 31, 2021, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder; provided, however, that in the event that Triumph from time to time in its sole discretion extends such deadline either before the expiration thereof or within one hundred twenty (120) days after the expiration of such deadline, this Agreement shall automatically be deemed reinstated and shall continue in full force and effect subject to such extended deadline. If the CMAR Contract is procured pursuant to Chapter 255 for construction services and at the time of the competitive solicitation for Project Titan fifty percent (50%) or more of the cost of Project Titan is to be paid from state-appropriated funds, then the City must comply with the requirements of Sections 255.0991 and 255.0992, F.S.

3.3 Concurrently with the execution of this Agreement, MRO Lessee shall have executed in favor of Triumph and delivered to Triumph the written agreement (the “**MRO Performance Agreement**”) which is attached as **Exhibit “B”** and made a part of this Agreement, pursuant to which MRO Lessee agrees to assume liability for payment of the clawback amounts associated with the

performance metrics as set forth therein. In the event that the MRO Performance Agreement is not executed and delivered by MRO Lessee concurrently with execution of this Agreement, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder.

3.4 The City and MRO Lessee executing, on or before July 1, 2019, (a) a development agreement (the “**MRO Development Agreement**”) providing for the development and construction of Project Titan and (b) a lease agreement (the “**MRO Lease**”) pursuant to which MRO Lessee leases Project Titan from the City for a term of not less than thirty (30) years, and which MRO Lease (i) obligates MRO Lessee to pay the clawback liability associated with the performance metrics as set forth in Section 8.4 below, and (ii) provides that Triumph is designated a third-party beneficiary thereunder with rights to enforce the clawback liability provisions therein as if Triumph were a party to the MRO Lease. Triumph shall have the right to approve the MRO Development Agreement and the MRO Lease in accordance with Section 5.8 below. The City shall provide Triumph with true, correct, complete, and executed copies of the MRO Development Agreement and the MRO Lease. In the event that the MRO Development Agreement and the MRO Lease are not in place by July 1, 2019, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder; provided, however, that in the event that Triumph from time to time in its sole discretion extends such deadline either before the expiration thereof or within one hundred twenty (120) days after the expiration of such deadline, this Agreement shall automatically be deemed reinstated and shall continue in full force and effect subject to such extended deadline.

4. **Disbursement of Grant:**

4.1 **Disbursement.** Subject to the satisfaction of the contingencies set forth in Sections 3.1 through 3.4 above and in Section 4.2 below, the Grant will be drawn down generally in accordance with the projected funding schedule attached hereto as **Exhibit “C”** and incorporated herein (the “**Funding Schedule**”). The parties acknowledge that the Funding Schedule may be updated and modified from time to time as the design and construction of Project Titan proceed, based on prudent financial management, the requirements and limitations of the various funding sources, and other considerations; provided that in no event shall the City exceed the limitations of clauses (3) and (4) below. As provided herein, the Grant shall be used only to pay a portion of the amounts due and owing from time to time by the City to the CMAR under and in accordance with the CMAR Contract. Not more than once per calendar month, the City shall submit an application for disbursement in the form of **Exhibit “D”** attached hereto and incorporated herein (“**Application for Disbursement**”) for an amount not to exceed the amounts set forth in items (3) and (4) below with respect to the amounts then due and owing from time to time by the City to the CMAR under and in accordance with the CMAR Contract, together with (i) documentation evidencing the extent of completion of each eligible element of Project Titan and the cost of each eligible element of Project Titan incurred to that point, together with an updated Funding Schedule, an updated contract construction schedule in a form reasonably acceptable to Triumph and the City, progress reports from the architect/engineer, and (if available)

aerial photographs, (ii) documentation and invoices in detail sufficient for a proper pre-audit and post-audit thereof, including, but not limited to, records of the Project account described in Section 7.1 below, and (iii) in order for Triumph to calculate compliance with the limitations set forth in items (3) and (4) below, documentation regarding the cumulative amounts paid and the amounts to be paid by other funding sources with respect to the amounts then due to the CMAR under the CMAR Contract. In addition to the conditions set forth in Section 4.2 below, Triumph's obligation to disburse Grant funds pursuant to an Application for Disbursement shall be subject to the following limitations:

- (1) Prior to the initial disbursement of any Grant funds, all applicable permits, development orders, concurrency certificates, and other governmental approvals (each, a "**Permit**") necessary for the construction of Hangar 3 shall have been obtained, and copies thereof shall have been provided to Triumph;
- (2) Prior to disbursement of Grant funds in excess of \$20,000,000, all Permits necessary for the construction of Hangar 4 shall have been obtained, and copies thereof shall have been provided to Triumph;
- (3) At any point in time prior to the completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed forty percent (40%) of the total cumulative amount disbursed for Project Titan by all funding sources (including Triumph) shown on the Funding Schedule; and
- (4) Upon completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed thirty one and 41/100th percent (31.41%) of the total cumulative amount disbursed for Project Titan by all funding sources including Triumph (i.e., \$66,000,000/ \$210,125,000). To the extent that, upon completion of Project Titan, Triumph has disbursed an amount in excess of thirty-one and 41/100th percent (31.41%) of the total cumulative amount disbursed for Project Titan by all funding sources including Triumph, the City shall upon demand by Triumph repay such excess.

4.2 Conditions to Triumph's Obligations to Disburse the Grant. Within forty-five (45) days of receipt of an Application for Disbursement under Section 4.1 above, Triumph shall either approve or disapprove of the Application for Disbursement in a written notice to the City. If Triumph approves the Application for Disbursement, then it shall disburse the approved amount to the City within thirty (30) days after delivery of the notice of approval. If Triumph disapproves the Application for Disbursement, Triumph shall state in the notice of disapproval the reasons for such disapproval. If Triumph disapproves the Application for Disbursement, Triumph shall state the reasons for such disapproval. The City shall have thirty (30) days to address the reasons for disapproval and submit documentation for reconsideration of the Application for Disbursement. If Triumph fails to approve or disapprove of the Application for Disbursement within forty-five (45) days of receipt, such Application for Disbursement shall be deemed disapproved.

Reasons for disapproving an Application for Disbursement must include one or more of the following:

- (a) Missing or incomplete documentation required under Section 4.1 above, as identified in writing by Triumph;
- (b) The Application for Disbursement seeks disbursement for more than the amounts actually invoiced by the CMAR under the CMAR Contract;
- (c) The Application for Disbursement seeks disbursement for an amount in excess of the amount permitted by the 40% and 31.41% limitations set forth in Section 4.1 above;
- (d) The amount requested for disbursement under the Application for Disbursement, together with all amounts previously disbursed under the Grant, would exceed the \$66,000,000 maximum amount of the Grant;
- (e) The City made a misrepresentation or omission of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to this Agreement;
- (f) There is any pending litigation with respect to the performance by the City of any of its duties or obligations which may materially jeopardize or adversely affect Project Titan, this Agreement, or disbursement of the Grant;
- (g) Subject to clauses (1) and (2) of Section 4.1 above, any Permit applicable to Project Titan has been suspended, revoked, terminated, or has expired, without having been reinstated or renewed, or is in any other manner no longer in force or effect;
- (h) The City has taken any action pertaining to Project Titan which, under this Agreement, requires the approval of Triumph, and the City failed to obtain such approval;
- (i) The City has violated any of the provisions of Sections 9.1, 9.4, and/or 9.5 of this Agreement;
- (j) The City is in material violation, default, or breach of or under any provision of this Agreement;
- (k) The City is in breach of any material representation or warranty contained in this Agreement;
- (l) Any federal, state, or local agency (including the City and Escambia County, Florida), and MRO Lessee, providing financial assistance to Project Titan as stated in the Funding Schedule has revoked, suspended, or terminated that financial assistance to Project Titan, including, but not

limited to, the Matching Funds and MRO Lessee's \$35,000,000 funding commitment, without such financial assistance having been reinstated or renewed or replaced by another funding source;

- (m) The City has abandoned or, before completion, discontinued Project Titan, or for any reason (other than *force majeure* as defined herein) the commencement, prosecution, or timely completion of Project Titan by the City is rendered improbable, infeasible, impossible, or illegal for any reason other than *force majeure* as defined in this Agreement;
- (n) All or any portion of the requested disbursement includes disbursement for improvements that are outside the scope of Project Titan that is contemplated under the CMAR Contract; or
- (o) The CMAR Contract has been materially modified, amended, or terminated without the prior consent or approval of Triumph as required by Section 5.7 below. A change order of \$250,000 or less shall not constitute a material modification.

5 Completion of Project Titan:

5.1 General Requirements. The City shall commence, and complete Project Titan with all practical dispatch, in a sound, economical, and efficient manner, and in accordance with the provisions of this Agreement, the Grant Application, the CMAR Contract, and all applicable laws. The City agrees to complete Project Titan within six (6) years after the Effective Date (the "**Completion Deadline**"). If the City does not complete Project Titan by such date, Triumph's obligation to make future distributions of the Grant will expire unless an extension of the time period is requested by the City and granted in writing by Triumph prior to such expiration date. Notwithstanding the foregoing, the Completion Deadline shall be extended on a day-for-day basis by reason of *force majeure* events. The term "*force majeure*" as used herein shall mean that which is beyond the control of the City, including, but not limited to, acts of God (such as epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts and adverse weather conditions), strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States, or of the state or any civil or military authority, insurrections, riots, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of or temporary substantial increases in the cost of labor, material, or supplies, or any acts or omissions of third parties not within the City's control, a full or partial shutdown of the federal government, and other such events or circumstances which are beyond the control of the City despite all reasonable efforts to prevent, avoid, delay, or mitigate such causes. For purposes of this Agreement, the Project shall be deemed complete when the entire Project has been substantially completed in substantial compliance with the plans and specifications, and certificates of occupancy for all buildings comprising the Project have been issued by the appropriate governmental authority.

5.2 Total Project Cost. The estimated total cost of the entire MRO Campus is \$334,825,000. The estimated total cost of the Project Titan portion of the MRO Campus is \$210,125,000, of which (a) a maximum of \$66,000,000 shall be provided by the Grant, (b) the City shall pay using \$15,000,000 of its own funds (the “**Matching Funds**”), (c) MRO Lessee shall pay using \$35,000,000 of its own funds, and (d) \$94,125,000 shall be provided by the other funding sources shown on the Funding Schedule. Using the Grant, its own funds, and funds from other sources, the City agrees to bear the entire cost and expense of Project Titan, including but not limited to, all costs and all expenses in excess of the total estimated cost of Project Titan, it being expressly understood and agreed that the Grant shall operate only to disburse to the City, on and subject to the terms and conditions set forth herein, a portion of the costs and expenses to be paid by the City at the time(s) of such disbursement. The City shall take all steps reasonably necessary to maintain the Funding Schedule. The City shall notify Triumph of any anticipated changes to the Funding Schedule and shall work with Triumph to update and revise the Funding Schedule such that it reflects the anticipated schedule of completion of Project Titan.

5.3 Requirement to Provide Reports/Triumph Right to Inspect. The City shall submit to Triumph such data, reports, records, contracts and other documents relating to Project Titan as Triumph may require. During the construction portion of Project Titan, the City shall on a quarterly basis submit to Triumph an activity report which outlines the progress of construction and the cost of Project Titan incurred to date, and shall submit to Triumph on an annual basis audited financial statements within six months following the end of the City’s fiscal year. Once construction is completed and Triumph has approved such completion in accordance with the provisions set forth hereinbelow, and until such time as the MRO Lessee has achieved the performance metrics described in Section 8.4 below, the City shall, on an annual basis, within six (6) months following the end of the City’s fiscal year, submit to Triumph audited financial statements for such fiscal year. Upon completion of Project Titan, the City shall send Triumph a notice certifying that Project Titan was completed in accordance with the CMAR Contract, and all applicable standards, statutes, rules and regulations. Within thirty (30) days after receipt of certification of completion, Triumph and/or its agents, engineers, and consultants shall have the right to inspect Project Titan to determine if it was in fact completed in accordance with the CMAR Contract. If so, and subject to Triumph’s receipt of an approved Application for Disbursement in accordance with Sections 4.1 and 4.2 above, Triumph shall disburse a final payment of the Grant to the City; if not, no Grant funds shall be disbursed unless and until the City promptly corrects any deficiencies and Triumph thereafter determines that it was finally completed in accordance with the CMAR Contract. In connection with its inspection of Project Titan, the City shall make available to Triumph copies of any and all invoices, contracts, plans and specifications, and other documentation relating to the construction and completion of Project Titan. Triumph and its employees, agents, and contractors shall have the right, at any time and from time to time during normal working hours and upon reasonable notice to the City, to access Project Titan and inspect the work being performed or as completed; provided that Triumph and its employees, agents and contractors shall at all times (i) comply with all applicable security and safety rules and regulations and (ii) be accompanied by the respective representatives of the City and the CMAR. By entering upon the Project Titan site prior to completion, Triumph and its employees, agents and contractors knowingly and voluntarily assume all risks associated with an active construction site.

5.4 Insurance. At all times during the term of this Agreement, the City shall maintain or cause to be maintained casualty insurance on all improvements, fixtures, and equipment, the cost of which was, in whole or in part, paid using the Grant, to the extent such improvements can in fact be insured. Prior to the date of beneficial occupancy by the MRO Lessee, the City shall cause CMAR to maintain builder's risk insurance on the improvements, fixtures, and equipment. The City shall also cause the MRO Lease to require that the MRO Lessee maintain casualty insurance on improvements, fixtures, and equipment commencing upon the date of beneficial occupancy by the MRO Lessee and continue during the term of the MRO Lease.

5.5 Compliance with Applicable Laws, Including Environmental Regulations. The City shall obtain all required clearances and permits required for construction from the appropriate permitting authorities. The City covenants and agrees that construction will be carried out in conformance with all applicable federal, state and local statutes, rules and regulations, and standards, including, but not limited to, applicable environmental laws and regulations including the securing of any applicable permits. The City shall be solely responsible for any liability in the event of non-compliance with applicable environmental regulations relating to the construction of Project Titan, it being understood that compliance with applicable environmental regulations with respect to any portion of Project Titan operated by MRO Lessee shall be the sole responsibility of MRO Lessee.

5.6 Plans and Specifications. Triumph shall have the right to review the plans and specifications for Project Titan and any material changes to said plans and specifications solely to confirm that the Project described in the plans and specifications is consistent with the project described in the Grant Application, such confirmation not to be unreasonably withheld, conditioned or delayed. The City shall provide true and complete copies of the plans and specifications at the approximate 50%-60% stage of completion and at the approximate 90%-100% stage of completion. Triumph shall have fifteen (15) days from each receipt of the plans and specifications or proposed material change to notify the City of its confirmation or denial that the Project described in the plans and specifications is consistent with the project described in the Grant Application. If Triumph issues a denial, such denial shall be in writing and shall state the specific manner in which the Project described by the plans and specifications is not consistent with the project described in the Grant Application. If Triumph fails to deliver such confirmation or denial within such fifteen (15) day period, the plans and specifications or proposed material change shall be deemed confirmed by Triumph. If the City fails to obtain such confirmation as provided herein, that failure shall be sufficient cause for nonpayment by Triumph as provided in Section 4.2(h).

5.7 CMAR Contract: Triumph shall have the right to review and approve the proposed CMAR Contract and any proposed material amendments, modifications, extensions, change orders, or other changes to the thereto, which approval shall not be unreasonably withheld, conditioned or delayed. Triumph shall have fifteen (15) days from receipt of the CMAR Contract, any proposed material amendments, modifications, extensions, change orders, or other changes thereto to approve or disapprove the same (all requests for material amendments, modifications, extensions, change orders, or other changes to the CMAR Contract shall be accompanied by a description or summary of the proposed change and how/whether such change would affect the overall scope of Project Titan. A change order under the CMAR Contract of \$250,000 or less shall

not constitute a material modification of the CMAR Contract, provided that the City shall provide to Triumph copies of all amendments, modifications, extensions, change orders, and other changes to the CMAR Contract, whether or not deemed to be material. If Triumph issues a disapproval, such disapproval shall be in writing and shall state with specificity all reasons for such disapproval. If Triumph fails to approve or disapprove within such fifteen (15) day period, the CMAR Contractor change thereto, as applicable, shall be deemed approved.

5.8 MRO Development Agreement and MRO Lease. Triumph shall have the right to review (a) the MRO Development Agreement and any material changes thereto solely to confirm that the MRO Development Agreement is not inconsistent with the requirements of this Agreement and the Grant Application and (b) the MRO Lease and any material changes thereto solely to confirm inclusion of required performance metrics and Triumph's related enforcement rights. Triumph shall have fifteen (15) days from the receipt of the MRO Development Agreement or any material change thereto and the MRO Lease or material change thereto, respectively, to notify the City of its confirmation or denial that (a) the MRO Development Agreement or material changes thereto is not inconsistent with the requirements of this Agreement and the Grant Application and (b) the MRO Lease or material change thereto includes the required performance metrics and enforcement rights. If Triumph issues a denial, such denial shall be in writing and shall state the specific manner in which (a) the MRO Development Agreement is inconsistent with the requirements of this Agreement or the Grant Application or (b) the MRO Lease or material change thereto fails to include required performance metrics and/or enforcement rights. If Triumph fails to deliver such confirmation or denial within such fifteen (15) day period, the MRO Development Agreement or material change thereto or the MRO Lease or material change thereto, as applicable, shall be deemed confirmed by Triumph. If the City fails to obtain such confirmation as provided herein, that failure shall be sufficient cause for nonpayment by Triumph as provided in Section 4.2(h).

5.9 Compliance with Consultants' Competitive Negotiation Act. The City shall be deemed an "Agency" under, and shall comply in full with, the provisions of Chapter 287.055, Florida Statutes, Consultants' Competitive Negotiation Act with respect to engineering, architecture or surveying services, and shall certify to Triumph that all selections have been accomplished in compliance with said statute.

5.10 City Responsible for Payments. The City acknowledges and agrees that it is solely responsible for payments that become lawfully due and owing by the City to its agents, employees, contractors (including the CMAR), and consultants. and the City shall indemnify and hold Triumph harmless from any suits, actions, damages, and costs of every name and description, including attorneys' fees, arising from or relating to any denial or reduction of any application submitted by the City to Triumph for disbursement of the Grant under this Agreement; provided that the City shall not indemnify or defend Triumph with respect to any such denial or reduction made by Triumph in violation of the terms of this Agreement

5.11 Workers' Compensation Insurance. The City shall carry or cause CMAR and any of its other contractors and consultants to carry and keep in force Workers' Compensation insurance as required under the Florida Workers' Compensation Law (Chapter 440, Florida Statutes).

6. Representations and Warranties of the City. The City hereby makes the following representations and warranties to Triumph, each of which shall be deemed to be a separate representation and warranty, all of which have been made for the purpose of inducing Triumph to enter into this Agreement, and in reliance on which Triumph has entered into this Agreement, and such representations and warranties shall be deemed made as of the date hereof, as of the dates on which the City submits an Application for Disbursement, and as of the dates on which the City receives any disbursement of the Grant:

(a) **Organization; Power and Authority.** The City is a municipal corporation of the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** The City has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the City. This Agreement has been duly executed and delivered by the City and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies); provided that all obligations of the City hereunder shall be payable solely from legally available funds of the City, and nothing in this Agreement shall be construed as a pledge of the faith, credit or taxing power of the City within the meaning of any constitutional or statutory provision, prohibition or limitation, nor as a pledge to encumber any asset or property of the City.

(c) **No Violations.** The execution and delivery by the City of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of the City's certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of the City's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. The City has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has the City been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither the City nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the City, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither the City nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or

indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **No Material Adverse Change.** No event, change or condition has occurred that has had, or would reasonably be expected to have, a material adverse effect on the assets, operations or financial condition of the City, or Project Titan, in each case, since the date of the Grant Application.

(e) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of the City, threatened by or against the City or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of the City, threatened by or against the City or any of its elected officials. No permanent injunction, temporary restraining order or similar decree has been issued against the City which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this Agreement. Neither the City, nor any of its material properties or assets has in the last three years been in violation of, nor will the continued operations of its material properties and assets as currently conducted, violate any law, rule, or regulation applicable to the City (including any zoning or building ordinance, code or approval, or any building permit where such violation or default would be material to the City), or is in default with respect to any judgment, writ, injunction, decree, or order applicable to the City of any governmental the City, in each case, where such violation or default could, individually or in the aggregate, reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this or constitutes a crime under the laws of the United States, Florida, or any other state or territory of the United States.

(f) **Express Representations and Warranties: No Material Misstatements.** All statements made by the City in the Grant Application were true, complete, and correct in all material respects. Triumph shall be deemed to have relied upon the express statements, representations and warranties set forth herein and in the Grant Application notwithstanding any knowledge on the part of Triumph of any untruth of any such representation or warranty of the City expressly set forth in this Agreement, regardless of whether such knowledge was obtained through Triumph's own investigation or otherwise, and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement. No information, report, financial statement, exhibit or schedule (other than forward-looking statements and projections) furnished by the City to

Triumph in connection with the Grant Application and/or the negotiation of this Agreement, or delivered pursuant to this Agreement, when taken together, contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

(g) **Matching Funds.** The City has on hand as its own funds or irrevocable contractual, grant award, or appropriated funds of not less than \$15,000,000 as the Matching Funds dedicated to completion of Project Titan as contemplated in the Grant Application.

(h) **Bonus or Commission.** The City has not paid, and agrees not to pay, any bonus or commission for the purpose of obtaining an approval of the Grant Application or the entering into of this Agreement.

7. Accounting, Audits, and Records.

7.1 Establishment and Maintenance of Accounting Records. The City shall establish separate accounts to be maintained within its existing accounting system or establish independent accounts with respect to Project Titan. Such accounts are referred to herein collectively as the “**Project Titan account.**” Records of costs incurred under terms of this Agreement shall be maintained in Project Titan account and made available upon request to Triumph at all times during the period of this Agreement and for five (5) years after final payment of the Grant is made. Copies of these documents and records shall be made available to Triumph upon request. Records of costs incurred include the City's general accounting records and Project Titan records, together with supporting documents and records, of the City and all consultants performing work on Project Titan and all other records of the City and consultants considered necessary by Triumph for a proper audit of costs. If any litigation, claim, or audit is started before the expiration of the five (5) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

7.2 Audits. The administration of the Grant and any federal, state, or local resources awarded to the City with respect to Project Titan shall be subject to audits and/or monitoring by Triumph, the Chief Financial Officer of the State of Florida, the Auditor General of the State of Florida, the Florida Office of Program Policy Analysis and Government Accountability, and other state agencies, and by the federal government and agencies and representatives thereof. Without limiting the generality of the foregoing, the City shall comply with all audit and audit reporting requirements as specified below, and such requirements do not limit the authority of Triumph to conduct or arrange for the conduct of additional audits or evaluations of the Grant and federal, state, or local awards or funding, or limit the authority of Triumph or any state or federal official.

(a) In addition to reviews of audits conducted in accordance with Chapter 218, Florida Statutes, monitoring procedures to monitor the City's use of the Grant may include but not be limited to on-site visits by Triumph and/or other procedures including, reviewing any required performance and financial reports, following up, ensuring corrective action, and issuing management decisions on weaknesses found

through audits when those findings pertain to the Grant awarded by Triumph by this Agreement. By entering into this Agreement, the City agrees to comply and cooperate fully with any monitoring procedures/processes deemed appropriate by Triumph. The City further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by Triumph, the Florida Department of Financial Services (DFS), or the State of Florida Auditor General.

(b) The City, as a recipient of state financial assistance awarded by Triumph through this Agreement, may be subject to the following requirements:

(i) Chapter 218, Florida Statutes; applicable rules of the Department of Financial Services; and Chapters 10.550 (local governmental entities) of the Rules of the Auditor General.

(ii) In accordance with Chapters 10.550 (local governmental entities) of the Rules of the Auditor General, copies of financial reporting packages required by this Agreement shall be submitted to Triumph at the address set forth in Section 10.10 below and to the State of Florida Auditor General, Local Government Audits/342, 111 West Madison Street, Room 401, Tallahassee, FL 32399-1450;

(iii) The City, when submitting financial reporting packages to Triumph for audits done in accordance with Chapters 10.550 (local governmental entities) of the Rules of the Auditor General, should indicate the date the reporting package was delivered to the Auditor General in correspondence accompanying the reporting package;

(iv) Upon receipt, and within six months, Triumph may review the City's financial reporting package, including corrective action plans and management letters, to the extent necessary to determine whether timely and appropriate corrective action on all deficiencies has been taken pertaining to the Grant provided through Triumph by this Agreement. If the City fails to have an audit conducted consistent with Chapter 218, Florida Statutes, Triumph may take appropriate corrective action to enforce compliance; and

(v) As a condition of receiving the Grant, the City shall permit Triumph, or its designee, DFS or the Auditor General access to the City's records including financial statements, the independent auditor's working papers and project records as necessary. Records related to unresolved audit findings, appeals or litigation shall be retained until the action is complete or the dispute is resolved.

(c) The City shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period five (5) years from the date the audit report is issued and shall allow Triumph, or its designee, DFS or State of Florida Auditor General access to such records upon request. The City shall ensure that the audit working papers are made available to Triumph, or its designee, DFS or State of Florida Auditor General upon request for a period of five (5) years from the date the audit report is issued unless extended in writing by Triumph.

Triumph and the City acknowledge that other providers of funding for Project Titan, including without limitation the Florida Department of Transportation ("FDOT"), will require the City to provide various records, documents, activity reports, financial reports, accounting records and other audit information from time to time. Triumph agrees to cooperate in good faith with the City to minimize duplication and inefficiencies with respect to the content and format of such information, provided that nothing in this paragraph shall be construed to restrict or limit the information to which Triumph is entitled under the terms of this Agreement.

7.3 Public Records. The parties acknowledge that each are public entities and, as such, are obligated to comply with the provisions of Chapter 119 of the Florida Statutes applicable to this Agreement as the same may be limited or construed by other applicable law. In the event that either party receives a request for a "public record" (as such term is defined in Section 119.011 of the Florida Statutes) in connection with this Agreement, that party shall provide written notice to the other party of such request as soon as practicable after that parties receipt of such request. If either party submits records to the other party that are confidential and exempt from public disclosure as trade secrets pursuant to Section 288.075 (3) of the Florida Statues or proprietary confidential business information pursuant to Section 288.075(4) of the Florida Statues, such records should be marked accordingly by the submitting party prior to submittal to the other party. In the event that either party's claim of exemption asserted in response to the submitting party's assertion of confidentiality is challenged in a court of law. The submitting party shall defend, assume and be responsible for all fees, costs and expenses in connection with such challenge. It is expressly understood and agreed that all Back-up Data (as defined in Section 8.4 below) and performance metrics under Section 8.4 below shall be deemed "public records" under Section 119.011 of the Florida Statutes.

8. Termination or Suspension of Project/Breach of Agreement/Failure to Achieve Performance Metrics/Clawback of Grant:

8.1 Termination, Suspension, or Expiration of Project. If the City abandons or, before completion, finally discontinues Project Titan; or fails to complete a substantial portion of Project Titan; or for any other reason (other than *force majeure*), the commencement, prosecution, or timely completion of Project Titan by the City is rendered improbable, infeasible, impossible, or illegal, Triumph may, by written notice to the City, (i) suspend any further disbursements of the Grant and/or any or all of Triumph's other obligations under this Agreement until such time as the event or condition resulting in such abandonment, suspension, or discontinuation has ceased or been corrected, and/or (ii) revoke and terminate the Grant. If Triumph issues a final termination or revocation notice, then in accordance with Section 8.3 below

the City shall upon written demand by Triumph repay to Triumph all portions of the Grant theretofore disbursed to and received by the City.

8.2 Breach of Agreement. In the event the City shall (i) have made any misrepresentation of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to this Agreement, (ii) have breached a material representation or warranty made in this Agreement, and/or (iii) have breached, violated, or is in any way in default (other than by reason of *force majeure*), after the expiration of any notice and/or cure periods, under any of its material obligations under this Agreement, then in accordance with Section 8.3 below the City shall upon written demand by Triumph repay to Triumph all portions of the Grant theretofore disbursed to and received by the City.

8.3 Clawback from City. Upon the occurrence of any of the events described in Sections 8.1 or 8.2 above and the expiration of the cure period provided in Section 10.16, then, upon written demand by Triumph, the City shall within one (1) year of such demand repay to Triumph all amounts of the Grant that were theretofore disbursed to and received by the City, together with interest at the rate *Wall Street Journal Prime Rate* plus three percent (3%) per annum on such amounts to be repaid. Such interest shall accrue commencing on the date of such written demand by Triumph and shall continue to accrue until the amount demanded is repaid in full. Excluding interest, the total repayment of Grant funds to be repaid as provided above shall not exceed the total amount of the Grant actually disbursed to the City. The City and Triumph acknowledge and agree that any amounts set forth in this Section 8.3 to be paid by the City are intended as a repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of the occurrence of any of the events described in Sections 8.1 or 8.2 above. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, the City and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph, (iii) Triumph would not have a convenient and adequate alternative to the liquidated damages, (iv) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (v) the City irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive. Notwithstanding any contrary provision in this Agreement, it is expressly understood and agreed that any obligation of the City to repay all or any portion of the Grant shall terminate six (6) months following the final disbursement of the Triumph Grant under Section 5.3 above.

8.4 Performance Metrics/Clawback of Grant from MRO Lessee. The MRO Performance Agreement attached hereto as Exhibit "B" is hereby incorporated herein by reference. The MRO Performance Agreement shall be attached as an exhibit to, and shall be incorporated by reference into and made a part of, each of the MRO Development Agreement and the MRO Lease.

(a) In order for MRO Lessee to avoid imposition of clawbacks as further set forth below, the MRO Lessee must comply with the terms and conditions of the MRO Performance Agreement.

(b) Whether enforced through the MRO Performance Agreement, the MRO Development Agreement, or the MRO Lease, the MRO Lessee will be solely liable to Triumph for all such clawback payments under the MRO Performance Agreement, and such payments shall be made by the MRO Lessee directly to Triumph. The City shall (i) bear fifty percent (50%) of the reasonable cost of Triumph's attorneys' fees and costs incurred in connection with any enforcement actions of the clawback provision against MRO Lessee, whether such enforcement occurs under the MRO Performance Agreement or the MRO Lease; and (ii) cooperate in all reasonable respects with Triumph's efforts to enforce the clawbacks; provided that (a) Triumph shall provide to the City copies of invoices for such attorneys' fees and costs as and when received by Triumph, (b) Triumph shall provide to City copies of all documents, correspondence and pleadings related to such enforcement actions, unless such documents are subject to attorney-client privilege, and (c) Triumph shall, upon the City's request from time to time, provide to City verbal briefings by Triumph and its attorneys concerning the status and progress of such enforcement actions.

(c) It is the Parties' intent that the document attached hereto as Exhibit "B" and referred to herein as the "MRO Performance Agreement" shall at all times be the identical document as the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time. To that end, in the event of any conflict between Exhibit "B" hereto and the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time, the provisions of the MRO Performance Agreement and amendments and modifications actually executed and entered into by and between Triumph and MRO Lessee shall control, and the conflicting provisions of Exhibit "B" shall be deemed to be automatically modified and amended to the full extent necessary in order for the provisions of Exhibit "B" to be identical to the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time. Further, the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time shall be substituted for and in place of Exhibit "B" hereto, without the consent of Triumph or the City being required, as necessary from time to time in order that at all times the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time, shall constitute Exhibit "B" to this Agreement. Notwithstanding the foregoing, in no event shall the MRO Performance Agreement or any amendment or modification thereto create any obligation or liability on the party of the City to Triumph, MRO Lessee, or any other person or entity.

9. Other Covenants, Restrictions, Prohibitions, Controls, and Labor Provisions:

9.1 No Lobbying/Gifts. The City shall not expend any funds provided under this Agreement for the purpose of lobbying the Legislature, the judicial branch, or any state agency, and shall at all times comply with s. 11.062, F.S., and s. 216.347, F.S. The City shall not, in connection with this or any other agreement, directly or indirectly: (1) offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for any Triumph or State officer or employee's decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty; or (2) offer, give, or agree to give to anyone any gratuity for the benefit of, or at the direction or request of, any Triumph or State officer or employee. For purposes of clause (2), "gratuity" means any payment of more than nominal monetary value in the form of cash,

travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. Upon request of Triumph or any authorized State official, the City shall provide any type of information Triumph or such official reasonably deems relevant to the City's compliance with the foregoing. Such information may include, but shall not be limited to, the City's business or financial records, documents, or files of any type or form that refer to or relate to this Agreement.

9.2 Costs of Investigations. The City shall reimburse Triumph, the Auditor General or other authorized State official, as the case may be, for the reasonable costs of audits and investigations incurred by Triumph, the Auditor General or other authorized State official, as the case may be, for audits and investigations of the City's compliance with the terms of this Agreement which result in the suspension or debarment of the City. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The City shall not be responsible for any costs of audits or investigations that do not result in the City's suspension or debarment. The City understands and will comply with the requirements of s. 20.055(5), F.S., including but not necessarily limited to, the duty of the City and any of the City's subcontractors to cooperate with the inspector general in any investigation, audit, inspection, review, or hearing pursuant to s. 20.055, F.S.

9.3 Equal Employment Opportunity/Labor Laws. In connection with the carrying out of Project Titan, the City shall not discriminate against any employee or applicant for employment because of race, age, creed, color, sex or national origin. In addition, in connection with Project Titan, the City shall comply with all other applicable labor and employment laws and regulations, including, but not limited to, wage and hour and workplace safety laws and regulations.

9.4 Prohibited Interests. Except as otherwise permitted under Section 112.313(12), Florida Statutes, the City shall not enter into a contract or arrangement in connection with Project Titan or any property included or planned to be included in Project Titan, with any officer, director or employee of the City, or any entity of which the officer, director or employee or the officer's, director's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer, director or employee or the officer's, director's or employee's spouse or child, or any combination of them, has a material interest.

- (1) "Material Interest" means direct or indirect ownership of more than 5% of the total assets or capital stock of any business entity.
- (2) The City shall not enter into any contract or arrangement in connection with Project Titan or any property included or planned to be included in Project Titan, with any person or entity who was represented before the City by any person who at any time during the immediately preceding two (2) years was an officer, director or employee of the City.
- (3) The provisions of this subsection shall not be applicable to any agreement between the City and its fiscal depositories, any agreement for utility services the rates for

which are fixed or controlled by the government, or any agreement between the City and an agency of state government.

9.5 Interest of Members of, or Delegates to, Congress or Legislature. No member or delegate to the Congress of the United States, or member of the State of Florida legislature, or any director, staff member, or consultant of Triumph, shall be permitted to share in or be a part of this Agreement or any benefit arising hereunder.

9.6 Grant Funds. The City acknowledges and agrees that the funds for the Grant are not and shall not be deemed a general obligation of the State of Florida, nor is the Grant or this Agreement backed by the full faith and credit of the State of Florida. Subject to the satisfaction of the funding contingencies set forth in Sections 3 and 4 above, \$56,000,000 of the Grant shall be available for disbursement as of the date of execution of this Agreement out of uncommitted funds currently held by Triumph. However, the remaining Grant amount of \$10,000,000 shall only be available for disbursement to the City as follows: \$5,000,000 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected receipt of funds by Triumph on or about April 8, 2020, and \$5,000,000 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected receipt of funds by Triumph on or about April 8, 2021.

10. Miscellaneous Provisions:

10.1 Triumph Not Obligated to Third Parties. Triumph shall not be obligated or liable hereunder to any party other than the City. Without limiting the generality of the foregoing, neither MRO Lessee nor any of its affiliates, nor any person or entity providing funding to Project Titan (other than the City), nor CMAR or any other contractor, subcontractor, or materialman, shall be a third-party beneficiary under this Agreement.

10.2 When Rights and Remedies Not Waived. In no event shall the making by Triumph of any payment of Grant funds to the City constitute or be construed as a waiver by Triumph of any breach of covenant or any default which may then exist, on the part of the City, and the making of such payment by Triumph while any such breach or default shall exist shall in no way impair or prejudice any right or remedy available to Triumph with respect to such breach or default.

10.3 Severability. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

10.4 Contractual Indemnity. To the extent provided by Section 768.28, Florida Statutes, the City shall indemnify, defend, and hold harmless Triumph and all of its officers, agents, and employees from any claim, loss, damage, cost, charge, or expense arising out of any negligent act or negligent failure to act by the City, its agents, or employees, during the performance of this

Agreement, except that neither the City, its agents, or its employees will be liable under this paragraph for any claim, loss, damage, cost, charge, or expense arising out of any negligent act or negligent failure to act by Triumph or any of its officers, agents, or employees during the performance of the Agreement. Nothing in this Agreement shall be construed as a waiver by the City of any sovereign immunity protections that may be provided by Section 768.28, Florida Statutes. When Triumph receives a notice of claim for damages that may have been caused by the City in the performance of services required under this Agreement, Triumph will immediately forward the claim to the City. The City and Triumph will evaluate the claim and report their findings to each other within fourteen (14) working days and will jointly discuss options in defending the claim. After reviewing the claim, Triumph will determine whether to require the participation of the City in the defense of the claim or to require that the City defend Triumph in such claim as described in this Section 10.4. Triumph's failure to promptly notify the City of a claim shall not act as a waiver of any right herein to require the participation in or defense of the claim by the City. Triumph and the City will each pay its own expenses for the evaluation, settlement negotiations, and trial, if any. However, if only one party participates in the defense of the claim at trial, that party is responsible for all expenses at trial.

10.5 Limitations of Liability. Neither the City nor Triumph shall be liable to the other for any special, indirect, punitive, or consequential damages, even if the other party has been advised that such damages are possible. Neither the City nor Triumph shall be liable for lost profits, lost revenue, or lost institutional operating savings. In addition, Triumph shall not assume or incur any liability related to its approval or deemed approval of the CMAR Contract, any other contract related to Project Titan, any plans or specifications for Project Titan, any construction work, or any other matter for which Triumph has the right or obligation to review and/or approve under this Agreement.

10.6 Non-Assignment. The City shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to the City. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*.

10.7 Intentionally Omitted.

10.8 Construction: Interpretation. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement together with all Exhibits hereto, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and other words of similar import mean "including, without limitation" and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the

general statement to which it relates. The word “or” is not exclusive and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole, including any Exhibits, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. The recitals of this Agreement are incorporated herein by reference and shall apply to the terms and provisions of this Agreement and the parties hereto. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

10.9 Preservation of Remedies. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default.

10.10 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the City and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.11 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable address set forth below, unless another address has been previously specified in writing in accordance with this Section 10.11:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

or

4100 Legendary Drive
Suite 200
Destin, FL 32541

If to the City:

City of Pensacola
222 W. Main Street
Pensacola, FL 32502
Attention: City Administrator
City Attorney
Chief Financial Officer

10.12 Attorney's Fees. In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

10.13 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

10.14 Governing Law. The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law,

rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

10.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

10.16 Notice and Right to Cure. Notwithstanding any contrary provision in this Agreement, Triumph shall give the City written notice of any event or occurrence that would permit Triumph to revoke or terminate the Grant or this Agreement or to exercise any other right or remedy hereunder, and the City shall be entitled to cure, remedy or correct such event or occurrence within thirty (30) days after its receipt of such notice; provided that if such event or occurrence cannot reasonably be cured, remedied or corrected within such thirty-day period, the City shall have a reasonable time, not to exceed ninety (90) days after the City's receipt of such notice, to cure, remedy or correct such event or occurrence. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to Applications for Disbursement; rather any notice and cure rights with respect to Applications for Disbursement shall be governed solely by Section 4.2.

10.17 Mayor's Authority. Any notice or consent required or permitted by this Agreement to be given by the City may be given by the Mayor of the City, or the Mayor's designee, and the Mayor or the Mayor's designee shall be entitled to exercise any discretion permitted by this Agreement to be exercised by the City. Further, the Mayor or the Mayor's designee may amend, modify or waive any term or provision of this Agreement on behalf of the City provided that the amendment, modification or waiver does not materially and adversely affect the rights and obligations of the City under this Agreement or is required in order to correct a scrivener's error. Any action taken by the Mayor or the Mayor's designee under the terms of this Section shall bind the City, and Triumph shall be entitled to rely thereon.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

THE CITY:

CITY OF PENSACOLA,
a Florida municipal corporation

By: _____
Print Name: Grover C. Robinson, IV
Title: Mayor

ATTEST:

By: _____
Print Name: _____
Title: _____

Approved As To Content:

Daniel E. Flynn, Airport Director

Approved As To Form

By: _____
Susan A. Woolf, City Attorney

TRIUMPH:

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: _____
Print Name: _____
Title: Chairman

By: _____
Print Name: _____
Title: Treasurer

ATTEST:

By: _____
Print Name: _____
Title: Secretary

A3161969.DOCX

EXHIBIT "A"

Resolution of City

RESOLUTION
NO. 2019-11

A RESOLUTION
TO BE ENTITLED:

A RESOLUTION AUTHORIZING AND DIRECTING THE MAYOR OF THE CITY OF PENSACOLA TO EXECUTE GRANT AWARD AGREEMENT PENSACOLA AIRPORT MRO/PROJECT #120 WITH TRIUMPH GULF COAST, INC. FOR AN AIRCRAFT MAINTENANCE, REPAIR, OVERHAUL AVIATION CAMPUS AT PENSACOLA INTERNATIONAL AIRPORT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, The City of Pensacola uses the Airport Management as a tool for scheduling and planning projects at the Pensacola International Airport; and

WHEREAS, Triumph Gulf Coast, Inc. has approved the project and offered a Grant Award Agreement in the amount of \$66,000,000;

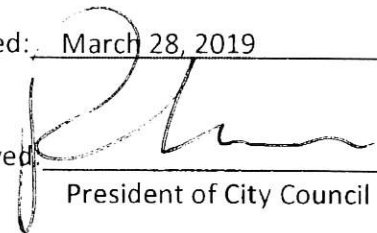
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA AS FOLLOWS:

SECTION 1. That the City of Pensacola shall enter into the Grant Award Agreement for the purpose of obtaining aid for the planning and construction of an Aircraft Maintenance, Repair, and Overhaul Aviation Campus.

SECTION 2. The Mayor is hereby empowered to take all actions necessary relating to this Resolution, the duties hereunder, and any agreements or documents related hereto.

SECTION 3. This Resolution shall become effective on the fifth business day after adoption, unless otherwise provided pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: March 28, 2019

Approved: 

President of City Council

Attest:



City Clerk

EXHIBIT “B”
VT PERFORMANCE AGREEMENT

PERFORMANCE AGREEMENT

This Performance Agreement (this “**Agreement**”) is made and entered into as of _____ March 2019 by and between Triumph Gulf Coast, Inc., a Florida not-for-profit corporation (“**Triumph**”) and VT Mobile Aerospace Engineering, Inc., an Alabama corporation (“**VT**”).

RECITALS:

WHEREAS, Triumph and the City of Pensacola, Florida (the “**City**”) are parties to that certain Grant Award Agreement dated _____, 2019 (the “**Grant Agreement**”).

WHEREAS, pursuant to the Grant Agreement, and subject to the terms and conditions therein, Triumph has agreed to make a grant to the City in the maximum amount of \$66,000,000 (the “**Grant**”) to provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, “**Project Titan**”) at Pensacola International Airport (the “**Airport**”):

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

WHEREAS, VT, as lessee, and the City, as lessor, are entering into a separate lease agreement pursuant to which VT will occupy all or a portion of Project Titan (the “**MRO Lease**”).

WHEREAS, VT and the City are entering into a separate Development Agreement which governs the construction and development of Project Titan (the “**MRO Development Agreement**”).

WHEREAS, Section 8.4 of the Grant Agreement contains certain job creation performance metrics that must be satisfied by VT.

WHEREAS, the Grant Agreement provides that, as a condition to Triumph making the Grant to the City, VT shall enter into this Agreement, pursuant to which, among other things, VT

agrees to re-pay to Triumph certain "clawback" amounts in the event the job creation performance metrics are not timely satisfied.

WHEREAS, VT will derive a substantial benefit from the making of the Grant to the City and the completion of Project Titan and has received and thus is receiving good and valuable consideration for entering into this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Accuracy of Recitals. Triumph and VT acknowledge and agree that the foregoing Recitals are true and accurate.
2. Performance Metrics. VT hereby covenants and agrees as follows:

(a) VT hereby covenants and agrees that:

(1) (A) Tier 1 Jobs: During the Tier 1 Jobs Ramp-Up Period (as defined below), VT shall hire and develop its workforce in order to achieve the performance metrics described herein. Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), VT shall (i) create at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and (ii) maintain an annual average of 994 jobs for at least seven (7) years (which seven years need not be consecutive) during the ten (10) year period from the initiation of the Job Maintenance Review Period for Tier 1 Jobs. Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. The parties hereto acknowledge and agree that the "Tier 1 Jobs Ramp-Up Period" shall be for a period of time starting on the Date of Beneficial Occupancy of Hangar 4 of Project Titan and ending five (5) years thereafter. In order for a Project Job under this paragraph (A) to have been maintained for seven (7) years in accordance with the terms of this Agreement, it must have been maintained for at least seven (7) years (which seven years need not be consecutive) out of the ten (10) year period after the Tier 1 Jobs Ramp-Up Period. Such ten-year period is herein referred to as the "**Job Maintenance Review Period for Tier 1 Jobs.**"

(B) Tier 2 Jobs: VT shall (i) create at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and

(ii) maintain an annual average of 331 jobs for at least seven (7) years (which seven years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending ten (10) years thereafter. Such ten-year period is herein referred to as the “**Job Maintenance Review Period for Tier 2 Jobs.**” Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as “Project Jobs.” As used herein, “Project Jobs” shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety-four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Tier 1 Jobs Ramp-Up Period and the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs which are in excess of a base of nine hundred ninety-four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B).

(C) During the Tier 1 Jobs Ramp-Up Period, if in any year or years the Project Jobs exceed 1,325, then such year or years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above. Also, if the average of the Project Jobs during the Tier 1 Jobs Ramp-Up Period equals or exceed 1,325 (i.e. 6,625 jobs/ 5 years), then all five years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above.

(D) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (A), (B) and (C) above, (i) the jobs creation requirements of this Agreement shall be considered satisfied; (ii) the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred; and (iii) this Agreement shall be deemed to be terminated without any further action being required by the parties. As a start-up project, Project Titan will not have a “**Base Period**” for the calculation of Project Jobs. No Project Jobs may be transferred by VT from other parts of the State of Florida in fulfillment the jobs creation requirements described herein.

(2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of this Agreement. Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for “maintaining” or “maintenance” of Project Jobs hereunder.

(3) The “Grant Performance Completion Date” shall be the later of (a) the date on which the entirety of the Grant has been disbursed as described herein; or (b)

the date on which VT shall have established as required herein that it has satisfied each requirement of this Paragraph (a).

(b) VT acknowledges that the Grant Agreement may be terminated by Triumph upon failure of VT to comply with any material term or condition of the MRO Lease and/or the MRO Development Agreement to be performed or complied with by VT that has not been cured within thirty (30) days of VT's receipt of written notice of default thereof, or a decision by VT not to proceed with Project Titan. Notwithstanding the foregoing, a cure period shall be extended for an appropriate period of time should such default arise beyond the reasonable control of VT, provided that VT is making diligent efforts to cure the default.

(c) VT acknowledges that any termination under Paragraph (b) will result in the City's loss of eligibility for receipt of the Grant payments previously authorized. In addition, VT will be required to pay to Triumph an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. VT will be given credit against its payment obligations in the amount of \$49,811.32 [$\$66,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of this Agreement and for any payments that have been previously required.

(d) In the event that at the end of the Job Maintenance Review Period for Tier 1 Jobs VT has failed to achieve the creation and maintenance of 994 [75% of 1,325] Project Jobs, on average annually, in accordance with Paragraph (A) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 1 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (A) multiplied by \$49,811.32.

(e) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs VT has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs, on average annually, in accordance with Paragraph (B) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 2 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (B) multiplied by \$49,811.32.

(f) If during the Job Maintenance Review Period for Tier 1 Jobs VT fails to achieve the creation and maintenance of 994 Project Jobs, then VT will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "**Compliance Plan**"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event VT fails to comply with the benchmarks in

the Compliance Plan within one (1) year of its institution, VT shall be required to pay the amounts described in Paragraph (b) above.

(g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then VT shall be required to pay the amounts described in Paragraph (c) above.

(h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by VT. This rate is published online at <http://fltreaury.org>. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period VT, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies.

(i) The amount required to be paid pursuant to this Section 2 shall never exceed the value of the total Grant plus interest as determined in Paragraph (h) above.

(j) Any required undisputed payment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph.

(k) Triumph, or its designated agent, may conduct on site visits of Project Titan facilities to verify VT's investment, employment and wage records and VT will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide VT notice of at least ten (10) business days before an impending on-site visit.

(l) If during the Measurement Period there occurs one or more Force Majeure Events (defined below) that materially and adversely affect VT's business and its ability to comply with the Minimum Jobs Level, VT may exercise a one-time election to extend the Measurement Period by twenty-four (24) months without payment penalty. A "Force Majeure Event" is hereby defined to include each of the following events:

1. A global or United States recession as determined by the National Bureau of Economic Research (NBER);
2. Damages to the facilities from hurricanes and other natural disasters having a material and adverse effect on operations;
3. Local, State or Federal Government and/or Federal Aviation Administration regulatory actions or policy changes affecting the business;
4. Adverse conditions that prevent air operators from continuing normal air services;
5. Loss of a major key account;

6. Customer actions resulting in early fleet retirement, aircraft storage or part-out;
or
7. Tight labor market affecting recruitment of new employees or attracting local candidates for workforce development program.

(m) (A) At any time and from time to time, upon written request by Triumph, VT shall, within ten (10) days of such request, deliver to Triumph such data, reports, payroll records, financial statements and reporting, and other documents, instruments, State of Florida employment reporting forms, and such other information as Triumph requires in order to determine whether VT achieved any or all of the above performance metrics (collectively, "**Back-up Data**"), (B) within thirty (30) days after the end of each calendar quarter VT shall deliver to Triumph a copy of its RT-6 re-employment tax return, and (C) annually within six (6) months after the end of each fiscal year, deliver to Triumph audited financial statements. VT's refusal or failure to timely provide any requested Back-up Data and other information described above shall be deemed a breach of a material obligation of this Agreement.

(n) Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics were not achieved due to negative economic conditions beyond VT's control, including but not limited to VT's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that VT made a good faith effort to achieve full performance metrics and its failure to fully achieve the metrics does not substantially frustrate the general purpose of the grant, (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected VT's ability to achieve the performance metrics, (iv) it determines in its sole and absolute discretion that regulatory policy changes or VT loss of major customer accounts impede VT's ability to carry on business as usual, or (v) VT has demonstrated reasonable best efforts to comply with the requirements of the Performance Metrics.

(o) VT and Triumph acknowledge and agree that any amounts set forth in this Section 2 to be paid by VT are intended as a third-party repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of VT's failure to timely satisfy the performance metrics set forth herein. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, VT and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph would not have a convenient and adequate alternative to the liquidated damages, (iii) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (iv) VT irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive.

3. **Representations and Warranties of VT.** VT hereby makes the following representations and warranties to Triumph:

(a) **Organization; Power and Authority.** VT is a corporation duly organized, validly existing, and in good standing under the laws of the State of Alabama and is duly qualified to do business in and is in good standing in the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** VT has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of VT. This Agreement has been duly executed and delivered by VT and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of VT, enforceable against VT in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(c) **No Violations.** The execution and delivery by VT of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of VT's articles/certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of VT's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. VT has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has VT been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither VT nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of VT, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither VT nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and

penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of VT, threatened by or against VT or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the VT, Project Titan, or VT's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of VT, threatened by or against VT or any of its officers. No permanent injunction, temporary restraining order or similar decree has been issued against VT which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of VT, Project Titan, or VT's ability to perform its obligations under this Agreement.

4. **Miscellaneous Provisions:**

4.1 **Severability.** If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

4.2 **Non-Assignment.** VT shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to VT. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*. However, that this section is not intended to apply to or prevent the assignment of this Agreement, in its entirety, to any corporation or other entity with which VT may merge (regardless of whether VT is the surviving entity, so long as the surviving entity assumes and agrees to pay and perform all obligations of VT under this Agreement and such surviving entity has a net worth equal to or greater than VT's net worth at the time of assignment or merger) or to an affiliate or subsidiary of VT that has a net worth equal to or greater than VT's net worth at the time of assignment. VT shall promptly notify Triumph in writing of any merger by or with VT and any assignment of this Agreement to an affiliate or subsidiary.

4.3 **Construction: Interpretation.** The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and

other words of similar import mean “including, without limitation” and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the general statement to which it relates. The word “or” is not exclusive and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

4.4 Preservation of Remedies; Severability. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default. If any term or provision of this Agreement is found to be illegal, invalid, or unenforceable, such term or provision will be deemed stricken, and the remainder of this Agreement will remain in full force and effect.

4.5 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the VT and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

4.6 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable

address set forth below, unless another address has been previously specified in writing in accordance with this Section 4.6:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

If to VT:

VT Mobile Aerospace Engineering, Inc.
2100 Aerospace Drive
Mobile, AL 36615
Attention: President

4.7 **Attorney's Fees.** In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

4.8 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

4.9 **Governing Law.** The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law, rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

4.10 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

4.11 **Aerospace Academy.** As soon as practicable following the execution of the grant agreement with the City, Triumph and VT will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the private sector aerospace and aviation industry in Northwest Florida. The Aerospace Academy will focus on its recruiting effort in three (3) principal areas:

- i) Partnering with local public education institutes to foster an interest in aviation as a career, resulting in enrollment in post-secondary training programs with VT;
- ii) Aligning with Workforce Escarosa to identify and recruit under employed and otherwise disadvantaged (working poor) community members providing a pathway into specialized aviation career training; and
- iii) Recognizing and evaluating local area resident veterans with aviation or similar relevant military training to provide a track to a commercial aviation career.

4.12 The Aerospace Academy will commit to provide above training opportunities for up to 50 local resident candidates annually for a period of five (5) years.

4.13 **Future Additional Jobs.** VT will make a good faith effort to locate additional divisions of the VT and or its affiliates or additional jobs to Northwest Florida.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

VT:

TRIUMPH:

VT Mobile Aerospace Engineering, Inc., an
Alabama corporation

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: _____
Print Name: Bill Hafner
Title: President

By: _____
Print Name: _____
Title: Chairman

By: _____
Print Name: _____
Title: Treasurer

ATTEST:

By: _____
Print Name: _____
Title: Secretary

EXHIBIT "C"
FUNDING SCHEDULE

**Projected Cashflow and Implementation Schedule
Project Titan
Pensacola International Airport**

[illegible]

EXHIBIT "D"

FORM OF

Application for Disbursement of Grant

Pursuant to Section 4.1 of that certain Grant Award Agreement dated _____, 2018 (the "Agreement"), by and between the City of Pensacola, Florida, a political subdivision of the State of Florida ("the City") and Triumph Gulf Coast, Inc., a Florida not-for-profit corporation ("Triumph"), the City hereby requests a disbursement from the Grant (as defined in the Agreement) as follows (all capitalized terms herein shall have the same meanings ascribed to them as set forth in the Agreement):

1. Amount of Grant Disbursement Requested Hereby to Pay CMAR:
\$ _____
2. (a) Amounts of Grant previously disbursed under the Agreement: \$ _____
(b) Amount of disbursement requested in Item 1 above: \$ _____
(c) Cumulative amounts disbursed from Grant if this request is approved (add (a) and (b) above): \$ _____
(d) Remaining amount of Grant to be disbursed \$66,000,000 minus the amounts in (c) above: \$ _____
3. (a) Cumulative amounts disbursed from Grant if this request is approved (same as (c) above): \$ _____
(b) Cumulative amounts disbursed for Project Titan by all funding sources (including Triumph) to date \$ _____
(c) Cumulative Grant disbursed to date as a percentage of Cumulative amount of all funding sources (including Triumph) disbursed to date _____ %*

* This percentage should not exceed 40.0% during construction or 31.41% upon completion of Project Titan. See Section 4.1 of the Agreement.

4. Attached hereto are (1) true, correct, and complete copies of the invoices supporting the amount requested in Item 1 above, and (2) photographs and/or reports evidencing the completion of the work that is the subject of such invoices. The following additional information is also attached:

5. None of the amount described in Item 1 above for which disbursement is requested hereunder shall also have been or will in the future be in any manner (a) reimbursed, returned, refunded, rebated, or otherwise credited to, the City by any contractor, materialman, vendor, or any other person or entity, or (b) paid, reimbursed, returned, refunded, rebated, or otherwise credited to the City by the State of Florida, the United States, or any agency or instrumentality of any of the foregoing, whether under any grant or loan program or other method of contribution.

6. The City hereby certifies, represents, and warrants to Triumph that the following statements are true and correct:

(a) This Application for Disbursement does not seek disbursement for more than the amounts actually invoiced by CMAR under the CMAR Contract;

(b) The City made no misrepresentation or omission of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to the Agreement;

(c) There is no pending litigation with respect to the performance by the City of any of its duties or obligations which may jeopardize or adversely affect Project Titan, the Agreement, or disbursement of the Grant;

(d) Subject to clauses (1) and (2) of Section 4.1 of the Agreement, no Permit applicable to Project Titan has been suspended, revoked, terminated, or has expired, without having been reinstated or renewed, or is in any other manner no longer in force or effect;

(e) The City has not taken any action pertaining to Project Titan which, under the Agreement, requires the approval of Triumph, and the City failed to obtain such approval;

(f) The City has not violated any of the provisions of Sections 9.1, 9.4 and/or 9.5 of the Agreement;

(g) The City is not in material violation, default, or breach of or under any other provision of the Agreement;

(h) The City is not in breach of any material representation or warranty contained in the Agreement, and all representations and warranties contained in the Agreement are accurate in all material respects as of the date hereof;

(i) No federal, state, or local agency (including the City and Escambia County, Florida) or MRO Lessee providing financial assistance to Project Titan has revoked, suspended, or terminated that financial assistance to Project Titan, including, but not limited to, the Matching Funds and the MRO Lessee's \$35,000,000 funding commitment;

(j) The City has paid, and has provided Triumph with evidence of payment of, the Matching Funds toward the costs of Project Titan.

(k) The City has not abandoned or, before completion, discontinued Project Titan, nor has the commencement, prosecution, or timely completion of Project Titan by the City been rendered improbable, infeasible, impossible, or illegal for any reason other than *force majeure* as defined in the Agreement;

(l) No portion of the requested disbursement includes disbursement for improvements that are outside the scope of Project Titan that is contemplated under the CMAR Contract;

(m) The CMAR Contract has not been materially modified, amended, or terminated without the prior consent or approval of Triumph as required by Section 5.7 of the Agreement;

(n) Completion of Project Titan is substantially on schedule for completion pursuant to the Funding Schedule as the same may have been modified as provided in the Agreement;

(o) The City, CMAR or the MRO Lessee maintains in full force and effect all insurance required under Section 5.4 of the Agreement;

(p) The City is in compliance with all applicable environmental laws and regulations in accordance with Section 5.5 of the Agreement;

(q) The City is in compliance with the Consultants' Competitive Negotiation Act as required by Section 5.8 of the Agreement; and

(r) The City is in compliance with the equal employment opportunity and other labor provisions as required by Section 9.3 of the Agreement;

The undersigned, in his/her capacity as _____ of the City, hereby certifies to Triumph that the above statements are true and correct. The undersigned also agrees to provide Triumph with such other documents as Triumph shall require in order to determine that the requested disbursement is consistent with the purposes of the Grant.

Date: _____

Print Name: _____

GRANT AWARD AGREEMENT
(Pensacola Airport MRO/Project #120)

THIS GRANT AWARD AGREEMENT ("**Agreement**"), made and entered into this 29 day of April, 2019 (the "**Effective Date**"), by and between TRIUMPH GULF COAST, INC., a Florida not-for-profit corporation ("**Triumph**"), and the CITY OF PENSACOLA, a Florida municipal corporation (the "**City**").

WITNESSETH:

WHEREAS, pursuant to its authority under **Section 288.8017, Florida Statutes**, Triumph has agreed to make a Grant (as defined below) to the City, on and subject to the terms and conditions set forth in this Agreement, to provide partial funding for the Project Titan (as defined below) portion of an aircraft Maintenance, Repair, Overhaul Aviation Campus (the "**MRO Campus**") at Pensacola International Airport. The planning and construction of the following projects are collectively referred to herein as "**Project Titan**":

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

all as further described in the City's Updated Application for Funds submitted to Triumph on July 5, 2018 (the "**Grant Application**"), which Grant Application is incorporated herein by reference. In the event of a conflict between a provision of the Grant Application and a provision of this Agreement, the provision of this Agreement shall control. The parties acknowledge that Project Titan is in its conceptual design phase and that the details of the elements of Project Titan may change. Notwithstanding such changes, MRO Lessee's ability to satisfy the performance metrics of Section 8.4 below shall not be materially adversely affected and the MRO Lessee shall continue to be responsible for achieving the performance metrics described in Section 8.4.

WHEREAS, the City, by Council Resolution No. 2019-11 adopted March 28, 2019, a copy of which is attached as **Exhibit "A"** and made a part of this Agreement, has authorized the Mayor of the City to execute this Agreement on its behalf; and

NOW, THEREFORE, for and in consideration of the agreements, covenants and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

1. **Purpose of Agreement.** The purpose of this Agreement is to (i) award the Grant, (ii) state the terms and conditions upon which the Grant will be disbursed, and (iii) set forth certain requirements as to the manner in which Project Titan will be undertaken and completed.

2. **Grant Award.** On and subject to the terms and conditions set forth herein, Triumph hereby agrees to make a grant to the City in the aggregate maximum amount of Sixty Six Million and 00/100 Dollars (\$66,000,000.00) (the "**Grant**") to provide partial funding for Project Titan.

3. **Contingencies for Grant.** Triumph's approval of the Grant is expressly contingent upon the following:

3.1 The estimated total planning and construction cost of the entire MRO Campus is \$334,825,000. The estimated total planning and construction cost of the Project Titan portion of the MRO Campus is \$210,125,000, with the Grant constituting \$66,000,000 of that amount. Accordingly, the City's cash or other funding commitments for Project Titan under this Section 3.1 must total not less than \$144,125,000, of which \$35,000,000 must be committed by VT Mobile Aerospace Engineering, Inc. ("**MRO Lessee**"). No Grant funds shall be disbursed to the City unless and until the City has provided Triumph with satisfactory evidence that there are firm and enforceable funding commitments for the Project totaling not less than \$144,125,000, of which not less than \$35,000,000 has been committed by MRO Lessee.

3.2 The City and a qualified construction manager at risk ("**CMAR**") executing a guaranteed maximum price contract (the "**CMAR Contract**") within the Project Titan budget of \$210,125,000 no later than December 31, 2021. Triumph shall have the right to approve the CMAR Contract in accordance with Section 5.7 below. The City shall provide Triumph with a true, correct, complete, and executed copy of the CMAR Contract. In the event that the CMAR Contract is not in place by December 31, 2021, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder; provided, however, that in the event that Triumph from time to time in its sole discretion extends such deadline either before the expiration thereof or within one hundred twenty (120) days after the expiration of such deadline, this Agreement shall automatically be deemed reinstated and shall continue in full force and effect subject to such extended deadline. If the CMAR Contract is procured pursuant to Chapter 255 for construction services and at the time of the competitive solicitation for Project Titan fifty percent (50%) or more of the cost of Project Titan is to be paid from state-appropriated funds, then the City must comply with the requirements of Sections 255.0991 and 255.0992, F.S.

3.3 Concurrently with the execution of this Agreement, MRO Lessee shall have executed in favor of Triumph and delivered to Triumph the written agreement (the "**MRO Performance Agreement**") which is attached as **Exhibit "B"** and made a part of this Agreement, pursuant to which MRO Lessee agrees to assume liability for payment of the clawback amounts associated with the

performance metrics as set forth therein. In the event that the MRO Performance Agreement is not executed and delivered by MRO Lessee concurrently with execution of this Agreement, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder.

3.4 The City and MRO Lessee executing, on or before July 1, 2019, (a) a development agreement (the "**MRO Development Agreement**") providing for the development and construction of Project Titan and (b) a lease agreement (the "**MRO Lease**") pursuant to which MRO Lessee leases Project Titan from the City for a term of not less than thirty (30) years, and which MRO Lease (i) obligates MRO Lessee to pay the clawback liability associated with the performance metrics as set forth in Section 8.4 below, and (ii) provides that Triumph is designated a third-party beneficiary thereunder with rights to enforce the clawback liability provisions therein as if Triumph were a party to the MRO Lease. Triumph shall have the right to approve the MRO Development Agreement and the MRO Lease in accordance with Section 5.8 below. The City shall provide Triumph with true, correct, complete, and executed copies of the MRO Development Agreement and the MRO Lease. In the event that the MRO Development Agreement and the MRO Lease are not in place by July 1, 2019, the Grant shall be deemed automatically rescinded and revoked and this Agreement shall be deemed automatically terminated and the parties shall have no further liabilities or obligations to each other hereunder; provided, however, that in the event that Triumph from time to time in its sole discretion extends such deadline either before the expiration thereof or within one hundred twenty (120) days after the expiration of such deadline, this Agreement shall automatically be deemed reinstated and shall continue in full force and effect subject to such extended deadline.

4. Disbursement of Grant:

4.1 **Disbursement.** Subject to the satisfaction of the contingencies set forth in Sections 3.1 through 3.4 above and in Section 4.2 below, the Grant will be drawn down generally in accordance with the projected funding schedule attached hereto as **Exhibit "C"** and incorporated herein (the "**Funding Schedule**"). The parties acknowledge that the Funding Schedule may be updated and modified from time to time as the design and construction of Project Titan proceed, based on prudent financial management, the requirements and limitations of the various funding sources, and other considerations; provided that in no event shall the City exceed the limitations of clauses (3) and (4) below. As provided herein, the Grant shall be used only to pay a portion of the amounts due and owing from time to time by the City to the CMAR under and in accordance with the CMAR Contract. Not more than once per calendar month, the City shall submit an application for disbursement in the form of **Exhibit "D"** attached hereto and incorporated herein ("**Application for Disbursement**") for an amount not to exceed the amounts set forth in items (3) and (4) below with respect to the amounts then due and owing from time to time by the City to the CMAR under and in accordance with the CMAR Contract, together with (i) documentation evidencing the extent of completion of each eligible element of Project Titan and the cost of each eligible element of Project Titan incurred to that point, together with an updated Funding Schedule, an updated contract construction schedule in a form reasonably acceptable to Triumph and the City, progress reports from the architect/engineer, and (if available)

aerial photographs, (ii) documentation and invoices in detail sufficient for a proper pre-audit and post-audit thereof, including, but not limited to, records of the Project account described in Section 7.1 below, and (iii) in order for Triumph to calculate compliance with the limitations set forth in items (3) and (4) below, documentation regarding the cumulative amounts paid and the amounts to be paid by other funding sources with respect to the amounts then due to the CMAR under the CMAR Contract. In addition to the conditions set forth in Section 4.2 below, Triumph's obligation to disburse Grant funds pursuant to an Application for Disbursement shall be subject to the following limitations:

- (1) Prior to the initial disbursement of any Grant funds, all applicable permits, development orders, concurrency certificates, and other governmental approvals (each, a "Permit") necessary for the construction of Hangar 3 shall have been obtained, and copies thereof shall have been provided to Triumph;
- (2) Prior to disbursement of Grant funds in excess of \$20,000,000, all Permits necessary for the construction of Hangar 4 shall have been obtained, and copies thereof shall have been provided to Triumph;
- (3) At any point in time prior to the completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed forty percent (40%) of the total cumulative amount disbursed for Project Titan by all funding sources (including Triumph) shown on the Funding Schedule; and
- (4) Upon completion of Project Titan, the cumulative amount disbursed by Triumph shall not exceed thirty one and 41/100th percent (31.41%) of the total cumulative amount disbursed for Project Titan by all funding sources including Triumph (i.e., \$66,000,000/ \$210,125,000). To the extent that, upon completion of Project Titan, Triumph has disbursed an amount in excess of thirty-one and 41/100th percent (31.41%) of the total cumulative amount disbursed for Project Titan by all funding sources including Triumph, the City shall upon demand by Triumph repay such excess.

4.2 Conditions to Triumph's Obligations to Disburse the Grant. Within forty-five (45) days of receipt of an Application for Disbursement under Section 4.1 above, Triumph shall either approve or disapprove of the Application for Disbursement in a written notice to the City. If Triumph approves the Application for Disbursement, then it shall disburse the approved amount to the City within thirty (30) days after delivery of the notice of approval. If Triumph disapproves the Application for Disbursement, Triumph shall state in the notice of disapproval the reasons for such disapproval. If Triumph disapproves the Application for Disbursement, Triumph shall state the reasons for such disapproval. The City shall have thirty (30) days to address the reasons for disapproval and submit documentation for reconsideration of the Application for Disbursement. If Triumph fails to approve or disapprove of the Application for Disbursement within forty-five (45) days of receipt, such Application for Disbursement shall be deemed disapproved.

Reasons for disapproving an Application for Disbursement must include one or more of the following:

- (a) Missing or incomplete documentation required under Section 4.1 above, as identified in writing by Triumph;
- (b) The Application for Disbursement seeks disbursement for more than the amounts actually invoiced by the CMAR under the CMAR Contract;
- (c) The Application for Disbursement seeks disbursement for an amount in excess of the amount permitted by the 40% and 31.41% limitations set forth in Section 4.1 above;
- (d) The amount requested for disbursement under the Application for Disbursement, together with all amounts previously disbursed under the Grant, would exceed the \$66,000,000 maximum amount of the Grant;
- (e) The City made a misrepresentation or omission of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to this Agreement;
- (f) There is any pending litigation with respect to the performance by the City of any of its duties or obligations which may materially jeopardize or adversely affect Project Titan, this Agreement, or disbursement of the Grant;
- (g) Subject to clauses (1) and (2) of Section 4.1 above, any Permit applicable to Project Titan has been suspended, revoked, terminated, or has expired, without having been reinstated or renewed, or is in any other manner no longer in force or effect;
- (h) The City has taken any action pertaining to Project Titan which, under this Agreement, requires the approval of Triumph, and the City failed to obtain such approval;
- (i) The City has violated any of the provisions of Sections 9.1, 9.4, and/or 9.5 of this Agreement;
- (j) The City is in material violation, default, or breach of or under any provision of this Agreement;
- (k) The City is in breach of any material representation or warranty contained in this Agreement;
- (l) Any federal, state, or local agency (including the City and Escambia County, Florida), and MRO Lessee, providing financial assistance to Project Titan as stated in the Funding Schedule has revoked, suspended, or terminated that financial assistance to Project Titan, including, but not

limited to, the Matching Funds and MRO Lessee's \$35,000,000 funding commitment, without such financial assistance having been reinstated or renewed or replaced by another funding source;

- (m) The City has abandoned or, before completion, discontinued Project Titan, or for any reason (other than *force majeure* as defined herein) the commencement, prosecution, or timely completion of Project Titan by the City is rendered improbable, infeasible, impossible, or illegal for any reason other than *force majeure* as defined in this Agreement;
- (n) All or any portion of the requested disbursement includes disbursement for improvements that are outside the scope of Project Titan that is contemplated under the CMAR Contract; or
- (o) The CMAR Contract has been materially modified, amended, or terminated without the prior consent or approval of Triumph as required by Section 5.7 below. A change order of \$250,000 or less shall not constitute a material modification.

5 Completion of Project Titan:

5.1 General Requirements. The City shall commence, and complete Project Titan with all practical dispatch, in a sound, economical, and efficient manner, and in accordance with the provisions of this Agreement, the Grant Application, the CMAR Contract, and all applicable laws. The City agrees to complete Project Titan within six (6) years after the Effective Date (the "**Completion Deadline**"). If the City does not complete Project Titan by such date, Triumph's obligation to make future distributions of the Grant will expire unless an extension of the time period is requested by the City and granted in writing by Triumph prior to such expiration date. Notwithstanding the foregoing, the Completion Deadline shall be extended on a day-for-day basis by reason of *force majeure* events. The term "*force majeure*" as used herein shall mean that which is beyond the control of the City, including, but not limited to, acts of God (such as epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts and adverse weather conditions), strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States, or of the state or any civil or military authority, insurrections, riots, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of or temporary substantial increases in the cost of labor, material, or supplies, or any acts or omissions of third parties not within the City's control, a full or partial shutdown of the federal government, and other such events or circumstances which are beyond the control of the City despite all reasonable efforts to prevent, avoid, delay, or mitigate such causes. For purposes of this Agreement, the Project shall be deemed complete when the entire Project has been substantially completed in substantial compliance with the plans and specifications, and certificates of occupancy for all buildings comprising the Project have been issued by the appropriate governmental authority.

5.2 Total Project Cost. The estimated total cost of the entire MRO Campus is \$334,825,000. The estimated total cost of the Project Titan portion of the MRO Campus is \$210,125,000, of which (a) a maximum of \$66,000,000 shall be provided by the Grant, (b) the City shall pay using \$15,000,000 of its own funds (the "**Matching Funds**"), (c) MRO Lessee shall pay using \$35,000,000 of its own funds, and (d) \$94,125,000 shall be provided by the other funding sources shown on the Funding Schedule. Using the Grant, its own funds, and funds from other sources, the City agrees to bear the entire cost and expense of Project Titan, including but not limited to, all costs and all expenses in excess of the total estimated cost of Project Titan, it being expressly understood and agreed that the Grant shall operate only to disburse to the City, on and subject to the terms and conditions set forth herein, a portion of the costs and expenses to be paid by the City at the time(s) of such disbursement. The City shall take all steps reasonably necessary to maintain the Funding Schedule. The City shall notify Triumph of any anticipated changes to the Funding Schedule and shall work with Triumph to update and revise the Funding Schedule such that it reflects the anticipated schedule of completion of Project Titan.

5.3 Requirement to Provide Reports/Triumph Right to Inspect. The City shall submit to Triumph such data, reports, records, contracts and other documents relating to Project Titan as Triumph may require. During the construction portion of Project Titan, the City shall on a quarterly basis submit to Triumph an activity report which outlines the progress of construction and the cost of Project Titan incurred to date, and shall submit to Triumph on an annual basis audited financial statements within six months following the end of the City's fiscal year. Once construction is completed and Triumph has approved such completion in accordance with the provisions set forth hereinbelow, and until such time as the MRO Lessee has achieved the performance metrics described in Section 8.4 below, the City shall, on an annual basis, within six (6) months following the end of the City's fiscal year, submit to Triumph audited financial statements for such fiscal year. Upon completion of Project Titan, the City shall send Triumph a notice certifying that Project Titan was completed in accordance with the CMAR Contract, and all applicable standards, statutes, rules and regulations. Within thirty (30) days after receipt of certification of completion, Triumph and/or its agents, engineers, and consultants shall have the right to inspect Project Titan to determine if it was in fact completed in accordance with the CMAR Contract. If so, and subject to Triumph's receipt of an approved Application for Disbursement in accordance with Sections 4.1 and 4.2 above, Triumph shall disburse a final payment of the Grant to the City; if not, no Grant funds shall be disbursed unless and until the City promptly corrects any deficiencies and Triumph thereafter determines that it was finally completed in accordance with the CMAR Contract. In connection with its inspection of Project Titan, the City shall make available to Triumph copies of any and all invoices, contracts, plans and specifications, and other documentation relating to the construction and completion of Project Titan. Triumph and its employees, agents, and contractors shall have the right, at any time and from time to time during normal working hours and upon reasonable notice to the City, to access Project Titan and inspect the work being performed or as completed; provided that Triumph and its employees, agents and contractors shall at all times (i) comply with all applicable security and safety rules and regulations and (ii) be accompanied by the respective representatives of the City and the CMAR. By entering upon the Project Titan site prior to completion, Triumph and its employees, agents and contractors knowingly and voluntarily assume all risks associated with an active construction site.

5.4 Insurance. At all times during the term of this Agreement, the City shall maintain or cause to be maintained casualty insurance on all improvements, fixtures, and equipment, the cost of which was, in whole or in part, paid using the Grant, to the extent such improvements can in fact be insured. Prior to the date of beneficial occupancy by the MRO Lessee, the City shall cause CMAR to maintain builder's risk insurance on the improvements, fixtures, and equipment. The City shall also cause the MRO Lease to require that the MRO Lessee maintain casualty insurance on improvements, fixtures, and equipment commencing upon the date of beneficial occupancy by the MRO Lessee and continue during the term of the MRO Lease.

5.5 Compliance with Applicable Laws, Including Environmental Regulations. The City shall obtain all required clearances and permits required for construction from the appropriate permitting authorities. The City covenants and agrees that construction will be carried out in conformance with all applicable federal, state and local statutes, rules and regulations, and standards, including, but not limited to, applicable environmental laws and regulations including the securing of any applicable permits. The City shall be solely responsible for any liability in the event of non-compliance with applicable environmental regulations relating to the construction of Project Titan, it being understood that compliance with applicable environmental regulations with respect to any portion of Project Titan operated by MRO Lessee shall be the sole responsibility of MRO Lessee.

5.6 Plans and Specifications. Triumph shall have the right to review the plans and specifications for Project Titan and any material changes to said plans and specifications solely to confirm that the Project described in the plans and specifications is consistent with the project described in the Grant Application, such confirmation not to be unreasonably withheld, conditioned or delayed. The City shall provide true and complete copies of the plans and specifications at the approximate 50%-60% stage of completion and at the approximate 90%-100% stage of completion. Triumph shall have fifteen (15) days from each receipt of the plans and specifications or proposed material change to notify the City of its confirmation or denial that the Project described in the plans and specifications is consistent with the project described in the Grant Application. If Triumph issues a denial, such denial shall be in writing and shall state the specific manner in which the Project described by the plans and specifications is not consistent with the project described in the Grant Application. If Triumph fails to deliver such confirmation or denial within such fifteen (15) day period, the plans and specifications or proposed material change shall be deemed confirmed by Triumph. If the City fails to obtain such confirmation as provided herein, that failure shall be sufficient cause for nonpayment by Triumph as provided in Section 4.2(h).

5.7 CMAR Contract: Triumph shall have the right to review and approve the proposed CMAR Contract and any proposed material amendments, modifications, extensions, change orders, or other changes to the thereto, which approval shall not be unreasonably withheld, conditioned or delayed. Triumph shall have fifteen (15) days from receipt of the CMAR Contract, any proposed material amendments, modifications, extensions, change orders, or other changes thereto to approve or disapprove the same (all requests for material amendments, modifications, extensions, change orders, or other changes to the CMAR Contract shall be accompanied by a description or summary of the proposed change and how/whether such change would affect the overall scope of Project Titan. A change order under the CMAR Contract of \$250,000 or less shall

not constitute a material modification of the CMAR Contract, provided that the City shall provide to Triumph copies of all amendments, modifications, extensions, change orders, and other changes to the CMAR Contract, whether or not deemed to be material. If Triumph issues a disapproval, such disapproval shall be in writing and shall state with specificity all reasons for such disapproval. If Triumph fails to approve or disapprove within such fifteen (15) day period, the CMAR Contractor change thereto, as applicable, shall be deemed approved.

5.8 MRO Development Agreement and MRO Lease. Triumph shall have the right to review (a) the MRO Development Agreement and any material changes thereto solely to confirm that the MRO Development Agreement is not inconsistent with the requirements of this Agreement and the Grant Application and (b) the MRO Lease and any material changes thereto solely to confirm inclusion of required performance metrics and Triumph's related enforcement rights. Triumph shall have fifteen (15) days from the receipt of the MRO Development Agreement or any material change thereto and the MRO Lease or material change thereto, respectively, to notify the City of its confirmation or denial that (a) the MRO Development Agreement or material changes thereto is not inconsistent with the requirements of this Agreement and the Grant Application and (b) the MRO Lease or material change thereto includes the required performance metrics and enforcement rights. If Triumph issues a denial, such denial shall be in writing and shall state the specific manner in which (a) the MRO Development Agreement is inconsistent with the requirements of this Agreement or the Grant Application or (b) the MRO Lease or material change thereto fails to include required performance metrics and/or enforcement rights. If Triumph fails to deliver such confirmation or denial within such fifteen (15) day period, the MRO Development Agreement or material change thereto or the MRO Lease or material change thereto, as applicable, shall be deemed confirmed by Triumph. If the City fails to obtain such confirmation as provided herein, that failure shall be sufficient cause for nonpayment by Triumph as provided in Section 4.2(h).

5.9 Compliance with Consultants' Competitive Negotiation Act. The City shall be deemed an "Agency" under, and shall comply in full with, the provisions of Chapter 287.055, Florida Statutes, Consultants' Competitive Negotiation Act with respect to engineering, architecture or surveying services, and shall certify to Triumph that all selections have been accomplished in compliance with said statute.

5.10 City Responsible for Payments. The City acknowledges and agrees that it is solely responsible for payments that become lawfully due and owing by the City to its agents, employees, contractors (including the CMAR), and consultants. and the City shall indemnify and hold Triumph harmless from any suits, actions, damages, and costs of every name and description, including attorneys' fees, arising from or relating to any denial or reduction of any application submitted by the City to Triumph for disbursement of the Grant under this Agreement; provided that the City shall not indemnify or defend Triumph with respect to any such denial or reduction made by Triumph in violation of the terms of this Agreement

5.11 Workers' Compensation Insurance. The City shall carry or cause CMAR and any of its other contractors and consultants to carry and keep in force Workers' Compensation insurance as required under the Florida Workers' Compensation Law (Chapter 440, Florida Statutes).

6. Representations and Warranties of the City. The City hereby makes the following representations and warranties to Triumph, each of which shall be deemed to be a separate representation and warranty, all of which have been made for the purpose of inducing Triumph to enter into this Agreement, and in reliance on which Triumph has entered into this Agreement, and such representations and warranties shall be deemed made as of the date hereof, as of the dates on which the City submits an Application for Disbursement, and as of the dates on which the City receives any disbursement of the Grant:

(a) **Organization; Power and Authority.** The City is a municipal corporation of the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** The City has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the City. This Agreement has been duly executed and delivered by the City and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies); provided that all obligations of the City hereunder shall be payable solely from legally available funds of the City, and nothing in this Agreement shall be construed as a pledge of the faith, credit or taxing power of the City within the meaning of any constitutional or statutory provision, prohibition or limitation, nor as a pledge to encumber any asset or property of the City.

(c) **No Violations.** The execution and delivery by the City of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of the City's certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of the City's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. The City has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has the City been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither the City nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the City, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither the City nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or

indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **No Material Adverse Change.** No event, change or condition has occurred that has had, or would reasonably be expected to have, a material adverse effect on the assets, operations or financial condition of the City, or Project Titan, in each case, since the date of the Grant Application.

(e) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of the City, threatened by or against the City or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of the City, threatened by or against the City or any of its elected officials. No permanent injunction, temporary restraining order or similar decree has been issued against the City which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this Agreement. Neither the City, nor any of its material properties or assets has in the last three years been in violation of, nor will the continued operations of its material properties and assets as currently conducted, violate any law, rule, or regulation applicable to the City (including any zoning or building ordinance, code or approval, or any building permit where such violation or default would be material to the City), or is in default with respect to any judgment, writ, injunction, decree, or order applicable to the City of any governmental the City, in each case, where such violation or default could, individually or in the aggregate, reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the City, Project Titan, or the City's ability to perform its obligations under this or constitutes a crime under the laws of the United States, Florida, or any other state or territory of the United States.

(f) **Express Representations and Warranties: No Material Misstatements.** All statements made by the City in the Grant Application were true, complete, and correct in all material respects. Triumph shall be deemed to have relied upon the express statements, representations and warranties set forth herein and in the Grant Application notwithstanding any knowledge on the part of Triumph of any untruth of any such representation or warranty of the City expressly set forth in this Agreement, regardless of whether such knowledge was obtained through Triumph's own investigation or otherwise, and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement. No information, report, financial statement, exhibit or schedule (other than forward-looking statements and projections) furnished by the City to

Triumph in connection with the Grant Application and/or the negotiation of this Agreement, or delivered pursuant to this Agreement, when taken together, contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

(g) **Matching Funds.** The City has on hand as its own funds or irrevocable contractual, grant award, or appropriated funds of not less than \$15,000,000 as the Matching Funds dedicated to completion of Project Titan as contemplated in the Grant Application.

(h) **Bonus or Commission.** The City has not paid, and agrees not to pay, any bonus or commission for the purpose of obtaining an approval of the Grant Application or the entering into of this Agreement.

7. Accounting, Audits, and Records.

7.1 Establishment and Maintenance of Accounting Records. The City shall establish separate accounts to be maintained within its existing accounting system or establish independent accounts with respect to Project Titan. Such accounts are referred to herein collectively as the "**Project Titan account.**" Records of costs incurred under terms of this Agreement shall be maintained in Project Titan account and made available upon request to Triumph at all times during the period of this Agreement and for five (5) years after final payment of the Grant is made. Copies of these documents and records shall be made available to Triumph upon request. Records of costs incurred include the City's general accounting records and Project Titan records, together with supporting documents and records, of the City and all consultants performing work on Project Titan and all other records of the City and consultants considered necessary by Triumph for a proper audit of costs. If any litigation, claim, or audit is started before the expiration of the five (5) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

7.2 Audits. The administration of the Grant and any federal, state, or local resources awarded to the City with respect to Project Titan shall be subject to audits and/or monitoring by Triumph, the Chief Financial Officer of the State of Florida, the Auditor General of the State of Florida, the Florida Office of Program Policy Analysis and Government Accountability, and other state agencies, and by the federal government and agencies and representatives thereof. Without limiting the generality of the foregoing, the City shall comply with all audit and audit reporting requirements as specified below, and such requirements do not limit the authority of Triumph to conduct or arrange for the conduct of additional audits or evaluations of the Grant and federal, state, or local awards or funding, or limit the authority of Triumph or any state or federal official.

(a) In addition to reviews of audits conducted in accordance with Chapter 218, Florida Statutes, monitoring procedures to monitor the City's use of the Grant may include but not be limited to on-site visits by Triumph and/or other procedures including, reviewing any required performance and financial reports, following up, ensuring corrective action, and issuing management decisions on weaknesses found

through audits when those findings pertain to the Grant awarded by Triumph by this Agreement. By entering into this Agreement, the City agrees to comply and cooperate fully with any monitoring procedures/processes deemed appropriate by Triumph. The City further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by Triumph, the Florida Department of Financial Services (DFS), or the State of Florida Auditor General.

(b) The City, as a recipient of state financial assistance awarded by Triumph through this Agreement, may be subject to the following requirements:

(i) Chapter 218, Florida Statutes; applicable rules of the Department of Financial Services; and Chapters 10.550 (local governmental entities) of the Rules of the Auditor General.

(ii) In accordance with Chapters 10.550 (local governmental entities) of the Rules of the Auditor General, copies of financial reporting packages required by this Agreement shall be submitted to Triumph at the address set forth in Section 10.10 below and to the State of Florida Auditor General, Local Government Audits/342, 111 West Madison Street, Room 401, Tallahassee, FL 32399-1450;

(iii) The City, when submitting financial reporting packages to Triumph for audits done in accordance with Chapters 10.550 (local governmental entities) of the Rules of the Auditor General, should indicate the date the reporting package was delivered to the Auditor General in correspondence accompanying the reporting package;

(iv) Upon receipt, and within six months, Triumph may review the City's financial reporting package, including corrective action plans and management letters, to the extent necessary to determine whether timely and appropriate corrective action on all deficiencies has been taken pertaining to the Grant provided through Triumph by this Agreement. If the City fails to have an audit conducted consistent with Chapter 218, Florida Statutes, Triumph may take appropriate corrective action to enforce compliance; and

(v) As a condition of receiving the Grant, the City shall permit Triumph, or its designee, DFS or the Auditor General access to the City's records including financial statements, the independent auditor's working papers and project records as necessary. Records related to unresolved audit findings, appeals or litigation shall be retained until the action is complete or the dispute is resolved.

(c) The City shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period five (5) years from the date the audit report is issued and shall allow Triumph, or its designee, DFS or State of Florida Auditor General access to such records upon request. The City shall ensure that the audit working papers are made available to Triumph, or its designee, DFS or State of Florida Auditor General upon request for a period of five (5) years from the date the audit report is issued unless extended in writing by Triumph.

Triumph and the City acknowledge that other providers of funding for Project Titan, including without limitation the Florida Department of Transportation ("FDOT"), will require the City to provide various records, documents, activity reports, financial reports, accounting records and other audit information from time to time. Triumph agrees to cooperate in good faith with the City to minimize duplication and inefficiencies with respect to the content and format of such information, provided that nothing in this paragraph shall be construed to restrict or limit the information to which Triumph is entitled under the terms of this Agreement.

7.3 Public Records. The parties acknowledge that each are public entities and, as such, are obligated to comply with the provisions of Chapter 119 of the Florida Statutes applicable to this Agreement as the same may be limited or construed by other applicable law. In the event that either party receives a request for a "public record" (as such term is defined in Section 119.011 of the Florida Statutes) in connection with this Agreement, that party shall provide written notice to the other party of such request as soon as practicable after that parties receipt of such request. If either party submits records to the other party that are confidential and exempt from public disclosure as trade secrets pursuant to Section 288.075 (3) of the Florida Statues or proprietary confidential business information pursuant to Section 288.075(4) of the Florida Statues, such records should be marked accordingly by the submitting party prior to submittal to the other party. In the event that either party's claim of exemption asserted in response to the submitting party's assertion of confidentiality is challenged in a court of law. The submitting party shall defend, assume and be responsible for all fees, costs and expenses in connection with such challenge. It is expressly understood and agreed that all Back-up Data (as defined in Section 8.4 below) and performance metrics under Section 8.4 below shall be deemed "public records" under Section 119.011 of the Florida Statutes.

8. Termination or Suspension of Project/Breach of Agreement/Failure to Achieve Performance Metrics/Clawback of Grant:

8.1 Termination, Suspension, or Expiration of Project. If the City abandons or, before completion, finally discontinues Project Titan; or fails to complete a substantial portion of Project Titan; or for any other reason (other than *force majeure*), the commencement, prosecution, or timely completion of Project Titan by the City is rendered improbable, infeasible, impossible, or illegal, Triumph may, by written notice to the City, (i) suspend any further disbursements of the Grant and/or any or all of Triumph's other obligations under this Agreement until such time as the event or condition resulting in such abandonment, suspension, or discontinuation has ceased or been corrected, and/or (ii) revoke and terminate the Grant. If Triumph issues a final termination or revocation notice, then in accordance with Section 8.3 below

the City shall upon written demand by Triumph repay to Triumph all portions of the Grant theretofore disbursed to and received by the City.

8.2 Breach of Agreement. In the event the City shall (i) have made any misrepresentation of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to this Agreement, (ii) have breached a material representation or warranty made in this Agreement, and/or (iii) have breached, violated, or is in any way in default (other than by reason of *force majeure*), after the expiration of any notice and/or cure periods, under any of its material obligations under this Agreement, then in accordance with Section 8.3 below the City shall upon written demand by Triumph repay to Triumph all portions of the Grant theretofore disbursed to and received by the City.

8.3 Clawback from City. Upon the occurrence of any of the events described in Sections 8.1 or 8.2 above and the expiration of the cure period provided in Section 10.16, then, upon written demand by Triumph, the City shall within one (1) year of such demand repay to Triumph all amounts of the Grant that were theretofore disbursed to and received by the City, together with interest at the rate *Wall Street Journal Prime Rate* plus three percent (3%) per annum on such amounts to be repaid. Such interest shall accrue commencing on the date of such written demand by Triumph and shall continue to accrue until the amount demanded is repaid in full. Excluding interest, the total repayment of Grant funds to be repaid as provided above shall not exceed the total amount of the Grant actually disbursed to the City. The City and Triumph acknowledge and agree that any amounts set forth in this Section 8.3 to be paid by the City are intended as a repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of the occurrence of any of the events described in Sections 8.1 or 8.2 above. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, the City and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph, (iii) Triumph would not have a convenient and adequate alternative to the liquidated damages, (iv) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (v) the City irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive. Notwithstanding any contrary provision in this Agreement, it is expressly understood and agreed that any obligation of the City to repay all or any portion of the Grant shall terminate six (6) months following the final disbursement of the Triumph Grant under Section 5.3 above.

8.4 Performance Metrics/Clawback of Grant from MRO Lessee. The MRO Performance Agreement attached hereto as Exhibit "B" is hereby incorporated herein by reference. The MRO Performance Agreement shall be attached as an exhibit to, and shall be incorporated by reference into and made a part of, each of the MRO Development Agreement and the MRO Lease.

(a) In order for MRO Lessee to avoid imposition of clawbacks as further set forth below, the MRO Lessee must comply with the terms and conditions of the MRO Performance Agreement.

(b) Whether enforced through the MRO Performance Agreement, the MRO Development Agreement, or the MRO Lease, the MRO Lessee will be solely liable to Triumph for all such clawback payments under the MRO Performance Agreement, and such payments shall be made by the MRO Lessee directly to Triumph. The City shall (i) bear fifty percent (50%) of the reasonable cost of Triumph's attorneys' fees and costs incurred in connection with any enforcement actions of the clawback provision against MRO Lessee, whether such enforcement occurs under the MRO Performance Agreement or the MRO Lease; and (ii) cooperate in all reasonable respects with Triumph's efforts to enforce the clawbacks; provided that (a) Triumph shall provide to the City copies of invoices for such attorneys' fees and costs as and when received by Triumph, (b) Triumph shall provide to City copies of all documents, correspondence and pleadings related to such enforcement actions, unless such documents are subject to attorney-client privilege, and (c) Triumph shall, upon the City's request from time to time, provide to City verbal briefings by Triumph and its attorneys concerning the status and progress of such enforcement actions.

(c) It is the Parties' intent that the document attached hereto as Exhibit "B" and referred to herein as the "MRO Performance Agreement" shall at all times be the identical document as the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time. To that end, in the event of any conflict between Exhibit "B" hereto and the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time, the provisions of the MRO Performance Agreement and amendments and modifications actually executed and entered into by and between Triumph and MRO Lessee shall control, and the conflicting provisions of Exhibit "B" shall be deemed to be automatically modified and amended to the full extent necessary in order for the provisions of Exhibit "B" to be identical to the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time. Further, the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time shall be substituted for and in place of Exhibit "B" hereto, without the consent of Triumph or the City being required, as necessary from time to time in order that at all times the MRO Performance Agreement actually executed and entered into by and between Triumph and MRO Lessee, as the same may be modified and amended from time to time, shall constitute Exhibit "B" to this Agreement. Notwithstanding the foregoing, in no event shall the MRO Performance Agreement or any amendment or modification thereto create any obligation or liability on the party of the City to Triumph, MRO Lessee, or any other person or entity.

9. Other Covenants, Restrictions, Prohibitions, Controls, and Labor Provisions:

9.1 No Lobbying/Gifts. The City shall not expend any funds provided under this Agreement for the purpose of lobbying the Legislature, the judicial branch, or any state agency, and shall at all times comply with s. 11.062, F.S., and s. 216.347, F.S. The City shall not, in connection with this or any other agreement, directly or indirectly: (1) offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for any Triumph or State officer or employee's decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty; or (2) offer, give, or agree to give to anyone any gratuity for the benefit of, or at the direction or request of, any Triumph or State officer or employee. For purposes of clause (2), "gratuity" means any payment of more than nominal monetary value in the form of cash,

travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. Upon request of Triumph or any authorized State official, the City shall provide any type of information Triumph or such official reasonably deems relevant to the City's compliance with the foregoing. Such information may include, but shall not be limited to, the City's business or financial records, documents, or files of any type or form that refer to or relate to this Agreement.

9.2 Costs of Investigations. The City shall reimburse Triumph, the Auditor General or other authorized State official, as the case may be, for the reasonable costs of audits and investigations incurred by Triumph, the Auditor General or other authorized State official, as the case may be, for audits and investigations of the City's compliance with the terms of this Agreement which result in the suspension or debarment of the City. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The City shall not be responsible for any costs of audits or investigations that do not result in the City's suspension or debarment. The City understands and will comply with the requirements of s. 20.055(5), F.S., including but not necessarily limited to, the duty of the City and any of the City's subcontractors to cooperate with the inspector general in any investigation, audit, inspection, review, or hearing pursuant to s. 20.055, F.S.

9.3 Equal Employment Opportunity/Labor Laws. In connection with the carrying out of Project Titan, the City shall not discriminate against any employee or applicant for employment because of race, age, creed, color, sex or national origin. In addition, in connection with Project Titan, the City shall comply with all other applicable labor and employment laws and regulations, including, but not limited to, wage and hour and workplace safety laws and regulations.

9.4 Prohibited Interests. Except as otherwise permitted under Section 112.313(12), Florida Statutes, the City shall not enter into a contract or arrangement in connection with Project Titan or any property included or planned to be included in Project Titan, with any officer, director or employee of the City, or any entity of which the officer, director or employee or the officer's, director's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer, director or employee or the officer's, director's or employee's spouse or child, or any combination of them, has a material interest.

- (1) "Material Interest" means direct or indirect ownership of more than 5% of the total assets or capital stock of any business entity.
- (2) The City shall not enter into any contract or arrangement in connection with Project Titan or any property included or planned to be included in Project Titan, with any person or entity who was represented before the City by any person who at any time during the immediately preceding two (2) years was an officer, director or employee of the City.
- (3) The provisions of this subsection shall not be applicable to any agreement between the City and its fiscal depositories, any agreement for utility services the rates for

which are fixed or controlled by the government, or any agreement between the City and an agency of state government.

9.5 Interest of Members of, or Delegates to, Congress or Legislature. No member or delegate to the Congress of the United States, or member of the State of Florida legislature, or any director, staff member, or consultant of Triumph, shall be permitted to share in or be a part of this Agreement or any benefit arising hereunder.

9.6 Grant Funds. The City acknowledges and agrees that the funds for the Grant are not and shall not be deemed a general obligation of the State of Florida, nor is the Grant or this Agreement backed by the full faith and credit of the State of Florida. Subject to the satisfaction of the funding contingencies set forth in Sections 3 and 4 above, \$56,000,000 of the Grant shall be available for disbursement as of the date of execution of this Agreement out of uncommitted funds currently held by Triumph. However, the remaining Grant amount of \$10,000,000 shall only be available for disbursement to the City as follows: \$5,000,000 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected receipt of funds by Triumph on or about April 8, 2020, and \$5,000,000 shall be available if and when additional funds are received by Triumph pursuant to Section 288.8013, Florida Statutes, for the expected receipt of funds by Triumph on or about April 8, 2021.

10. Miscellaneous Provisions:

10.1 Triumph Not Obligated to Third Parties. Triumph shall not be obligated or liable hereunder to any party other than the City. Without limiting the generality of the foregoing, neither MRO Lessee nor any of its affiliates, nor any person or entity providing funding to Project Titan (other than the City), nor CMAR or any other contractor, subcontractor, or materialman, shall be a third-party beneficiary under this Agreement.

10.2 When Rights and Remedies Not Waived. In no event shall the making by Triumph of any payment of Grant funds to the City constitute or be construed as a waiver by Triumph of any breach of covenant or any default which may then exist, on the part of the City, and the making of such payment by Triumph while any such breach or default shall exist shall in no way impair or prejudice any right or remedy available to Triumph with respect to such breach or default.

10.3 Severability. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

10.4 Contractual Indemnity. To the extent provided by Section 768.28, Florida Statutes, the City shall indemnify, defend, and hold harmless Triumph and all of its officers, agents, and employees from any claim, loss, damage, cost, charge, or expense arising out of any negligent act or negligent failure to act by the City, its agents, or employees, during the performance of this

Agreement, except that neither the City, its agents, or its employees will be liable under this paragraph for any claim, loss, damage, cost, charge, or expense arising out of any negligent act or negligent failure to act by Triumph or any of its officers, agents, or employees during the performance of the Agreement. Nothing in this Agreement shall be construed as a waiver by the City of any sovereign immunity protections that may be provided by Section 768.28, Florida Statutes. When Triumph receives a notice of claim for damages that may have been caused by the City in the performance of services required under this Agreement, Triumph will immediately forward the claim to the City. The City and Triumph will evaluate the claim and report their findings to each other within fourteen (14) working days and will jointly discuss options in defending the claim. After reviewing the claim, Triumph will determine whether to require the participation of the City in the defense of the claim or to require that the City defend Triumph in such claim as described in this Section 10.4. Triumph's failure to promptly notify the City of a claim shall not act as a waiver of any right herein to require the participation in or defense of the claim by the City. Triumph and the City will each pay its own expenses for the evaluation, settlement negotiations, and trial, if any. However, if only one party participates in the defense of the claim at trial, that party is responsible for all expenses at trial.

10.5 Limitations of Liability. Neither the City nor Triumph shall be liable to the other for any special, indirect, punitive, or consequential damages, even if the other party has been advised that such damages are possible. Neither the City nor Triumph shall be liable for lost profits, lost revenue, or lost institutional operating savings. In addition, Triumph shall not assume or incur any liability related to its approval or deemed approval of the CMAR Contract, any other contract related to Project Titan, any plans or specifications for Project Titan, any construction work, or any other matter for which Triumph has the right or obligation to review and/or approve under this Agreement.

10.6 Non-Assignment. The City shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to the City. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*.

10.7 Intentionally Omitted.

10.8 Construction: Interpretation. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement together with all Exhibits hereto, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and other words of similar import mean "including, without limitation" and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the

general statement to which it relates. The word "or" is not exclusive and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, including any Exhibits, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. The recitals of this Agreement are incorporated herein by reference and shall apply to the terms and provisions of this Agreement and the parties hereto. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

10.9 Preservation of Remedies. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default.

10.10 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the City and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.11 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable address set forth below, unless another address has been previously specified in writing in accordance with this Section 10.11:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

or

4100 Legendary Drive
Suite 200
Destin, FL 32541

If to the City:

City of Pensacola
222 W. Main Street
Pensacola, FL 32502
Attention: City Administrator
City Attorney
Chief Financial Officer

10.12 Attorney's Fees. In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

10.13 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

10.14 Governing Law. The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law,

rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

10.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

10.16 Notice and Right to Cure. Notwithstanding any contrary provision in this Agreement, Triumph shall give the City written notice of any event or occurrence that would permit Triumph to revoke or terminate the Grant or this Agreement or to exercise any other right or remedy hereunder, and the City shall be entitled to cure, remedy or correct such event or occurrence within thirty (30) days after its receipt of such notice; provided that if such event or occurrence cannot reasonably be cured, remedied or corrected within such thirty-day period, the City shall have a reasonable time, not to exceed ninety (90) days after the City's receipt of such notice, to cure, remedy or correct such event or occurrence. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to Applications for Disbursement; rather any notice and cure rights with respect to Applications for Disbursement shall be governed solely by Section 4.2.

10.17 Mayor's Authority. Any notice or consent required or permitted by this Agreement to be given by the City may be given by the Mayor of the City, or the Mayor's designee, and the Mayor or the Mayor's designee shall be entitled to exercise any discretion permitted by this Agreement to be exercised by the City. Further, the Mayor or the Mayor's designee may amend, modify or waive any term or provision of this Agreement on behalf of the City provided that the amendment, modification or waiver does not materially and adversely affect the rights and obligations of the City under this Agreement or is required in order to correct a scrivener's error. Any action taken by the Mayor or the Mayor's designee under the terms of this Section shall bind the City, and Triumph shall be entitled to rely thereon.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

THE CITY:

CITY OF PENSACOLA,
a Florida municipal corporation

By: [Signature]
Print Name: Grover C. Robinson, IV
Title: Mayor

ATTEST:

By: [Signature]
Print Name: Erica L. Burnett
Title: City Clerk

Approved As To Content:

[Signature]
Daniel E. Flynn, Airport Director

Approved As To Form

By: [Signature]
Susan A. Woolf, City Attorney

TRIUMPH:

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: [Signature]
Print Name: _____
Title: Chairman

By: [Signature]
Print Name: Stephen Riggs
Title: Treasurer

ATTEST:

By: [Signature]
Print Name: Susan Skelton
Title: Secretary

EXHIBIT "A"

Resolution of City

RESOLUTION
NO. 2019-11

A RESOLUTION
TO BE ENTITLED:

A RESOLUTION AUTHORIZING AND DIRECTING THE MAYOR OF THE CITY OF PENSACOLA TO EXECUTE GRANT AWARD AGREEMENT PENSACOLA AIRPORT MRO/PROJECT #120 WITH TRIUMPH GULF COAST, INC. FOR AN AIRCRAFT MAINTENANCE, REPAIR, OVERHAUL AVIATION CAMPUS AT PENSACOLA INTERNATIONAL AIRPORT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, The City of Pensacola uses the Airport Management as a tool for scheduling and planning projects at the Pensacola International Airport; and

WHEREAS, Triumph Gulf Coast, Inc. has approved the project and offered a Grant Award Agreement in the amount of \$66,000,000;

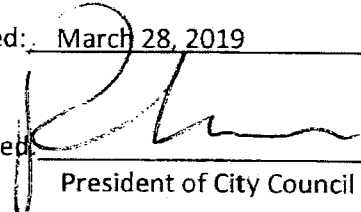
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA AS FOLLOWS:

SECTION 1. That the City of Pensacola shall enter into the Grant Award Agreement for the purpose of obtaining aid for the planning and construction of an Aircraft Maintenance, Repair, and Overhaul Aviation Campus.

SECTION 2. The Mayor is hereby empowered to take all actions necessary relating to this Resolution, the duties hereunder, and any agreements or documents related hereto.

SECTION 3. This Resolution shall become effective on the fifth business day after adoption, unless otherwise provided pursuant to Section 4.03(d) of the City Charter of the City of Pensacola.

Adopted: March 28, 2019

Approved: 

President of City Council

Attest:

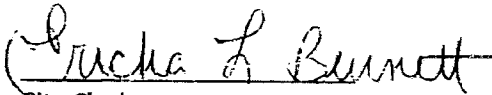

City Clerk

EXHIBIT "B"
VT PERFORMANCE AGREEMENT

PERFORMANCE AGREEMENT

This Performance Agreement (this "**Agreement**") is made and entered into as of _____ March 2019 by and between Triumph Gulf Coast, Inc., a Florida not-for-profit corporation ("**Triumph**") and VT Mobile Aerospace Engineering, Inc., an Alabama corporation ("**VT**").

RECITALS:

WHEREAS, Triumph and the City of Pensacola, Florida (the "**City**") are parties to that certain Grant Award Agreement dated _____, 2019 (the "**Grant Agreement**").

WHEREAS, pursuant to the Grant Agreement, and subject to the terms and conditions therein, Triumph has agreed to make a grant to the City in the maximum amount of \$66,000,000 (the "**Grant**") to provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, "**Project Titan**") at Pensacola International Airport (the "**Airport**"):

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

WHEREAS, VT, as lessee, and the City, as lessor, are entering into a separate lease agreement pursuant to which VT will occupy all or a portion of Project Titan (the "**MRO Lease**").

WHEREAS, VT and the City are entering into a separate Development Agreement which governs the construction and development of Project Titan (the "**MRO Development Agreement**").

WHEREAS, Section 8.4 of the Grant Agreement contains certain job creation performance metrics that must be satisfied by VT.

WHEREAS, the Grant Agreement provides that, as a condition to Triumph making the Grant to the City, VT shall enter into this Agreement, pursuant to which, among other things, VT

agrees to re-pay to Triumph certain "clawback" amounts in the event the job creation performance metrics are not timely satisfied.

WHEREAS, VT will derive a substantial benefit from the making of the Grant to the City and the completion of Project Titan and has received and thus is receiving good and valuable consideration for entering into this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Accuracy of Recitals. Triumph and VT acknowledge and agree that the foregoing Recitals are true and accurate.
2. Performance Metrics. VT hereby covenants and agrees as follows:

(a) VT hereby covenants and agrees that:

(1) (A) Tier 1 Jobs: During the Tier 1 Jobs Ramp-Up Period (as defined below), VT shall hire and develop its workforce in order to achieve the performance metrics described herein. Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), VT shall (i) create at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and (ii) maintain an annual average of 994 jobs for at least seven (7) years (which seven years need not be consecutive) during the ten (10) year period from the initiation of the Job Maintenance Review Period for Tier 1 Jobs. Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. The parties hereto acknowledge and agree that the "Tier 1 Jobs Ramp-Up Period" shall be for a period of time starting on the Date of Beneficial Occupancy of Hangar 4 of Project Titan and ending five (5) years thereafter. In order for a Project Job under this paragraph (A) to have been maintained for seven (7) years in accordance with the terms of this Agreement, it must have been maintained for at least seven (7) years (which seven years need not be consecutive) out of the ten (10) year period after the Tier 1 Jobs Ramp-Up Period. Such ten-year period is herein referred to as the "Job Maintenance Review Period for Tier 1 Jobs."

(B) Tier 2 Jobs: VT shall (i) create at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and

(ii) maintain an annual average of 331 jobs for at least seven (7) years (which seven years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending ten (10) years thereafter. Such ten-year period is herein referred to as the **"Job Maintenance Review Period for Tier 2 Jobs."** Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety-four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Tier 1 Jobs Ramp-Up Period and the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs which are in excess of a base of nine hundred ninety-four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B).

(C) During the Tier 1 Jobs Ramp-Up Period, if in any year or years the Project Jobs exceed 1,325, then such year or years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above. Also, if the average of the Project Jobs during the Tier 1 Jobs Ramp-Up Period equals or exceed 1,325 (i.e. 6,625 jobs/ 5 years), then all five years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above.

(D) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (A), (B) and (C) above, (i) the jobs creation requirements of this Agreement shall be considered satisfied; (ii) the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred; and (iii) this Agreement shall be deemed to be terminated without any further action being required by the parties. As a start-up project, Project Titan will not have a **"Base Period"** for the calculation of Project Jobs. No Project Jobs may be transferred by VT from other parts of the State of Florida in fulfillment the jobs creation requirements described herein.

(2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of this Agreement. Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for "maintaining" or "maintenance" of Project Jobs hereunder.

(3) The "Grant Performance Completion Date" shall be the later of (a) the date on which the entirety of the Grant has been disbursed as described herein; or (b)

the date on which VT shall have established as required herein that it has satisfied each requirement of this Paragraph (a).

(b) VT acknowledges that the Grant Agreement may be terminated by Triumph upon failure of VT to comply with any material term or condition of the MRO Lease and/or the MRO Development Agreement to be performed or complied with by VT that has not been cured within thirty (30) days of VT's receipt of written notice of default thereof, or a decision by VT not to proceed with Project Titan. Notwithstanding the foregoing, a cure period shall be extended for an appropriate period of time should such default arise beyond the reasonable control of VT, provided that VT is making diligent efforts to cure the default.

(c) VT acknowledges that any termination under Paragraph (b) will result in the City's loss of eligibility for receipt of the Grant payments previously authorized. In addition, VT will be required to pay to Triumph an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. VT will be given credit against its payment obligations in the amount of \$49,811.32 [$\$66,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of this Agreement and for any payments that have been previously required.

(d) In the event that at the end of the Job Maintenance Review Period for Tier 1 Jobs VT has failed to achieve the creation and maintenance of 994 [75% of 1,325] Project Jobs, on average annually, in accordance with Paragraph (A) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 1 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (A) multiplied by \$49,811.32.

(e) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs VT has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs, on average annually, in accordance with Paragraph (B) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 2 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (B) multiplied by \$49,811.32.

(f) If during the Job Maintenance Review Period for Tier 1 Jobs VT fails to achieve the creation and maintenance of 994 Project Jobs, then VT will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "**Compliance Plan**"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event VT fails to comply with the benchmarks in

the Compliance Plan within one (1) year of its institution, VT shall be required to pay the amounts described in Paragraph (b) above.

(g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then VT shall be required to pay the amounts described in Paragraph (c) above.

(h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by VT. This rate is published online at <http://fltreaury.org>. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period VT, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies.

(i) The amount required to be paid pursuant to this Section 2 shall never exceed the value of the total Grant plus interest as determined in Paragraph (h) above.

(j) Any required undisputed payment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph.

(k) Triumph, or its designated agent, may conduct on site visits of Project Titan facilities to verify VT's investment, employment and wage records and VT will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide VT notice of at least ten (10) business days before an impending on-site visit.

(l) If during the Measurement Period there occurs one or more Force Majeure Events (defined below) that materially and adversely affect VT's business and its ability to comply with the Minimum Jobs Level, VT may exercise a one-time election to extend the Measurement Period by twenty-four (24) months without payment penalty. A "Force Majeure Event" is hereby defined to include each of the following events:

1. A global or United States recession as determined by the National Bureau of Economic Research (NBER);
2. Damages to the facilities from hurricanes and other natural disasters having a material and adverse effect on operations;
3. Local, State or Federal Government and/or Federal Aviation Administration regulatory actions or policy changes affecting the business;
4. Adverse conditions that prevent air operators from continuing normal air services;
5. Loss of a major key account;

6. Customer actions resulting in early fleet retirement, aircraft storage or part-out; or
7. Tight labor market affecting recruitment of new employees or attracting local candidates for workforce development program.

(m) (A) At any time and from time to time, upon written request by Triumph, VT shall, within ten (10) days of such request, deliver to Triumph such data, reports, payroll records, financial statements and reporting, and other documents, instruments, State of Florida employment reporting forms, and such other information as Triumph requires in order to determine whether VT achieved any or all of the above performance metrics (collectively, "**Back-up Data**"), (B) within thirty (30) days after the end of each calendar quarter VT shall deliver to Triumph a copy of its RT-6 re-employment tax return, and (C) annually within six (6) months after the end of each fiscal year, deliver to Triumph audited financial statements. VT's refusal or failure to timely provide any requested Back-up Data and other information described above shall be deemed a breach of a material obligation of this Agreement.

(n) Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics were not achieved due to negative economic conditions beyond VT's control, including but not limited to VT's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that VT made a good faith effort to achieve full performance metrics and its failure to fully achieve the metrics does not substantially frustrate the general purpose of the grant, (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected VT's ability to achieve the performance metrics, (iv) it determines in its sole and absolute discretion that regulatory policy changes or VT loss of major customer accounts impede VT's ability to carry on business as usual, or (v) VT has demonstrated reasonable best efforts to comply with the requirements of the Performance Metrics.

(o) VT and Triumph acknowledge and agree that any amounts set forth in this Section 2 to be paid by VT are intended as a third-party repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of VT's failure to timely satisfy the performance metrics set forth herein. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, VT and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph would not have a convenient and adequate alternative to the liquidated damages, (iii) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (iv) VT irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive.

3. **Representations and Warranties of VT.** VT hereby makes the following representations and warranties to Triumph:

(a) **Organization; Power and Authority.** VT is a corporation duly organized, validly existing, and in good standing under the laws of the State of Alabama and is duly qualified to do business in and is in good standing in the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** VT has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of VT. This Agreement has been duly executed and delivered by VT and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of VT, enforceable against VT in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(c) **No Violations.** The execution and delivery by VT of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of VT's articles/certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of VT's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. VT has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has VT been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither VT nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of VT, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither VT nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and

penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of VT, threatened by or against VT or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the VT, Project Titan, or VT's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of VT, threatened by or against VT or any of its officers. No permanent injunction, temporary restraining order or similar decree has been issued against VT which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of VT, Project Titan, or VT's ability to perform its obligations under this Agreement.

4. Miscellaneous Provisions:

4.1 Severability. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

4.2 Non-Assignment. VT shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to VT. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*. However, that this section is not intended to apply to or prevent the assignment of this Agreement, in its entirety, to any corporation or other entity with which VT may merge (regardless of whether VT is the surviving entity, so long as the surviving entity assumes and agrees to pay and perform all obligations of VT under this Agreement and such surviving entity has a net worth equal to or greater than VT's net worth at the time of assignment or merger) or to an affiliate or subsidiary of VT that has a net worth equal to or greater than VT's net worth at the time of assignment. VT shall promptly notify Triumph in writing of any merger by or with VT and any assignment of this Agreement to an affiliate or subsidiary.

4.3 Construction: Interpretation. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and

other words of similar import mean "including, without limitation" and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the general statement to which it relates. The word "or" is not exclusive and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

4.4 Preservation of Remedies; Severability. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default. If any term or provision of this Agreement is found to be illegal, invalid, or unenforceable, such term or provision will be deemed stricken, and the remainder of this Agreement will remain in full force and effect.

4.5 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the VT and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

4.6 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable

address set forth below, unless another address has been previously specified in writing in accordance with this Section 4.6:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

If to VT:

VT Mobile Aerospace Engineering, Inc.
2100 Aerospace Drive
Mobile, AL 36615
Attention: President

4.7 **Attorney's Fees.** In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

4.8 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

4.9 **Governing Law.** The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law, rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

4.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

4.11 Aerospace Academy. As soon as practicable following the execution of the grant agreement with the City, Triumph and VT will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the private sector aerospace and aviation industry in Northwest Florida. The Aerospace Academy will focus on its recruiting effort in three (3) principal areas:

- i) Partnering with local public education institutes to foster an interest in aviation as a career, resulting in enrollment in post-secondary training programs with VT;
- ii) Aligning with Workforce Escarosa to identify and recruit under employed and otherwise disadvantaged (working poor) community members providing a pathway into specialized aviation career training; and
- iii) Recognizing and evaluating local area resident veterans with aviation or similar relevant military training to provide a track to a commercial aviation career.

4.12 The Aerospace Academy will commit to provide above training opportunities for up to 50 local resident candidates annually for a period of five (5) years.

4.13 Future Additional Jobs. VT will make a good faith effort to locate additional divisions of the VT and or its affiliates or additional jobs to Northwest Florida.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

VT:

TRIUMPH:

VT Mobile Aerospace Engineering, Inc., an
Alabama corporation

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: _____
Print Name: Bill Hafner
Title: President

By: _____
Print Name: _____
Title: Chairman

By: _____
Print Name: _____
Title: Treasurer

ATTEST:

By: _____
Print Name: _____
Title: Secretary

EXHIBIT "C"
FUNDING SCHEDULE

Projected Cashflow and Implementation Schedule
Project Than
Pensacola International Airport

Project Element	Project Than Cashflow Schedule											
	City FY 2019			City FY 2020			City FY 2021			City FY 2022		
Quarterly Billing	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR
Total Project Cost												
Hanger 2												
Plan/Specification & Soft Costs	\$ 7,350,000	\$ 1,838,000	\$ 1,838,000	\$ 1,837,000	\$ 1,837,000	\$ 1,837,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000
Construction Costs	\$ 41,850,000	\$ 1,838,000	\$ 1,838,000	\$ 1,838,000	\$ 1,838,000	\$ 1,838,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000	\$ 6,942,000
Total	\$ 49,200,000	\$ 3,676,000	\$ 3,676,000	\$ 3,675,000	\$ 3,675,000	\$ 3,675,000	\$ 13,884,000	\$ 13,884,000	\$ 13,884,000	\$ 13,884,000	\$ 13,884,000	\$ 13,884,000
Hanger 3												
Plan/Specification & Soft Costs	\$ 8,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000
Construction Costs	\$ 46,750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000
Total	\$ 55,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000
Warehouse												
Plan/Specification & Soft Costs	\$ 2,850,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000	\$ 3,230,000
Construction Costs	\$ 18,150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000
Total	\$ 21,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,909,000	\$ 9,909,000	\$ 9,909,000	\$ 9,909,000	\$ 9,909,000	\$ 9,909,000
Hanger 4												
Plan/Specification & Soft Costs	\$ 8,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000
Construction Costs	\$ 46,750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000
Total	\$ 55,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000	\$ 8,529,000
Office Bld.												
Plan/Specification & Soft Costs	\$ 4,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000
Construction Costs	\$ 27,325,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000	\$ 6,679,000
Total	\$ 32,125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,639,000	\$ 7,639,000	\$ 7,639,000	\$ 7,639,000	\$ 7,639,000	\$ 7,639,000
Total Project	\$ 210,125,000	\$ 1,838,000	\$ 1,838,000	\$ 1,837,000	\$ 1,837,000	\$ 1,837,000	\$ 51,772,000	\$ 51,772,000	\$ 51,772,000	\$ 51,772,000	\$ 51,772,000	\$ 51,772,000
Project Development and Construction Schedule												
Project Element	Project Than Cashflow Schedule											
	City FY 2019			City FY 2020			City FY 2021			City FY 2022		
Quarterly Billing	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR
Total Project Cost												
Hanger No. 2												
Plan and Specification												
Construction												
Environmental Assessment												
Warehouse, Office												
Hanger No. 3, 4												
Plan and Specification												
Construction												
Hanger No. 4												
Warehouse and Shops Construction												
Office Construction												
Funding Application												
Funding Sources	Funding Application											
	City FY 2019			City FY 2020			City FY 2021			City FY 2022		
Amount	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR
Beginning Balance Fund Requirement -												
Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Through	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FOOT - Grant	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000
FOOT - Grant	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
County	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Governors Job Growth	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Federal EDA	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000
Legislature	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
City Unexpended bond/conditional grants	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000	\$ 4,975,000
Total	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000	\$ 210,125,000
Net Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Project Fund Requirement -												
Overall(Short) - negative years will require cash flow financing.	\$ 19,012,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000	\$ 28,774,000

EXHIBIT "D"

FORM OF

Application for Disbursement of Grant

Pursuant to Section 4.1 of that certain Grant Award Agreement dated _____, 2018 (the "Agreement"), by and between the City of Pensacola, Florida, a political subdivision of the State of Florida ("the City") and Triumph Gulf Coast, Inc., a Florida not-for-profit corporation ("Triumph"), the City hereby requests a disbursement from the Grant (as defined in the Agreement) as follows (all capitalized terms herein shall have the same meanings ascribed to them as set forth in the Agreement):

1. Amount of Grant Disbursement Requested Hereby to Pay CMAR:

\$ _____

2. (a) Amounts of Grant previously disbursed under the Agreement: \$ _____
 (b) Amount of disbursement requested in Item 1 above: \$ _____
 (c) Cumulative amounts disbursed from Grant if this request is approved (add (a) and (b) above): \$ _____
 (d) Remaining amount of Grant to be disbursed \$66,000,000 minus the amounts in (c) above: \$ _____
3. (a) Cumulative amounts disbursed from Grant if this request is approved (same as (c) above): \$ _____
 (b) Cumulative amounts disbursed for Project Titan by all funding sources (including Triumph) to date \$ _____
 (c) Cumulative Grant disbursed to date as a percentage of Cumulative amount of all funding sources (including Triumph) disbursed to date _____ %*

* This percentage should not exceed 40.0% during construction or 31.41% upon completion of Project Titan. See Section 4.1 of the Agreement.

4. Attached hereto are (1) true, correct, and complete copies of the invoices supporting the amount requested in Item 1 above, and (2) photographs and/or reports evidencing the completion of the work that is the subject of such invoices. The following additional information is also attached:

-
5. None of the amount described in Item 1 above for which disbursement is requested hereunder shall also have been or will in the future be in any manner (a) reimbursed, returned, refunded, rebated, or otherwise credited to, the City by any contractor, materialman, vendor, or any other person or entity, or (b) paid, reimbursed, returned, refunded, rebated, or otherwise credited to the City by the State of Florida, the United States, or any agency or instrumentality of any of the foregoing, whether under any grant or loan program or other method of contribution.
6. The City hereby certifies, represents, and warrants to Triumph that the following statements are true and correct:
- (a) This Application for Disbursement does not seek disbursement for more than the amounts actually invoiced by CMAR under the CMAR Contract;
 - (b) The City made no misrepresentation or omission of a material nature in the Grant Application, or any supplement or amendment to the Grant Application, or with respect to any document or data furnished with the Grant Application or pursuant to the Agreement;
 - (c) There is no pending litigation with respect to the performance by the City of any of its duties or obligations which may jeopardize or adversely affect Project Titan, the Agreement, or disbursement of the Grant;
 - (d) Subject to clauses (1) and (2) of Section 4.1 of the Agreement, no Permit applicable to Project Titan has been suspended, revoked, terminated, or has expired, without having been reinstated or renewed, or is in any other manner no longer in force or effect;
 - (e) The City has not taken any action pertaining to Project Titan which, under the Agreement, requires the approval of Triumph, and the City failed to obtain such approval;
 - (f) The City has not violated any of the provisions of Sections 9.1, 9.4 and/or 9.5 of the Agreement;
 - (g) The City is not in material violation, default, or breach of or under any other provision of the Agreement;

(h) The City is not in breach of any material representation or warranty contained in the Agreement, and all representations and warranties contained in the Agreement are accurate in all material respects as of the date hereof;

(i) No federal, state, or local agency (including the City and Escambia County, Florida) or MRO Lessee providing financial assistance to Project Titan has revoked, suspended, or terminated that financial assistance to Project Titan, including, but not limited to, the Matching Funds and the MRO Lessee's \$35,000,000 funding commitment;

(j) The City has paid, and has provided Triumph with evidence of payment of, the Matching Funds toward the costs of Project Titan.

(k) The City has not abandoned or, before completion, discontinued Project Titan, nor has the commencement, prosecution, or timely completion of Project Titan by the City been rendered improbable, infeasible, impossible, or illegal for any reason other than *force majeure* as defined in the Agreement;

(l) No portion of the requested disbursement includes disbursement for improvements that are outside the scope of Project Titan that is contemplated under the CMAR Contract;

(m) The CMAR Contract has not been materially modified, amended, or terminated without the prior consent or approval of Triumph as required by Section 5.7 of the Agreement;

(n) Completion of Project Titan is substantially on schedule for completion pursuant to the Funding Schedule as the same may have been modified as provided in the Agreement;

(o) The City, CMAR or the MRO Lessee maintains in full force and effect all insurance required under Section 5.4 of the Agreement;

(p) The City is in compliance with all applicable environmental laws and regulations in accordance with Section 5.5 of the Agreement;

(q) The City is in compliance with the Consultants' Competitive Negotiation Act as required by Section 5.8 of the Agreement; and

(r) The City is in compliance with the equal employment opportunity and other labor provisions as required by Section 9.3 of the Agreement;

The undersigned, in his/her capacity as _____ of the City, hereby certifies to Triumph that the above statements are true and correct. The undersigned also agrees to provide Triumph with such other documents as Triumph shall require in order to determine that the requested disbursement is consistent with the purposes of the Grant.

Date: _____

Print Name: _____

PERFORMANCE AGREEMENT

This Performance Agreement (this “**Agreement**”) is made and entered into as of _____ March 2019 by and between Triumph Gulf Coast, Inc., a Florida not-for-profit corporation (“**Triumph**”) and VT Mobile Aerospace Engineering, Inc., an Alabama corporation (“**VT**”).

RECITALS:

WHEREAS, Triumph and the City of Pensacola, Florida (the “**City**”) are parties to that certain Grant Award Agreement dated _____, 2019 (the “**Grant Agreement**”).

WHEREAS, pursuant to the Grant Agreement, and subject to the terms and conditions therein, Triumph has agreed to make a grant to the City in the maximum amount of \$66,000,000 (the “**Grant**”) to provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, “**Project Titan**”) at Pensacola International Airport (the “**Airport**”):

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

WHEREAS, VT, as lessee, and the City, as lessor, are entering into a separate lease agreement pursuant to which VT will occupy all or a portion of Project Titan (the “**MRO Lease**”).

WHEREAS, VT and the City are entering into a separate Development Agreement which governs the construction and development of Project Titan (the “**MRO Development Agreement**”).

WHEREAS, Section 8.4 of the Grant Agreement contains certain job creation performance metrics that must be satisfied by VT.

WHEREAS, the Grant Agreement provides that, as a condition to Triumph making the Grant to the City, VT shall enter into this Agreement, pursuant to which, among other things, VT

agrees to re-pay to Triumph certain “clawback” amounts in the event the job creation performance metrics are not timely satisfied.

WHEREAS, VT will derive a substantial benefit from the making of the Grant to the City and the completion of Project Titan and has received and thus is receiving good and valuable consideration for entering into this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Accuracy of Recitals. Triumph and VT acknowledge and agree that the foregoing Recitals are true and accurate.
2. Performance Metrics. VT hereby covenants and agrees as follows:

(a) VT hereby covenants and agrees that:

(1) (A) Tier 1 Jobs: During the Tier 1 Jobs Ramp-Up Period (as defined below), VT shall hire and develop its workforce in order to achieve the performance metrics described herein. Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), VT shall (i) create at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and (ii) maintain an annual average of 994 jobs for at least seven (7) years (which seven years need not be consecutive) during the ten (10) year period from the initiation of the Job Maintenance Review Period for Tier 1 Jobs. Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as “Project Jobs.” As used herein, “Project Jobs” shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. The parties hereto acknowledge and agree that the “Tier 1 Jobs Ramp-Up Period” shall be for a period of time starting on the Date of Beneficial Occupancy of Hangar 4 of Project Titan and ending five (5) years thereafter. In order for a Project Job under this paragraph (A) to have been maintained for seven (7) years in accordance with the terms of this Agreement, it must have been maintained for at least seven (7) years (which seven years need not be consecutive) out of the ten (10) year period after the Tier 1 Jobs Ramp-Up Period. Such ten-year period is herein referred to as the “**Job Maintenance Review Period for Tier 1 Jobs.**”

(B) Tier 2 Jobs: VT shall (i) create at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and

(ii) maintain an annual average of 331 jobs for at least seven (7) years (which seven years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending ten (10) years thereafter. Such ten-year period is herein referred to as the **“Job Maintenance Review Period for Tier 2 Jobs.”** Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as “Project Jobs.” As used herein, “Project Jobs” shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety-four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Tier 1 Jobs Ramp-Up Period and the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs which are in excess of a base of nine hundred ninety-four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B).

(C) During the Tier 1 Jobs Ramp-Up Period, if in any year or years the Project Jobs exceed 1,325, then such year or years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above. Also, if the average of the Project Jobs during the Tier 1 Jobs Ramp-Up Period equals or exceed 1,325 (i.e. 6,625 jobs/ 5 years), then all five years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above.

(D) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (A), (B) and (C) above, (i) the jobs creation requirements of this Agreement shall be considered satisfied; (ii) the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred; and (iii) this Agreement shall be deemed to be terminated without any further action being required by the parties. As a start-up project, Project Titan will not have a **“Base Period”** for the calculation of Project Jobs. No Project Jobs may be transferred by VT from other parts of the State of Florida in fulfillment the jobs creation requirements described herein.

(2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of this Agreement. Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for “maintaining” or “maintenance” of Project Jobs hereunder.

(3) The “Grant Performance Completion Date” shall be the later of (a) the date on which the entirety of the Grant has been disbursed as described herein; or (b)

the date on which VT shall have established as required herein that it has satisfied each requirement of this Paragraph (a).

(b) VT acknowledges that the Grant Agreement may be terminated by Triumph upon failure of VT to comply with any material term or condition of the MRO Lease and/or the MRO Development Agreement to be performed or complied with by VT that has not been cured within thirty (30) days of VT's receipt of written notice of default thereof, or a decision by VT not to proceed with Project Titan. Notwithstanding the foregoing, a cure period shall be extended for an appropriate period of time should such default arise beyond the reasonable control of VT, provided that VT is making diligent efforts to cure the default.

(c) VT acknowledges that any termination under Paragraph (b) will result in the City's loss of eligibility for receipt of the Grant payments previously authorized. In addition, VT will be required to pay to Triumph an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. VT will be given credit against its payment obligations in the amount of \$49,811.32 [$\$66,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of this Agreement and for any payments that have been previously required.

(d) In the event that at the end of the Job Maintenance Review Period for Tier 1 Jobs VT has failed to achieve the creation and maintenance of 994 [75% of 1,325] Project Jobs, on average annually, in accordance with Paragraph (A) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 1 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (A) multiplied by \$49,811.32.

(e) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs VT has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs, on average annually, in accordance with Paragraph (B) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 2 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (B) multiplied by \$49,811.32.

(f) If during the Job Maintenance Review Period for Tier 1 Jobs VT fails to achieve the creation and maintenance of 994 Project Jobs, then VT will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "**Compliance Plan**"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event VT fails to comply with the benchmarks in

the Compliance Plan within one (1) year of its institution, VT shall be required to pay the amounts described in Paragraph (b) above.

(g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then VT shall be required to pay the amounts described in Paragraph (c) above.

(h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by VT. This rate is published online at <http://fltreasury.org>. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period VT, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies.

(i) The amount required to be paid pursuant to this Section 2 shall never exceed the value of the total Grant plus interest as determined in Paragraph (h) above.

(j) Any required undisputed payment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph.

(k) Triumph, or its designated agent, may conduct on site visits of Project Titan facilities to verify VT's investment, employment and wage records and VT will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide VT notice of at least ten (10) business days before an impending on-site visit.

(l) If during the Measurement Period there occurs one or more Force Majeure Events (defined below) that materially and adversely affect VT's business and its ability to comply with the Minimum Jobs Level, VT may exercise a one-time election to extend the Measurement Period by twenty-four (24) months without payment penalty. A "Force Majeure Event" is hereby defined to include each of the following events:

1. A global or United States recession as determined by the National Bureau of Economic Research (NBER);
2. Damages to the facilities from hurricanes and other natural disasters having a material and adverse effect on operations;
3. Local, State or Federal Government and/or Federal Aviation Administration regulatory actions or policy changes affecting the business;
4. Adverse conditions that prevent air operators from continuing normal air services;
5. Loss of a major key account;

6. Customer actions resulting in early fleet retirement, aircraft storage or part-out; or
7. Tight labor market affecting recruitment of new employees or attracting local candidates for workforce development program.

(m) (A) At any time and from time to time, upon written request by Triumph, VT shall, within ten (10) days of such request, deliver to Triumph such data, reports, payroll records, financial statements and reporting, and other documents, instruments, State of Florida employment reporting forms, and such other information as Triumph requires in order to determine whether VT achieved any or all of the above performance metrics (collectively, **"Back-up Data"**), (B) within thirty (30) days after the end of each calendar quarter VT shall deliver to Triumph a copy of its RT-6 re-employment tax return, and (C) annually within six (6) months after the end of each fiscal year, deliver to Triumph audited financial statements. VT's refusal or failure to timely provide any requested Back-up Data and other information described above shall be deemed a breach of a material obligation of this Agreement.

(n) Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics were not achieved due to negative economic conditions beyond VT's control, including but not limited to VT's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that VT made a good faith effort to achieve full performance metrics and its failure to fully achieve the metrics does not substantially frustrate the general purpose of the grant, (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected VT's ability to achieve the performance metrics, (iv) it determines in its sole and absolute discretion that regulatory policy changes or VT loss of major customer accounts impede VT's ability to carry on business as usual, or (v) VT has demonstrated reasonable best efforts to comply with the requirements of the Performance Metrics.

(o) VT and Triumph acknowledge and agree that any amounts set forth in this Section 2 to be paid by VT are intended as a third-party repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of VT's failure to timely satisfy the performance metrics set forth herein. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, VT and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph would not have a convenient and adequate alternative to the liquidated damages, (iii) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (iv) VT irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive.

3. **Representations and Warranties of VT.** VT hereby makes the following representations and warranties to Triumph:

(a) **Organization; Power and Authority.** VT is a corporation duly organized, validly existing, and in good standing under the laws of the State of Alabama and is duly qualified to do business in and is in good standing in the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** VT has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of VT. This Agreement has been duly executed and delivered by VT and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of VT, enforceable against VT in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(c) **No Violations.** The execution and delivery by VT of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of VT's articles/certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of VT's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. VT has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has VT been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither VT nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of VT, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither VT nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and

penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of VT, threatened by or against VT or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the VT, Project Titan, or VT's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of VT, threatened by or against VT or any of its officers. No permanent injunction, temporary restraining order or similar decree has been issued against VT which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of VT, Project Titan, or VT's ability to perform its obligations under this Agreement.

4. **Miscellaneous Provisions:**

4.1 **Severability.** If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

4.2 **Non-Assignment.** VT shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to VT. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*. However, that this section is not intended to apply to or prevent the assignment of this Agreement, in its entirety, to any corporation or other entity with which VT may merge (regardless of whether VT is the surviving entity, so long as the surviving entity assumes and agrees to pay and perform all obligations of VT under this Agreement and such surviving entity has a net worth equal to or greater than VT's net worth at the time of assignment or merger) or to an affiliate or subsidiary of VT that has a net worth equal to or greater than VT's net worth at the time of assignment. VT shall promptly notify Triumph in writing of any merger by or with VT and any assignment of this Agreement to an affiliate or subsidiary.

4.3 **Construction: Interpretation.** The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and

other words of similar import mean “including, without limitation” and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the general statement to which it relates. The word “or” is not exclusive and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

4.4 Preservation of Remedies; Severability. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default. If any term or provision of this Agreement is found to be illegal, invalid, or unenforceable, such term or provision will be deemed stricken, and the remainder of this Agreement will remain in full force and effect.

4.5 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the VT and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

4.6 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable

address set forth below, unless another address has been previously specified in writing in accordance with this Section 4.6:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

If to VT:

VT Mobile Aerospace Engineering, Inc.
2100 Aerospace Drive
Mobile, AL 36615
Attention: President

4.7 **Attorney's Fees.** In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

4.8 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

4.9 **Governing Law.** The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law, rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

4.10 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

4.11 **Aerospace Academy.** As soon as practicable following the execution of the grant agreement with the City, Triumph and VT will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the private sector aerospace and aviation industry in Northwest Florida. The Aerospace Academy will focus on its recruiting effort in three (3) principal areas:

- i) Partnering with local public education institutes to foster an interest in aviation as a career, resulting in enrollment in post-secondary training programs with VT;
- ii) Aligning with Workforce Escarosa to identify and recruit under employed and otherwise disadvantaged (working poor) community members providing a pathway into specialized aviation career training; and
- iii) Recognizing and evaluating local area resident veterans with aviation or similar relevant military training to provide a track to a commercial aviation career.

4.12 The Aerospace Academy will commit to provide above training opportunities for up to 50 local resident candidates annually for a period of five (5) years.

4.13 **Future Additional Jobs.** VT will make a good faith effort to locate additional divisions of the VT and or its affiliates or additional jobs to Northwest Florida.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

VT:

TRIUMPH:

VT Mobile Aerospace Engineering, Inc., an
Alabama corporation

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: _____
Print Name: Bill Hafner
Title: President

By: _____
Print Name: _____
Title: Chairman

By: _____
Print Name: _____
Title: Treasurer

ATTEST:

By: _____
Print Name: _____
Title: Secretary

PERFORMANCE AGREEMENT

This Performance Agreement (this “**Agreement**”) is made and entered into as of April 29, 2019 by and between Triumph Gulf Coast, Inc., a Florida not-for-profit corporation (“**Triumph**”) and VT Mobile Aerospace Engineering, Inc., an Alabama corporation (“**VT**”).

RECITALS:

WHEREAS, Triumph and the City of Pensacola, Florida (the “**City**”) are parties to that certain Grant Award Agreement dated April __, 2019 (the “**Grant Agreement**”).

WHEREAS, pursuant to the Grant Agreement, and subject to the terms and conditions therein, Triumph has agreed to make a grant to the City in the maximum amount of \$66,000,000 (the “**Grant**”) to provide partial funding for the planning and construction of an aircraft Maintenance, Repair, Overhaul Aviation Campus (MRO Campus) consisting of following projects (collectively, “**Project Titan**”) at Pensacola International Airport (the “**Airport**”):

- Hangar 2 – 173,000 square feet
- Hangar 3 – 191,000 square feet
- Hangar 4 – 191,000 square feet
- Warehouses/shops/support facilities – 100,000 square feet
- Administrative Offices – 120,000 square feet
- Aircraft taxiways accessing the hangar aprons
- Aircraft aprons at the hangars
- Automobile ingress and egress roadways and auto parking

WHEREAS, VT, as lessee, and the City, as lessor, are entering into a separate lease agreement pursuant to which VT will occupy all or a portion of Project Titan (the “**MRO Lease**”).

WHEREAS, VT and the City are entering into a separate Development Agreement which governs the construction and development of Project Titan (the “**MRO Development Agreement**”).

WHEREAS, Section 8.4 of the Grant Agreement contains certain job creation performance metrics that must be satisfied by VT.

WHEREAS, the Grant Agreement provides that, as a condition to Triumph making the Grant to the City, VT shall enter into this Agreement, pursuant to which, among other things, VT

agrees to re-pay to Triumph certain "clawback" amounts in the event the job creation performance metrics are not timely satisfied.

WHEREAS, VT will derive a substantial benefit from the making of the Grant to the City and the completion of Project Titan and has received and thus is receiving good and valuable consideration for entering into this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Accuracy of Recitals. Triumph and VT acknowledge and agree that the foregoing Recitals are true and accurate.
2. Performance Metrics. VT hereby covenants and agrees as follows:

(a) VT hereby covenants and agrees that:

(1) (A) Tier 1 Jobs: During the Tier 1 Jobs Ramp-Up Period (as defined below), VT shall hire and develop its workforce in order to achieve the performance metrics described herein. Prior to the end of the Job Maintenance Review Period for Tier 1 Jobs (as defined below), VT shall (i) create at least nine hundred ninety four (994) [75% of 1,325] net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and (ii) maintain an annual average of 994 jobs for at least seven (7) years (which seven years need not be consecutive) during the ten (10) year period from the initiation of the Job Maintenance Review Period for Tier 1 Jobs. Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as "Project Jobs." As used herein, "Project Jobs" shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. The parties hereto acknowledge and agree that the "Tier 1 Jobs Ramp-Up Period" shall be for a period of time starting on the Date of Beneficial Occupancy of Hangar 4 of Project Titan and ending five (5) years thereafter. In order for a Project Job under this paragraph (A) to have been maintained for seven (7) years in accordance with the terms of this Agreement, it must have been maintained for at least seven (7) years (which seven years need not be consecutive) out of the ten (10) year period after the Tier 1 Jobs Ramp-Up Period. Such ten-year period is herein referred to as the "**Job Maintenance Review Period for Tier 1 Jobs.**"

(B) Tier 2 Jobs: VT shall (i) create at least three hundred thirty one (331) [25% of 1,325] additional net new, private sector, full-time equivalent jobs (defined as 2,080 man-hours per year) for Project Titan in Escambia County (but excluding Project Stallion jobs until the number of Project Stallion jobs reaches 400); and

(ii) maintain an annual average of 331 jobs for at least seven (7) years (which seven years need not be consecutive) during the period beginning upon the termination of the Job Maintenance Review Period for Tier 1 Jobs and ending ten (10) years thereafter. Such ten-year period is herein referred to as the “**Job Maintenance Review Period for Tier 2 Jobs.**” Such annual average jobs shall be calculated by dividing by seven (7) the highest aggregate number of jobs created in any period of seven years (which seven years need not be consecutive) during such ten-year period. The new jobs required herein are referred to as “Project Jobs.” As used herein, “Project Jobs” shall have the meaning set forth in Section 288.106(2)(i), Florida Statutes. Only Project Jobs in excess of a base of nine hundred ninety-four (994) Project Jobs in any year during the Job Maintenance Review Period for Tier 2 Jobs may be used to meet the requirements of this paragraph (B). However, Project Jobs created and maintained for at least a year during the Tier 1 Jobs Ramp-Up Period and the Job Maintenance Review Period for Tier 1 Jobs which are in excess of those required to meet the requirements of paragraph (A) above may be applied in any year and used to meet the requirements of this paragraph (B). Further, Project Jobs created and maintained for at least a year during the Job Maintenance Period for Tier 2 Jobs which are in excess of a base of nine hundred ninety-four (994) Project Jobs for such year may be applied in any year and used to meet the requirements of this paragraph (B).

(C) During the Tier 1 Jobs Ramp-Up Period, if in any year or years the Project Jobs exceed 1,325, then such year or years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above. Also, if the average of the Project Jobs during the Tier 1 Jobs Ramp-Up Period equals or exceed 1,325 (i.e. 6,625 jobs/ 5 years), then all five years will count toward satisfaction of the jobs requirements of paragraphs (A) and (B) above.

(D) Once 1,325 Project Jobs have been created in Escambia County and maintained in accordance with paragraphs (A), (B) and (C) above, (i) the jobs creation requirements of this Agreement shall be considered satisfied; (ii) the Grant Performance Completion Date (hereinafter defined) shall be deemed to have occurred; and (iii) this Agreement shall be deemed to be terminated without any further action being required by the parties. As a start-up project, Project Titan will not have a “**Base Period**” for the calculation of Project Jobs. No Project Jobs may be transferred by VT from other parts of the State of Florida in fulfillment of the jobs creation requirements described herein.

(2) The average annual wage of Project Jobs, to be created and maintained hereunder as specified in Paragraph (a) above, will be at least \$44,461, excluding benefits, for each year during the term of this Agreement. Unless otherwise indicated, compliance with this paragraph (2) shall be required in establishing compliance with the requirements for “maintaining” or “maintenance” of Project Jobs hereunder.

(3) The “Grant Performance Completion Date” shall be the later of (a) the date on which the entirety of the Grant has been disbursed as described herein; or (b)

the date on which VT shall have established as required herein that it has satisfied each requirement of this Paragraph (a).

(b) VT acknowledges that the Grant Agreement may be terminated by Triumph upon failure of VT to comply with any material term or condition of the MRO Lease and/or the MRO Development Agreement to be performed or complied with by VT that has not been cured within thirty (30) days of VT's receipt of written notice of default thereof, or a decision by VT not to proceed with Project Titan. Notwithstanding the foregoing, a cure period shall be extended for an appropriate period of time should such default arise beyond the reasonable control of VT, provided that VT is making diligent efforts to cure the default.

(c) VT acknowledges that any termination under Paragraph (b) will result in the City's loss of eligibility for receipt of the Grant payments previously authorized. In addition, VT will be required to pay to Triumph an amount equal to all amounts of the Grant disbursed as of the date of termination, together with interest thereon at a rate per annum determined as set forth in Paragraph (h) below from the date of termination until the applicable Grant is repaid. VT will be given credit against its payment obligations in the amount of \$49,811.32 [$\$66,000,000 / 1,325$] for each Project Job created and maintained for three years in accordance with the requirements of this Agreement and for any payments that have been previously required.

(d) In the event that at the end of the Job Maintenance Review Period for Tier 1 Jobs VT has failed to achieve the creation and maintenance of 994 [75% of 1,325] Project Jobs, on average annually, in accordance with Paragraph (A) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 1 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (A) multiplied by \$49,811.32.

(e) In the event that at the end of the Job Maintenance Review Period for Tier 2 Jobs VT has failed to achieve the creation and maintenance of 331 [25% of 1,325] additional Project Jobs, on average annually, in accordance with Paragraph (B) or (C) above during at least seven years during the Job Maintenance Review Period for Tier 2 Jobs (which seven years need not be consecutive), then VT shall pay to Triumph an amount calculated based on the following formula: the number of Project Jobs by which VT failed to comply with Paragraph (B) multiplied by \$49,811.32.

(f) If during the Job Maintenance Review Period for Tier 1 Jobs VT fails to achieve the creation and maintenance of 994 Project Jobs, then VT will submit for approval of Triumph a plan to return to compliance with the jobs creation and maintenance schedule (the "**Compliance Plan**"). Such plan will include dated benchmarks. The benchmarks for the creation and maintenance of Project Jobs set forth in any compliance schedule will be used to determine compliance with the requirements of Paragraphs (d) and (e) above. In the event VT fails to comply with the benchmarks in

the Compliance Plan within one (1) year of its institution, VT shall be required to pay the amounts described in Paragraph (b) above.

(g) If the Grant Performance Completion Date has not occurred by the end of the Job Maintenance Review Period for Tier 2 Jobs (or such later date as may be agreed upon in the Compliance Plan described in paragraph (f) above), then VT shall be required to pay the amounts described in Paragraph (c) above.

(h) The interest rate per annum shall be determined by the annualized interest rate received by the State on funds in the State's Special Purpose Investment Account in January of the year in which the performance standard was not met by VT. This rate is published online at <http://fltreaury.org>. Additionally, the same interest penalty may be imposed for any period for which the required performance report is overdue, or during which period VT, after being notified in writing of any inadequacies in the performance report and/or the supporting documentation and being provided a 30-day period, or such longer period as contemplated by Paragraph (a) above, to cure any such inadequacies, has failed to correct the specified inadequacies.

(i) The amount required to be paid pursuant to this Section 2 shall never exceed the value of the total Grant plus interest as determined in Paragraph (h) above.

(j) Any required undisputed payment, together with interest thereon, is due to Triumph within thirty (30) days of receipt of written notice from Triumph.

(k) Triumph, or its designated agent, may conduct on site visits of Project Titan facilities to verify VT's investment, employment and wage records and VT will provide access to its facility during normal business working hours and to its financial records to accommodate such inspections. Triumph or its designated agent must provide VT notice of at least ten (10) business days before an impending on-site visit.

(l) If during the Measurement Period there occurs one or more Force Majeure Events (defined below) that materially and adversely affect VT's business and its ability to comply with the Minimum Jobs Level, VT may exercise a one-time election to extend the Measurement Period by twenty-four (24) months without payment penalty. A "Force Majeure Event" is hereby defined to include each of the following events:

1. A global or United States recession as determined by the National Bureau of Economic Research (NBER);
2. Damages to the facilities from hurricanes and other natural disasters having a material and adverse effect on operations;
3. Local, State or Federal Government and/or Federal Aviation Administration regulatory actions or policy changes affecting the business;
4. Adverse conditions that prevent air operators from continuing normal air services;
5. Loss of a major key account;

6. Customer actions resulting in early fleet retirement, aircraft storage or part-out; or
7. Tight labor market affecting recruitment of new employees or attracting local candidates for workforce development program.

(m) (A) At any time and from time to time, upon written request by Triumph, VT shall, within ten (10) days of such request, deliver to Triumph such data, reports, payroll records, financial statements and reporting, and other documents, instruments, State of Florida employment reporting forms, and such other information as Triumph requires in order to determine whether VT achieved any or all of the above performance metrics (collectively, "**Back-up Data**"), (B) within thirty (30) days after the end of each calendar quarter VT shall deliver to Triumph a copy of its RT-6 re-employment tax return, and (C) annually within six (6) months after the end of each fiscal year, deliver to Triumph audited financial statements. VT's refusal or failure to timely provide any requested Back-up Data and other information described above shall be deemed a breach of a material obligation of this Agreement.

(n) Triumph shall have the discretion to waive, reduce, extend, or defer any amounts due under the claw back provisions if (i) it determines in its sole and absolute discretion that, based on quantitative evidence, the metrics were not achieved due to negative economic conditions beyond VT's control, including but not limited to VT's inability to hire sufficient qualified workers, (ii) it determines in its sole and absolute discretion that VT made a good faith effort to achieve full performance metrics and its failure to fully achieve the metrics does not substantially frustrate the general purpose of the grant, (iii) it determines in its sole and absolute discretion that, based on quantitative evidence, the effects of a named hurricane or tropical storm, or specific acts of terrorism, adversely affected VT's ability to achieve the performance metrics, (iv) it determines in its sole and absolute discretion that regulatory policy changes or VT loss of major customer accounts impede VT's ability to carry on business as usual, or (v) VT has demonstrated reasonable best efforts to comply with the requirements of the Performance Metrics.

(o) VT and Triumph acknowledge and agree that any amounts set forth in this Section 2 to be paid by VT are intended as a third-party repayment of Grant funds conditionally disbursed to the City and are due and payable to Triumph as a result of VT's failure to timely satisfy the performance metrics set forth herein. Such amounts are not intended as and shall not be deemed damages or a penalty. Notwithstanding the foregoing, to the extent that for any reason such amounts are deemed damages, VT and Triumph agree that (i) such amounts shall constitute liquidated damages, (ii) the actual damages suffered by Triumph would be unreasonably difficult to determine and that Triumph would not have a convenient and adequate alternative to the liquidated damages, (iii) the amounts due Triumph bear a reasonable relationship to any anticipated harm and is a genuine pre-estimate suffered by Triumph, and (iv) VT irrevocably waives any right that it may have to raise as a defense that any such liquidated damages are excessive or punitive.

3. **Representations and Warranties of VT.** VT hereby makes the following representations and warranties to Triumph:

(a) **Organization; Power and Authority.** VT is a corporation duly organized, validly existing, and in good standing under the laws of the State of Alabama and is duly qualified to do business in and is in good standing in the State of Florida, and has all requisite power and authority to own, lease, and operate its properties and to carry on its affairs as currently conducted.

(b) **Authorization and Binding Obligation.** VT has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of VT. This Agreement has been duly executed and delivered by VT and, assuming the due authorization, execution, and delivery of this Agreement by Triumph, constitutes the legal, valid, and binding obligation of VT, enforceable against VT in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(c) **No Violations.** The execution and delivery by VT of this Agreement and the performance by it of the transactions contemplated hereby does not (i) conflict with or result in a breach of any provision of VT's articles/certificate of incorporation, certificate of formation, bylaws, or similar corporate document, (ii) result in violation or breach of or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, modification, cancellation or acceleration under the terms, conditions, or provisions of any of VT's loan agreements, indentures, material agreements or other material instruments or (iii) violate any applicable law or regulation. VT has not been convicted of a "public entity crime" (as such term is defined in Section 287.133 of the Florida Statutes) nor has VT been placed on the "discriminatory vendor list" (as such term is defined in Section 287.134 of the Florida Statutes). Neither VT nor any person or entity that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of VT, is listed on the Specially Designated Nationals List or the Foreign Sanctions Evaders List, in each case, as maintained by the United States Department of the Treasury. Neither VT nor its officers, directors, agents, distributors, employees, or other persons or entities acting on its behalf has taken any act in furtherance of an offer, payment, promise to pay, authorization, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a government official or to obtain or retain business for any person or entity in violation of applicable law.

(d) **Litigation; Compliance with Laws.** No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and

penalties, or any other proceeding of or before any arbitrator or governmental agency is pending or, to the knowledge of VT, threatened by or against VT or against any of its properties or assets, which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the assets, operations, or financial condition of the VT, Project Titan, or VT's ability to perform its obligations under this Agreement. No state or federal criminal investigation, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of the Office of the Attorney General of the State of Florida, any State Attorney in the State of Florida, the United States Department of Justice, or any other prosecutorial or law enforcement authority is pending or, to the knowledge of VT, threatened by or against VT or any of its officers. No permanent injunction, temporary restraining order or similar decree has been issued against VT which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the assets, operations, or financial condition of VT, Project Titan, or VT's ability to perform its obligations under this Agreement.

4. **Miscellaneous Provisions:**

4.1 **Severability.** If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected. In such an instance the remainder would then continue to conform to the terms and requirements of applicable law.

4.2 **Non-Assignment.** VT shall not assign, subcontract, or otherwise transfer its rights, duties, or obligations under this Agreement, by operation of law or otherwise, without the prior written consent of Triumph, which consent may be withheld in Triumph's sole and absolute discretion. Triumph shall at all times be entitled to assign or transfer its rights, duties, or obligations under this Agreement to another person or entity upon giving prior written notice to VT. Any attempted assignment of this Agreement or any of the rights hereunder in violation of this provision shall be void *ab initio*. However, that this section is not intended to apply to or prevent the assignment of this Agreement, in its entirety, to any corporation or other entity with which VT may merge (regardless of whether VT is the surviving entity, so long as the surviving entity assumes and agrees to pay and perform all obligations of VT under this Agreement and such surviving entity has a net worth equal to or greater than VT's net worth at the time of assignment or merger) or to an affiliate or subsidiary of VT that has a net worth equal to or greater than VT's net worth at the time of assignment. VT shall promptly notify Triumph in writing of any merger by or with VT and any assignment of this Agreement to an affiliate or subsidiary.

4.3 **Construction: Interpretation.** The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The term "this Agreement" means this Agreement, as the same may from time to time be amended, modified, supplemented, or restated in accordance with the terms hereof. All words used in this Agreement in the singular form shall extend to and include the plural. All words used in the plural form shall extend to and include the singular. The use in this Agreement of the term "including" and

other words of similar import mean “including, without limitation” and where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit, or restrict in any manner the construction of the general statement to which it relates. The word “or” is not exclusive and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular section, subsection, paragraph, subparagraph, or clause contained in this Agreement. Time is of the essence with respect to the performance of all obligations under this Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

4.4 Preservation of Remedies; Severability. No delay or omission to exercise any right, power, or remedy accruing to either party hereto upon breach or default by either party hereto under this Agreement, will impair any such right, power, or remedy of either party; nor will such delay or omission be construed as a waiver of any breach or default or any similar breach or default. If any term or provision of this Agreement is found to be illegal, invalid, or unenforceable, such term or provision will be deemed stricken, and the remainder of this Agreement will remain in full force and effect.

4.5 Entire Agreement; Amendment; Waiver. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof. There are no provisions, terms, conditions, or obligations other than those contained in this Agreement; and this Agreement supersedes all previous communications, representations, or agreements, either verbal or written, between the parties. No amendment will be effective unless reduced to writing and signed by an authorized officer of the VT and the authorized officer of Triumph. No waiver by a party hereto of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

4.6 Notices. All notices and demands to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when personally delivered, (ii) when transmitted via facsimile to the number set out above if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (iii) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices and shall be sent to the applicable

address set forth below, unless another address has been previously specified in writing in accordance with this Section 4.6:

If to Triumph:

Triumph Gulf Coast, Inc.
P.O. Box 12007
Tallahassee, FL 32317
Attention: Executive Director

If to VT:

VT Mobile Aerospace Engineering, Inc.
2100 Aerospace Drive
Mobile, AL 36615
Attention: President

4.7 Attorney's Fees. In the event litigation arises (at the trial or appellate level) in connection with this Agreement, the prevailing party will be entitled to be reimbursed for all costs incurred in connection with such litigation, including without limitation reasonable attorneys' fees and costs.

4.8 TO THE FULLEST EXTENT LEGALLY PERMISSIBLE, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY CLAIM, DISPUTE OR ACTION ARISING OUT OF, RELATED OR PERTAINING TO THIS AGREEMENT, THE GRANT APPLICATION, AND/OR THE GRANT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE AND EACH PARTY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. EACH PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

4.9 Governing Law. The laws of the State of Florida shall govern the construction, enforcement and interpretation of this Agreement, regardless of and without reference to whether any applicable conflicts of laws principles may point to the application of the laws of another jurisdiction. The exclusive personal jurisdiction and venue to resolve any and all disputes between them including, without limitation, any disputes arising out of or relating to this Agreement shall be in the state courts of the State of Florida in the County of Escambia. The parties expressly consent to the exclusive personal jurisdiction and venue in any state court located in Escambia County, Florida, and waive any defense of forum non conveniens, lack of personal jurisdiction, or like defense, and further agree that any and all disputes between them shall be solely in the State of Florida. Should any term of this Agreement conflict with any applicable law, rule, or regulation, the applicable law, rule, or regulation shall control over the provisions of this Agreement.

4.10 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

4.11 **Aerospace Academy.** As soon as practicable following the execution of the grant agreement with the City, Triumph and VT will develop a Memorandum of Understanding to jointly fund the establishment of an Aerospace Academy to train a qualified workforce for the private sector aerospace and aviation industry in Northwest Florida. The Aerospace Academy will focus on its recruiting effort in three (3) principal areas:

- i) Partnering with local public education institutes to foster an interest in aviation as a career, resulting in enrollment in post-secondary training programs with VT;
- ii) Aligning with Workforce Escarosa to identify and recruit under employed and otherwise disadvantaged (working poor) community members providing a pathway into specialized aviation career training; and
- iii) Recognizing and evaluating local area resident veterans with aviation or similar relevant military training to provide a track to a commercial aviation career.

4.12 The Aerospace Academy will commit to provide above training opportunities for up to 50 local resident candidates annually for a period of five (5) years.

4.13 **Future Additional Jobs.** VT will make a good faith effort to locate additional divisions of the VT and or its affiliates or additional jobs to Northwest Florida.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement be executed as of the day and year first above written.

VT:

VT Mobile Aerospace Engineering, Inc., an
Alabama corporation

By: Bill Hafner

Print Name: Bill Hafner

Title: President

TRIUMPH:

TRIUMPH GULF COAST, INC., a Florida
not-for-profit corporation

By: [Signature]

Print Name:

Title: Chairman

By: [Signature]

Print Name: Stephen K. Lee

Title: Treasurer

ATTEST:

By: [Signature]

Print Name: Susan Skelton

Title: Secretary

GROVER C. ROBINSON, IV
Mayor

MEMORANDUM

TO: Triumph Gulf Coast, Inc. Board of Directors

FROM: Grover C. Robinson, IV, Mayor

DATE: October 31, 2019

RE: Triumph Annual Review

In accordance with s. 288.8016, F.S. and the Grant Award Agreement between CITY OF PENSACOLA (City) and TRIUMPH GULF COAST, INC. (Triumph), the following information is provided by the City as the Triumph Grant Annual Report.

I. FUNDING STATUS

The estimated total planning and construction cost of Project Titan is \$210,125,000. The financial commitment from Triumph is \$66,000,000 leaving a balance of \$144,125,000. The balance of funds has been committed as follows:

FDOT	\$45,000,000
Federal EDA	\$12,250,000
Governor's Job Growth Fund	\$14,000,000
City of Pensacola	\$15,000,000
Escambia County	\$15,000,000
VT MAE	\$35,000,000
Florida Legislative grant	\$3,000,000
City of Pensacola or future grants	\$4,875,000

Further, City Council has authorized a borrowing capacity of up to \$20,000,000 for this project to provide interim financing as needed.

II. KEY MILESTONES

The following key milestone events have been accomplished:

- PROJECT DEVELOPMENT AGREEMENT was executed between City of Pensacola and VT MAE on April 26, 2019.
- MASTER LEASE OF REAL PROPERTY was executed between City of Pensacola and VT MAE on April 26, 2019.
- An ESCROW AGREEMENT was executed between VT MAE, City of Pensacola and Wells Fargo Bank, NA (as Escrow Agent) on April 29, 2019. Funds from VT MAE in the amount of \$35,000,000 have been deposited into this Escrow account.
- A detailed Basis of Design for Project Titan has been prepared and agreed to in concept by the parties. The purpose of the Basis of Design is to set the scope and parameters of the project and to begin to determine estimated construction budgets.
- A ROM (Rough Order of Magnitude) Cost Estimate has been prepared by RIB U.S. Cost for purposes of evaluating the scope and budget of Project Titan. This document continues to evolve as the individual components of the project becomes more well defined.

III. SELECTION OF CONSTRUCTION AND DESIGN TEAM PROFESSIONALS

- a. Construction Manager at Risk (CMaR) – City issued a RFQs to select a CMaR. Qualified firms responded and the City used an independent selection committee to evaluate and make a recommendation for the selection of the CMaR. The chosen firm was a joint arrangement between Brasfield & Gorrie and Greenhut. Greenhut was the CMaR on Hangar 1. City is in the final stages of negotiating pricing and a CMaR contract in order to commence work on the first element of Project Titan. City expects final contractual arrangements to be in place by the end of December 2019.
- b. Architect and Engineering (A&E) firm – City had previously conducted an RFQ process for purposes of engaging an A&E firm to provide professional services to the Pensacola International Airport. The engineering firm of Atkins and the architectural firm of Bullock Tice were one of the firms selected. Based on their experience gained from their role in the design of the first MRO Hangar, they have been selected to continue with the design of the Hangar 2. City is in the final stages of negotiating pricing and an A&E contract in order to commence work on the first element of Project Titan. City expects final contractual arrangements to be in place by the end of December 2019.
- c. Construction Administrator – The firm of Mott MacDonald served as the Construction Administrator on behalf of the City for Hangar 1. The City has selected Mott MacDonald to again serve a Construction Administrator for Hangar 2. City is in the final stages of negotiating pricing and a work order for Mott MacDonald and City expects final arrangements to be in place by the mid November 2019.

IV. SCHEDULE

A preliminary timeline for the major elements of Project Titan has been developed, as noted below. This timeline has and likely will change in the future as plans become more well defined.

Projected Implementation Schedule
Project Titan
Pensacola International Airport

	2019		2020				2021				2022			
	0	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.
<u>Element 1</u>														
<u>Hangar No. 2</u>														
Plans and Specification														
Permitting														
Construction - Hangar 2 High bay														
Construction - Hangar 2 Low bay														
<u>Prerequisites for Element 2</u>														
Environmental Assessment														
GeoTeck														
Topographical Survey														
Limited Design														
Airspace review/determination														
<u>Element 2</u>														
Plans and Specification														
Permitting														
Construction - Hangar 3&4														
Warehouse and Corridor														
<u>Element 2- Administration</u>														
Plans and Specification														
Permitting														
Construction														

SUMMARY

Significant progress has been made by the parties and the City is anticipating an official groundbreaking on the first element of Project Titan (Hangar 2) in early 2020. This is an exciting project for the City, County and all of NW Florida and we are grateful for the continuing support of the Triumph Gulf Coast, Inc. Board.

Respectfully submitted,

Grover C. Robinson, IV
Mayor



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00032

City Council

1/21/2021

DISCUSSION ITEM

SPONSOR: City Council Member Sherri Myers

SUBJECT:

DISCUSSION - FUTURE OF THE TECHNOLOGY PARK PROPERTY

SUMMARY:

Recently, the Pensacola-Escambia Promotion and Development Commission (PEDC) put out a request for proposals to developers related to the Pensacola Technology Park. The RFP period began in June and ended at the end of October; however no responses were received.

This discussion item gives the City Council the opportunity to discuss the future of the Technology Park and specifically the unused land so that this information can be relayed to the PEDC.

PRIOR ACTION:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

None

PRESENTATION: No



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00056

City Council

1/21/2021

DISCUSSION ITEM

SPONSOR: City Council Member Sherri Myers

SUBJECT:

NOTIFICATION TO THE CITY COUNCIL OF LAWSUITS INVOLVING THE CITY

SUMMARY:

Periodically the City becomes engaged in a lawsuit either as a Plaintiff or Defendant (Petitioner or Respondent).

This item seeks to discuss the need and desire of City Council, as governing body of the City, to receive notification of either the City's intent to file suit or join in a suit, or when becoming a defendant in a suit.

PRIOR ACTION:

None

STAFF CONTACT:

Don Kraher, Council Executive

ATTACHMENTS:

1) None

PRESENTATION: No