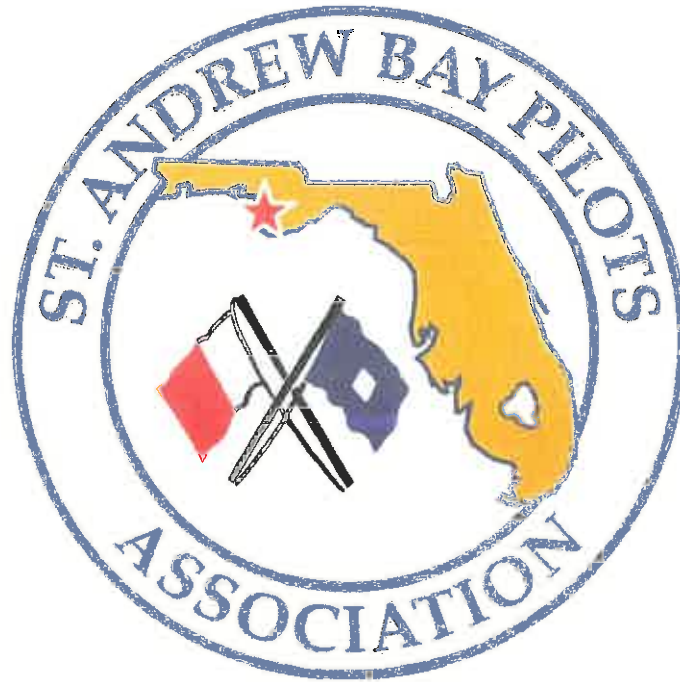


OCT 02 2018

St. Andrew Bay Pilots Association, LLC



Addendum to Satisfy Deficiency
Letter of August 3, 2018
for
Pilotage Rate Application

Section 61G14-22.005 (8)

Projected financial statements

For the years 2018 and 2019

Indicating the impact of the

Requested rates

ST. ANDREW BAY PILOTS ASSOCIATION, LLC

FINANCIAL PROJECTIONS

DECEMBER 31, 2018 AND 2019

**ST. ANDREW BAY PILOTS ASSOCIATION, LLC
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DECEMBER 31, 2018 AND 2019**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
St. Andrew Bay Pilots Association, LLC

Management is responsible for the accompanying projections of St. Andrew Bay Pilots Association, LLC, which comprises the projected balance sheets as of December 31, 2018 and 2019, and the related projected statements of income and retained earnings and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA).

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report were prepared for St. Andrew Bay Pilots Association, LLC to assist in its application for a pilotage change in rates to be filed with the Florida Department of Business and Professional Regulations, Board of Pilot Commissioners in accordance with Chapter 310 of the Florida Statutes, specifically section 310.151 and are not intended to be and should not be used by anyone other than those specified parties.

Warren Averett, LLC

Panama City, Florida
August 31, 2018

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED BALANCE SHEETS
(BASED ON CURRENT RATES)
DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 121,376	\$ 139,037
Accounts receivable	27,000	27,000
Prepaid expenses and other current assets	12,734	12,734
Total current assets	<u>161,110</u>	<u>178,771</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>8,297</u>	<u>5,292</u>
TOTAL ASSETS	<u>\$ 169,408</u>	<u>\$ 184,064</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 16,000	\$ 16,000
Income tax payable	6,000	14,000
Line of credit	16,000	22,000
Current maturities - related party notes payable	37,805	-
Total current liabilities	<u>75,805</u>	<u>52,000</u>
LONG-TERM LIABILITIES		
Deferred income taxes	<u>8,250</u>	<u>5,509</u>
Total long-term liabilities	<u>8,250</u>	<u>5,509</u>
TOTAL LIABILITIES	<u>84,055</u>	<u>57,509</u>
STOCKHOLDER'S EQUITY		
Common stock, \$1 par value, 1,000 shares authorized, 600 issued and outstanding	600	600
Retained earnings	<u>84,753</u>	<u>125,955</u>
TOTAL STOCKHOLDER'S EQUITY	<u>85,353</u>	<u>126,555</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 169,408</u>	<u>\$ 184,064</u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED STATEMENTS OF INCOME AND RETAINED EARNINGS
(BASED ON CURRENT RATES)
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
OPERATING REVENUE	<u>\$ 619,514</u>	<u>\$ 642,941</u>
OPERATING EXPENSES		
Subcontracted services	371,708	385,765
Contract labor	61,951	64,294
Depreciation	44,982	3,005
Boat fuel, insurance and dock rent	40,097	41,099
Licenses and subscriptions	18,385	19,000
Repairs and maintenance	16,465	26,876
Retired pilot compensation	13,939	14,466
Consultant fees	43,461	26,497
Advertising and promotion	1,362	1,396
Travel, accommodation and motor expenses	1,015	1,040
Postage, printing and stationery, office costs	902	925
Rent	1,538	1,577
Miscellaneous	2,624	2,690
Total operating expenses	<u>618,429</u>	<u>588,629</u>
NET OPERATING INCOME	<u>1,085</u>	<u>54,312</u>
OTHER INCOME / (EXPENSE)		
Interest expense, net	<u>(4,610)</u>	<u>(1,851)</u>
Total other income (expense)	<u>(4,610)</u>	<u>(1,851)</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>(3,525)</u>	<u>52,461</u>
Income tax benefit (provision)	<u>812</u>	<u>(11,259)</u>
NET INCOME (LOSS)	<u>(2,713)</u>	<u>41,202</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>87,466</u>	<u>84,753</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$ 84,753</u></u>	<u><u>\$ 125,955</u></u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED STATEMENTS OF CASH FLOWS
(BASED ON CURRENT RATES)
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (2,713)	\$ 41,202
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	44,982	3,005
Provision for deferred taxes	(6,812)	(2,741)
Changes in assets and liabilities:		
Receivables, net	157	-
Accounts payable and accrued expenses	1,734	-
Income taxes payable	30	8,000
Net cash provided by (used in) operating activities	<u>37,378</u>	<u>49,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(7,176)</u>	<u>-</u>
Net cash used in investing activities	<u>(7,176)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under related party notes payable	(47,425)	(37,805)
Proceeds from line of credit	23,800	30,000
Principal payments under line of credit	<u>(10,000)</u>	<u>(24,000)</u>
Net cash provided by (used in) financing activities	<u>(33,625)</u>	<u>(31,805)</u>
NET CHANGE IN CASH	(3,424)	17,661
CASH AT BEGINNING OF YEAR	<u>124,800</u>	<u>121,376</u>
CASH AT END OF YEAR	<u>\$ 121,376</u>	<u>\$ 139,037</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 5,010</u>	<u>\$ 2,251</u>
Income taxes paid	<u>\$ 10,500</u>	<u>\$ 6,000</u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED BALANCE SHEETS
(BASED ON REQUESTED RATES)
DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 448,502	\$ 563,849
Accounts receivable	27,000	27,000
Prepaid expenses and other current assets	12,734	12,734
Total current assets	<u>488,236</u>	<u>603,583</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>8,297</u>	<u>5,292</u>
TOTAL ASSETS	<u><u>\$ 496,533</u></u>	<u><u>\$ 608,876</u></u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 16,000	\$ 16,000
Income tax payable	39,000	45,000
Line of credit	16,000	22,000
Current maturities - related party notes payable	37,805	-
Total current liabilities	<u>108,805</u>	<u>83,000</u>
LONG-TERM LIABILITIES		
Deferred income taxes	<u>8,250</u>	<u>5,509</u>
Total long-term liabilities	<u>8,250</u>	<u>5,509</u>
TOTAL LIABILITIES	<u>117,055</u>	<u>88,509</u>
STOCKHOLDER'S EQUITY		
Common stock, \$1 par value, 1,000 shares authorized, 600 issued and outstanding	600	600
Retained earnings	<u>378,879</u>	<u>519,767</u>
TOTAL STOCKHOLDER'S EQUITY	<u>379,479</u>	<u>520,367</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 496,533</u></u>	<u><u>\$ 608,876</u></u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED STATEMENTS OF INCOME AND RETAINED EARNINGS
(BASED ON REQUESTED RATES)
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
OPERATING REVENUE	<u>\$ 849,298</u>	<u>\$ 881,414</u>
OPERATING EXPENSES		
Subcontracted services	452,459	469,569
Contract labor	75,410	78,261
Depreciation	44,982	3,005
Boat fuel, insurance and dock rent	40,097	41,099
Licenses and subscriptions	22,866	23,650
Repairs and maintenance	16,465	26,876
Retired pilot compensation	19,109	19,832
Consultant fees	43,461	26,497
Advertising and promotion	1,362	1,396
Travel, accommodation and motor expenses	1,015	1,040
Postage, printing and stationery, office costs	902	925
Rent	1,538	1,577
Miscellaneous	2,624	2,690
Total operating expenses	<u>722,289</u>	<u>696,417</u>
NET OPERATING INCOME	<u>127,009</u>	<u>184,998</u>
OTHER INCOME / (EXPENSE)		
Interest expense, net	<u>(4,610)</u>	<u>(1,851)</u>
Total other income (expense)	<u>(4,610)</u>	<u>(1,851)</u>
NET INCOME BEFORE INCOME TAXES	122,399	183,147
Income tax provision	<u>(32,188)</u>	<u>(42,259)</u>
NET INCOME	90,211	140,888
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>288,667</u>	<u>378,879</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 378,879</u>	<u>\$ 519,767</u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
PROJECTED STATEMENTS OF CASH FLOWS
(BASED ON REQUESTED RATES)
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 90,211	\$ 140,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,982	3,005
Provision for deferred taxes	(6,812)	(2,741)
Changes in assets and liabilities:		
Receivables, net	157	-
Accounts payable and accrued expenses	1,734	-
Income taxes payable	(16,000)	6,000
Net cash provided by (used in) operating activities	<u>114,272</u>	<u>147,152</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(7,176)</u>	<u>-</u>
Net cash used in investing activities	<u>(7,176)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under related party notes payable	(47,425)	(37,805)
Proceeds from line of credit	23,800	30,000
Principal payments under line of credit	<u>(10,000)</u>	<u>(24,000)</u>
Net cash provided by (used in) financing activities	<u>(33,625)</u>	<u>(31,805)</u>
NET CHANGE IN CASH	73,471	115,347
CASH AT BEGINNING OF YEAR	<u>375,031</u>	<u>448,502</u>
CASH AT END OF YEAR	<u>\$ 448,502</u>	<u>\$ 563,849</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 5,010</u>	<u>\$ 2,251</u>
Income taxes paid	<u>\$ 55,000</u>	<u>\$ 39,000</u>

See accompanying summary of significant projection assumptions and accounting policies.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2018 AND 2019

3. SUMMARY OF SIGNIFICANT ASSUMPTIONS – CONTINUED

Operating Revenues – Continued

The “Based on Requested Rates” operating revenue projections assume the rate increase and boat improvement / maintenance charge went into effect on January 1, 2018. The specified number of projected vessel movements in 2018 and 2019 is consistent with those used under the Based on Current Rates scenario.

	Based on Current Rates		Based on Requested Rates	
	2018	2019	2018	2019
Vessel movements (in actuals)	476	494	476	494
Operating revenues per vessel movement				
Service revenue	\$ 1,301.50	\$ 1,301.50	\$ 1,584.24	\$ 1,584.24
Boat improvement / maintenance	-	-	200.00	200.00
Total operating rev. per vessel movement	1,301.50	1,301.50	1,784.24	1,784.24
Total projected operating revenue	\$ 619,514	\$ 642,941	\$ 849,298	\$ 881,414

Operating Expenses

In general, the historical operating expenses have been used as a baseline for the projection period. Except as discussed below, operating expenses generally assume an annual increase of 2.5% from 2017 reported (audited) amounts.

Subcontracted services

The Association contracts with Member Corporations to provide harbor pilotage services on behalf of the Association. Annual projected payments for pilotage services are calculated to be 60% of operating revenue; excluding contemplation of revenue related to the boat improvement / maintenance surcharge under the Requested Rates scenario.

Contract labor

Consists of two boat operators and a bookkeeper and is held consistent at 10% of operating revenue; excluding contemplation of revenue related to the boat improvement / maintenance surcharge under the Requested Rates scenario.

Depreciation

Depreciation was computed in accordance with the methods described in Note 4. The Association assumes \$7,176 of new boat equipment purchases during 2018. No capital expenditures are anticipated during 2019 as the Association intends to accumulate cash reserves for future capital expenditure requirements.

Licenses and subscriptions – FHPA and BOPC Dues

The Associations pays dues based on total operating revenue at the current rate of 1.25% and 0.7%, to the Florida Harbor Pilots Association (FHPA) and the Board of Pilot Commissioners (BOPC); respectively. The rates are assumed to remain constant during 2018 and 2019.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2018 AND 2019

3. SUMMARY OF SIGNIFICANT ASSUMPTIONS – CONTINUED

Operating Expenses – Continued

Repairs and maintenance

Repairs and maintenance for the projected periods are based on actual expectations of maintenance required during the normal course of business.

Retired pilot compensation

The Association has an established compensation plan for its Members during retirement. The projection is based on compensation equal to 2.25% of operating revenue.

Consultant fees

Consultant fees for the projected periods are based on actual expectations of normal course professional services and those amounts required for the application and rate hearing process before the Pilotage Rate Committee.

Rent

Beginning in 2018, rent expense includes a new month-to-month rental agreement at a local storage facility.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements were prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("U.S. GAAP"), which involved the application of accrual accounting. Revenues and gains are recognized when earned, and expense and losses are recognized when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statement projections in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition and Receivables

Operating revenues are recognized from services at the point in time such service is provided to the customer. Accounts receivable are recorded for amounts owed from third parties arising in the normal course of business. The balance of accounts receivable is usually repaid within 30 days.

Management determines the allowance for doubtful accounts based on the Association's historical losses, the existing economic conditions in the industry, and management's assessment of the collectability of specific accounts. The Association believes no allowance for doubtful accounts is necessary at December 31, 2018 and 2019.

ST. ANDREW BAY PILOTS ASSOCIATION, LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2018 AND 2019

5. STATUTORY REQUIREMENTS – COMPENSATION AND BENEFITS OF ACTIVE PILOTS – CONTINUED

Considering the narrative above, the following table summarizes the average total compensation for each pilot at current and requested rates for the years ending December 31:

	Projected Year 1 2018	Projected Year 2 2019
Based on Current Rates		
Total number of pilots	2.0	2.33
Gross Pilotage Fees	\$ 619,514	\$ 642,941
Operating Expenses	(618,429)	(588,629)
Other Income / (Expense)	(4,610)	(1,851)
Income Tax (Provision) / Benefit	812	(11,259)
Reported net income / (loss)	(2,713)	41,202
<i>Adjustments</i>		
(Excess) / Shortfall to cash reserves	2,713	(41,202)
Subcontracted services	371,708	385,765
	371,708	385,765
Average Compensation Per Pilot	\$ 185,854	\$ 165,564
	Projected Year 1 2018	Projected Year 2 2019
Based on Requested Rates		
Total number of pilots	2.0	2.33
Gross Pilotage Fees	\$ 849,298	\$ 881,414
Operating Expenses	(722,289)	(696,417)
Other Income / (Expense)	(4,610)	(1,851)
Income Tax Provision	(32,188)	(42,259)
Reported net income / (loss)	90,211	140,888
<i>Adjustments</i>		
(Excess) / Shortfall to cash reserves	(90,211)	(140,888)
Subcontracted services	452,459	469,569
	452,459	469,569
Average Compensation Per Pilot	\$ 226,229	\$ 201,532

Section 61G14-22.005 (6) Projected change in traffic For the years 2018 and 2019

- (1) Projected traffic on pages 8 and 9 on the original application are being replaced by pages 8A and 9A.
- (2) Projected change in traffic narrative in Section 11 item 8 on page 17 is being replaced by pages 17A and 17B.

**APPLICATION FOR CHANGE OF RATES OF PILOTAGE
PAGE FOUR
(REQUIRED BY PILOT APPLICANT/OPTIONAL BY NON-PILOT APPLICANT):**

Number of Vessels Handled During:

Tonnage of Vessels Handled	Third Preceding Fiscal Year Ending 12/31/15	Second Preceding Fiscal Year Ending: 12/31/16	Last Fiscal Year Ending: 12/31/17	Current Year 2018 As of 7/15 / Projected Year End	Projected 2019*
Less than 500 GRT	0	1	0	0	0
500 - 1000 GRT	1	0	0	0	0
1000 - 2000 GRT	2	0	0	0	0
2000 - 5000 GRT	249	235	225	122 / 225	225
5000 - 10000 GRT	101	69	50	34 / 63	50
10000 - 20000 GRT	86	128	110	50 / 92	110
Over 20000 GRT	159	105	109	52 / 96	109
Draft of Vessels Handled					
Less than 8 feet	0	0	0	0	0
8 - 10 feet	0	1	0	2 / 4	0
11 - 15 feet	126	128	71	50 / 92	71
16 - 20 feet	196	181	208	101 / 186	208
21 - 25 feet	119	118	79	45 / 83	79
26 - 30 feet	102	86	94	44 / 81	94
31 - 35 feet	55	24	42	16 / 30	42
Over 35 feet	0	0	0	0	0
Length (LOA) of Vessels Handled					
Less than 100 feet	0	0	0	0	0
100 - 250 feet	3	1	0	0	0
250 - 500 feet	412	362	323	180 / 332	323
500 - 750 feet	183	173	171	76 / 140	171
Over 750 feet	0	2	0	2 / 4	0
	598	538	494	258 / 476	494

*Please see the addendum to Section 11 Item 8 on page 17a and 17b for explanation of projection

**APPLICATION FOR CHANGE OF RATES OF PILOTAGE
PAGE FIVE**

7. Comparison of the average net income of pilots in the port, using current rates, including the value of all benefits derived from services as a pilot, to the projected average net income using the requested rates.

7(a). Using Current Rates

	Prior Year 2016	Prior Year 2017	Projected Year 1 2018P	Projected Year 2 2019P
Total Number of Pilots	2	2	2	2.33
Gross Pilotage Fees	\$ 683,885	\$ 642,941	\$ 619,514	\$ 642,941
Operating Expenses	\$ 261,091	\$ 265,849	\$ 247,806	\$ 257,176
Net Income	\$ 422,794	\$ 377,092	\$ 371,708	\$ 385,765
Average Net Income Per Pilot	\$ 211,397	\$ 188,546	\$ 185,854	\$ 165,564

7(a). Using Requested Rates

	Pro Forma 2016	Pro Forma 2017	Projected Year 1 2018P	Projected Year 2 2019P
Total Number of Pilots	2	2	2	2.33
Gross Pilotage Fees	\$ 959,921	\$ 881,414	\$ 849,298	\$ 881,414
Operating Expenses	\$ 448,528	\$ 411,846	\$ 396,839	\$ 411,846
Net Income	\$ 511,393	\$ 469,569	\$ 452,459	\$ 469,569
Average Net Income Per Pilot	\$ 255,696	\$ 234,784	\$ 226,229	\$ 201,532

Itemize Other Reasonable Operating Expenses of Pilots: (unaudited)

NOTE: Operating Expenses Rows do not reflect foreseen and expected upcoming repairs to Pilot Vessels.

Section 11. Detailed statement explaining how the requested rate change will result in fair, just and reasonable rates, taking into consideration the public interest in promoting and maintaining efficient, reliable, and safe piloting services and further taking into consideration the factors set forth in Section 310.151(5)(b), Florida Statutes.

8. Projected changes in vessel traffic

On August 10, 2018, the pilots had a meeting with the Port of Panama City's Port Director Wayne Stubbs to get an update of where the port stands as far as current and future expectations for vessel traffic. Mr. Stubbs provided an update on all the different cargoes the port handles as well as an update on the new Forest Products Terminal project, expected start and completion of bulkhead replacement and channel deepening project for the new Forest Products Terminal, and an update on any new cargoes.

The first half of the new Forest Products Terminal is scheduled to receive its first cargo for shipment on September 1st, 2018. The port hopes to get a new dock bulkhead in place by the first quarter of 2019 so they can start the channel deepening project going to this terminal by the end of 2019. This terminal has historically handled 1-3 vessels per month however, traffic going to this terminal has been down significantly in 2018 due to the papermill having an outage and due to WestRock losing a customer. The port is optimistic that once this new terminal is operational and the channel deepening project is complete that vessel traffic should return to its pre 2018 levels and will hopefully grow to add an additional vessel call per month. The pilots are encouraged by this but it looks as though they will not see this increase in traffic for a number of years and hope that the money invested in this project will yield more than just the forecasted 1 additional call per month.

The wood pellet trade has been a consistent trade with vessels calling approximately every 2 weeks. The wood pellet shippers have recently signed a 5 year contract to stay at Port Panama City. The pilots have been told that the shippers would like to ship more tonnage out of Panama City but the mills that service the port can't make cargo fast enough and the port doesn't have a big enough storage facility to store the cargo. It appears that this trade will be consistent but won't increase.

Linea Peninsular is a regional container line that offers weekly service from Panama City to the Yucatan Peninsula in Mexico. Currently, there are two vessels calling per week. Linea originally owned and operated 6 smaller vessels that would call regularly but has upgraded their fleet by replacing 5 of the smaller vessels with 3 slightly larger vessels. These larger vessels can carry twice the cargo but is almost exactly the same pilotage fee as the smaller vessels. Although this trade has been consistent the pilots lost a considerable volume of traffic due to the move from 6 small ships to 3 slightly bigger ships and one smaller ship. This has been compounded by the fact that of the four ships now in their fleet two are on dedicated runs, one from Mexico to Tampa and another one from Mexico to Houston, leaving only two vessel calls per week dedicated to Panama City. For years the pilots have been told of the possibility of adding a third vessel per week but have yet to see this come to fruition. The port has no plans to add another container line to call Port Panama City.

The copper import trade has been a consistent trade for Port Panama City and Mr Stubbs referred to the copper business as "optimistically strong." Currently, Seaboard Marine has two vessels calling per month and BBC Chartering averages about 1 vessel per month. Prior to Seaboard calling at the Port, BBC had 3-5 vessels calling per month. The pilots lost significant volume in traffic due to BBC losing some of the market share to Seaboard. Although the Seaboard vessels can handle more cargo than the BBC vessels, the pilot fees are similar causing an overall net loss.

Caribbean Forest Carriers export Kraft Liner Board from Panama City to Central America and currently make 2 vessel calls per month with an occasional extra vessel calling in order to pick up overflow cargo. This business remains steady and is expected to remain steady.

The pilots lost a significant amount of volume and revenue due to one of the port's largest tenants, Berg Pipe, being forced to cease importing foreign steel due to the unknown effects that the Trump Administration tariffs would have on those steel markets. This was a big business for the pilots with 2-3 fully loaded bulk vessels per month calling Port Panama City. Berg Pipe is currently using domestic steel being delivered by inland barges which the pilots do not handle. This business is not expected to be renewed any time soon.

Traffic picking up Cable Reels from the Oceaneering dock is sporadic and unreliable.

The port has recently added a new lumber import business and expects to import about 5,000 GT of lumber per month. The port thinks that the lumber being imported might come on new dedicated vessels adding a few extra jobs per year but it also might come on vessels already scheduled to call the Port. There are no guarantees or no contracts with this business and the port is unsure how long it will last.

Although the port has done a great job of investing a significant amount of money to improve their existing infrastructure and expand to a new modern terminal the pilots have yet to see an increase in vessel traffic. In fact, the pilots have repeatedly been told that traffic will increase but all they can go by is what the numbers say and that is a steady decline in vessel traffic and revenue. In 2008 the pilots handled 693 vessels which generated \$746,554.47 in revenue and in 2017 they handled 494 vessels which generated \$642,914.24 in revenue, resulting in a net loss of 199 vessel handles and \$103,640.23 in revenue or about 20 handles and \$10,364.02 per year. In the last three years the pilots have seen a total loss of 104 handles and \$122,809.54 in revenue, having handled 598 vessels in 2015 and 494 vessels in 2017.

Although the pilots have lost a significant amount of vessel traffic, the port has remained relatively healthy with losses in some areas but an overall net increase in this same amount of time. The reason for this is the port is handling the same or slightly higher amounts of cargo using less vessels or adding cargo to vessels already calling at the port.

In projecting the amount of vessels the pilots will handle in the next few years the question becomes where is the bottom? The pilots have been losing jobs every year for 10 years so it makes it difficult to predict a large increase in vessel traffic. Mr Stubbs seems to think that we have already seen the bottom in some cargoes and those cargoes will rebound but we have yet to see the bottom in others. He also states there are no guarantees and the port has no real contracts with any shippers other than wood pellets. The pilots are on pace to handle about 476 vessels in 2018 for a revenue of \$609,196 which is another year of decline. However, with the Papermill being fully operational and the addition of some jobs with the lumber import business combined with the steady trades of Liner Board, Wood Pellets, and Copper the pilots believe that vessel traffic in 2019 should be back to the level it was in 2017, which is improved but still nowhere close to where it was even three years ago.