



JEA 127-19 (ITN) Strategic Alternatives

Invitation to Negotiate – Revised Reply

IFM Investors

November 25, 2019

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Cover Letter

November 25, 2019

Dear Sir or Madam,

IFM Investors Pty Ltd (“IFM Investors” or “IFM”), on behalf of the IFM Global Infrastructure Fund and its subsidiaries (“IFM GIF”), is pleased to submit this non-binding indicative proposal as its Revised Reply (the “Proposal” or “Revised Reply”) in relation to JEA’s Invitation to Negotiate #127-19 (the “ITN”).

This Proposal should be read in conjunction with IFM’s Reply submitted on October 7, 2019 and is provided in accordance with the JEA ITN Respondent Process Letter (“Process Letter”) issued by JEA on October 29, 2019 and specifically addresses items the Revised Reply requirements identified in the Process Letter. IFM’s Proposal is for the purchase of JEA’s full portfolio of electric and water utility assets and associated infrastructure by a subsidiary of IFM GIF (the “Proposed Transaction”).

Unless otherwise defined, capitalized terms used in this Proposal have the meaning given to them in the Reply submission and the Process Letter.

Following submission of a Reply on October 7, 2019, IFM has conducted further due diligence based on the Due Diligence Materials provided and is pleased to confirm that it can meet or exceed all of the Process Goals identified by JEA in Section 1.1 of the ITN through its Revised Reply. Details of the Proposed Transaction are described in Section 2 of the Revised Reply.

IFM’s Proposal is truly unique in the context of JEA’s and the City of Jacksonville’s objectives – offering a compelling value proposition to the City while ensuring ongoing long-term investment in JEA and the economic development of the Jacksonville community. Given the open-end structure of IFM GIF, as a perpetual fund with no prescribed exit requirement, IFM is optimally positioned to be a long-term partner to the Jacksonville community.

IFM has extensive experience working with governments to deliver public infrastructure and successfully transition assets to private ownership. IFM also has extensive experience in owning and managing successful businesses in the electric & water utilities and district energy sectors. We are therefore confident that IFM would be an exceptional operator of JEA. We believe our Proposal offers a unique value proposition to JEA, its customers, the City of Jacksonville and community stakeholders as a potential long-term partnership.

We are enthusiastic about our Proposal and look forward to the opportunity to be included in the next phase of this process.

Yours sincerely,



Tom Osborne

Executive Director

IFM Investors Pty Ltd

Executive Summary

IFM's Proposal is for the purchase of JEA's full portfolio of electric and water utility assets and associated infrastructure by a subsidiary of IFM GIF, representing a recapitalization of JEA and a transition to private sector stewardship. We believe IFM's Proposal meets all of the Process Goals identified by JEA in Section 1.1 of the ITN (as detailed in Section 4 of this Revised Reply).

IFM's Proposal offers the following compelling benefits to JEA, its customers, the City of Jacksonville and community stakeholders:

- Maximization of value to the City of Jacksonville:** IFM's Proposal maximizes proceeds to the City by encompassing JEA's full portfolio of assets in the transaction. This means that the full scale of JEA's assets and value as a unique integrated utility platform can be incorporated in Gross Proceeds to the City. IFM's Proposal also represents the transition of JEA to private stewardship, capturing the potential upside that exists within JEA by unlocking the constraints of municipal ownership on the business. IFM's Proposal therefore provides optimal flexibility for the City to invest in the development of Jacksonville's economy and infrastructure.
- Experienced operator with strong sector expertise:** IFM has an outstanding record of asset ownership and management in the electric & water utilities and energy infrastructure sectors (as outlined in Section 1.3). IFM can draw upon extensive regulatory, operational and technical expertise to add value across the full spectrum of JEA's portfolio, including through innovative growth strategies that have been tested and proven effective in similar businesses. By retaining JEA as an integrated platform, IFM's Proposal also minimizes potential complexity associated with the separation of the Water and Electric Systems and enables operational improvement initiatives to be delivered in a timely manner. IFM is therefore uniquely positioned to deliver improvement in JEA's customer service levels, a smooth transition to private stewardship and value to the City of Jacksonville.
- Execution and funding certainty:** IFM has a proven ability to execute large scale infrastructure transactions. Since the beginning of 2013, IFM (through IFM GIF) has invested ~\$25 billion of investor equity capital across a total of 21 new and follow-on investments. IFM will have access to sufficient committed capital to fund the Potential Transaction on a sole basis and is confident in its ability to deliver a fully financed bid. IFM is confident that it will obtain the required regulatory approvals in a timely manner to complete the transaction, including the requirements of the Federal Power Act (FPA) and the Committee on Foreign Investment in the United States (CFIUS). IFM's Proposal therefore provides execution certainty for the City of Jacksonville and enables JEA's Process Goals to be achieved within its targeted timeframe.
- Credible partner capable of delivering on commitments:** IFM has a long established history of successful public-private partnerships and delivering on its commitments to governments and public entities. IFM has successfully formed transformative partnerships with government entities on major public infrastructure projects, facilitating the successful transition of Ausgrid, NSW Ports and Port of Brisbane to private stewardship in Australia. IFM is also a strong supporter of public-private partnerships in the United States. Please refer to the Appendix for further detail on IFM's successful partnerships with public entities. IFM's record of reliability provides confidence that JEA's Process Goals will be met.

- **Long-term investment dedicated to Jacksonville:** IFM GIF is an open-end infrastructure fund with no prescribed exit requirements and exists to deliver returns to its investors over an extended investment horizon. This means that IFM would be a long-term community partner willing to invest in the long-term viability of JEA's business and continued service to JEA's customers. Under IFM's proposal, JEA would not be integrated into any other existing utility platform, meaning capital investment commitments will be focused on the Jacksonville area.
- **Rate stability for customers:** IFM has an established record of delivering rate stability and ongoing operational and financial improvement to utility assets under its stewardship. We expect to be able to provide base rate stability to customers of JEA, subject to further regulatory due diligence. Under IFM's preliminary Proposal, base rates for the Electric System are below the Management Case and base rates for the Water System are in line with the Management Case during the Committed Rate Stability Period.
- **Fairness for employees:** IFM has an established record of working constructively with labor unions in the United States and globally through its infrastructure portfolio companies, which employ more than 35,000 people. IFM is committed to delivering on the initiatives for JEA's employees as identified in the Process Goals.

We believe an investment in JEA by IFM will provide an exceptional outcome for the City of Jacksonville, JEA's community stakeholders and IFM GIF's pension fund & institutional investors. Our proven record as a responsible, long-term operator of similar assets should provide comfort that IFM is well positioned to assume stewardship of JEA and support the continued improvement of the critical public services it delivers.



1. Identification of the Respondent

1.1 IFM Investors Overview

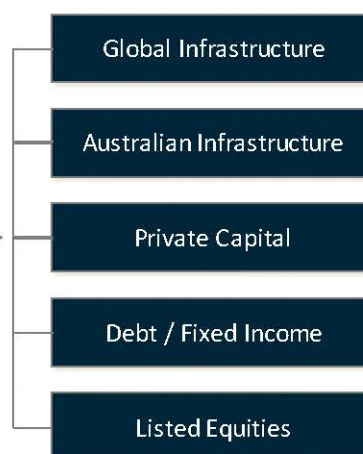
Legal Name of Entity	IFM Investors Pty Ltd
Type of Business	Investment Management Company
Global Headquarters Location	Level 29 Casselden, 2 Lonsdale Street Melbourne VIC 3000, Australia
US Headquarters Location	114 West 47 th Street, 19 th Floor New York, NY 10036, United States of America
Location and Date of Incorporation	Victoria, Australia December 18, 2003
Federal Employer Identification Number	56-2676864 (IFM Investors (US) LLC)

IFM Investors is a global fund manager headquartered in Melbourne, Australia with \$103 billion of funds under management through various products including direct infrastructure equity, listed equities, private capital and debt investments. The firm employs more than 430 staff around the globe. Owned by 27 Australian not-for-profit pension funds, IFM Investors has offices in New York, London, Melbourne, Sydney, Tokyo, Seoul, Berlin, Zurich and Hong Kong.

IFM Owners and Investors



IFM Asset Class



IFM is a leading franchise in global infrastructure investment. IFM has been investing in infrastructure for over 24 years and manages \$42 billion of direct infrastructure equity investments. Since the beginning of 2013, IFM (through IFM GIF) has invested ~\$25 billion of investor equity capital across a total of 21 new and follow-on investments.

IFM's investment in JEA would be made through a subsidiary of IFM GIF. IFM GIF is a uniquely structured, open-end fund that seeks to match the long-term time horizon of its investors with long-life investments in high quality, core infrastructure assets in the United States and globally. The fund has no set termination date and thus has no prescribed requirement to exit holdings, meaning IFM is optimally positioned to be a long-term partner to the communities it serves.

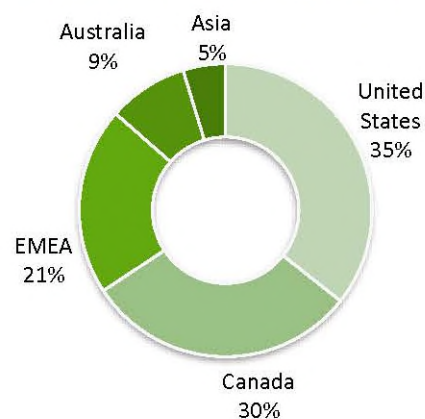
IFM GIF's investors include IFM's owners as well as other pension funds and institutional investors, who manage retirement savings on behalf of millions of workers.

The investor base of IFM GIF is spread across the US, Canada, Asia, Australia and Europe, the Middle East and Africa (EMEA). IFM serves over 100 United States investors through IFM GIF. IFM GIF is a multi-series unit trust established in the Cayman Islands with feeder funds based in the US, the UK, Canada, the Cayman Islands and Australia.

The investment advisor to IFM GIF is IFM Investors Pty Ltd (IFM Investors), a limited liability company providing services to IFM GIF under an advisory and administration agreement. IFM Investors' global infrastructure team is comprised of over 80 infrastructure specialists located in North America, Europe, Asia and Australia who have extensive transactional, portfolio management, financial and operational expertise in the utilities, energy and transportation infrastructure sectors.

Many of IFM's pension fund owners are also investors in IFM GIF, ensuring a strong alignment of interests between IFM as a manager and advisor of long-term institutional investors and the ultimate beneficiaries of its funds.

IFM GIF's Investors by Geography



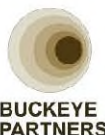


1.2 Florida Investments and Relationships

IFM serves a number of Florida-based, institutional pension funds as investors in IFM GIF; these investors represent a significant portion of IFM's United States investor base.

IFM is also a major investor in the United States and has a direct presence in Florida through its infrastructure portfolio. Please refer to the Appendix for an overview of IFM's global infrastructure portfolio. IFM's current investments in Florida are outlined below.

Florida Investments – IFM Global Infrastructure Fund

Asset	Description
	- Buckeye owns and operates a large diversified network of integrated midstream infrastructure assets in the US, providing midstream logistic solutions primarily consisting of transportation, storage and processing of liquid petroleum products - Buckeye's portfolio includes 6,000 miles of pipeline, with over 100 delivery locations and 115 liquid petroleum products terminals with aggregate tank capacity of over 118 million barrels - Buckeye maintains a strategic presence in Florida through four liquid petroleum storage terminals with a total tank capacity of 1.9 million barrels across Jacksonville (one), Tampa Bay (two) and Fort Lauderdale (one) - Buckeye's terminal in Jacksonville markets Ultra-Low Sulfur Diesel, Dyed Ultra-Low Sulfur Diesel and E10 87 Conventional Gasoline. The terminal is located at 2617 Zoo Parkway, Jacksonville, FL 32226
	- VTTI owns 13 marine terminals on five different continents that provide import, export and storage infrastructure for oil majors, refiners and commodity marketers - IFM is partnered with Vitol, a top-tier energy and commodities company - VTTI's key asset in the US, the Seaport Canaveral terminal, is located 60 miles from Orlando on the East Coast of Florida. The state-of-the-art storage terminal delivers an independent supply of petroleum products to the state with capacity for nearly three million barrels of refined products. Its 24 tanks offer storage for gasoline, diesel, biofuel and biodiesel, ethanol, jet fuel and fuel oil.

1.3 Operational Experience

Through 24 years of investing in infrastructure assets and management of \$42 billion of direct infrastructure equity investments with significant ownership positions, IFM has developed extensive experience managing assets of similar scale and business profile to JEA. IFM is an experienced investor in regulated businesses with investments spanning the electricity distribution & transmission, water & wastewater, gas distribution and district heating subsectors.

IFM will leverage this experience to the benefit of JEA and the customers it serves by building upon JEA's record of operational success and providing access to IFM's broad sector expertise. The below table summarizes IFM's investments in utility assets with comparable characteristics to JEA.

Investment	Description	Country	Acquired	Ownership
Current Investments				
Ausgrid	- Regulated electricity distribution and transmission - Ausgrid plays a critical role in delivering electricity to more than 1.7 million homes and businesses in New South Wales, Australia - IFM undertook its investment in Ausgrid via a unique and landmark transaction in partnership with the State of New South Wales and a private consortium partner - The State of New South Wales remains a 49.6% shareholder in the business	Australia	2016	25% (joint control) ¹
Anglian Water Group	- Regulated water and wastewater - Anglian is the fourth largest water supply and sewerage company in England and Wales by Regulated Capital Value (RCV) and provides water and waste water services to approximately 4.3 million people and 6.0 million people, respectively	UK	2006	20%
FCC Aqualia	- Regulated water and wastewater - FCC Aqualia is the fourth largest European private water management group and serves over 23 million people	Europe	2018	49%
Veolia Energia Polska	- Regulated heat distribution - Veolia Energia Polska ("VEP") is the holding company for a portfolio of district heating and cogeneration businesses in Poland. The company owns over 2,200 miles of heating networks, and generates and supplies heat to 1.3 million households.	Poland	2010	40%
Wyuna Water	- Water filtration plants - Plants in Illawarra and Woronora in New South Wales, Australia that provide water to more than 500,000 people	Australia	2003	70.0%
Past Investments				
Duquesne Light Holdings	- Regulated electricity distribution and transmission - Duquesne, based in Pittsburgh, Pennsylvania, engages in the supply, transmission and distribution of electricity, providing service to approximately 600,000 customers.	US	2006 (Exited in 2017) ²	25%
50Hertz Transmission	- Regulated electricity transmission 50Hertz, one of the four Transmission System Operators (TSOs) in Germany, owns and operates an electricity grid area totaling more than 38,000 square miles - The company transports power to ~18 million people	Germany	2010 (Exited in 2018) ²	40%
Wales & West Utilities	- Regulated gas distribution - Operator of a gas distribution network across Wales and South West England in the United Kingdom	United Kingdom	2005 (Exited in 2012) ²	15%

¹ IFM, along with its private consortium partner also holding a 25% ownership interest, has joint control of the business with a combined ownership position above 50%.

² IFM's investment strategy includes generating value for its investors and their member beneficiaries through active management of investments over the long term. These investments were exited opportunistically following unsolicited expressions of interest by prospective acquirers.



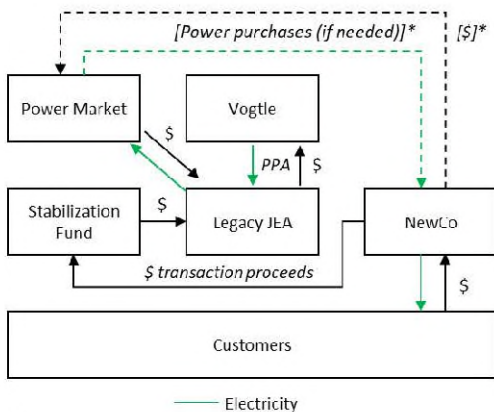
2. Gross Proceeds

2.1 Respondent Preferred Scenario

IFM's preliminary indicative offer to acquire a 100% interest in JEA's full portfolio of electric and water utility assets and associated infrastructure (Gross Proceeds) is **\$7,547 million**.

Key Scenario Assumptions

The assumptions underpinning IFM's Preferred Scenario represent a modified version of Adjusted Scenario C in the Process Letter. The modification relates to the application of the Stabilization Fund, as described below.

Transaction Element	IFM Proposal
Valuation Date	September 30, 2020
Debt / Other Liabilities	Assets acquired on a debt-free, cash free basis
Transaction Structure	Undertaken via an asset purchase with IFM holding its equity interest in JEA through a newly-created, wholly-owned subsidiary
Tax Step-Up	Consistent with the transaction occurring in the form of an asset purchase, a tax basis step-up has been assumed
Working Capital	Zero working capital assumed
Vogtle PPA	 The diagram illustrates the power purchase agreement (PPA) structure. It shows the following components and flows: Power Market: Connected to Vogtle and Legacy JEA via a double-headed arrow labeled with a dollar sign (\$). Vogtle: Connected to Legacy JEA via a double-headed arrow labeled with a dollar sign (\$). Legacy JEA: Connected to NewCo via a double-headed arrow labeled with a dollar sign (\$). Stabilization Fund: Connected to Legacy JEA via a double-headed arrow labeled with a dollar sign (\$). Customers: Connected to Legacy JEA and NewCo via double-headed arrows labeled with a dollar sign (\$). Electricity Flow: Indicated by green arrows. A green arrow points from Vogtle to Legacy JEA labeled "PPA". Another green arrow points from Legacy JEA to Customers. Power Purchases: A dashed green arrow points from Legacy JEA to Power Market labeled "[Power purchases (if needed)]*" with a dollar sign (\$) and an asterisk (*) next to it. Transaction Proceeds: A green arrow points from Legacy JEA to Stabilization Fund labeled "\$ transaction proceeds". - All ongoing or future litigation costs are to be borne by Legacy JEA and Legacy JEA will retain the Vogtle PPA - For the purposes of this scenario, IFM has assumed that NewCo is responsible for generating / procuring all of the required power for JEA's customers at lowest cost and that Vogtle power is not necessarily part of NewCo's power supply - A Stabilization Fund (funded through a portion of Gross Proceeds) is established to cover a portion of the cost of the Vogtle PPA, alongside monies received by Legacy JEA from the sale of Vogtle power in the market - In the event of any shortfall in the Stabilization fund, no mechanism would exist for Legacy JEA to collect any shortfall from NewCo or JEA's customers; no shortfall is assumed to exist
Base Rates	- Base rates are assumed to be below the Management Case in the ITN Respondent Financial Model for the Committed Rate Stability Period, subject to further investigation and negotiation during the next phase of the process - Please refer to Section 3.2 for a description of IFM's approach to developing rate forecasts for the Committed Rate Stability Period and time horizon thereafter

Notes

*NewCo may not require power purchases to serve load (may self generate only)

Transaction Element	IFM Proposal
Operating Assumptions	• Please refer to Section 3 for a description of key operating assumptions
Capital Structure	• Please refer to Section 6 for a description of key capital structure assumptions

IFM proposes to proceed with the Respondent Preferred Scenario described above, given the following considerations:

- Value to the City:** IFM is able to maximize proceeds to the City under this scenario given the clarity it provides with respect to the Project Vogtle PPA obligations. IFM is not in a position to assume the obligations of the Vogtle PPA, given the potential uncapped liability presented by ongoing project cost overruns and litigation uncertainty. With Legacy JEA retaining the Vogtle PPA, the potential transaction represents a viable investment opportunity for IFM that is consistent with its risk profile.
 - Under the Respondent Preferred Scenario, the mitigation of constraints on NewCo's business supports IFM's ability to optimize value to the City
- Rate stability for customers:** IFM is focused on delivering rate stability for customers, whether through power purchases or own generation. Scenarios in which customers are responsible for paying for the full amount of the Vogtle Power cost (inclusive of potentially growing cost overruns), or at a rate above avoided cost, represent an inferior value proposition for customers and the Jacksonville community.
 - Under the Respondent Preferred Scenario, NewCo has maximum operational flexibility to procure power and / or invest in generation capacity to achieve the lowest cost for customers. IFM therefore estimates that this scenario will result in the lowest possible base rates applying during the Committed Rate Stability Period and beyond, relative to the Management Case and other scenarios.
 - IFM expects the Stabilization Fund to be sufficiently funded. In the event of depletion, no mechanism would exist for Legacy JEA to collect any shortfall from NewCo or JEA's customers.
- Resolution for Legacy JEA's Vogtle PPA obligations:** IFM's proposed solution supports the City and Legacy JEA in reaching a satisfactory resolution with respect to Legacy JEA's Vogtle PPA obligations by offering optimal upfront proceeds to fund the Stabilization Fund and other needs of the City.

2.2 Process Letter Scenarios

IFM has a preference to acquire JEA's full portfolio of assets on a sole basis under the Respondent Preferred Scenario. IFM likewise understands JEA's desire to achieve the highest and best value for the constituents and customers of JEA. IFM has therefore provided the indicative gross proceeds that it would be willing to offer to purchase JEA's full portfolio of assets under a modified Scenario C as described in the Process Letter.

Feedback on the other scenarios described in the Process Letter is set forth below.



Current Pro Forma Scenario

Gross Proceeds	• N/A
Key assumptions	• Per the Process Letter, NewCo assumes the full benefits and obligations of the Vogtle PPA
Key considerations	• IFM is not willing to bid under this scenario as currently proposed, given it represents an unsatisfactory risk transfer to NewCo with respect to the Vogtle PPA as a potential uncapped liability exposure

Adjusted Scenario A

Gross Proceeds	• N/A
Key assumptions	• Per the Process Letter, Legacy JEA will retain the full benefits and obligations of the Vogtle PPA. • Vogtle power is assumed to be an explicit part of NewCo's power supply through a service agreement with Legacy JEA • The full costs of the Vogtle PPA are assumed to be passed through to customers via a billing and collection agreement between Legacy JEA and NewCo
Key considerations	• IFM is not willing bid under this scenario as currently proposed, given the full pass-through of Project Vogtle costs represents an inferior value proposition for JEA's customers. IFM is focused on delivering rate stability for customers and therefore has a preference for the superior customer value outcome under the Respondent Preferred Scenario • IFM also considers there to be significant potential reputational, political and community risks associated with the pass-through of the full amount of Vogtle PPA costs (inclusive of project cost overruns) to customers

Adjusted Scenario B

Gross Proceeds	• N/A
Key assumptions	• Per the Process Letter, Legacy JEA will retain the full benefits and obligations of the Vogtle PPA. • Vogtle power is assumed to be an explicit part of NewCo's power supply through a service agreement with Legacy JEA • Customers are assumed to pay for Vogtle power at rate equivalent to Avoided Cost via a billing and collection agreement between Legacy JEA and NewCo • Costs above the Avoided Cost would be borne by Legacy JEA and funded through the Stabilization Fund. The billing and collection agreement would provide a mechanism for NewCo to collect and remit any shortfall to Legacy JEA
Key considerations	• IFM is not willing to bid under this scenario as currently proposed, given the potential restrictions on NewCo's flexibility to procure power and / or invest in generation capacity imposed by the mandatory inclusion of Vogtle power in NewCo's power supply. The restrictions under this scenario could have a potential material adverse impact on both customer costs and NewCo's profitability and growth, which would diminish Gross Proceeds relative to the Respondent Preferred Scenario.

Adjusted Scenario C

IFM is willing to bid under a modified version of Adjusted Scenario C, as described in the Respondent Preferred Scenario in Section 2.1.



2.3 Alternative Scenarios

IFM's preference to proceed with the Respondent Preferred Scenario and preliminary position with respect to the scenarios outlined in the Process Letter is based on the information currently available and due diligence undertaken to date. During the next phase of the process, IFM is open to discussing alternate scenarios, once additional information is available and IFM has undertaken further due diligence.

While IFM's Respondent Preferred Scenario is for the purchase of JEA's full portfolio of assets, IFM is also open to bidding for either the Electric System or Water System as a standalone acquisition should it support JEA's desire to achieve the highest and best value for the constituents and customers of JEA.



3. Material Conditions, Terms or Assumptions

3.1 Basis of Assumptions

The indicative Gross Proceeds value reflects IFM's best view of value at this stage of the process and on the basis of the Due Diligence Materials provided, which represent a relatively limited set of available information. Per guidance from JEA, IFM has based its Revised Reply on the Due Diligence Materials with reference to the Supporting Materials, and not on supplemental documents provided.

During the next phase of the process, IFM (and its suite of expert advisors) will develop a comprehensive business plan and bottom-up, long-term operating forecasts, informed by further due diligence. Please refer to Section 11 for IFM's due diligence requirements.

The key assumptions outlined in Section 3.2 may be subject to change in the next phase of due diligence and therefore could lead to value not currently reflected in the indicative Gross Proceeds offer value.

3.2 Key Assumptions

A) Valuation Methodology

IFM's indicative Gross Proceeds value has been calculated using a discounted cash flow methodology, per the scenario assumptions outlined in Section 2.1. IFM's current discount rate is reflective of its initial views on the risk profile of management's operating assumptions, based on the limited available information.

B) Key Changes

As a general principle, given the relatively limited information provided, IFM has primarily relied on the operating forecasts set out in the Due Diligence Materials provided (including the CIP and Respondent Financial Model) and Supporting Materials.

C) Key Future Operational Changes

IFM has extensive experience in owning and managing successful businesses in the electric & water utilities and district energy sectors. IFM also has an outstanding record of successfully transitioning assets to private ownership and delivering operational improvements within the assets it owns. IFM will leverage this experience to unlock value for all stakeholders of JEA.

Based on IFM's due diligence to date and experience managing similar assets, IFM has identified the following operational improvements and growth initiatives which it will seek to implement at JEA as part of its comprehensive business plan (without limitation and among others):

[illegible]

Strategic Priority / Initiative	Description
[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
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	[REDACTED]
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	[REDACTED]
	[REDACTED]
	[REDACTED]

D) Key Community Engagement Factors

As an open-end infrastructure fund, IFM GIF has no prescribed exit requirements and is focused on investment over the long-term on behalf of its investors. IFM therefore prioritizes partnership and investment in the communities in which it operates, as this is key to long-term value creation of the businesses under its stewardship.

IFM's proposal would build upon JEA's strong record of community engagement and service. This is consistent with IFM's highly sustainable and community-focused approach to its growth strategy. Under IFM's proposal, JEA would not be integrated into any other existing utility platform, meaning capital investment and customer service commitments will be focused on the Jacksonville area. Key initiatives under IFM's proposal include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

E) Rates

Electric System

Base rates are assumed to be below the Management Case in the ITN Respondent Financial Model for the Committed Rate Stability Period, subject to further investigation and negotiation during the next phase of the process.

A comparison of the IFM and Management Case base rate assumptions for the Committed Rate Stability Period is provided below.

		Rate Stability Period (FY21-23)		
Sep y/e, \$/MWh	FY20PF ¹	FY21	FY22	FY23
Base rate tariffs				
IFM case	\$71.27	\$75.34	\$77.22	\$78.52
Management case	\$71.27	\$81.46	\$82.94	\$84.45
Δ \$/MWh	N/A	(\$6.12)	(\$5.72)	(\$5.93)
Δ %	N/A	(7.5%)	(6.9%)	(7.0%)
All-in rate tariffs				
IFM case	\$108.31	\$105.95	\$107.32	\$109.53
Management case	\$108.31	\$109.45	\$115.84	\$121.36
Δ \$/MWh	N/A	(\$3.50)	(\$8.52)	(\$11.83)
Δ %	N/A	(3.2%)	(7.4%)	(9.7%)

IFM has calculated the base rates that will apply during the Committed Rate Stability Period in accordance with the regulatory building-block methodology in the Respondent Financial Model (ES Rate Base Model tab). IFM expects this revenue building-block methodology to be similar to that adopted by the FPSC in its rate setting and approval process.

IFM's input assumptions informing regulatory revenue building block calculations during the Committed Rate Stability Period represent an adjusted version of the Management Case, as described below:

- Rate base and regulatory WACC: per the ITN Respondent Financial Model
- Residential, Customer and Commercial Load: demand assumptions and total sales volumes consistent with the Management Case, with NewCo responsible for delivering power for all of JEA's customers. The total forecast average annual electricity load is c.11,930 GWh over FY20-24
- Fuel and purchased power costs: Vogtle power is not an explicit part of NewCo's power supply. Power costs related to Vogtle have been removed and replaced with costs associated with purchasing the equivalent amount of power from the market. The market cost of power is assumed to be in line with the Management Case cost forecasts for non-Vogtle power on a \$/MW basis. The total forecast average annual fuel and purchase power cost is c.\$370 million over FY20-24
- Base rate / all-in rate revenue: the base rate and purchased power cost revenue associated with Vogtle power under the Management Case has been removed. Base rate and all-in rate revenue has

¹ IFM has assumed FY20 pro forma financial and operating forecasts consistent with the Management Case.

been forecast through a revenue building block methodology consistent with the assumptions described above

For the period post the Committed Rate Stability Period, IFM has assumed regular rate resets on a triennial basis with forward test years, no capitalized underrecovery, no capex riders and full and timely recovery of power costs. Further detail on IFM's approach to developing forecasts for the period post the Committed Rate Stability Period is described below.

Water System

Base rates are assumed to be in line with the Management Case in the ITN Respondent Financial Model for the Committed Rate Stability Period, subject to further investigation and negotiation during the next phase of the process.

For the period post the Committed Rate Stability Period, IFM has assumed regular rate resets on a triennial basis with forward test years, no capitalized underrecovery and no capex riders. IFM has assumed a stable tariff glide path is established to achieve the base rate and all-in revenue requirements of the Water System, in recognition of the importance of rate stability for customers.

Further detail on IFM's approach to developing forecasts for the period post the Committed Rate Stability Period is described below.

Key Assumptions	Description
Rate Base	- Starting rate base inputs consistent with the Respondent Financial Model - Roll forward of rate base incorporates management capital expenditure and depreciation forecasts
Targeted Equity Layer and Return on Equity	- Targeted equity layer and return on equity consistent with the Respondent Financial Model - Long term assumptions on targeted equity layer based on precedent FPSC rate cases - Long term assumptions on return on equity informed by IFM's long term view of macroeconomic risk free rate rates and spreads to risk free rate observed in other utilities under the FPSC
Debt Capitalization and Cost of Debt	- Debt Capitalization consistent with the targeted equity layer - Regulatory cost of debt informed by precedent FPSC rate cases and IFM's view on the market cost of debt
Customer Demand	<u>Electric System</u> - Per management forecasts until FY23 - Long-term demand assumptions reflective of IFM's views of population growth in JEA's service area, balanced against rates of energy efficiency and distributed generation. Pending full due diligence, IFM has not assumed substantial commercial & industrial customer losses above what is already incorporated in the Management Case <u>Water System</u> - Per management forecasts until FY23 - Long-term demand assumptions driven by IFM's views of population growth in JEA's service area
State and Local Taxes	Effective corporate tax rate of 25.3% (21.5% Federal and 5.5% Florida State Tax)
O&M Expense	IFM has assumed a baseline O&M cost base consistent with management forecasts
Anticipated Amount and Timing of Proposed O&M Savings	IFM has incorporated O&M savings consistent with management forecasts until FY23. Thereafter, IFM has reflected its preliminary view of potential operational efficiencies, based on its experience successfully managing comparable utility assets
Capital Expenditure by Functional Area and Utility System	IFM has assumed a capital delivery program consistent with management forecasts. Thereafter, IFM intends to maintain a level of capital spend that balances the demands of system reliability and the need to minimize the impact on customer rates
Expected Base Revenue Requirement	<u>Electric System</u> - IFM's base revenue requirement is below the Management Case during the Committed Rate Stability Period. Thereafter, IFM's base revenue requirements are consistent with the FPSC regulatory building block methodology, assuming rate case resets every 3 years <u>Water System</u> - IFM's base revenue requirement is in line with the Management Case during the Committed Rate Stability Period. Thereafter, IFM's base revenue requirements are consistent with the FPSC regulatory building block methodology, assuming rate case resets every 3 years. IFM has assumed a stable tariff glide path is established to meet the base revenue requirements of the Water System
Dispatch Costs and Drivers Including Fuel and Purchased Power	IFM has assumed a baseline fuel and purchased power cost base consistent with management forecasts

Anticipated Amount and Timing of Any Fuel or Purchased Power Savings	IFM has incorporated fuel and purchased power costs efficiencies consistent with management forecasts until FY23. Pending full due diligence, IFM has not assumed substantial generation and power procurement efficiencies post FY23 in its preliminary forecasts
Estimates of Forward Commodity Prices	Informed by observed spot prices and independent forward price curve forecasts in North East Florida
Franchise Taxes	- Property tax: 1.8% - Franchise fee: 2.3% - Utility tax: 2.3%
Other Revenue	In line with management projections
Expected All-in Revenue Requirement	<u>Electric</u> - IFM's expected all-in revenue requirement is below the Management Case during the Committed Rate Stability Period. Thereafter, IFM's all-in revenue requirements are consistent with the FPSC regulatory building-block methodology, assuming rate case resets every 3 years <u>Water</u> - IFM's expected all-in revenue requirement is in line with the Management Case during the Committed Rate Stability Period. Thereafter, IFM's all-in revenue requirements are consistent with the FPSC regulatory building block methodology, assuming rate case resets every 3 years. IFM has assumed a stable tariff glide path is established to meet the all-in revenue requirements of the Water System



4. Minimum Requirements

IFM understands JEA's desire to achieve an exceptional outcome for all stakeholders. As such, IFM recognizes the importance of commitments to achieve the Process Goals as laid out by JEA in the ITN.

IFM's Proposal is for the purchase of JEA's full portfolio of electric and water utility assets and associated infrastructure by a subsidiary of IFM GIF, representing a recapitalization of JEA and a transition to private sector ownership.

IFM is pleased to confirm that its Proposal meets all of the Process Goals identified by JEA in Section 1.1 of the ITN. IFM's Proposal reflects IFM's analysis on a potential investment in JEA by IFM GIF on the basis of the Due Diligence Materials provided and is subject to further due diligence in the next phase of the process.

Outlined below is an overview of how IFM's Proposal achieves each of the Process Goals laid out in the ITN.

Value to the City of Jacksonville (\$m)		
Gross Proceeds	7,547	Per the Gross Proceeds under the Respondent Preferred Scenario described in Section 2.1
Less: Debt cost, other liabilities not assignable and transaction costs	(3,750)	Per the mid-point of JEA's estimate outlined in ITN Addendum 4, Attachment 14
Less: Customer Distribution	(400)	Assumes \$350 is paid to each JEA account; \$1,400 for customers with electric, water, sewer and irrigation accounts
Less: Employee retention payments	(165)	Per JEA guidance in ITN Addendum 4, Attachment 14
Less: Employee pension protection	(132)	Per JEA guidance in ITN Addendum 4, Attachment 14
Value to the City of Jacksonville	3,100	Value to the City of Jacksonville calculated as net of customer & employee commitments and debt defeasance obligations

Requirement	Description
>\$3 billion of value to the City of Jacksonville	- As outlined above, IFM's Proposal would deliver greater than \$3 billion of value to the City of Jacksonville - IFM has a proven record of executing large-scale infrastructure transactions, completing 21 investments and deploying ~\$25 billion of investor equity capital since 2013 - IFM also has a strong reputation as a financial sponsor with a proven ability to raise significant volumes of debt capital to support acquisition financing and the ongoing operations of its portfolio companies - IFM is confident of its ability to deliver a fully financed Binding Proposal. Please refer to Section 6 for an overview of proposed financing sources
Distribute >\$400 million of value to customers	IFM confirms that Gross Proceeds under its Proposal are sufficient to fund a customer distribution of \$400 million (\$350 paid to each JEA account; \$1,400 for customers with electric, water, sewer and irrigation accounts), while delivering greater than \$3 billion of value to the City of Jacksonville and satisfying all of JEA's Minimum Requirements
Base rate stability for customers	- IFM's Proposal assumes that base rates for the Electric System are maintained below the Management Case during the Committed Rate Stability Period - IFM's Proposal assumes that base rates for the Water System are maintained in line with the Management Case during the Committed Rate Stability Period - IFM's base rate assumptions for the Electric and Water Systems are subject to further investigation and negotiation during the next phase of the process - Please refer to Section 3.2 for a description of IFM's approach to developing rate forecasts for the Committed Rate Stability Period and time horizon thereafter
Commitment to develop and provide the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030	- IFM confirms that its Proposal will meet this commitment - IFM is dedicated to responsible environmental stewardship and is focused on investment in renewable energy
Commitment to develop and provide 40 MGD of alternative water capacity for Northeast Florida by the year 2035	- IFM confirms that its Proposal will meet this commitment - IFM is focused on strategic investments to ensure that Jacksonville has sufficient alternate water capacity for the future challenges of population growth, customer affordability and environmental protection
Protection of certain employee retirement benefits	IFM's proposal would uphold existing employee benefits agreed in collective bargaining or approved by the Board of Directors.
Maintenance of substantially comparable employee compensation and benefits for three years	- IFM's proposal would maintain substantially comparable employee compensation and benefits for three years - IFM has an established record of meeting its commitments to employees. The fair treatment of JEA's employees is a key component of IFM's business plan

Retention payments to all full-time employees of 100% current base compensation	IFM confirms that Gross Proceeds under its Proposal are sufficient to fund retention payments to all full-time employees of 100% current base compensation, while delivering greater than \$3 billion of value to the City of Jacksonville and satisfying all of JEA's Minimum Requirements
Commitment to new headquarters and employees in downtown Jacksonville, contributing to the economic development of the community	- IFM's proposal provides for new headquarters and employees in downtown Jacksonville - Under IFM's proposal, JEA would not be integrated into any other existing utility platform. Through its investment in JEA, IFM intends to develop a long-term investment platform that contributes to the economic development of Jacksonville and the Northeast Florida region

5. Feasibility

5.1 Key Transaction Considerations

IFM has identified the following key issues (without limitation) which it expects to be resolved in the next phase of the process to progress IFM's non-binding Proposal to a potential binding transaction.

Consideration	Description
Due Diligence	Please refer to Section 11 for an overview of IFM's due diligence requirements in the next phase of the process
Vogle Power Purchase Agreement (PPA)	- IFM's commitment to meeting the Process Goals is subject to a satisfactory resolution of JEA's future Vogle PPA obligations - The Respondent Preferred Scenario in Section 2.1 outlines IFM's Proposal to resolve JEA's future Vogle PPA obligations. IFM expects clarity on JEA's view of the feasibility of the Respondent Preferred Scenario, or its preference for alternate Vogle PPA scenarios, in a timely manner in the next phase of the process
Committed Rate Stability Period	- Clarity on the Committed Rates that will apply during the Committed Rate Stability Period, including the implications of differing rates for commercial & industrial customers and inverted rate structures, will be key in ensuring the feasibility of the Proposed Transaction - IFM's Proposal will be contingent upon the establishment of the Committed Rates under Florida Law with approval by the FPSC and will include customary purchase price adjustments related to the Committed Rates and Committed Rate Stability Period
FPSC Considerations	Regulatory Consultations with the FPSC, in accordance with protocols outlined in the FPSC Consent Letter, will be key in understanding the key regulatory parameters that will affect the feasibility of the Proposed Transaction
Transaction Structure	Establishment of the proposed transaction structure is required in the next phase
Governance / Legal Considerations	A clear framework for Governance and ongoing arrangements among the City of Jacksonville, Legacy JEA and NewCo will be required in the next phase
Funding	Please refer to Section 6 for an overview of IFM's approach to funding the Potential Transaction
Regulatory Approvals	Please refer to Section 8 for an outline of the regulatory approval processes that represent a contingency to the Proposed Transaction
Internal Approvals	Please refer to Section 7 for an outline of the internal approvals process that represents a contingency to the Proposed Transaction



5.2 Additional Items

This Revised Reply has been prepared by IFM for the exclusive use of JEA.

The matters set forth herein constitute an expression of IFM's interest only. Except for the language contained in this section regarding exclusive use, confidentiality and governing law, this Revised Reply is preliminary and non-binding and shall not create (or be deemed to create) any legally binding obligations on the part of IFM, IFM GIF or their respective affiliates, and no oral contracts will be deemed to exist. This Reply is not an offer capable of acceptance or otherwise forming a binding contract. Unless and until a definitive agreement is entered into regarding the ITN, none of IFM, IFM GIF or their respective affiliates will be under any obligation whatsoever with respect to the ITN or any related entity or person, including, without limitation, to negotiate terms of the ITN.

This Revised Reply is being submitted by IFM on the understanding that, subject to applicable law, it will be maintained as confidential by JEA and its affiliates, representatives and agents, and that none of JEA or its affiliates, representatives or agents may disclose to any person the terms or existence of this Reply or that discussions or negotiations are taking place between JEA and IFM concerning the ITN, without the prior written consent of IFM.

Notwithstanding the above, IFM acknowledges the potential application of Florida's Public Records Law to this Reply.

6. Financing Sources

IFM is confident of its ability to deliver a fully financed Binding Proposal.

The Proposed Transaction would be undertaken by IFM GIF. As an open-end, perpetual investment vehicle, IFM GIF continuously raises money from investors and deploys that money in infrastructure investments on their behalf. IFM has substantial financial capacity to fund the acquisition, ongoing operations and capital investment programs in JEA.

Equity Funding

IFM GIF will provide the equity funding in its entirety for the Proposed Transaction. IFM GIF will have access to sufficient committed capital to fund the equity requirements necessary to complete the Proposed Transaction. IFM GIF's equity capital may also be potentially supplemented by its limited partners as co-investors.

IFM has received all the necessary approvals to submit this Revised Reply. IFM has a proven record of executing large-scale infrastructure acquisitions. Please refer to Section 9 for an overview of IFM's prior acquisitions and investments.

Debt Funding

IFM intends to utilize fully committed debt to fund the Proposed Transaction. IFM will leverage its strong relationships and extensive experience in working with leading global lenders active both in the United States infrastructure finance market and offshore markets to secure fully credit-approved and fully documented financing in support of a binding Proposal.

IFM intends to maintain a capital structure consistent with an investment-grade credit rating. IFM recognizes that the prudent use of debt is essential to facilitating value and business growth in the long term.

IFM confirms that it expects no financing contingency to be associated with a final binding bid.

7. Internal Approvals

IFM confirms that it has obtained all the necessary support and approvals to submit this non-binding Proposal.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. Regulatory / External Approvals

IFM's Proposal for a potential sale transaction would be subject to regulatory and other approvals, including, but not limited to:

- FPSC approval of the transaction structure, initial rate base calculations and associated rate design underlying the Committed Rates that will apply during the Committed Rate Stability Period and beyond
- Federal Trade Commission or Department of Justice early termination of the waiting period or allowance of waiting period expiration under the Hart-Scott-Rodino Antitrust Improvements Act of 1976
- Federal Energy Regulatory Commission approval
- City Council approval
- Majority vote in a referendum conducted by the City

In respect of the Federal Energy Regulatory Commission's review of the proposed transaction under Section 203(a)(4) of the Federal Power Act (FPA), given the composition of IFM's current portfolio of assets, we do not expect significant issues in meeting the requirements of the FPA, and look forward to working through any approval requirements as the Proposed Transaction progresses.

In addition, IFM will be subject to review by the Committee on Foreign Investment in the United States (CFIUS) in making an investment of this nature. As IFM has been active in the US for over ten years, we have received timely CFIUS approval on multiple occasions, including control transactions on high-profile infrastructure assets. In any event, IFM will undertake all reasonable endeavors to ensure that this approval is obtained in a timely manner.



9. Prior Acquisitions / Investments

IFM is a global investment management firm with \$103 billion of funds under management. IFM is a leader in global infrastructure investment and has been investing in infrastructure for over 24 years. IFM manages \$42 billion of direct infrastructure equity investments.

IFM has a proven record of executing large-scale infrastructure asset acquisitions, completing 21 investments and deploying ~\$25 billion of investor equity capital since the beginning of 2013 through IFM GIF. IFM is confident in its ability to execute the Proposed Transaction in a timely fashion.

Key recent transactions completed by IFM globally include:

- Manchester Airports Group in the United Kingdom (2013);
- Freeport LNG in the United States (2014);
- Vienna Airport in Austria (2014);
- Indiana Toll Road in the United States (2015 and 2018);
- Mersin International Port in Turkey (2017);
- VTTI, a global marine terminals platform (2017 and 2018);
- Aleática, a transportation platform in Spain and Latin America (2018);
- Global Container Terminals (GCT) in North America (2018);
- Impala Terminals, a global base metal terminal platform (2018);
- DCT Gdańsk, a container terminal in Poland (2019);
- Buckeye Partners in North America (2019)

IFM also has an established history of completing large-scale infrastructure investments in partnership with governments including:

- **Indiana Toll Road (2018, United States):** \$1 billion in payments to the State of Indiana and commitment to spend \$50 million of capital expenditure in exchange for modifications to the toll road lease and concession in support of the State's Next-Level Connections infrastructure investment initiative. The investment followed IFM's initial acquisition of the Indiana Toll Road concession in 2015.
- **Ausgrid (2016, Australia):** A\$16.2 billion (\$11.0 billion¹) of gross proceeds to the State of New South Wales in Australia, representing Australia's largest ever (non-IPO) transaction at completion.
- **NSW Ports (2013, Australia):** A\$5.1 billion (\$3.5 billion¹) of gross proceeds to the State of New South Wales in Australia.
- **Port of Brisbane (2010, Australia):** A\$2.1 billion (\$1.4 billion¹) of gross proceeds to the State of Queensland in Australia.

IFM has a strong reputation as a financial sponsor with a proven ability to raise significant volumes of debt capital to support acquisition financing and the ongoing operations of its portfolio companies. Key recent examples of IFM's ability to access bank and capital markets debt include:

¹ Based on AUD/USD exchange rate of 0.68 as of November 16, 2019.

- **Buckeye Partners:** IFM successfully arranged \$2.25 billion of acquisition financing to support the \$10.3 billion transaction in 2019.
- **Ausgrid:** IFM successfully secured A\$12 billion (\$8.3 billion) of financing to support the acquisition in 2016, representing one of the largest acquisition finance packages in Australian history. IFM's reputation as a sponsor remains key to the credit strength of the business and has supported the successful completion of over A\$7 billion (\$4.8 billion) of refinancing activity across a diverse range of capital markets.
- **Indiana Toll Road:** IFM successfully secured \$2.5 billion of committed financing to support the original acquisition in 2015. Following financial close, IFM has supported the successful execution of over \$2 billion of refinancing across private placement, US144A and bank markets.
- **Freeport LNG:** IFM has supported the successful issuance of \$3.6 billion of amortizing bonds since July 2016, refinancing a substantial portion of the asset's senior construction debt facilities.
- **NSW Ports:** IFM successfully secured approximately A\$2 billion (\$1.4 billion) of financing to support the acquisition in 2013.

IFM has demonstrated a strong commitment to reinvest in and support the operations of businesses under its ownership. Over the last 5 years, IFM GIF has supported over \$8.8 billion of capex investment in its portfolio companies.

Please refer to Appendix 12.1 for a full list of IFM's infrastructure assets.



10. Advisors / Contact List

10.1 Advisors

IFM will engage a suite of best-in-class advisors to assist in conducting due diligence for this transaction, consistent with its approach to past successful transactions.

IFM's comprehensive due diligence on the transaction will also be supported by IFM's global operational, regulatory and financial expertise, developed through investments in similar businesses across the utility and energy sectors.

IFM is in advanced discussions with market-leading advisors across key areas of due diligence, including market, technical, environmental, regulatory, financial, tax, legal and insurance. IFM will also engage a financial advisor to assist with the transaction process.

10.2 Contact List

Representatives and Contact Information

Tom Osborne, Executive Director
+1 212 784 2430
tom.osborne@ifminvestors.com

11. Due Diligence

IFM's Proposal is subject to the completion of comprehensive due diligence in the next phase of the transaction. IFM's due diligence requirements include market, regulatory, technical, environmental, accounting, tax, insurance and legal aspects of the transaction.

During the next phase of the process, IFM expects to have access to customary vendor due diligence and interactions with the management team to assist IFM (and its suite of expert advisors) to form a comprehensive business plan and bottom-up, long-term operational forecasts for JEA.

Specific due diligence focus areas during the next phase of the process include the following (without limitation).

- Customer rates: limited information has been provided by JEA on how the assumed rate base and tariff rates applying during the Committed Rate Stability period were calculated. During the next phase, IFM will seek to understand the calculation of these factors in detail, given their material implications for the short-and long-term tariff rates that will apply to JEA's customers.
- Regulatory parameters: IFM will finalize its view on the on the regulatory parameters that will apply to JEA in future rate cases following completion of regulatory due diligence and consultation with the FPSC, in accordance with protocols outlined in the FPSC Consent Letter.
- Electric and water sales volumes: a detailed breakdown of management's electric and water sales volumes will facilitate the development of IFM's independent forecasts for electric and water consumption.
- Management long-term forecasts: the Respondent Financial Model contains management's financial forecasts through to FY23, which represents a limited time horizon. IFM will seek to attain further clarity on management's long-term financial forecasts during the next phase, which have been used to inform detailed long-term scenario planning exercises at JEA.
- Vogtle PPA: proposed structuring around the Vogtle PPA, as well as due diligence material supporting JEA's forecasts of Vogtle project costs and construction timing is required to formulate IFM's business plan.
- Operating expenditure: IFM will undertake a detailed review of JEA's cost base in developing its bottom-up forecasts, including potential efficiency optimizations.
- Capital expenditure: IFM will undertake a detailed review of JEA's proposed capital expenditure plans, including assessing potential optimizations. Limited information has been provided with respect to management's capital expenditure plan in the Due Diligence Materials.
- Strategic initiatives: IFM is developing a set of operational improvement and growth initiatives as part of its comprehensive business plan, which will be further informed by future discussions with management and regulators.
- Non-regulated business: limited information has been provided on forecasts for the non-regulated businesses, including district energy, telecommunications and real estate sales. In particular, IFM will consider a redefined strategy for the non-regulated business which could potentially yield additional revenue.
- Financial due diligence: customary financial due diligence is required. Limited information has been provided in relation to JEA's pro forma financials for FY19, which will be key inputs in the development of IFM's bottom-up operational and regulatory assumptions in the next phase.

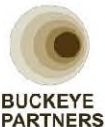
- Tax due diligence: customary tax due diligence is required, including detailed information to help inform the application of the tax basis step-up.
- Legal due diligence: customary legal due diligence is required, including (without limitation) review of environmental, contractual and litigation matters.



12. Appendix / Other Information

12.1 IFM's Infrastructure Portfolio

Asset Ownership – IFM Global Infrastructure Fund

Asset	Description
	- Large diversified network of integrated midstream infrastructure assets in the United States, providing midstream logistic solutions primarily consisting of transportation, storage and processing of liquid petroleum products - Portfolio includes 6,000 miles of pipeline, with over 100 delivery locations and 115 liquid petroleum products terminals with aggregate tank capacity of over 118 million barrels
	- Largest refined petroleum products pipeline in the United States - Transports products from refineries in the Gulf Coast to the Southeast, Mid-Atlantic and Northeastern US
	- Natural gas liquefaction and export facility being developed by Freeport LNG Development L.P. in Freeport, Texas - IFM was chosen as Freeport LNG's preferred partner on Train 2 in 2013 - Subsequent to the Train 2 transaction, IFM made two follow-on investments across the Freeport LNG capital structure
	- VTTI owns 13 marine terminals on five different continents that provide import, export and storage infrastructure for oil majors, refiners and commodity marketers - IFM is partnered with Vitol, a top-tier energy and commodities company
	- Indiana Toll Road is a 157-mile, divided highway that spans northern Indiana, from its border with Ohio to the Illinois state line near Chicago - Core US transportation asset serving as a critical part of the US freight distribution and national transportation network
	- Portfolio of district heating and cogeneration companies in Poland #1 in Polish district heating (by market share) and #3 in Polish cogeneration (by market share) - Strategic partner in Veolia (through Dalkia International)
	- Deepwater Container Terminal Gdańsk (DCT Gdańsk) is the largest container port in Poland and the only terminal in the Baltic Sea that can serve ultra-large container vessels - DCT Gdańsk is located within one of the fastest growing regions in Europe and serves as the main gateway for Polish containerized exports and imports
	- Regulated water and wastewater company, servicing over 6 million customers - Fourth largest water supply and sewerage company in England and Wales by Regulated Capital Value
	- Largest independent telecommunication infrastructure provider in the UK with a monopoly position in terrestrial broadcasting - Business lines include: UK digital TV transmission towers, Satellite and optical fiber infrastructure for media, Wireless sites for mobile operators
	- Manchester Airports Group is one of the top three airport operators in the UK, handling approximately 62m passengers p.a. across Manchester, London Stansted and East Midlands airports - Essential infrastructure assets with Manchester and Stansted being the 3rd and 4th largest airports in the UK respectively

Asset Ownership – IFM Global Infrastructure Fund



- Vienna is the primary airport in Austria and a gateway to Eastern Europe, handling more than 22 million passengers p.a.
- Attractive catchment area and modern infrastructure within a light-handed regulatory regime and a stable macroeconomic environment



- Aleática is a diversified portfolio of transportation infrastructure assets in Spain and Latin America
- Aleática holds interests in 19 concessions, including 14 toll roads, 3 port terminals, 1 light rail system and 1 airport



- M6toll is a 27-mile, dual three-lane tolled motorway in the West Midland region of the UK
- Critical component of the UK road network; M6toll sits within a key traffic corridor linking the South and North



- Mersin International Port is a major port located on the northeastern coast of the Mediterranean Sea in southern Turkey
- Strategically positioned at the intersection of major maritime shipping routes from the Mediterranean, Western Europe, the Far East and North America



- FCC Aqualia is a leading Spanish water company covering the entire water sector value chain, from the engineering and development of new water infrastructure projects through to the management of water network concessions
- 4th largest European private water management group and among the top 10 worldwide based on population served, serving 23 million people



- Global Container Terminals is the operator of four container terminals in two prime North American ports – New York/New Jersey and Vancouver
- Terminals are located in strategic locations with large catchment areas and enduring physical connectivity advantages



- Impala Terminals is a diversified portfolio of essential base metals terminal infrastructure assets primarily in Peru, Spain and Mexico
- IFM is partnered with Trafigura, one of the world's largest independent energy and commodity logistics businesses and a premier global trader of base metals

Asset Ownership – IFM Australian Infrastructure Fund

Asset	Description
	Australia Pacific Airports Corporation operates Melbourne Airport and Launceston Airport - operations extend to aeronautical, retail, commercial and property development activities
	Brisbane Airport and its operations extend to aeronautical, retail, commercial and property development activities
	Operated by Westralia Airport Corporation, which acquired a 99-year lease in 1997. IFM Investors acquired an interest in Perth Airport through its investment in the Perth Airport Property Fund
	Interlink Roads owns and operates the 14 mile motorway, M5 South West Motorway (M5) in Sydney under a lease agreement
	Airport Development Group obtained a 50-year lease (with 49-year extension option) in 1998 from the Federal Government for Darwin International Airport, Alice Springs Airport and Tennant Creek Airport
	Fifth largest airport in Australia by passenger numbers and the primary air traffic gateway to South Australia
	Southern Cross Station is Melbourne's only true transport interchange, with the interaction of trains, buses, coaches, taxis and trams
	Wyuna Water comprises water filtration plants in Illawarra and Woronora in New South Wales
	Axiom Education owns nine schools in New South Wales acquired under a PPP model for a concession term of 30 years. Its primary income stream is a concession arrangement with the New South Wales Government, through the Department of Education and Training
	IFM owns Western Liberty Group which was contracted to design, construct, finance, operate and maintain the Perth CBD Courts Project in Western Australia
	IFM Aged Care Financing Trust owns an aged care facility located in Victoria
	IFM owns 100% of Praeco Pty Ltd which was contracted to design, construct, finance, operate and maintain the purpose-built Defence Headquarters Joint Operations Command in Bungendore in the Australian Capital Territory (ACT)
	Principal gateway for imports and exports into south east Queensland and northern New South Wales
	NSW Ports, owns the 99-year leases over Port Botany and Port Kembla, which are located in New South Wales and serve the largest population base in Australia
	- Ausgrid delivers energy to 1.7 million customers, in a network area spanning over 8,500 square miles across the Sydney, Central Coast and Hunter regions in New South Wales - Network comprises over 2,400 miles of transmission and sub-transmission lines, 18,000 miles of overhead distribution lines and 9,300 miles of underground distribution cables

12.2 IFM's Partnerships with Government / Public Entities

IFM Investors has a long record of successful investments alongside industrial, financial and public partners such as local authorities. We have adopted a partnership model for managing our investments, meaning we will always seek to work closely together with co-shareholders and management for the long-term benefit of the company and all stakeholders.

In particular, IFM Investors has extensive experience working alongside municipalities and public authorities in fruitful and constructive partnerships. The success of these partnerships is based on an alignment of interests and IFM Investors' flexibility to accommodate the particular needs and approach of its public authority partners.

Key to the alignment of interests is IFM's ownership and open-end fund structure – IFM invests over a long-term horizon on behalf of its pension fund investors. IFM is committed to safe, reliable and affordable customer service within its portfolio companies. IFM also represents a potentially permanent source of equity capital, given it has no prescribed fund termination or exit requirements that curtail its investment horizon.

The public authorities with whom IFM has worked find IFM GIF to be a reliable and aligned long-term investor that has the financial capacity to invest in optimizing the long-term potential of assets and services provided. IFM also brings international expertise, including industry best practice and know-how, to further augment local management expertise.

Examples of IFM's partnerships with public entities are detailed below.

- **Public-private partnerships** – IFM has invested in a number of public-private partnerships globally, with both Federal and State Governments as counterparties in critical public infrastructure projects. IFM's investments in public-private partnerships include:
 - Indiana Toll Road, a critical part of the US transportation network connecting the US Midwest to the Northeast
 - Manchester Airports Group, one of the top three airport operators in the United Kingdom, which handles over 60 million passengers per year through Manchester, London Stansted and East Midlands airports
 - IFM is currently partnering with council groups to deliver Manchester Airport's 10-year, £1 billion (\$1.3 billion¹) expansion program (due to reach completion in 2025)
 - Wyuna Water, which operates two water filtration in New South Wales, Australia that provide water to more than 500,000 people and have a combined treatment capacity of 370 ML / day
 - Southern Cross Station, a key metropolitan and regional transport gateway in Victoria, Australia
 - Other public-private partnerships include Praeco (defense headquarters in New South Wales), Axiom Education (school network in New South Wales) and Perth Courts (district court complex in Western Australia)
- **Market-led proposals** – IFM has demonstrated a proactive commitment to providing innovative solutions to government via unsolicited proposals. These proposals allow key enabling infrastructure to

¹ Based on GBP/USD exchange rate of 1.29 as of November 16, 2019.

be delivered earlier and in a more cost-effective manner than is feasible without private sector funding. Recent examples include:

- Melbourne Airport Rail Link – an unsolicited proposal submitted in September 2018 involving A\$5 billion (\$3.4 billion¹) of funding commitments to build the Melbourne Airport rail link. The proposal is currently being assessed by the Victorian Government under the Market-Led Proposals Guideline
- Brisbane International Cruise Terminal – IFM supported Port of Brisbane (an IFM portfolio company) in its successful A\$160 million (\$109 million¹) proposal to build South East Queensland's only dedicated mega cruise ship facility. The project is due to commence operations in 2021
- **Joint ownership** – IFM has demonstrated an ability to work constructively as a shareholder alongside government and public entities. IFM's current and past experience includes:
 - Ausgrid, in which IFM has worked with the State of New South Wales (which remains a 49.6% shareholder) since 2016. Key milestones in partnership with the State include:
 - The implementation of a major transformation program, leading to material savings in recurring annual operating costs and enabling the business to meet regulator-mandated efficiency targets
 - The successful execution of more than A\$7 billion (\$4.8 billion¹) of refinancing across major global capital markets
 - Acceleration of growth in the non-regulated business through the acquisition of smart metering business Active Stream (a portfolio of 230,000 digital meters)
 - Manchester Airports Group, in which IFM invests alongside the Manchester City Council and nine other local councils (who collectively own 64.5% of the business)
 - Vienna International Airport, which includes co-shareholders such as the State of Lower Austria, the City of Vienna and an employee trust
 - 50Hertz, where IFM worked alongside Publi-T, a Belgian municipal holding company, during the period of IFM's ownership
 - Brisbane Airport, in which Brisbane City Council (BCC) was a joint owner alongside IFM from 1997 until 2010

While IFM does not expect that the City of Jacksonville would remain a shareholder in JEA following the sale, we are committed to developing a constructive governance framework that enables appropriate engagement with the City. This is consistent with IFM's long-established record of productive partnerships with governments.

¹ Based on AUD/USD exchange rate of 0.68 as of November 16, 2019.