PORT OF GULFPORT

2013 ANNUAL REPORT

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Commissioner

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Matthew Wypyski
Deputy Executive Director & COO

Joe Conn
Director of Port Restoration

Mary Bourdin
Director of Finance & Administration

John Webb
Director of Engineering

Dale Waltman
Director of Operations & Facilities

LETTER FROM THE EXECUTIVE DIRECTOR

Since joining the Mississippi State Port Authority in June 2013, I have had the privilege of witnessing, first-hand, significant accomplishments at the Port of Gulfport, while exploring exciting new opportunities with the Commissioners and staff.

We have made considerable progress with our restoration, completing the filling of 84 acres in the Mississippi Sound and issuing more than $237 million in design, engineering and construction contracts. Within the next year we will issue nearly $160 million in additional construction and equipment contracts, including the acquisition of three new gantry cranes. Once completed, the restoration project will provide nearly 100 acres of development property capable of accommodating customers that handle the full spectrum of cargo from container to heavy-lift.

With enhanced rail service through the completion of nearly $60 million in improvements to the line linking the Port of Gulfport to Mississippi's hinterland and quicker access to deep water than any other port on the Gulf, our outlook for 2014 is very positive. National and international companies and manufacturers continue to show strong interest in the Port of Gulfport and its intermodal transportation options.

Prospective tenants recognize what we have in Gulfport and are not waiting for the completion of restoration construction. Instead, they are moving forward - as we are - to recruit investment and tenants which will lead to positive economic gains and job creation in the state.

The leadership provided by our experienced management team and Board of Commissioners will certainly lead to additional opportunities at the Port of Gulfport. We look forward to working together with our stakeholders to realize the full potential of one of Mississippi's most valuable infrastructure assets.

The Port of Gulfport recently unveiled its new $2 million security gate complex on the West Pier Terminal. With three inbound and three outbound lanes this complex represents a significant improvement in the way vehicles are processed into and out of the port.

PORT SECURES LONG-TERM LEASES WITH DUPONT AND ISLAND VIEW

In 2013 the MSPA secured long-term leases with two tenants, DuPont and Island View Casino Resort.

DuPont's lease is for 30 years, with three, 10-year extensions. The agreement also calls for DuPont's current ore receiving and storage operation to relocate to the southern end of the Port's west pier.

Island View's 10-year lease agreement contains multiple options to renew, creating a lease for up to 50 years. It also provides for an expansion of the resort's hotel operations, affirming Island View's commitment to invest no less than $30 million to renovate their hotel property on the south side of U.S. Highway 90. The expansion will include approximately 400 hotel rooms, meeting space, restaurants and a sports bar, retail space, a spa and a beach front pool. Construction is expected to be complete by summer 2015.

"2014 marks the 50th anniversary of the start of the relationship between Dole Fresh Fruit Company and the community of Gulfport, MS. Over these 50 years we have witnessed firsthand the diligence, resilience, dedication and courage of the people of southern Mississippi. It is the character and quality of these people that have made Gulfport Dole's flagship operation in terms of efficiency and productivity."

– Stuart Jablon
Vice President, Operations

PORT REAL ESTATE DEVELOPMENT

Great interest is already being expressed in the Port of Gulfport's available real estate. With the Port's restoration program slated for completion in late 2016, several prospective tenants have begun the process of assessing the Port's available holdings.

"We have over 100 acres of terminal space with access to multiple berths and 300,000 square feet of covered warehouse space that we are aggressively marketing," said Jonathan Daniels, Mississippi State Port Authority executive director and CEO.

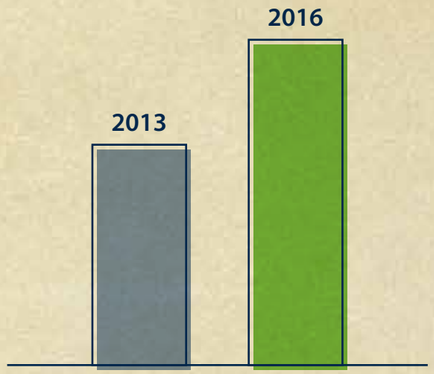
Daniels said the interest already expressed in the Port's available real estate shouldn't be a deterrent to other parties looking for opportunity. "We're looking at creative ways to maximize our tenant capacity and achieve the greatest return for both our customers and the taxpayers of Mississippi."

The Port has launched a marketing campaign to spread the word in regard to its available real estate and competitive operational advantage. Ads will be appearing in national industry trade publications, regional business journals and related websites.

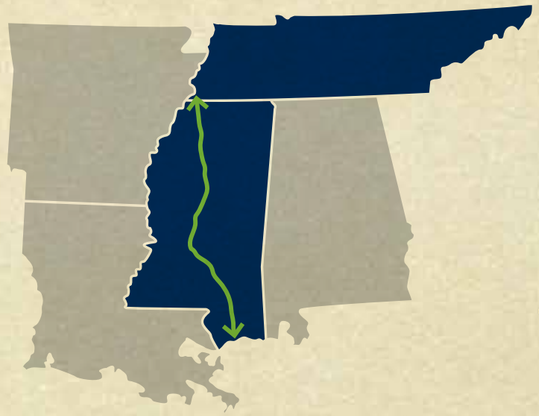
Port officials are preparing for the success of their efforts to recruit additional tenants. An additional 180-acre expansion - envisioned as a concession with private developers paying the cost of the project - is planned for the west pier and an additional 20 acres split between the east pier and the north harbor. The permitting process for the expansion is underway through the U.S. Corps of Engineers.

Chiquita Brands International, a producer, marketer and distributer of fresh fruit sourced from Central America, has imported bananas into the Port of Gulfport since the mid-1960s. Chiquita's current lease agreement extends their partnership with the Port through 2019.

Combined end to end, the **8,150 RAIL CARS** handled at the Port in 2013 would create a train in excess of 100 miles.



The Port was 211 acres prior to the restoration and will be **295 ACRES** when the restoration program is completed.



Currently the number of containers on the Port varies between 1500 to 2000 containers daily. If placed end to end, the number of containers that come through the Port annually would stretch for approximately **769 MILES - FROM GULFPORT TO MEMPHIS AND BACK**.

In fiscal year 2013 the Port handled more than two million tons of cargo. This is the approximate weight of **6,700 EMPTY BOEING 747 JETS**.

THE PORT'S ATTRIBUTES INCLUDE:

- Authorized channel and turning basin depth of 36 feet.
- Channel length is approximately 18 miles with a corresponding average transit time of about two hours.
- 6,000 feet of berthing.
- No air-draft restrictions (no bridges, overhead electric cables, etc.).
- West Pier consists of approximately 194 acres with approximately 100,000 square feet of warehouse space.
- East Pier consists of approximately 56 acres with about 300,000 square feet of warehouse space.
- On-dock rail serviced by the Kansas City Southern Railroad.

DYNAMIC LEADER MAKING HIS MARK IN GULFPORT

Since joining the Mississippi State Port Authority as Executive Director and CEO in June, Jonathan Daniels has been working non-stop to grow the Port of Gulfport.

With a background that includes economic and business development experience, in less than six months Daniels' leadership has enabled the Port's staff to secure several memorandums of understanding with prospective tenants.

"We're fortunate to have Jonathan on board," said Jack Norris, vice president of the MSPA Board of Commissioners. "He's very strategic in his long-term planning and vision for the Port, not to mention he has a vast Rolodex of contacts that have proven to be invaluable in terms of viable prospects for growth."

Daniels comes to the Port of Gulfport by way of upstate New York, where he served as executive director of the Port of Oswego since 2007. Daniels' background also includes economic and business development experience.

Daniels joined the MSPA in the midst of a construction boom. In mid-2013 the Port awarded a $55 million contract to provide a new wharf face for the entire west pier, and several construction contracts representing a total estimated value of $130-180 million are scheduled for award over the next year as part of the Port's $570 million restoration program.

"The last few months have been busy, but we have a very capable staff, with an average of 15 years of experience at this Port. I'm certainly using this knowledge to our advantage when selling potential tenants on Gulfport. We also have opportunities within Mississippi. I foresee 2014 as a banner year in terms of announcements about prospects and tenant agreements."

GULFPORT CHANNEL

The 14-mile Gulfport channel hasn't been dredged to its federally authorized depth of 36 feet since 2009.

In September 2013, Commissioners of the Mississippi State Port Authority took steps to rectify that situation, when they approved a letter of intent signaling the possible use of up to $8 million of Port funds for channel maintenance dredging.

"We're in ongoing discussions with several prospective tenants, so it's imperative that the Gulfport channel gets back to its fully authorized depth," said John Rester, president of the MSPA Board of Commissioners.

Congress appropriates funding to the U.S. Army Corps of Engineers (USACE) for channel maintenance dredging. Officials say the cost to dredge the channel to its fully authorized depth is estimated to cost from $8 to $11 million, but USACE expects to have only $3 million available in maintenance funding for the Gulfport channel this fiscal year.

Rester added that while the MSPA is willing to put forth funds for channel dredging, the agency should receive appropriate credit toward future channel maintenance from USACE.

In 1986, Congress established the Harbor Maintenance Trust Fund (HMTF) to pay for the maintenance of ports and harbors. This trust fund is funded by the Harbor Maintenance Tax (HMT), which is levied on the value of imported goods coming through the nation's ports. Shippers pay about $1.7 billion each year to cover the cost of keeping the ports and harbors in good working order. Congress takes almost half of what is collected via the HMT and spends it in other areas of the federal budget.

Appropriations from the trust fund have lagged behind revenues collected through the tax for several years. The resulting HMTF surplus was approximately $7 billion at the end of FY12 and continues to grow by hundreds of millions of dollars each year.

USACE's limited funding for maintenance dredging last year only got the Gulfport channel back to an effective depth of 32 feet.

"Knowing that our tenants are being taxed on the imports they bring in through the Port specifically for the channel and harbor maintenance, we need to get back to our authorized channel depth," said Rester.

PORT, STORE SHELF AND OUTER SPACE

A ship arrives at the Port of Gulfport from Mozambique, Africa and unloads a shipment of ilmenite ore. You're at the local market or retailer buying sunscreen and toothpaste. What do these two scenarios have in common?

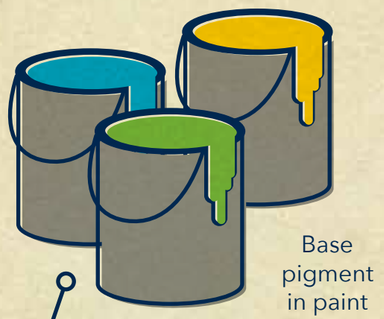
The answer is titanium dioxide, a non-toxic white pigment widely used to impart whiteness.

Once it's off-loaded at the Port, the ilmenite is railed 13 miles to DuPont's DeLisle manufacturing facility, where it's used in the manufacture of titanium dioxide. Because of its brightness and very high refractive index, titanium dioxide is the most widely used white pigment, accounting for roughly 70 percent of the total production volume of pigments worldwide.

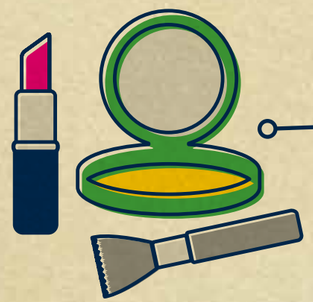
It's used in toothpastes, cosmetic and skin care products, and is present in almost every sunblock, where it helps protect the skin from ultraviolet light. It's also used in inks, foods, and skim milk. Finely ground titanium dioxide is a bright white powder widely used as a base pigment in paint, paper, plastics and cements.

Even NASA has used it – painting the exterior of its Saturn V rocket, which was used from 1968 to 1972 to transport astronauts to the moon – with titanium dioxide.

So whether you're applying sunscreen, brushing your teeth or watching a report on space exploration, look at that bright, white color and think about how it may have all started with a ship docked at the Port of Gulfport.



Base pigment in paint



Cosmetic products

Sunscreens and sunblock

Toothpaste

Skim milk

Crowley is a worldwide provider of marine solutions, transportation and logistics. With a reputation for shipping "anything, anytime, anywhere on water" Crowley has been a tenant at the Port of Gulfport for almost 15 years, and recently agreed to a lease extension.

RAIL IMPROVEMENTS

The Kansas City Southern Railway Co. (KCSR) line between Gulfport and Hattiesburg has been upgraded to Class 1 industry standards. The rail line can now handle double-stacked containers from the Port of Gulfport.

Grants from the U.S. Department of Transportation and State of Mississippi helped fund the improvements along 67.5 miles of the line, and in addition to the double-stack capacity, have enabled increased train speeds of up to 25 miles per hour.

KCSR plans additional improvements that upon completion will enable train speeds up to 49 miles per hour along the Gulfport to Hattiesburg line. Improved rail infrastructure allows for increased efficiency and capacity, and will better serve the Port's needs in the future.

Improved intermodal infrastructure is critical to continued growth for Hattiesburg as a transportation hub, which is where three Class One railroads converge. The KCSR line connects with the Norfolk Southern rail that continues into the northeast and eastern parts of the U.S., and to the Canadian National line that continues into Chicago and Canada.

Separately, the Area Development Partnership, an economic development group, recently unveiled its master plan and marketing materials for a more than 2,000-acre megasite southwest of Hattiesburg.

PORT OF
GULFPORT

MISSISSIPPI STATE PORT AUTHORITY

POST OFFICE BOX 40
GULFPORT, MS 39502

2510 14TH STREET, SUITE 1450
GULFPORT, MS 39501 USA

228-865-4300 / 1-877-881-4367
FAX: 228-865-4335
EMAIL: INFO@SHIPMSPA.COM

WWW.SHIPMSPA.COM