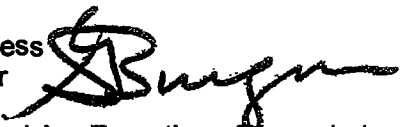


Date: May 20, 2008
To: Honorable Chairman Bruno A. Barreiro and Members,
Board of County Commissioners
From: George M. Burgess
County Manager 
Subject: Resolution Authorizing Execution of Amended and Restated Terminal Agreement
between Miami-Dade County and Seaboard Marine, Ltd.

Agenda Item No. 14(A)(7)

Resolution No. R-599-08

RECOMMENDATION

It is recommended that the Board approve the accompanying resolution authorizing the execution of an Amended and Restated Terminal Agreement ("Agreement") between Miami-Dade County ("County") and Seaboard Marine, Ltd., ("Seaboard") for marine terminal operations at the Port of Miami ("Port").

SCOPE

The Port of Miami is located within District 5 – Chairman Bruno A. Barreiro. The impact of this agenda item is countywide as the Port of Miami is a regional asset and generates employment for residents throughout all of Miami-Dade County.

FISCAL IMPACT/FUNDING SOURCE

This Agreement will generate approximately \$13 million in annual revenues to the Port, of which \$9.6 million will be guaranteed. Current annual revenues from Seaboard to the Port are approximately \$9 million, of which only \$3.2 million are guaranteed. The guaranteed revenues shall increase annually at a weighted average rate of 4.1% throughout the Agreement's twenty-year initial term. This rate takes into consideration increases in Seaboard's annual commitments, based on the County's ability to meet its development obligations under the Agreement. The guaranteed revenues are a function of land rent and cargo throughput pledge.

Additionally, should the Board approve this Agreement, Seaboard will pay the County a one-time payment of \$15,000 per acre for Parcels A, B1, and B2, as shown on attached "Exhibit B", for a total of \$1,150,350, plus a one-time payment of \$500,000 to settle outstanding/disputed balances dating back to 1997. Over the life of the Agreement, the County is committing up to \$26 million in capital improvements to Seaboard's terminal area. These improvements are included in the Port's Five Year Capital Improvement Program. Funding for this commitment will come from future borrowings (to be paid from the additional revenues generated from this Agreement) and from federal and state grants.

Seaboard shall abide by Section 38 of the Agreement related to the County's Inspector General's review of this Agreement. However, it shall be exempt from the one quarter (1/4) of one percent (1%) fee assessment as this is considered a revenue generating contract.

TRACK RECORD/MONITOR

The Seaport Department staff members responsible for monitoring the Agreement are Juan Kuryla, Assistant Port Director, Maritime Services and Kevin Lynskey, Manager, Business Initiatives. Should the Board approve this Agreement and Seaboard pays the aforementioned \$500,000 settlement for disputed charges, Seaboard's accounts receivable will be current.

BACKGROUND

In 1983, Seaboard was formed for the purpose of providing ocean transportation services. Since its establishment, Seaboard has grown from 2 vessels serving Central America, to 40 vessels

serving nearly 40 ports in more than 25 countries in the Caribbean, the United States, and Central and South America.

Seaboard's relationship at the Port began in 1987, with less than 20 acres of terminal space; and, from that time, Seaboard has continued to increase its cargo throughput in Miami. In 1998, the Board approved a 10 year (with two five year renewal options) volume-driven terminal agreement with Seaboard, which among other things, provided for (i) discounted tariff rates per each TEU in exchange for minimum guaranteed yearly throughput; (ii) approximately 55 acres of sub-conditioned land on the Port's south side as well as an additional 14 acres sublet from an existing cargo operator; (iii) preferential berthing along bays 148-172; and (iv) construction by the Port of certain capital improvements within Seaboard's terminal area to improve several acres of land. The Port has largely not lived up to its prior commitment to fund or effectuate terminal area improvements for Seaboard.

Seaboard averages 70 monthly sailings from the Port of Miami – by far the most of any cargo carrier at the Port. Since execution of the 1998 agreement, Seaboard's volumes have increased by almost 50% from 2.2 million tons (approx. 247,000 twenty foot equivalent unit ("TEU") containers to over 3.1 million tons (approx. 360,000 TEUs). These numbers represent more than 40% of the Port's current total cargo throughput. Seaboard's emphasis on exports has helped create and maintain a healthy balance of trade between the Port and Latin America and the Caribbean. This is an important factor toward the generation of jobs in the South Florida region. Approximately 60% of all exports at the Port of Miami are handled by Seaboard.

As the 1998 agreement is reaching conclusion of its initial ten year term (November 2008), and in an effort to avail Seaboard of the required space and infrastructure necessary to significantly grow its business at the Port, the parties wish to extend its relationship via the proposed Agreement. The term of the Agreement shall be for an initial twenty (20) year period, with two (2) five (5) year renewal options. Each renewal option shall be subject to a reappraisal of the land by independent appraisers using Florida's five (5) busiest container ports as comparables. Should the land appraisal determine an increase in the rental rate from the Year 20 or Year 25 rate, Seaboard shall commit to the new rate for the upcoming renewal period, plus up to 3% annual increases commencing on the first day of year two of the renewal option period. Should the appraisal determine a decrease in the land rental rate from Year 20 or Year 25, then Seaboard commits to continue paying the existing year's rent for the first year of the renewal option period plus up to 3% annual increases as stated above.

Such renewal option(s) shall be at Seaboard's election provided (i) their aggregate average TEU throughput per throughput acre for the final five (5) fiscal years of the initial term (for the first renewal option) or for the five (5) years of the first renewal option period (for the second renewal option) exceeds the aggregate average per acre TEU throughput for all Port cargo terminal operators combined during those same five (5) fiscal years or (ii) provided they have generated combined revenues to the Seaport of at least \$110 million during years 16-20 (for the first renewal option) and \$128 million during years 21-25 (for the second renewal option). Revenues from land rent, TEU throughput, harbor fees, and any new fees, if imposed on Seaboard throughout the term of the Agreement, shall count toward the \$110 and \$128 million sums. Revenues from these sources for FY 08-09 are estimated at \$11.45 million. Total revenues for FY 08-09 are estimated at \$13 million; of which \$9.6 million will be guaranteed. Crane and refrigerated plug usage fees as well as any utility or future capital development reimbursements, if any, shall not count toward the \$110 and \$128 million sums, as these fees may be reduced at

any time during the Agreement should Seaboard choose to utilize only their cranes or install their own refrigerated plugs.

The above \$110 and \$128 million thresholds were negotiated to protect the County during the out years of the Agreement, should significant, unforeseen changes in the industry occur and Seaboard's financial contribution to the Seaport turn downward toward their minimum guaranteed levels. These thresholds were calculated by escalating \$11.45 million by 4.1% compounded annually for twenty and twenty-five years. When compounded, the sum of the revenues for years 16-20 is \$113 million, while the sum for years 21-25 is \$138 million. Through negotiations, the parties agreed on \$110 and \$128 million, respectively. In effect, this mechanism requires Seaboard to generate at least 15% more revenue to the Port than its guarantee during the last five years of the Agreement and 10% more during the first renewal period for them to have unilateral renewal options. Should Seaboard not meet these revenue thresholds, the option(s) would then be exercised upon mutual consent and either party may terminate or endeavor to renegotiate any terms of the Agreement. Should the latter occur, the renegotiated agreement would be brought back for the Board's consideration. During the initial 20 year term and each renewal period, if exercised, Seaboard agrees to abide by the terms and rates shown on "Exhibit A".

Additionally, among other things, the Agreement provides for Seaboard to:

- Commit to an annual minimum throughput guarantee of 4,000 TEUs per acre with 2% (non-compounded) yearly growth, except for years six (6) through fifteen (15) of the Agreement as a stabilization period, after which the growth percentage resumes. However, almost concurrent with the commencement of this stabilization period, Seaboard's annual minimum throughput guarantee shall increase by 18% as the improvements to the land defined as Parcels B1 and B2 on "Exhibit B" are anticipated to be completed; thereby providing for the designation of such land as throughput acres and increasing the total throughput acres from 65 to 76.69. This stabilization period was agreed to by the Port as a result of the high initial throughput commitment agreed to by Seaboard. The 4,000 TEU per acre throughput guarantee is close to 80% of Seaboard's existing volume at the Port and significantly exceeds similar industry pledges which are closer to 60% of actual volumes. Notwithstanding this, the Port will still be guaranteed growth throughout this period as a result of the aforementioned conversion of 11.69 acres of current non-usable land to throughput acres. Presently, Seaboard greatly exceeds its minimum 2,000 TEU per acre guarantee. For FY 2007, Seaboard averaged approximately 5,100 TEUs per acre on its approximate 70 acres of land. This throughput figure is the highest at the Port of Miami;
- Pay the following per TEU throughput rates for dockage and wharfage combined: \$24.00 for the first 4,000 TEUs per acre, \$15.00 for TEUs 4,001 – 5,000, \$12.00 for TEUs 5,001 – 6,000, and \$10.00 for all TEUs above 6,000 TEUs per acre. These rates will escalate at a rate of 3% compounded annually commencing on October 1, 2009, as shown on "Exhibit A". This tier structure provides rate incentives for Seaboard to handle additional volume through its Miami terminal as it will generate additional revenues for them and the Port. These rates, in conjunction with the capital improvements committed under this Agreement will position both parties for significant growth and maximum utilization of the land;
- Pay \$1.00 land rent per square foot throughout its terminal area for Parcels A, B1, B2, and C as defined on "Exhibit B". This rate shall escalate up to 3% compounded yearly

commencing on October 1, 2009, through the 20th year of the Agreement. This component of the deal is the largest concession gained by the Port during negotiations and will account for more than 90% of the additional revenues generated under the terms of this Agreement. In return for this new recurring revenue, and due to the existing condition of the terminal area, the Port agreed to the length of the initial term and to fund the infrastructure improvements listed on "Exhibit C". Seaboard currently does not pay land rent;

- Contribute up to \$5 million towards the improvements defined on "Exhibit C", as well as other capital projects to be paid solely by Seaboard such as maintenance and repair buildings and cargo inspection facilities;
- Pay the Port a one-time infrastructure improvement fee of \$15,000 per acre for 76.69 acres for Parcels A, B1, and B2 shown on "Exhibit B" for a total of \$1,150,350;
- Pay a termination fee of \$20 million should Seaboard desire to terminate the Agreement on or before September 30, 2013; \$15 million should they desire to terminate after September 30, 2013, but on or before September 30, 2028; or \$9 million should they desire to terminate after September 30, 2028. The County, however, does not have a reciprocal provision within the Agreement;
- Pay an assignment fee of \$250,000 for each year remaining on the Agreement and any renewal period(s) should Seaboard elect to assign this Agreement to an entity that is neither a wholly-owned subsidiary nor affiliate of Seaboard. Such transfer or assignment shall require written consent by the County, which shall not be unreasonably withheld. Should Seaboard elect to assign this Agreement to a wholly-owned subsidiary or affiliate, it may do so upon notice to, but without prior consent of, the County; and without any assignment fee;
- At the County's request, reduce its terminal area if Seaboard's aggregate actual TEU throughput for three years falls short of its aggregate minimum guaranteed TEU throughput for those three years for reasons other than force majeure as described on the Agreement or an action by the County that is reasonably judged by the Port Director to have reduced by 10% or more Seaboard's ability to meet its minimum annual TEU guarantee. Should such a reduction take place, the minimum guaranteed TEU throughput shall be adjusted downward and the land rent shall not be payable for that land which was removed from their terminal area; and
- Pay \$1.35 per day for each County refrigerated container outlet (112 total) within their terminal area – whether utilized or not up until such time the outlets are removed.

Furthermore, Seaboard agrees to pay the Port \$500,000 to settle disputed/undocumented charges dating back from 1997 through December 31, 2007, and related late fees through the effective date of the Agreement. These charges amount to approximately \$970,000, of which more than \$200,000 was incurred between 1997 and 1999. To avoid the reoccurrence of disputed charges reaching existing levels, the parties have agreed to create a joint accounts receivable committee to review this account on a bi-monthly basis.

In return, the County agrees to:

- Make available 81.19 acres of terminal area as shown on "Exhibit B";
- Provide preferential berthing rights for bays 149 to 182, as well as 1,000 feet of gantry berth space west of bay 135, provided Seaboard utilizes at least one operable and available gantry crane;

- Construct certain infrastructure improvements as defined on "Exhibit C", in accordance with the funding schedule also shown on same; and
- Allow for the establishment of a rent credit mechanism and a reduction of project funding by Seaboard should the Port not meet its construction commitments in accordance with the schedule shown on "Exhibit C"; as well as a pro-rata reduction of Seaboard's annual minimum throughput guarantee and temporary waiver of any land rent resulting from any force majeure act mentioned in Section 28 of the Agreement. Although the terms of the force majeure provision in the Agreement are consistent with those in similar Port contracts, it does provide, however, for the temporary reduction of Seaboard's annual commitments should any of the force majeure events occur, which includes any event beyond Seaboard's reasonable control. Likewise, this provision also affords the County relief from its obligations should any event beyond the County's control occur.

Should the County complete each phase of the improvements by its target date indicated in "Exhibit C", Seaboard agrees that it will pay the County \$1 million for each phase upon final acceptance of the work by both parties for that defined phase. Should the County fail to complete any phase by its target date indicated in "Exhibit C", then Seaboard will reduce its \$1 million payment by \$100,000 for every month past the target date the respective phase remains uncompleted. If any phase is completed more than ten (10) months past its target date, then Seaboard will not make any payment towards the respective phase.

Failure by the County to complete construction of any phase by its target date as indicated in "Exhibit C" will trigger a temporary land rental rate reduction for the impacted acreage until improvements are completed as follows: a thirty-three percent (33%) rent reduction for a phase completed up to ten (10) months after its target date, a sixty-six percent (66%) rent reduction for a phase completed up to twenty (20) months after its target date, and a one hundred percent (100%) rent reduction for a phase completed up to thirty (30) months after its target date. In addition to these land rental rate reductions, failure by the County to complete construction of any phase indicated in "Exhibit C" within thirty (30) months of its target date will reduce the acreage upon which the minimum guaranteed TEU throughput is calculated for the uncompleted portion of the phase. The land rental rate reduction and the reduction of acreage from the minimum guaranteed TEU throughput calculation will remain in place until such time as individual phases are completed or until the County has completed its obligation as described in Section 7 of the Agreement, whichever occurs first.

The County has also committed to complete construction of a bulkhead adjacent to Seaboard's terminal area between bays 155 and 160 by December 31, 2010. Should the bulkhead project not be completed by June 30, 2011, the County commits to increase its maximum \$21 million contribution for the improvements shown on "Exhibit C" by \$1 million, plus additional \$1 million increments for every additional six month period which the project completion date is delayed, up to a maximum of \$5 million. These funds will only be utilized if the costs for the "Exhibit C" improvements exceed the \$21 million cap; potentially increasing the County's maximum contribution to \$26 million. To ensure adherence with the construction deadline for the bulkhead and "Exhibit C" projects, the Port will assign an existing senior level person to track and expedite, on a full-time basis, the progress of these projects.

It is worth noting that the majority of the projects in "Exhibit C" are the improvements which the Port committed to construct under the 1998 Agreement; and, as previously stated, were not completed. These types of infrastructure improvements (drainage, paving, RTG runways) as well as waterside enhancements, such as the bulkhead project, are typically funded by landlord

ports as is the case with the Port of Miami. Portions of the new land rent generated under this Agreement as well as anticipated grants will be utilized to fund these budgeted capital costs. The \$1.00 per square foot land rent is approximately twice the amount generated at competing ports for similar type land utilized for container handling terminal operations. Upon completion of these improvements, the Seaboard terminal area will be in similar condition than that of the other two terminal operators at the Port and allow Seaboard to increase its throughput capacity by stacking containers higher and wider. Any additional throughput will directly increase Seaboard's revenues to the County.

Should the Board approve this Agreement, the Seaport will generate an additional \$3.53 million annually in land rent. Additionally, under the proposed agreement, all other Port charges, including crane rental rates, will be at Port of Miami Terminal Tariff No. 010 rates. This will eliminate Seaboard's current crane rentals discount of approximately twenty percent (20%) from the Tariff rate and generate an additional \$220,000 based on their existing crane rental usage. Additionally, the Port may implement a reasonable security fee on Seaboard, but only if the security fee is equitably implemented on all other Port cargo terminal operators whose terminals are fifteen (15) acres in size or greater. The security fee shall not be applied to Seaboard if the Port's operating security budget for any one fiscal year does not exceed \$22,000,000, compounded five percent (5%) annually at the start of each fiscal year commencing on October 1, 2008. The above provision also protects the County throughout the entire term of the Agreement in the event the Port incurs substantial increases in security costs; as has occurred following the events of September 11, 2001. Since FY 2001, the Port's operating security costs have increased from approximately \$4.1 million to \$20.1 million (\$19.3 million for FY 08-09) as a result of new security requirements imposed by federal and state agencies.

As a point of reference, it is also important to note that the term of such terminal agreements in the maritime industry is determined by taking into consideration several factors including a terminal operator's operational requirements and the amount of funds it plans to spend for capital investment in leasehold improvements as well as the ability of a port to manage its capacity and long term development. One of the recent practices of the industry has been for major financial institutions, as well as investment/infrastructure firms, to buy into long term leases at major ports for the steady returns achieved through these types of operations. It has also been common practice over the last 20-25 years for terminal operators to enter into long term lease agreements with ports in order to conduct their cargo handling operations. Terminal operators with lease agreements containing terms of at least twenty-four years include Crowley (Port Everglades), APM Terminals (Jacksonville and Los Angeles), Maersk Container Service Company (Port Authority of New York and New Jersey), Seaboard Marine (Ports of New Orleans and Houston), CMA CGM (Port of Mobile), and many others. Leases of twenty plus years are desired by terminal operators as they generally are responsible for solely funding related long-term assets such as gate and security structures, maintenance and repair facilities, and in-terminal cranes or handling equipment as will be the case with Seaboard.

The term of the negotiated Agreement provides for (i) certainty and predictability regarding the utilization of the Port's facilities and income streams; (ii) a continuous revenue stream that will assist the Port in its efforts to borrow money to finance capital improvement projects (the dependable revenue flow provides lenders more confidence that the Port has a stable and reliable financial base); and (iii) the tenant's (in this case Seaboard) eventual consent to contribute funds towards infrastructure and capital improvement projects to enhance their cargo handling operations in their terminal area - easing the investment burden on the Port.

A possible drawback to a port entering into a long term terminal agreement is that it could be locked in, for an extended period of time, with an income stream that may not reflect future market conditions. However, this possibility would only occur if the escalation clauses in the long term agreement were too low and did not allow for prudent periodic market rate adjustments. The Agreement has addressed this concern by providing competitive annual rate adjustments as follows: (i) minimum throughput guarantee (2% increase - except for the stabilization period during years six through fifteen, after which the growth percentage resumes); (ii) TEU throughput rates for dockage and wharfage combined (3% increase compounded annually-commencing on October 1, 2009); and (iii) land rent (up to 3% increase compounded annually) plus the conversion of 11.69 acres of marginal land to productive land requiring Seaboard's annual TEU throughput commitment to increase by 18%, likely in 2013. Equally important, the Agreement provides for Seaboard to remain on Tariff for other Port charges, such as harbor fees and crane rentals (crane increases capped at 4% compounded annually) and allows for the Port to institute a security fee should a major unforeseen incident occur in the future. As previously stated, over the Agreement's twenty-year initial term, these escalation clauses will enable the Port's guaranteed revenues from Seaboard to increase annually at a weighted average rate of 4.1%. As a result, whenever the industry experiences a prolonged period of growth and profitability, the Agreement's annual rate escalations will further enable the Port to share in the upside of the business benefits reaped by Seaboard; while at the same time, safeguard the Port's revenue stream in the event of a downturn in the industry. The inclusion of the above provisions, along with the minimum revenue thresholds established to effectuate the renewal options, provide for a very solid business deal for the County, both in the short and long term. Approval of this Agreement will provide the Seaport with approximately \$4 million in additional annual revenues and the necessary financial incentives for Seaboard to increase its cargo volume at the Port of Miami. These additional funds will be critical in balancing the Port's budget for FY 2008-09 and beyond. Furthermore, this Agreement will also serve as the base for future port terminal agreements, whereby additional revenues from those existing today will be sought.

For 25 years Seaboard has maintained its headquarters in Miami-Dade County and currently employs more than 295 employees at its office in Medley, 396 employees at its Port facility, and contracts approximately 230,000 hours of annual longshoreman labor. In addition to these direct employment opportunities, Seaboard, with its focus on the Caribbean Basin and Latin America, has been a catalyst among the local freight forwarding, shipping, and international trade communities in making Miami the trade center it is today. It is estimated that Seaboard has a total economic impact of \$5 billion annually in Miami-Dade County. Seaboard's local economic impact and market placement makes them an extremely valuable business partner.

DELEGATION OF AUTHORITY

In accordance with Section 2-8.3 of the Miami-Dade County Code related to identifying delegation of Board authority, there are no authorities beyond those specified in the resolution. Although the Agreement provides for renewal option(s) and cancellation provisions, those are solely at Seaboard's election provided that they meet certain revenue thresholds as noted within this memorandum. Additionally, the Port Director may authorize adjustments to the boundaries of Seaboard's terminal area (not to exceed ten (10) acres) during and subsequent to the construction of improvements related to the Port Tunnel (Section 4 - Subsection G).


Assistant County Manager

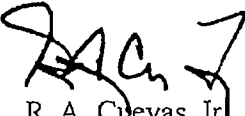


MEMORANDUM

(Revised)

TO: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners


DATE: May 20, 2008

FROM: 
R. A. Cuevas, Jr.
County Attorney

SUBJECT: Agenda Item No. 14(A)(7)

Please note any items checked.

- "4-Day Rule" ("3-Day Rule" for committees) applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Bid waiver requiring County Manager's written recommendation
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- Housekeeping item (no policy decision required)
- No committee review

Approved  Mayor
Veto _____
Override _____

Agenda Item No. 14(A)(7)
5-20-08

RESOLUTION NO. R-599-08

RESOLUTION AUTHORIZING EXECUTION OF AN AMENDED AND RESTATED TERMINAL AGREEMENT BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE, LTD., FOR MARINE TERMINAL OPERATIONS AT THE PORT OF MIAMI; AND AUTHORIZING THE COUNTY MAYOR OR HIS DESIGNEE TO EXECUTE THE AGREEMENT FOR AND ON BEHALF OF MIAMI-DADE COUNTY, TO EXERCISE ANY CANCELLATION AND RENEWAL PROVISIONS; AND TO EXERCISE ALL OTHER RIGHTS CONFERRED THEREIN

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board:

Section 1. Approves the execution of an Amended and Restated Terminal Agreement between Miami-Dade County ("County") and Seaboard Marine, Ltd., ("Seaboard") for marine terminal operations at the Port of Miami, in substantially the form attached hereto and made a part hereof.

Section 2. Authorizes the County Mayor or his designee to execute this Amended and Restated Terminal Agreement after review and approval by the County Attorney's Office; to exercise any cancellation and renewal provisions; and to exercise all other rights conferred therein.

The foregoing resolution was offered by Commissioner Barbara J. Jordan who moved its adoption. The motion was seconded by Commissioner Rebeca Sosa and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman	aye		
Barbara J. Jordan, Vice-Chairwoman	aye		
Jose "Pepe" Diaz	aye	Audrey M. Edmonson	aye
Carlos A. Gimenez	aye	Sally A. Heyman	aye
Joe A. Martinez	nay	Dennis C. Moss	aye
Dorrin D. Rolle	aye	Natacha Seijas	absent
Katy Sorenson	aye	Rebeca Sosa	aye
Sen. Javier D. Souto	absent		

The Chairperson thereupon declared the resolution duly passed and adopted this 20th day of May, 2008. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: Kay Sullivan
Deputy Clerk



Approved by County Attorney as to form and legal sufficiency.

Jess M. McCarty

EXHIBIT A:

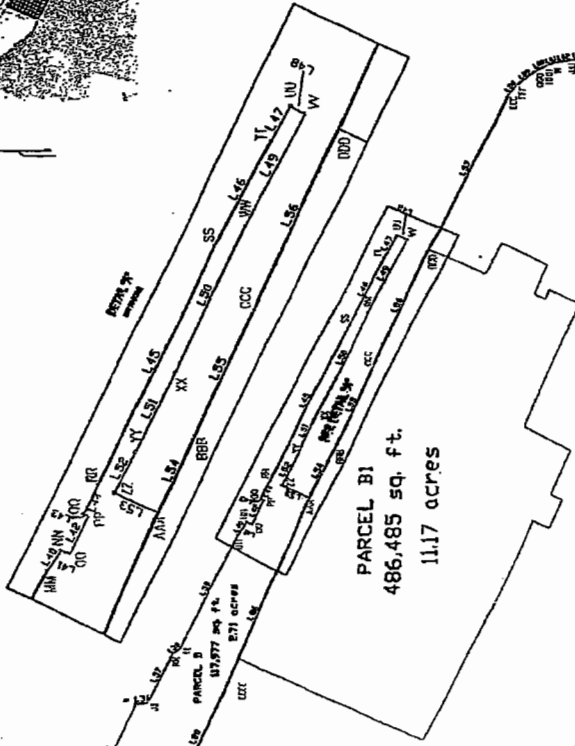
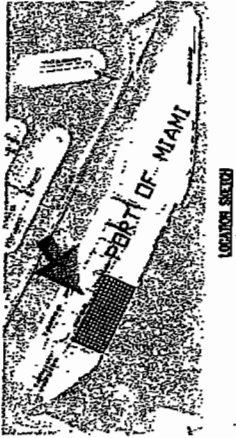
**SEABOARD-PORT OF MIAMI
TEU MINIMUM THROUGHPUT GUARANTEES AND RATES**

FISCAL YEAR ENDED	ANNUAL MINIMUM TEU THROUGHPUT GUARANTEE (per Throughput Acre)	TIER 1		DISCOUNT TEU RATES			
		TEU THROUGHPUT (per Throughput Acre)	TEU Rate	TIER 1 to TIER 1 + 1000	TIER 1 +1001 to TIER 1 + 2000	TIER 1 +2001 and over.	
2009*	4,000	4,000	\$24.00	\$15.00	\$12.00	\$10.00	
2010	4,080	4,000	\$24.72	\$15.45	\$12.36	\$10.30	
2011	4,160	4,000	\$25.46	\$15.91	\$12.73	\$10.61	
2012	4,240	4,000	\$26.23	\$16.39	\$13.11	\$10.93	
2013	4,320	4,000	\$27.01	\$16.88	\$13.51	\$11.26	
2014	4,400	4,000	\$27.82	\$17.39	\$13.91	\$11.59	
2015	4,400	4,000	\$28.66	\$17.91	\$14.33	\$11.94	
2016	4,400	4,000	\$29.52	\$18.45	\$14.76	\$12.30	
2017	4,400	4,000	\$30.40	\$19.00	\$15.20	\$12.67	
2018	4,400	4,000	\$31.31	\$19.57	\$15.66	\$13.05	
2019	4,400	4,000	\$32.25	\$20.16	\$16.13	\$13.44	
2020	4,400	4,000	\$33.22	\$20.76	\$16.61	\$13.84	
2021	4,400	4,000	\$34.22	\$21.39	\$17.11	\$14.26	
2022	4,400	4,000	\$35.24	\$22.03	\$17.62	\$14.69	
2023	4,400	4,000	\$36.30	\$22.69	\$18.15	\$15.13	
2024	4,480	4,100	\$37.39	\$23.37	\$18.70	\$15.58	
2025	4,560	4,100	\$38.51	\$24.07	\$19.26	\$16.05	
2026	4,640	4,100	\$39.67	\$24.79	\$19.83	\$16.53	
2027	4,720	4,100	\$40.86	\$25.54	\$20.43	\$17.02	
2028	4,800	4,100	\$42.08	\$26.30	\$21.04	\$17.54	
RENEWAL #1	2029	4,880	4,200	\$43.35	\$27.09	\$21.67	\$18.06
	2030	4,960	4,200	\$44.65	\$27.90	\$22.32	\$18.60
	2031	5,040	4,200	\$45.99	\$28.74	\$22.99	\$19.16
	2032	5,120	4,200	\$47.37	\$29.60	\$23.68	\$19.74
	2033	5,200	4,200	\$48.79	\$30.49	\$24.39	\$20.33
RENEWAL #2	2034	5,280	4,300	\$50.25	\$31.41	\$25.13	\$20.94
	2035	5,360	4,300	\$51.76	\$32.35	\$25.88	\$21.57
	2036	5,440	4,300	\$53.31	\$33.32	\$26.66	\$22.21
	2037	5,520	4,300	\$54.91	\$34.32	\$27.46	\$22.88
	2038	5,600	4,300	\$56.56	\$35.35	\$28.28	\$23.57

* Fiscal Year 2009 will cover the period from Effective Date through September 30, 2009.

EXHIBIT "B"

SKETCH OF SEABOARD PARCELS
EXHIBIT "B"



PARCEL A
2,831,465 sq. ft.
65.00 acres

PARCEL B1
486,485 sq. ft.
11.17 acres

PARCEL B2
22,596 sq ft
0.52 acres



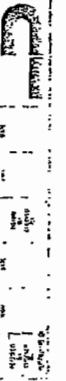
POINT OF COMMENCEMENT
AT THE POINT OF
CONTROL POINT 141-5

LINE TABLE	LINE TABLE	LINE TABLE	LINE TABLE	CURVE TABLE
LINE NO.	LINE NO.	LINE NO.	LINE NO.	LINE NO.
START	START	START	START	START
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BEARING	BEARING	BEARING	BEARING	BEARING
DISTANCE	DISTANCE	DISTANCE	DISTANCE	DISTANCE
AREA	AREA	AREA	AREA	AREA
PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE

THIS IS NOT A BOUNDARY SURVEY
PORT OF MIAMI - SEABOARD LEASE AGREEMENT

MICHAEL J. WHITTE
74688

MICHAEL J. WHITTE
74688



12

**AMENDED AND RESTATED TERMINAL AGREEMENT
 BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE LTD.
 FOR MARINE TERMINAL OPERATIONS**

EXHIBIT "C"

<u>PHASE ⁽¹⁾</u>	<u>APPROXIMATE ACREAGE</u>	<u>COMPLETION DATE ⁽¹⁾</u>	<u>GENERAL DESCRIPTION</u>
I	13	December 31, 2009	Container yard paving and drainage ⁽²⁾
II	12	September 30, 2010 ⁽³⁾	Container Yard paving and drainage And RTG runways
III	11	September 30, 2011	Container Yard paving and drainage And RTG runways
IV	11	September 30, 2012	Container Yard paving and drainage And RTG runways
V	15	September 30, 2014	Container Yard paving and drainage And RTG runways

Note (1): Should the County complete each phase by the date indicated above, Seaboard agrees that it will pay the County one million dollars (\$1,000,000) for each of the five (5) phases upon final acceptance by both parties of the work for that defined phase. Should the County fail to complete any phase by the dates indicated above, then Seaboard will reduce its one million dollar (\$1,000,000) payment by one-hundred thousand dollars (\$100,000) for every month past the target date for that respective phase. If the improvements are completed more than ten (10) months past the respective target date for any of phase, then Seaboard will not make any payment towards that respective phase.

<u>Months After Completion Date</u>	<u>Percentage Rent Reduction</u>
10	33%
20	66%
30	100%

**AMENDED AND RESTATED TERMINAL AGREEMENT
BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE LTD.
FOR MARINE TERMINAL OPERATIONS**

**EXHIBIT "C"
(cont.)**

In addition to the above Land Rental Rate reduction, failure by the County to complete construction of the phases identified above within 30 months of the dates indicated will reduce the acreage upon which the Minimum Guaranteed TEU Throughput is calculated for the uncompleted portion of any phase.

The Land Rental Rate reduction and the reduction of acreage from Minimum Guaranteed TEU Throughput calculation will remain in place until such time as individual phases are completed, or until the County has completed its obligation as described in Section 7(F), whichever comes first.

Note (2): It is recognized by both parties that the construction plans for Phase I have already been prepared and permitted. These plans may need to be modified in the future as both Parties desire for eventual RTG runways in the acreage included within Phase 1.

Note (3): The Phase II completion date may be extended, but only due to environmental permitting delays as described below. Should the County (or its designee) apply for an environmental permit for the Phase II work, and an approved permit is not received within twelve (12) months, then the completion date may be extended by one-half the delay period which extended beyond the initial twelve (12) months. For example, if the County applies for the environmental permit on January 1, 2009, and an approved permit is not granted until March 1, 2010 (a period of two months), the completion deadline shall be extended one month to October 31, 2010. In no event shall the completion date be extended beyond June 30, 2011.

AMENDED AND RESTATED TERMINAL AGREEMENT BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE LTD. FOR MARINE TERMINAL OPERATIONS

THIS AMENDED AND RESTATED TERMINAL OPERATING AGREEMENT is hereby made and entered into as of the ___ day of _____, 2008, by and between MIAMI-DADE COUNTY, FLORIDA, ("County"), and SEABOARD MARINE LTD., a Liberian Corporation, authorized to do business in the State of Florida ("Seaboard"), by and through their authorized representatives in accordance with the terms, conditions and covenants contained herein below. The County and Seaboard are jointly referred to as "the Parties."

WITNESSETH:

WHEREAS, the County and Seaboard are parties to a "Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd. for Marine Terminal Operations" dated October 1, 1998; and

WHEREAS, Seaboard's vessels now carry over forty percent (40%) of the total cargo and nearly sixty percent (60%) of the total exports that pass through the Port of Miami; and

WHEREAS, Seaboard has operated at the Port of Miami since 1987 and for more than twenty years has contributed to the economic health and growth of the County; and

WHEREAS, the County and Seaboard now desire to enter into an Amended and Restated Terminal Operating Agreement, which extends the term of the Agreement and makes various other changes to the Agreement;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto do and hereby mutually covenant, agree and bind themselves as follows:

Section 1. Rules of Construction.

For all purposes of this Agreement, unless otherwise expressly provided:

- A) A term has the meaning assigned to it;
- B) An accounting term not otherwise defined has the meaning ordinarily given to it by accountants in accordance with generally accepted accounting principles;
- C) Words in the singular include the plural, and words in plural include the singular;
- D) A pronoun in one gender includes and applies to other genders as well; and

15

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E) The terms "hereunder," "herein," "hereof," "hereto" and such similar terms shall refer to the instant Terminal Agreement in its entirety and not to individual sections or articles.

F) The Parties hereto agree that this Agreement shall not be more strictly construed against either the County or Seaboard.

Section 2. Definitions as used herein:

"Actual TEU Throughput" means the number of TEUs each Fiscal Year that Seaboard loads on and/or discharges from its Vessels and/or the Vessels of other carriers calling at the Port berths, as well as TEUs moved through the Terminal Area from third party terminal services (as described in Section 5(L)) and multi-terminal ships (as described in Section 6(K)).

"Agreement" means this Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard, including all attachments and exhibits, and any documents incorporated by reference herein.

"Applicable Laws" means any and all federal, state, and County laws, rules, ordinances, resolutions, administrative orders, implementing orders, and tariffs, including, but not limited to Port of Miami-Dade Terminal Tariff No. 010, that apply to the conduct of operations at the Port and the Parties' conduct thereunder, arising out of or related to this Agreement, all as such may be amended from time to time, including but not limited to all federal, state and County security requirements.

"Berths" means bays 149 to 182 at the Dante B. Fascell Port of Miami-Dade (as hereinafter defined), or as may be modified under the terms of Section 4(A).

"Cargo" means freight laden or unladen from a vessel.

"Container" means a marine cargo container or a trailer, flatbed, lowboy, platform, or flatrack. If empty flatracks, flatbeds or platforms are bundled, each bundle shall count as one (1) container.

"County" means Miami-Dade County, a political subdivision of the State of Florida, and all departments, agencies and instrumentalities thereof, including but not limited to the Miami-Dade County Seaport Department.

"Discount TEU Rates" means the rates that apply to that portion of the Actual TEU Throughput in each Fiscal Year that exceeds the Tier 1 TEU Throughput for that Fiscal Year as set forth in Exhibit "A", which shall be inclusive of Wharfage and Dockage, as well as gate fees, reefer fees, storage fees, and

16

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facility improvement fees. Discount TEU Rates shall not include Security Fees as identified in Section 6(l) which if assessed shall be charged separately.

"Dockage" means the charges the County assesses pursuant to the Tariff against a vessel for berthing at a wharf, pier, bulkhead structure, or bank, or for mooring to a vessel so berthed.

"Effective Date" means the effective date of the Board of County Commissioners' resolution that approves this Agreement as set forth in Section 3.

"Expiration Date" means the date this Agreement shall expire, subject to any Renewal Terms as set forth in Section 3.

"Fiscal Year" means the County fiscal year, which runs from October 1 through September 30.

"FMC" means the Federal Maritime Commission or any other federal agency that might act as successor to or in the capacity of the Federal Maritime Commission.

"Initial Term" means the time during which this Agreement shall be in effect between the Effective Date and the Expiration Date but before any Renewal Terms are exercised as set forth in Section 3.

"Land Rental Rate" means the per square foot rental rate agreed upon by the parties and reflected in Section 5(A) hereof.

"Lay Berth" means any Vessel using a berth for maintenance or lay up and not for loading or discharging cargo.

"Minimum Guaranteed TEU Throughput" means the minimum number of TEUs per Throughput Acre that Seaboard agrees to load on and/or discharge from its Vessels and/or the Vessels of other carriers calling at the Port of Miami during a Fiscal Year as shown in Exhibit "A."

"Non-throughput Acres" means acres within the Terminal Area that will be excluded from the calculation of the Minimum Guaranteed TEU Throughput, identified as Parcels "B1" and "B2" in Exhibit "B"; but will be subject to Land Rental Rates. Such acreage may become Throughput Acres subject to its improvement consistent with Section "7" and Exhibit "C."

"Original Agreement" means the "Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd. for Marine Terminal Operations" approved by the Board of County Commissioners in November 1998.

"Preferential Berthing Rights" means a preferential right to use specified berths as set forth in Section 4(A) over any other similarly situated vessel, but expressly does not mean an exclusive right.

"Port" means the Miami-Dade County Seaport Department, also known as the Dante B. Fascell Port of Miami-Dade, or its successors or assigns.

"Port Director" means the Director of the Miami-Dade County Seaport Department or designee, or anyone acting in the capacity of Port Director as designated by the Mayor or designee.

"Rail Line" means the railroad tracks near the northern boundary of the Terminal Area, the land beneath such railroad tracks, and such land adjoining the railroad tracks that is necessary for the effective and efficient movement of cargo.

"Renewal Term" means the time during which this Agreement shall be in effect in the event any renewal option is exercised as set forth in Section 3.

"Seaboard" means Seaboard Marine Ltd., and shall include all affiliates and majority-owned subsidiaries.

"Security Fees" means a fee that may be included as a future Tariff charge to help pay for expenses associated solely with increases in the Port's operating security costs as identified in Section 6(I).

"Shortfall Fees" means the difference between Actual Throughput and the Minimum Guaranteed TEU Throughput multiplied by the Tier 1 TEU Rate for any applicable Fiscal Year as set forth in Exhibit "A" and in Section 5(E).

"Tariff" means the Port of Miami-Dade Terminal Tariff No. 010, Rates, Rules, and Regulations for the Seaport Facilities of Miami-Dade County, Florida, as such may be amended from time to time.

"Terminal Area" means the seventy-six and sixty-nine hundredths (76.69) acres of land designated in Exhibit "B", attached hereto and incorporated by reference herein, as Parcel "A", Parcel "B1" and Parcel "B2", and including those buildings and structures that are currently vacant, those currently occupied by Seaboard, and those currently occupied by other non-Seaboard tenants as well as 14.16 subleased acres of land within Parcel "A". The Terminal Area is subject to adjustment pursuant to Sections 4(F), 4(G), 4(H), 4(K) and 5(G).

"TEU" means one twenty (20) foot equivalent unit Container, whether full or empty. Any Container thirty (30) feet or less in length shall count as one TEU. Any Container over thirty (30) feet in length but less than fifty (50) feet in length shall count as two TEUs. Any container fifty (50) feet in length but less than sixty-five (65) feet in length shall count as three TEUs. All Containers more than sixty-five (65) feet in length shall be divided by twenty (20) feet to determine a TEU value. For TEU throughput calculation purposes only, each Vehicle shall count as two-thirds (2/3) of a TEU.

"Throughput Acres" means acreage that is suitable for vertically stacking of more than two loaded containers, as shown in Exhibit "B" and identified as Parcel "A", which represents approximately 65 (including the 14.16 subleased acres) acres at the Effective Date of this Agreement and is subject to revision.

"Tier I TEU Rate" means the rate that applies to the number of TEUs for each Fiscal Year as set forth in Tier 1 of Exhibit "A", which shall be inclusive of Wharfage and Dockage, as well as gate fees, reefer fees, storage fees, and facility improvement fees. The Tier I TEU Rate shall not include Security Fees as identified in Section 6(I), which if assessed shall be charged separately.

"Trans-Shipment" means the transfer of a Container or Vehicle from one vessel at the Port to any other vessel at the Port.

"Trans-Shipment Rate" means the rate that the County applies to Trans-Shipment Containers discharged from vessels docked at the Port as set forth in Section 6(D). This rate shall include Wharfage and Dockage, as well as gate fees, reefer fees, storage fees, and facility improvement fees. The Trans-shipment Rate shall not include Security Fees as identified in Section 6(I), which if assessed shall be charged separately.

"Tunnel" means the Port of Miami Tunnel, inclusive of improvement to the Port's road system that is planned for construction from Watson Island to Dodge Island and is subject to a tri-party agreement among the Florida Department of Transportation, County and the City of Miami.

"Vehicle" means a motorized wheeled conveyance used for transporting persons or cargo on land.

"Vehicle Rate" means the rate that applies to Vehicles loaded to or discharged from Vessels at the Berths as forth in Section 6(H), which shall be inclusive of Wharfage and Dockage, as well as gate

fees, reefer fees, storage fees, and facility improvement fees. The Vehicle Rate shall not include Security Fees as identified in Section 6(I), which if assessed shall be charged separately.

"Vessel" means any waterborne vessel or barge that uses the Terminal Area and that is either (i) owned or exclusively chartered, leased, managed, operated or controlled by Seaboard or trading under the name of Seaboard Marine and/or (ii) any vessel and/or barge which are part of VSAs, if legally required, as defined below, covering vessels trading under the name of Seaboard Marine.

"VSA" means an FMC or other similar governing entity approved vessel sharing arrangement with other shipping lines.

"Wharfage" means the charges the County assesses pursuant to the Tariff against the cargo or vessel on all cargo passing or conveyed over, onto, or under wharves or between vessels (to or from barge, lighter, or water), when berthed at a wharf or when moored in a slip adjacent to the wharf. Wharfage is solely the charge for the use of the wharf and does not include charges for any other service.

Section 3. Effective Date and Term

The Effective Date of this Agreement shall be the effective date of the Board of County Commissioners' resolution approving this Agreement. The Expiration Date shall be September 30, 2028, unless Renewal Terms are exercised, and subject to the cancellation and other terms and conditions contained herein. Subject to the conditions below, Seaboard shall have the sole option to renew this Agreement on the terms and conditions contained herein for two (2) Renewal Terms of five (5) years each. Seaboard's renewal option for the first Renewal Term requires it to meet either one of the following two (2) conditions: (i) Seaboard's aggregate average TEU Throughput per Throughput Acre for the final five (5) Fiscal Years of the Initial Term exceeds the aggregate average per acre TEU Throughput for all Port cargo terminal operators combined during those same five (5) Fiscal Years, or (ii) Seaboard's total payments ("Total Payments") to the Port for any and all charges and fees (including those in this Agreement and the Tariff) other than County-owned crane fees (described in Section 6C), electric outlet charges (described in Section 6F), and/or payments associated with rental, lease or development agreements entered into after the Effective Date exceed one hundred and ten million (\$110,000,000) for the final five (5) Fiscal Years of the Initial Term, which sum shall be adjusted on a pro rata basis for changes in Throughput Acres acreage. Seaboard shall have the same two (2) conditions for its option to

exercise the second Renewal Term except the required amount of the Total Payments shall be one hundred and twenty-eight million dollars (\$128,000,000) for the five (5) Fiscal Years of the first Renewal Term. For purposes of the options, Seaboard's Total Payments shall be adjusted for force majeure, failure of the County to fulfill its commitments, or actions by the County that reduce Seaboard's ability to reach the Total Payments requirement. Should Seaboard wish to enter into a Renewal Term after having met either of the two (2) conditions listed above, Seaboard shall notify the County of its intent to exercise the first renewal option no less than ninety (90) days prior to the expiration of the Initial Term, and shall notify the County of its intent to exercise the second renewal option no less than ninety (90) days prior to the expiration of the first Renewal Term. Should Seaboard fail to meet both of the conditions listed above for the first Renewal Term and the Parties do not agree to enter into the first Renewal Term or a successor contract, the County agrees to reimburse Seaboard for the unamortized portion of useful capital improvements made by Seaboard within the Terminal Area during the final five (5) years of the Initial Term. Any such reimbursement shall be equal to the value of the asset's scheduled amortization over the five (5) year period following the Initial Term, calculated using asset lives in accordance with generally accepted accounting principals

Section 4. County Commitment to Seaboard.

- A) The County agrees to allow Seaboard Preferential Berthing Rights at the Berths at 149 through 182. In the event the Port no longer has obligations with the current user of Berth 183, the Port Director shall assign Berth 183 to Seaboard for its preferential use. The Port shall provide Seaboard the use of one (1) operable container gantry crane and up to an additional one-thousand (1,000) feet of Preferential Berthing Rights at a berth located west of Bay 135. Seaboard's usage of such bays west of Bay 135 is subject to Seaboard utilizing the Port's operable and available gantry crane(s).
- B) The County agrees to allow Seaboard exclusive use of the Terminal Area in conjunction with Seaboard's marine transportation business, including the preferential berthing of Vessels for loading, discharging and efficient transfer of cargo from Vessels to either other Vessels or land-based (principally truck or rail) transport modes and for storage of cargo. The Port will allow other uses consistent with Seaboard's marine transportation business, including, but

not limited to, construction of any improvements thereon, subject to the prior written approval of the Port Director, such approval not to be unreasonably withheld. Seaboard shall comply with other applicable requirements, including, but not limited to, submission of a Facilities Modification Form (Exhibit "D") or similar document as required by the Port for all improvements to real property at the Port.

- C) The County agrees to allow Seaboard the exclusive use of the Terminal Area for the duration of this Agreement, pursuant to the terms and conditions contained herein.
- D) The County agrees to provide Seaboard with the right of ingress and egress leading to and from the Terminal Area, subject to any and all security and other requirements imposed by Applicable Laws. In the event the Port's main terminal gate complex is not able to process vehicles owing to a backup at a non-Seaboard terminal, the Port will promptly use reasonable efforts to marshal traffic to allow for the prompt processing of Seaboard vehicles at the Port's main terminal gate complex.
- E) The County represents and warrants that it has good title to the Terminal Area free and clear of mortgages, liens or encumbrances and the County covenants that it will not grant any mortgage liens or encumbrances on the Terminal Area.
- F) The County acknowledges that Seaboard desires to conduct its terminal operations from a contiguous tract of land on the Port. In this regard, the County agrees that if additional land contiguous to the Terminal Area becomes available for permanent use, other than acreage to the west of the Terminal Area, and such land is free from contractual or other obligations and not needed for general Port uses, the County shall extend to Seaboard a right to negotiate to enter into an agreement for use of such land on terms to be agreed upon. Under Seaboard's right to negotiate, the Parties agree to work in good faith regarding such land and improvements thereto. However, Seaboard shall have a first right of refusal to lands adjacent to the northern boundary of the Terminal Area, which are designated as areas Parcels "C" and "D" and on Exhibit "B" and the "1790 Building". Should the lands designated as "C" and "D" and "1790 Building" become available, the Port shall offer them to Seaboard prior to offering them to any other third party.

22

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- G) The County and Seaboard also acknowledge that the Terminal Area will be adjusted by mutual written agreement during and subsequent to the construction of improvements relating to the Tunnel. Any such adjustment of the Terminal Area may be performed administratively by the Port Director, so long as any such adjustments do not cumulatively change Seaboard's terminal by ten (10) or more acres. Any adjustment resulting in a cumulative change to Seaboard's acreage by more than ten (10) acres will require Board of County Commissioners approval. Notwithstanding any other provision of this Agreement, the County reserves the right to use available lands for any lawful purpose.
- H) The County may offer Seaboard land for temporary rental if land becomes available, at the Land Rental Rate then-applicable under this Agreement. Temporary lands at the time of the Effective Date include both land designated as Parcels "C" and "D" in Exhibit "B". Unless otherwise agreed to by the parties, Seaboard shall not pay land rent on Parcel "D".
- I) The Parties agree to make certain improvements to the Terminal Area during the term of this Agreement as set forth in Exhibit "C" and Section 7. Any improvements to the Terminal Area that are not expressly addressed in this Agreement shall not be the responsibility of either the County or Seaboard and shall be subject of future negotiations.
- J) The County acknowledges that it is responsible for bulkhead repair and maintenance and that failure to adequately repair or maintain bulkheads, inclusive of the scheduled construction of the bulkhead located between bay 155 and bay 160 ("East Bulkhead"), could negatively impact Seaboard's use of the Terminal Area. The County commits to substantially complete the East Bulkhead by December 31, 2010. Should the County fail to substantially complete the East Bulkhead by June 30, 2011 then the County will contribute an additional one million dollars (\$1,000,000) toward the improvements described in Section "7" and Exhibit "C". For every six month interval delay thereafter, the County will contribute an additional one million dollars (\$1,000,000) up to a maximum of five million dollars (\$5,000,000) towards its improvement commitments described in Section "7" and Exhibit "C". For example, if the East Bulkhead is completed after December 31, 2012 but before June 30, 2013, the County will

contribute an additional four million dollars (\$4,000,000) toward the improvements as described in Section 7 and Exhibit "C".

- K) During the time the County is making the improvements as set forth in Section 7 and Exhibit "C", including but not limited to the Tunnel, the County shall undertake commercially reasonable efforts to make up to ten (10) acres of land available to Seaboard that is not otherwise under lease agreements with other Port tenants. If such land is available, it will be subject to the Land Rental Rate and Minimum Guaranteed TEU Throughput as set forth in this Agreement, but only on the amount of acreage made available that exceeds the acreage rendered unavailable because of improvements and only during the time of such improvements. Should Seaboard sublease ten (10) or more acres (excluding the 14.16 subleased acres described in Section 4(P) from any other terminal operator, the Port will not have an obligation to provide acreage. If no additional lands are available to Seaboard from the Port or through sublease of cargo lands at the Port, the Port will temporarily reduce Seaboard's Minimum Guaranteed TEU Throughput and its TEU Throughput under Tier 1 of Exhibit "A" by the affected acreage until improvements are completed.
- L) Seaboard may not provide terminal services for third parties at the Port prior to January 1, 2014. After this date, Seaboard may provide terminal services for third parties providing that: (i) for each third party, the third party's vessels have not called at the Port more than five (5) times in the twelve (12) months prior to the date Seaboard first begins to provide terminal services to such third party, (ii) third party business will not represent more than twenty-five percent (25%) of Seaboard's then current TEU throughput, and (iii) the TEU rate for third party cargoes will be charged at the higher of the then applicable Tier I TEU rate charged to Seaboard in this Agreement or the average of the highest Base (or Tier I) TEU rates of the other cargo terminal operators at the Port. The TEUs from Seaboard's third party terminal services will count towards Seaboard's Minimum Guaranteed TEU Throughput.
- M) The parties agree that existing leases between Seaboard and the County for buildings and structures in the Terminal Area, which are within the Terminal Area as identified in Exhibit "B", currently are terminated as of the Effective Date. The County agrees that Seaboard shall

no longer have rent payment obligations for these buildings and structures once terminated, but Seaboard shall be responsible for all maintenance, repairs and demolition costs.

N) The County agrees that currently all unoccupied buildings in the Terminal Area, located within Parcels "B1" and "B2" in Exhibit "B", can be utilized by Seaboard for any lawful business relating to its terminal operation until such buildings are demolished by the County. The County shall have no obligations related to or liability for Seaboard's use of said unoccupied buildings, and Seaboard shall indemnify the County pursuant to the indemnity provisions of this Agreement related to any claim arising out of or related to Seaboard's use of these buildings. The County shall have no obligation to maintain said buildings.

O) The County agrees that the leases on all buildings, structures, and land in the Terminal Area, located within Parcels "B1" and "B2" in Exhibit "B" that are currently occupied and leased by tenants other than Seaboard ("Third Party Leases"), shall be terminated as soon as reasonably possible. Such buildings, including those referenced in Section 4(N) and the warehouse located at 1470 Port Boulevard, shall be demolished on or before September 30, 2010 by the County. Should the demolition of all of the referenced buildings occur by September 30, 2010, one-hundred percent (100%) of the aggregate demolition cost shall count toward the County's Funding Cap described in Section 7(F). For every month the demolition is delayed beyond September 30, 2010, ten percent (10%) of the aggregate demolition cost shall not be counted toward the County's Funding Cap. In connection with such demolitions, the County shall remove all debris and leave the ground properly graded. The County then intends for this acreage to become Throughput Acres subject to its improvement consistent with Section "7" and Exhibit "C". The County also hereby agrees that:

1. the County shall remain responsible for all of its current obligations under the Third Party Leases, including but not limited to, any maintenance and environmental obligations.

2. the County shall assume any and all liability associated with the Third Party Leases until the Third Party Lease is terminated by the County and the tenant vacates the Third Party Area.
3. The County, as landlord, shall collect any and all rent associated with the Third Party Leases until their termination.
4. The County shall ensure that none of the Third Party Leases are renewed or extended and shall terminate them as soon as possible pursuant to the terms of the leases.
5. The County shall ensure that each property subject to a Third Party Lease is prepared for demolition upon its termination.

P) The County acknowledges that Seaboard currently subleases 14.16 acres of land on the Port from Port of Miami Terminal Operating Company (POMTOC). Such acreage is included within the Terminal Area and shall be subject to the then current Land Rental Rate and counted toward the calculation of Seaboard's Minimum Guaranteed TEU Throughput regardless of whether these lands are assigned to Seaboard during this Agreement. For purposes of calculating the Land Rental Rate owed the County on this 14.16 acres, Seaboard shall be fully credited by the County for the amount paid to POMTOC for its sublease of the 14.16 acres. Should the County gain possession of this land through assignment prior to, concurrent with, or after the Effective Date of this Agreement, the County agrees to transfer these 14.16 acres to Seaboard, at which time Seaboard shall pay the County the then applicable Land Rental Rate.

Q) The County acknowledges that acreage dedicated to the Tunnel impacts Seaboard's operation more than any other Port user and will force Seaboard to relocate its terminal truck gates and entrance. Due to the uncertainty of timing and costs of such relocation and construction of a new truck gate structure, the Port agrees that Seaboard may use the Port's existing scales at no charge but only until Seaboard's new truck gate structure is completed and operational which shall not be later than November 1, 2010, subject to the transfer of the subleased 14.16 acres described in Section 4(P).

Section 5. Seaboard Commitment to the County.

- A) Land Rent. Beginning on the Effective Date and continuing throughout the Initial Term and any Renewal Terms, Seaboard agrees to pay one dollar (\$1.00) per square foot annually on all land in the Terminal Area paid in monthly installments subject to an annual increase of not more than three percent (3%), starting on October 1, 2009. If for any reason the County does not increase the Land Rental Rate in any given Fiscal Year(s), the County may thereafter add the amount of such allowed (but not imposed) annual increase in later years but only in the then current term. For example, if the County elects not to impose a Land Rental Rate increase in Fiscal Years two or three, in Fiscal Year four the County could impose a Land Rental Rate increase of approximately 9.3% (the 3% compounded for three years) to account for the two prior Fiscal Years in which no annual Land Rental Rate increase was imposed provided, however, that the foregoing annual increase shall not apply during the first year of any Renewal Term in which land rent has been changed resulting from an appraisal. During the Initial Term of the Agreement, the Land Rental Rate may not vary by more than 38 cents per square foot in any one year than would have been charged in that year had the Southeast Regional CPI escalator been applied from October 1, 2009 in place of a 3% annual increase. The calculation comparing the cumulative effect of having used a 3% escalator as opposed to the CPI escalator shall be performed each year during the Initial Term only. For example, if on October 1, 2018, the Land Rental Rate would be \$1.34 per square foot based on the annual 3% escalator, but the Land Rental Rate would have risen to \$1.82 per square foot using the Southeast Regional CPI escalator—a difference of 48 cents—then because the latter number is more than 38 cents above the former number, pursuant to the terms of the this section, the Land Rental Rate to apply at the commencement of Fiscal Year starting October 1, 2018 would be \$1.44 per gross square foot of the Terminal Area ($\$1.82 - .38 = \1.44).
- B) Renewal Term. At the beginning of each Renewal Term, the Land Rental Rate shall be adjusted to reflect any increase in value pursuant to independent appraisals of comparable land at Florida's five (5) busiest container ports. Such adjustment shall apply to the relevant

Renewal Term in addition the annual increase not to exceed three percent (3%) applicable to the Renewal Term(s) (other than the initial year of each Renewal Term). Each Party shall, within ten (10) calendar days of the County's receipt of Seaboard's intent to renew this Agreement, select an independent Florida licensed land appraiser to undertake the "Appraisal" of the then fair-market value, using the aforementioned criteria, of the Terminal Area on a square footage basis (collectively "Appraisals"). Upon completion of the Appraisals, each party shall transmit a certified original appraisal to the other party no later than thirty (30) days from the date Seaboard's written notice of intent to renew was received by the County. If the Appraisals are within ten percent (10%) of each other and do not reflect a decrease from the then applicable Land Rental Rate, the Appraisals shall be averaged and the resulting rate shall become the base Land Rental Rate for year one of the applicable Renewal Term, and which shall be subject in subsequent years to annual Land Rental Rate increases pursuant to Section 5 hereof. If, however, the two square footage rates vary by more than ten percent (10%), the two appraisers shall jointly select a third independent Florida licensed land appraiser to calculate the then fair market rental value of the Terminal Area. The third appraiser's then fair market rental value (per square foot) shall be averaged with the original Appraisals to determine the new base Land Rental Rate, but only if the calculation results in an increase in the Land Rental Rate. In no event shall the Land Rental Rate in the initial year of a Renewal Term be less than the Land Rental Rate of the previous Fiscal Year; however, the three percent (3%) annual increase shall not apply in the initial year of each Renewal Term.

- C) Infrastructure Fee. Seaboard shall initially pay the County a one-time Infrastructure Fee of one million one-hundred and fifty thousand and three-hundred and fifty dollars (\$1,150,350), which is the equivalent of \$15,000 per acre for seventy-six and sixty-nine hundredths (76.69) acres included within the Terminal Area within sixty (60) days of the Effective Date, which Infrastructure Fee shall be used to help fund the Port's financial commitment for improvements to the Terminal Area. The Infrastructure Fee shall apply to partial acres on a pro rata basis.

- D) Minimum Annual Throughput. During each Fiscal Year of the Initial Term and any Renewal Term, Seaboard shall provide the Minimum Guaranteed TEU Throughput as set forth in Exhibit "A", subject to force majeure or the failure of the County to comply with this Agreement, hereunder. The Minimum Guaranteed TEU Throughput will be adjusted pro rata to reflect any partial year. For TEU throughput calculation purposes only, each Vehicle shall count as two-thirds of a TEU. Seaboard cargo on a non-Seaboard vessel as part of a VSA shall count towards Seaboard's Minimum Guaranteed TEU Throughput totals, but any non-Seaboard cargoes on a non-Seaboard vessel, which is part of a Seaboard VSA, although counting towards the Minimum Guaranteed TEU Throughput, shall be assessed at the higher of the then-applicable Seaboard Tier I TEU Rate or the average of the highest Base or Tier I TEU Rates of the other cargo terminal operators at the Port. Trans-shipped TEUs will count towards TEU throughput calculations, but only if future rates for Trans-shipped TEUs are equal to or greater than the then-applicable Tier I TEU Rate. However, notwithstanding the manner of calculation of TEU throughput, Seaboard will be responsible for paying to the Port the equivalent full TEU Rate for all TEUs falling under Tier I in Exhibit "A".
- E) In any Fiscal Year in which Seaboard fails to meet the Minimum Guaranteed TEU Throughput, Seaboard shall pay the County Shortfall Fees within sixty (60) days of the receipt of an invoice from the County after the end of the Fiscal Year. Shortfall Fees shall be the difference between Actual TEU Throughput and the Minimum Guaranteed TEU Throughput multiplied by the Tier I TEU rate for the applicable Fiscal Year.
- F) Within ninety (90) days of the end of each third full Fiscal Year during the Initial Term and any Renewal Term, the County shall evaluate Seaboard's Actual TEU Throughput for those three (3) Fiscal Years. If Seaboard's aggregate Actual TEU Throughput exceeds its aggregate Minimum Guaranteed TEU Throughput for those three (3) years, then Seaboard will be eligible to receive a full credit for Shortfall Fees paid. The credit will be evenly provided over the remainder of the Fiscal Year against invoiced charges, and in subsequent Fiscal Years if the entire credit is not used in the remainder of the Fiscal Year in which it is granted.

G) At the end of each third full Fiscal Year during the Initial Term and any Renewal Term, the County reserves the right for the Port Director using, reasonable discretion, to reduce the size of the Terminal Area but only if it notifies Seaboard within sixty (60) days of said Fiscal Year end. The Port Director may reduce the size of the Terminal Area only if Seaboard's aggregate Actual TEU Throughput for a three (3) year period falls short of its aggregate Minimum Guaranteed TEU Throughput for reasons other than force majeure or an action by the County that is reasonably judged by the Port Director to have reduced by ten percent (10%) or more Seaboard's ability to meet its Minimum Annual TEU Guarantee. The reduction in the size of the Terminal Area shall correspond on a percentage basis to the percentage that Seaboard's aggregate Actual TEU Throughput falls short of its aggregate Minimum Guaranteed TEU Throughput over the three (3) year period, or as adjusted owing to an action by the County that is reasonably judged by the Port Director to have reduced by ten percent (10%) or more Seaboard's ability to meet its Minimum Annual TEU Guarantee. The particular part of the Terminal Area that the Port Director uses to reduce the size of the Terminal Area shall be determined in the Port Director's sole discretion; provided however, that Seaboard shall have the right to provide the Port Director recommendations that minimize the impact on Seaboard's operations. In the event the size of the Terminal Area is reduced in accordance with this Section 5(G), the Minimum Guaranteed TEU Throughput and the TEU Throughput under Tier 1 shall be adjusted downward and the land rent as set forth in Section 5(A) shall not be payable with respect to land that is removed from or no longer available in the Terminal Area.

H) Seaboard acknowledges that a Rail Line runs along the northern boundary of the Terminal Area. In the event the County, in the exercise of its reasonable discretion after prior consultation with Seaboard, desires that the Rail Line be used within the Port for the movement of cargo, then Seaboard shall use commercially and operationally reasonable efforts to provide other terminal operators either access to cargoes carried on the Rail Line if the rail terminus is in Seaboard's Terminal Area, or Seaboard will handle such cargoes on a reasonable cost basis as agreed to by Seaboard and the Port Director. The County reserves

the right to modify the Terminal Area to exclude the Rail Line. In this event, the County agrees to use commercially-reasonable efforts to work with Seaboard to minimize the adverse impacts upon Seaboard from the use and location of the Rail Line. Seaboard agrees that it will not construct permanent structures on the Rail Line or its right of way during the term of the Agreement unless the County and Seaboard mutually agree.

- I) Except as otherwise provided herein, the use of the Terminal Area shall be subject to the Port Tariff. In the event of a conflict between this Agreement and the Port Tariff, this Agreement shall prevail.
- J) The use by Seaboard of its own mobile harbor cranes and/or rubber tire gantries within the Terminal Area and/or bays inclusive and west of bay 149 to load and discharge Vessels or ships shall not be subject to any fees or charges imposed by the County.

Section 6. Scheduled Rates Applicable to Seaboard

The County and Seaboard agree that the following rates and charges shall apply during the Initial Term and any Renewal Terms, except as otherwise provided:

- A) Tier I TEU Rate: The Tier I TEU Rate payable by Seaboard shall be as set forth in Exhibit "A".
- B) Discount TEU Rates: Discount TEUs Rate payable by Seaboard shall be as set forth in Exhibit "A".
- C) Crane Charges: Rates and charges related to County-owned cranes shall be the lesser of:
 - (1) the prevailing rates and charges as set forth in the Tariff; or
 - (2) Tariff crane rates as of the Effective Date of this Agreement escalated by no more than 4% each Fiscal Year; or
 - (3) any crane rate or charge agreed to by the Parties pursuant to Section 6 (L).
- D) Trans-shipments. From the Effective Date through September 30, 2013, the County will charge Seaboard the following Trans-shipment Rates for Trans-shipment containers it discharges each Fiscal Year: ten dollars (\$10.00) per TEU for TEUs 1 – 15,000; fifteen dollars (\$15.00) per TEU for TEUs 15,001 – 30,000; and fourteen dollars (\$14.00) per TEU for all Trans-shipped TEUs beyond 30,000. Starting on October 1, 2009, these rates are

subject to an annual increase of not more than three percent (3%) per Fiscal Year. Seaboard and the Port agree to enter into negotiations by June 1, 2013 regarding the Trans-shipment Rates to be charged after September 30, 2013. Should Seaboard and the Port fail to agree on a new Trans-shipment Rate schedule, the lesser of the then Tariff rate for Trans-shipments or the then Current Tier I Rate shall apply.

E) Lay Berth: The rates that apply to any Lay Berth Dockage shall be the Tariff rates, except that when repairs are undertaken concurrent with the loading or discharging operations there shall be an allowance of up to twenty-four (24) hours after the completion of loading/discharging operations before Lay Berth Tariff rates are applicable. A forty-eight (48) hour, rather than a twenty-four (24) hour allowance, will be granted for up to ten percent (10%) of Seaboard's Vessels in a Fiscal Year.

F) Outlets for Refrigerated Containers: Seaboard shall have the right at its own expense to place all existing electrical outlets for powering refrigerated containers within the Terminal Area on separate electrical meters, subject to inspection and audit by the County. Seaboard shall maintain any County constructed electrical outlets used for powering refrigerated containers within the Terminal Area in good working condition and repair at its own expense until such time as these outlets are removed or demolished consistent with the improvements described in Section 7. For all electrical outlets constructed by the County, Seaboard shall be responsible for electric usage costs as actually billed the County plus an additional \$1.35 daily availability fee for each electrical outlet, whether or not Seaboard uses each electrical outlet. The County shall provide Seaboard copies of any electric utility company billings owed the County under this Agreement as part of its delivery of the County's monthly invoices to Seaboard. Seaboard shall be responsible for the cost of installation, recurring utility payments for usage and maintenance of any infrastructure related to Seaboard's construction of new electrical outlets for refrigerated containers. Any new outlets that are not invoiced by the electric utility to the County will not be subject Seaboard to any County fees. The County shall issue Seaboard a credit of thirty-two thousand and six hundred dollars (\$32,600) by October 31, 2008. Seaboard acknowledges that this credit represents the final

County granted credit under the Original Agreement as reimbursement for Seaboard's costs for constructing refrigerated container electrical outlets at the Port..

- G) Non-Containerized and Non-Trailerized Cargo: Non-Containerized and Non-Trailerized Cargo, excluding Vehicles and cargo loaded on flatbeds, platforms or flatracks shall be at the prevailing rates and charges as set forth in the Port Tariff.
- H) Vehicle Rate: The rate payable by Seaboard for wharfage and dockage on Vehicles shall be \$4.50 per Vehicle, subject to an annual increase of no more than three percent (3%), starting on October 1, 2009. In no case shall such Vehicle Rate be higher than the Tariff rate in effect at that time.
- I) Security Fee: The Port may implement a reasonable Security Fee on Seaboard, but only if the Security Fee is equitably implemented on all other Port cargo terminal operators whose terminals are fifteen (15) acres in size or greater. The Security Fee shall not be applied to Seaboard if the Port's operating budget, as calculated consistent with the Port's accounting policies and practices as of the Effective Date, for security costs for any one Fiscal Year does not exceed twenty-two million dollars (\$22,000,000), compounded five percent (5%) annually at the start of each Fiscal Year commencing on October 1, 2008.
- J) All Tariff rates shall govern Seaboard's activities at the Port other than those identified in this Agreement, subject to specifically mentioned exclusions for gate fees, reefer fees, storage fees, facility improvement fees, and Security Fees identified in Section 6(I). Seaboard shall not be subject to scale fees at the Port's main terminal gate complex unless it requests to use such scales or as provided in Section 4(Q).
- K) Dockage for Multi-Terminal Ships. In this Agreement, Dockage is included in the Tier I or Discount TEU Rates, Trans-shipment Rate, and Vehicle Rate. To the extent TEUs and/or non-TEU cargo are loaded on and/or discharged from a ship to or from a Port cargo terminal other than Seaboard's Terminal Area, then Dockage shall be due the County from such ship pro rata to the percentage of total TEUs and non-TEU cargo loaded on and/or discharged from said ship to or from a cargo terminal other than Seaboard's Terminal Area. By example, if sixty percent (60%) of the TEUs and non-TEU cargo loaded and/or discharged on or from a

ship is processed to or from Seaboard's Terminal Area and the other forty percent (40%) is processed to or from a cargo terminal at the Port other than Seaboard's Terminal Area, then in such event the ship would be charged forty percent (40%) of the Dockage due under the Tariff.

- L) Future Crane Rate Agreements. Should the Port execute a crane rate discount agreement with any other Port user of County-owned cranes, the Port shall within forty-five (45) days offer Seaboard similar terms and conditions, which may include requirements for crane usage guarantees.

Section 7. Improvements to Seaboard Terminal Area It is the County's and Seaboard's desire to improve the Terminal Area so that it is suitable for using a rubber tire gantry (RTG) system of handling cargo containers and that appropriate and reasonable marine terminal construction standards be utilized in making such improvements. In addition, the parties recognize that construction sequencing must be cooperatively planned and coordinated in an effort to contain the costs of improving the terminal while minimizing the impact to Seaboard's operation.

A) Construction Phasing. While an exact construction phasing plan does not yet exist, it is agreed by Parties that Seaboard will provide input to the County for its review and approval. Seaboard shall have the right to review and provide comment on any architectural and engineering proposals and work performed by a contractor on behalf of the County within the Terminal Area. In addition to Seaboard's preferences for project phasing, Seaboard shall provide a "Basis of Design" plan for the Terminal Area that will contain, but not be limited to, a fully dimensioned Terminal Area layout and circulation. It may also include preferred sequencing of demolition activities, lighting, access, and RTG runway locations, as well as critical spot paving elevations, slope limitations, horizontal and vertical configuration of wharves for Berths, and performance criteria for critical construction components.

B) Minimum Criteria. Although it will be up to the County to determine minimum criteria for paving and drainage in the Terminal Area, the County does commit to making improvements consistent with RTG operations. Preliminarily, Seaboard has expressed a preference for design criteria that includes runway rigid pavements designed to accommodate channelized multi-wheeled RTG's with lifting capacities of 50 tons and yard flexible pavements designed for a combination of RTG's, top-picks, reach

stackers and 18 kip axle loads. Seaboard will also present information relating to the appropriate grading for RTG operations and standards for discharge of surface drainage.

C) Phasing. It is agreed by the Parties that the above generally described improvements will be designed and constructed in five (5) phases as shown in Exhibit "C". Seaboard agrees that it will pay the County one million dollars (\$1,000,000) for each of the five (5) phases upon final acceptance by the Parties of the work for that defined phase. If there is more than one project for each phase, then Seaboard's payment will be made based upon final acceptance by the Parties for the work for the last project in that phase.

D) Failure to Meet Phasing Completion Dates. Should the County fail to substantially complete the phased improvements by the respective target dates shown in Exhibit "C", subject to force majeure, Seaboard's contribution for each phase will decrease by one-hundred thousand dollars (\$100,000.00) for every month past the targeted completion date for that respective phase. If the improvements are completed more than ten (10) months past the respective target date for any phase, then Seaboard will not make any payment towards that respective phase. Further, if the improvements are not completed for each phase by the respective target date, the County agrees to decrease the then Land Rents and the Minimum TEU Guaranteed Throughput for the impacted acreage according to Exhibit "C".

E) Improvement Phases. For those improvements that are the responsibility of the County, Exhibit "C" defines the amount of phased acreage to be improved by the County. The actual locations and limitations of the acres to be developed and the construction phases will be defined later taking into account Seaboard's "Basis of Design" document. However, such modification does not change the minimal amount of acreage to be improved by the County, but could change the location and configuration of such improvements.

F) County Funding Cap. The County agrees to fund the allowable demolition costs set forth in Section 4(O) and phased improvements set forth in Exhibit "C" up to a cap of twenty-one million dollars (\$21,000,000) (the "County Funding Cap"), plus whatever funds the County receives from Seaboard from its commitment to contribute funds to completed phases. The County's twenty-one million dollars (\$21,000,000) funding commitment could be increased by a maximum of five-million dollars (\$5,000,000)

if the County fails to meet East Bulkhead construction deadlines as set forth in Section 4(J). Should the County complete the improvements identified in Section "7" and Exhibit "C" for an amount less than its maximum funding commitment, the County shall not be obligated to expend the remaining funds. The County agrees that the following costs will not count toward its Funding Cap: contract administration, permitting (excluding contractor costs), environmental review, and time spent by County employees.

Section 8. Use of the Terminal Area

Seaboard shall not use the Terminal Area for any unlawful purpose, including, without limitation, any unauthorized use, or any use prohibited by Applicable Laws. Seaboard agrees not to abandon or cease service to the Terminal Area, unless expressly permitted to do so by another provision of this Agreement or authorized to do so by the County.

Section 9. Maintenance and Repair of Terminal Area

A) Subject to subsection (B) below, except for damage caused by the act or omission of the County and agents, employees and contractors of the County, or which is the responsibility of the County pursuant to Section 4(N), all general day-to-day maintenance and repairs of the Terminal Area shall be Seaboard 's sole responsibility. Seaboard shall, at its own expense, keep the Terminal Area and the improvements constructed thereon (if any) in a clean and orderly condition, and in good working order. Prior to or at the termination of this Agreement, damage done by the installation or removal of personal property of Seaboard shall be repaired so as to restore the Terminal Area to its original state, except in cases where the Terminal Area may have been altered by Seaboard with the approval of the Port. At the termination of this Agreement, Seaboard agrees to quit and surrender up the Terminal Area in the same good order and condition as it was at the commencement of this Agreement; provided however, that such return of the Terminal Area under this Section shall not relieve Seaboard of its obligations for damages to the Terminal Area that may be specifically provided elsewhere in this Agreement. In this regard, Seaboard and the County shall perform a joint inspection of the Terminal Area at the commencement of this Agreement in order to determine the condition of the Terminal Area.

B) Any damage to County property or facilities caused by Seaboard, including but not limited to damage to paved surfaces and damage caused by tracked vehicles, shall be repaired by Seaboard at its sole cost and expense. Seaboard shall not be responsible for repair caused by normal wear and tear.

C) The County, its agents and/or representatives may at all times and with reasonable advance notice enter the Terminal Area to view and inspect, the Terminal Area and facilities, or for any other purpose; provided, however, that any such entry and/or inspection will be conducted at a time and in a manner that will minimize its impact on Seaboard's operations. Sworn law enforcement officers may enter the Terminal Area at all times without notice, as may County personnel solely for reasons of safety, security and construction management.

D) The Port shall be responsible for maintaining lighting, bulkheads and drainage and any obligations referenced under Section 4(O). Seaboard shall be responsible for maintaining above-ground improvements (except for lighting) constructed by Seaboard for Seaboard's use, and for maintaining all paving inclusive of concrete pads for rubber tire gantry operations.

E) Removal of Trash:

Seaboard shall, at its sole cost and expense, remove from the Terminal Area all trash and refuse which might accumulate and arise from its use of the Terminal Area and the business operations of Seaboard under this Agreement. Such trash and refuse shall be stored temporarily and disposed of in a manner that complies with all Applicable Laws and is approved by the Port.

F) Failure to Maintain:

If it is determined by the County that Seaboard has failed to properly clean, remove trash and refuse, maintain, repair, replace and refurbish the Terminal Area as required by this Section and not caused by the County or its affiliates, employees and subcontractors, the County shall provide Seaboard a list of deficiencies in writing, reflecting the amount of time to be reasonably allowed for Seaboard to correct same. If Seaboard fails to correct such deficiencies within the time allowed and has not registered an objection as to its obligation to do so, the County, following thirty (30) days further notice to Seaboard, may enter upon the Terminal Area and perform all work, which, in the judgment of the County, may be necessary and the County shall charge Seaboard for the cost of such work, plus twenty-five (25%) for administrative costs. Subsequent to receipt of the further notice of intent to perform repairs or cleanup from the County, Seaboard shall not undertake performance of such repairs or cleanup without specific prior written authorization from the County.

G) Environmental Protection:

1) Seaboard's Obligations: At all times during the term of this Agreement, Seaboard shall comply with the following:

- a) Disposal of Wastes: Seaboard shall dispose of all industrial, domestic, hazardous, and solid wastes generated by it in accordance with all Applicable Laws, it being Seaboard's responsibility to determine the approved method of disposal of its wastes and take action accordingly.
- b) Records: Seaboard shall maintain such records as are reasonably necessary to adequately assess environmental compliance in accordance with all Applicable Laws.
- c) Monitoring Equipment: Seaboard agrees at its expense, to the extent required by Applicable Law, or by environmental or law enforcement officials of the County or other governmental environmental entity having regulatory authority and then only to the extent required by applicable regulations, to install monitoring equipment in a number and type sufficient to monitor Seaboard's activities in its use of the Terminal, and to assign appropriate personnel to monitor such equipment and provide periodic reports to the County.

2) Seaboard's Failure to Comply with Environmental Laws: Seaboard acknowledges that material non-compliance with its obligations under this section constitutes an event of default pursuant to Section 25 of this Agreement, and that illegal discharges and material violations may result in penalties, issuance of civil violation notices and penalty orders, which material non-compliance and material violations are also subject to Section 25 of this Agreement.

3) Seaboard shall comply with all Applicable Laws related to environmental protection and regulations applicable to the use, storage and handling of hazardous substances, hazardous materials, industrial wastes and hazardous wastes in, on, or near the Terminal Area. Seaboard shall indemnify and hold the County, its officers, employees, agents, successors and assigns (collectively "Indemnitees") harmless from, and assumes any and all liability for, any and all claims, liabilities, causes of action, obligations, damages, penalties, costs, charges and expenses (including, but not limited to reasonable attorney's fees, environmental response and remediation costs and the costs and expenses of appellate action, if any), imposed on, incurred by, or asserted against Indemnitees, by any other parties

(including, with limitation, a governmental entity), in the event arising out of, in connection with, or relating to any environmental condition of contamination caused or created in whole or in part by Seaboard, or any violation of any federal, state, or local environmental law with respect to the Terminal Area created and caused solely by Seaboard.

4) County Responsibility for Pre-Occupancy Environmental Events:

- a) Responsibility and Indemnity: To the extent allowed by law and subject to the limitations contained in Section 768.28, Florida Statutes, the County shall be responsible for and does hereby agree to indemnify, defend and save harmless Seaboard and its officers, employees, agents, directors, and stockholders from and against any and all claims, actions, demands, costs, damages, loss, fines, judgments, liabilities of any kind, and expenses, including reasonable attorney's fees, relating to or in any way arising out of:
 - i) The use, storage, disposal, discharge or release of any Hazardous Material (as defined below) at, in, on, under above, originating from, or generating at the Terminal Area prior to the date of the Original Agreement or Seaboard's occupancy or use of the Terminal Area, whichever came first, whether or not originating outside the Terminal Area, so long as not caused by any action or inaction of Seaboard; or
 - ii) Any violation, accrual or alleged, of any Environmental Law (as defined below) on, under, or above the Terminal Area, or relating to or arising from operations or activities at the Terminal Area prior to the date of the Original Agreement or Seaboard's occupancy or use of the Terminal Area, whichever came first, so long as not caused by the action or inaction of Seaboard.

For these purposes, the term "Hazardous Materials" shall include, but not be limited to, any substance defined as "hazardous substances,"

"hazardous air pollutant," "pollutants," "contaminants," "hazardous materials," "hazardous wastes," "toxic chemicals," petroleum or petroleum products," "toxics," "hazardous chemicals," "extremely hazardous substances," "pesticides" or related materials, including, but not limited to, radon and asbestos, as defined in any applicable federal, state, or local law, regulation or ordinance, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 42 U.S.C. 9601 et seq., the Emergency Planning and Community Right to Know Act, 42 U.S.C. 1101 et seq., the Resource Conservation and Recovery Act, 12 U.S.C. 6901 et seq., the Hazardous Materials Transportation Act of 1974, 49 U.S.C. 1801 et seq., the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., the Clean Air Act, 42 U.S.C. 4701 et seq., the Federal Insecticide Fungicide and Rodenticide Act, 7 U.S.C. 136 et seq., the Safe Drinking Water Act, 42 U.S.C. 2601 et seq., and any laws regulating the use of biological agents or substances, including medical or infectious wastes (collectively "Environmental Laws").

- b) Remediation: The County agrees that it will take or cause to be taken appropriate steps to cause the remediation of all Hazardous Materials covered by the indemnity set forth in this section, above, as shall be required in order for the Terminal Area to be in compliance with Environmental Laws.
- c) Seaboard's Obligations during Pre-Occupancy Remediation Efforts by County: Seaboard agrees to cooperate with the County in such remediation steps by assigning appropriate personnel of Seaboard to coordinate the remediation steps with the party or parties actually

performing the remediation access to and use of the portion of the Terminal Area involved in such remediation steps.

- d) No Liability to Seaboard: Seaboard acknowledges that remediation steps taken to correct any environmental contamination may extend over a number of years and may cause inconvenience and business interruption to Seaboard. The County shall not be liable to Seaboard in any manner for such inconveniences and disruption, but will exercise reasonable efforts to minimize them to the extent reasonably possible.

5. Environmental Indemnities:

- a) The County agrees that Seaboard shall have no liability for, and provided Seaboard demonstrates that an event was a pre-occupancy event for which Seaboard is not liable hereunder, that the County, to the extent allowed by law, will indemnify and hold Seaboard harmless from, all costs and expenses (including, without limitation, all attorney's fees and costs) associated with any environmental contamination of the premises arising out of a pre-occupancy event which was not caused by Seaboard. Notwithstanding and prevailing over the foregoing, such environmental indemnity shall not extend to, and Seaboard shall be solely responsible for all such costs and expenses which arise out of environmental contamination for which the County may be held liable caused in whole or in part by Seaboard, Seaboard's agents, employees, contractors, or invitees, including, but not limited to, any environmental contamination committed by Seaboard, its agents, employees, contractors, or invitees during any prior or current tenancy or occupancy of the Terminal Area or any portion thereof.
- b) The parties' responsibilities, obligations and liabilities pursuant to this Section Environmental Indemnities shall survive the expiration or early termination of this Agreement.

6) No waiver: Nothing in this Agreement or otherwise shall be deemed to be a waiver of the County's or Seaboard's right to take action against responsible parties for remediation of or payment for environmental deficiencies on the Terminal, nor be deemed to be an assumption by the County of the responsibility for such remediation or payment, except as may be imposed on the County as a matter of law.

H) Use of Public Port Facilities: The County grants to Seaboard, in common with all others desiring to use the Port, the nonexclusive privilege to use the roads of ingress and egress, service roads and such other facilities and improvements as may be now in existence or hereafter constructed for the use of persons lawfully using the Port. Such grant of use shall only be to the extent necessary to carry out the rights granted Seaboard under this Agreement and Applicable Laws and only so long as such use does not conflict with the County's operation of the Port in the County's reasonable discretion. Nothing contained herein shall be construed to grant Seaboard the right to use any real or personal property that is leased to a third party except any acreage subleased to Seaboard, including the 14.16 acres subleased from POMTOC.

I) Right To Search: Subject to Applicable Laws, Seaboard agrees that its vehicles, cargo, goods and other personal property are subject to being searched when attempting to enter or leave the Terminal Area. Seaboard further agrees that, to the extent consistent with Applicable Laws, the Port has the right to prohibit any individual, agent or employee of Seaboard from entering the Port, based upon facts which would lead a person of reasonable prudence to believe that such individual might be inclined to engage in theft, cargo tampering, sabotage or other unlawful activities. Seaboard acknowledges and understands that these provisions are for the protection of all users of the Port and are intended to reduce the incidence of thefts, cargo tampering, sabotage and other unlawful activities at the Port.

Section 10. Port Bond Obligations.

Notwithstanding and prevailing over any other provision of this Agreement, the County reserves the right to increase the rates contained in this Agreement at a percentage increase no greater than that applied to other cargo operators upon a reasonable determination by the County's independent Financial Advisor that Port revenues in the aggregate will not be sufficient to meet the rate covenant and/or

additional bonds tests on all outstanding Port bonds obligations or any bond coverage requirements. The County shall give Seaboard ninety (90) days written notice of its intent to increase the rates pursuant to this provision of the Agreement, and shall make reasonable efforts, within the limitations of the applicable bond documents, to provide Seaboard more than ninety (90) days notice. Seaboard shall have the right to terminate this Agreement by written notice to the County within sixty (60) days of the date of such notice. If Seaboard does not terminate this Agreement within the sixty (60) day period, the increased rates shall become effective immediately and Seaboard shall have no other recourse with respect to such increase.

Section 11. Right to Regulate

Nothing in this Agreement shall be construed to waive or limit the governmental authority of the County, as a political subdivision of the State of Florida, to regulate Seaboard or its operations.

Section 12. Zoning Changes and Approvals

Notwithstanding any rights under this Agreement this Agreement shall not bind the Miami-Dade Board of County Commissioners, the Zoning Appeals Board, the Building Department, the Planning and Zoning Department, any successor board or department, or any other department or board of the County, including Community Councils, to agree to or grant any zoning changes, permits or any other approvals.

Section 13. Licenses, Permits and Approvals

Seaboard shall obtain all land use, construction and operating permits and approvals required by all Applicable Laws for Seaboard's activities in the Terminal Area at Seaboard's sole cost and expense. Seaboard shall not require the Port to take any action or perform any tasks within the Terminal Area to enable Seaboard to obtain such permits and approvals.

Section 14. Audits

Seaboard agrees that the County or its duly authorized representatives or governmental agencies shall, until the expiration of three (3) years after the expiration of this Agreement and any extension thereof, have access to and the right to examine and reproduce any of Seaboard's books, documents, papers and records, and those of its subcontractors and suppliers acting on Seaboard's behalf, which relate to Seaboard's performance of its obligations under this Agreement.

Section 15. Suitability of Terminal Area.

Seaboard acknowledges that the County has made no representations, except as provided in this Agreement, as to the Terminal Area, the condition of the Terminal Area or the suitability of the Terminal Area for Seaboard's purposes.

Section 16. Terminal Agreement

It is agreed that this Agreement is not a lease, and that no interest or estate in real property or the improvements located in or on the Terminal Area is created by this Agreement.

Section 17. Commitment on Indemnity and Insurance

A) Seaboard shall procure and maintain throughout the Initial Term and any Renewal Terms, at its sole cost and expense, the following insurance policies on which the County shall be named as an additional insured, with not less than the limits specified for each policy below:

- 1) Workmen's Compensation Insurance to cover all persons employed by Seaboard in and about the Terminal Area (including longshoremen and harbor workers coverage) as required by Florida Statute 440 or any successor thereto. Whenever applicable, protection shall also be provided for liability under the Jones Act, 46 U.S.C. Section 688, and under General Maritime Law.
- 2) General Liability Insurance - With respect to the use and activities of Seaboard, its employees, agents, customers and guests in and around the Terminal Area, General Liability Insurance in the minimum amount of one million dollars (\$1,000,000) combined single limits for the death of or personal injury to one or more persons and for property damage for each occurrence in connection with the use thereof or the activities of Seaboard thereon.
- 3) Automobile Liability Insurance covering all owned, non-owned and hired vehicles used in connection with Seaboard's operations in an amount not less than five-hundred thousand dollars (\$500,000) combined single limit per occurrence for bodily injury and property damage.
- 4) Terminal Operator's Liability Insurance shall be for the amount of at least four million dollars (\$4,000,000) per occurrence.

- 5) All insurance policies required by this section shall be issued by companies authorized to do business under the laws of the State of Florida with the following qualifications:

The company must be rated no less than "B" as to management, and no less than "Class V" as to financial strength by the latest edition of Best's Insurance Guide, published by A.M. Best Company, Oldwick, New Jersey, or its equivalent, subject to the approval of the County Risk Management Division, or companies holding a valid Florida Certificate or Authority as shown in the latest "List of All Insurance Companies Authorized or Approved to do Business in Florida," issued by the State of Florida Department of Insurance and are members of the Florida Guaranty Fund.

Such insurance policies shall contain a provision to the effect that the insurance company shall not reduce coverage or cancel such policy without first giving written notice thereof to the additional insured at least thirty (30) days in advance of such cancellation or material modification. Seaboard and the County shall promptly provide to the other, certificates evidencing that insurance has been obtained meeting the requirements of this section.

- B) Seaboard shall indemnify and hold harmless the County and its officers, employees, agents and instrumentalities from any and all liability, losses or damages, including attorney's fees and costs of defense, which the County or its officers, employees, agents or instrumentalities may incur as a result of claims, demands, suits, causes of actions or proceedings of any kind or nature arising out of, relating to, or resulting from the performance of this Agreement and caused by the negligence of Seaboard or its employees, agents, partners, principals, contractors or subcontractors. Seaboard shall pay all such claims and losses in connection therewith and shall investigate and defend all such claims, suits or actions of any kind or nature in the name of the County, where applicable, including appellate proceedings, and shall pay all costs, judgments, and attorney's fees which may issue thereon. Seaboard expressly understands and agrees that any insurance protection required by this Agreement or otherwise provided by Seaboard shall in no way limit the responsibility to indemnify, keep and save harmless and defend the County or its officers, employees, agents and instrumentalities as herein provided. The foregoing indemnity

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shall not apply to the extent caused by the negligent acts or omissions of the County or its employees, agents, partners, principals or subcontractors.

- C) In those situations where this Agreement imposes an indemnity obligation on Seaboard, the County may, at its expense, elect to participate in the defense if the County should so choose. Furthermore, the County may at its own expense defend or, after consulting with Seaboard, reasonably settle any such claims if Seaboard fails to diligently defend such claims, and thereafter seek indemnity for costs from Seaboard.

Section 18. Choice of Law and Exclusive Venue

The parties agree that this Agreement was entered into in the State of Florida and that the laws of Florida, and any applicable federal law, shall govern its interpretation, application and enforcement. Venue for any suit or dispute arising under this Agreement shall lie exclusively in Miami-Dade County, Florida.

Section 19. Entirety of Agreement; No Oral Change or Termination

This Agreement is the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any prior agreements or understandings between the parties with respect to the subject matter hereof. No change, modification or discharge hereof in whole or in part shall be effective unless such change, modification or discharge is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought and, in the case of the County, such change is approved by the Board of County Commissioners. This Agreement cannot be changed or terminated orally.

Section 20. Compliance with Applicable Laws

Seaboard, its employees, agents, affiliates, contractors, and guests shall comply with all Applicable Laws in its action related to this Agreement and while conducting any activity in the Terminal Area or on any other County property. If any renewal option is exercised, Seaboard shall comply with all Applicable Laws in effect at the time of such renewal.

Section 2-11.1(d) of Miami-Dade County Code as amended by Ordinance 00-1, requires any County employee or any member of the employee's immediate family who has a controlling financial interest, direct or indirect, with Miami-Dade County or any person or agency acting for Miami-Dade

County from competing or applying for any such contract as it pertains to this solicitation, must first request a conflict of interest opinion from the County's Ethic Commission prior to their or their immediate family member's entering into any contract or transacting any business through a firm, corporation, partnership or business entity in which the employee or any member of the employee's immediate family has a controlling financial interest, direct or indirect, with Miami-Dade County or any person or agency acting for Miami-Dade County and that any such contract, agreement or business engagement entered in violation of this subsection, as amended, shall render this Agreement voidable. For additional information, please contact the Ethics Commission hotline at (305) 579-2593.

Seaboard agrees to comply, subject to applicable professional standards, with the provisions of any and all applicable Federal, State and the County orders, statutes, ordinances, rules and regulations which may pertain to the services required under this Agreement, including but not limited to:

- a) Equal Employment Opportunity (EEO), in compliance with Executive Order 11246 as amended and applicable to this Contract.
- b) Miami-Dade County Florida, Department of Business Development Participation Provisions, as applicable to this Agreement.
- c) Environmental Protection Agency (EPA), as applicable to this Agreement.
- d) Miami-Dade County Code, Chapter 11A, Article 3. Seaboard shall provide equal opportunity for employment because of race, religion, color, age, sex, national origin, sexual preference, disability or marital status. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Seaboard agrees to post in conspicuous place available for employees and applicants for employment, such notices as may be required by the Dade County Fair Housing and Employment Commission, or other authority having jurisdiction over the work setting forth the provisions of the nondiscrimination law.
- e) "Conflicts of Interest" Section 2-11 of the County Code, and Ordinance 01-199.
- f) Miami-Dade County Code Section 10-38 "Debarment".
- g) Miami-Dade County Ordinance 99-5, codified at 11A-60 et. seq. of Miami-Dade Code pertaining to complying with the County's Domestic Leave Ordinance.
- h) Miami-Dade County Ordinance 99-152, prohibiting the presentation, maintenance, or prosecution of false or fraudulent claims against Miami-Dade County.

Notwithstanding any other provision of this Agreement, Seaboard shall not be required pursuant to this Agreement to take any action or abstain from taking any action if such action or abstention would, in the good faith determination of Seaboard, constitute a violation of any law or regulation to which Seaboard is

subject, including but not limited to laws and regulations requiring that Seaboard conduct its operations in a safe and sound manner.

Section 21. Taxes and Other Charges

Seaboard shall pay all taxes, fees, charges, including interest and late charges assessed pursuant to all Applicable Law, with respect to Seaboard's operations as part of this Agreement.

Section 22. Nuisance

Seaboard shall not commit any nuisance in the Terminal Area or on any other County property or do or permit to be done anything that may result in the creation or commission of a nuisance in the Terminal Area or any other County property.

Section 23. No Exclusive Remedies

No remedy or election given by any provision in this Agreement shall be deemed exclusive unless expressly so indicated. Wherever possible, the remedies granted hereunder upon a default of the other party shall be cumulative and in addition to all other remedies at law or equity arising from such event of default, except where otherwise expressly provided.

Section 24. Failure to Exercise Rights Not A Waiver

The failure by either party to promptly exercise any right arising hereunder shall not constitute a waiver of such right unless otherwise expressly provided herein.

Section 25. Events of Default

A) Seaboard shall be in default under this Agreement if any of the following events occur and continue beyond the applicable grace period:

- (i) Seaboard fails to timely comply with any payment obligation arising hereunder which is not cured within thirty (30) days from Seaboard's receipt of written notice from the County of failure to meet such payment obligation.
- (ii) Seaboard fails to perform or breaches any term, covenant, or condition of this Agreement which is not cured within sixty (60) days after receipt of written notice from the County specifying the nature of such breach; provided, however, that if such breach cannot reasonably be cured within sixty (60) days, and such breach

does not materially interfere with the operations of the Port, Seaboard shall not be in default if it commences to cure such breach within said sixty (60) day period and diligently prosecutes such cure to completion.

- (iii) If Seaboard (excluding subsidiaries and/or affiliates not involved in the performance of this Agreement) shall be adjudicated bankrupt, or if Seaboard (excluding subsidiaries and/or affiliates not involved in the performance of this Agreement) shall make a general assignment for the benefit of creditors, or if any proceedings based upon the insolvency of Seaboard (as defined in this sub-Section) are commenced and not dismissed within sixty (60) days of filing or a receiver is appointed for all the property of Seaboard which is not dismissed within sixty (60) days of such appointment.

B) The County shall be in default under this Agreement if the County fails to perform or breaches any term, covenant, or condition of this Agreement and such failure is not cured within sixty (60) days after receipt of written notice from Seaboard specifying the nature of such breach; provided, however, that if such breach cannot reasonably be cured within sixty (60) days and such breach does not materially interfere with the operations of Seaboard at the Port, the County shall not be in default if it commences to cure such breach within said sixty (60) day period and diligently prosecutes such cure to completion.

C) Upon the occurrence of a default under this Agreement not cured within the applicable grace period, the non-defaulting party may pursue all remedies available at law or in equity, including but not limited to specific performance of this Agreement, termination of this Agreement, and, as to the County, the right to re-enter the Terminal Area and expel Seaboard in which case Seaboard shall remain liable for all charges due at the time of such termination under the terms of this Agreement and any repairs and alterations necessary to prepare the Terminal Area for further Port use.

Section 26. Obligations Surviving Termination Hereof

Notwithstanding and prevailing over any contrary term or provision contained herein, in the event any party hereto exercises any lawful termination rights herein, the following obligations shall survive such termination and continue in full force and effect until the expiration of a one year term following the

earlier of the termination date or the expiration of this Agreement: (i) any and all outstanding payment obligations hereunder of any party hereto arising prior to termination; (ii) any and all indemnity obligations hereunder of any party hereto; (iii) the exclusive venue and choice of law provisions contained herein, and (iv) any other term or provision herein which expressly indicates either that it survives the termination or expiration hereof or is or may be applicable or effective beyond the expiration or permitted early termination hereof.

Section 27. Lack of Agency Relationship

Nothing contained herein shall be construed as establishing an agency relationship between the County and Seaboard and neither Seaboard nor its employees, agents, contractors, subsidiaries, divisions, affiliates or guests shall be deemed agents, instrumentalities, employees, or contractors of the County for any purpose hereunder, and the County, its contractors, agents, and employees shall not be deemed contractors, agents, or employees of the Seaboard.

Section 28. Force Majeure - Inability to Perform

County and Seaboard shall not be liable for any failure, delay or interruption in performing their individual obligations hereunder due to causes or conditions beyond the reasonable control of the County, Seaboard, and their agents, employees, contractors, subcontractors, and guests including, without limitation acts of God, an act of state or war, public emergency, strikes, boycotts, picketing, work stoppages or labor troubles of any other type, providing that the party claiming the existence of a force majeure event delivers written notice to the other party of such event within fifteen (15) calendar days of the commencement of such event. Seaboard shall be entitled to a pro-rata reduction of the Minimum Guaranteed TEU Throughput and a temporary waiver of any land rent resulting from any Force Majeure.

Section 29. Severability

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

Section 30. Sole Benefit of Parties

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The County and Seaboard intend that the mutual covenants contained in this Agreement shall be for their sole benefit and that no other person, corporation or other entity is intended to be a beneficiary of this Agreement.

Section 31. Representations.

Each party represents and warrants that it is empowered to enter into this Agreement and to perform any and all of the duties and obligations imposed upon it or assumed by it under the terms and provisions of this Agreement.

Section 32. Early Termination.

Seaboard shall have the option to terminate this Agreement for any reason or no reason, subject to the conditions set forth herein. Seaboard shall give the County written notice of early termination six (6) months in advance of its desired termination date. At the desired termination date, Seaboard shall pay the County upon exercise of the Early Termination option, as follows: (i) if the desired termination date is on or before September 30, 2013: twenty million dollars (\$20,000,000); (ii) if the desired termination date is after September 30, 2013 but on or before September 30, 2028: fifteen million dollars (\$15,000,000); and (iii) if the desired termination date is during any Renewal Term after September 30, 2028: nine million dollars (\$9,000,000).

Section 33. Assignment

Seaboard shall not transfer or assign its rights under this Agreement without the prior written consent of the County, which consent shall not to be unreasonably withheld. Any assignment without prior written consent shall be void. An "Assignment" shall include any transfer of this Agreement, including but not limited to a transfer of this Agreement by sale, merger, consolidation or liquidation, or by operation of law. Notwithstanding anything in this Section 33 to the contrary, Seaboard may assign this Agreement to any wholly-owned subsidiary or wholly-owned affiliate upon notice to, and without prior consent of, the County. Should Seaboard elect to assign this Agreement to an entity that is neither a wholly-owned subsidiary or affiliate, Seaboard must pay the County two-hundred and fifty thousand dollars (\$250,000) for each year remaining on the Agreement and both Renewal Terms.

Section 34. Amendments

This Agreement may be amended from time to time provided the County and Seaboard mutually agree to such amendment and the amendment is stated in writing, executed by both parties and attached to the original executed copies of this Agreement. Any amendment to this Agreement shall be approved by the Board of County Commissioners.

Section 35. Encumbrances

The County represents and warrants that it has good title to the Terminal Area free and clear of mortgages, valid liens or encumbrances and the County covenants that it will not grant any mortgage liens or encumbrances on the Terminal Area. Likewise, Seaboard will not grant any mortgage, collateral assignment, hypothecation or any other liens or encumbrances on the Terminal Area and shall ensure that none of its employees, agents, vendors or other affiliates take any actions that result in any such liens, hypothecations, mortgages, collateral assignments, or encumbrances being placed on any land owned by the County without first obtaining the County's written consent, and that any action contrary to this general prohibition shall be void ab initio. However, should any such liens, mortgages, hypothecations, or encumbrances be placed on any County land due to the acts or omissions of Seaboard or any of its employees, agents, vendors or other affiliates, Seaboard shall promptly take all steps required to remove, defend against and otherwise satisfy such liens, mortgages and encumbrances at its cost and expense.

Section 36. Surrender at End of Term

Seaboard agrees that, at the expiration or lawful termination of this Agreement, whichever comes first, it shall peaceably yield the Terminal Area to the Port.

Section 37 Notices

All notices, demands and requests which may or are required to be given hereunder shall, except as otherwise expressly provided, be in writing, delivered by personal service, or shall be sent by, telecopy, United States Registered or Certified Mail, return receipt requested, postage prepaid, to the parties at the following addresses:

To the County: Seaport Director
Miami-Dade Seaport Department, Suite 200
1015 North America Way
Miami, Florida 33132

52

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With a copy to: Miami-Dade County Attorney
111 N.W. 1st Street, Suite 2810
Miami, Florida 33128-1930

To Seaboard: President
Seaboard Marine Ltd.
8001 N.W. 79th Avenue
Miami, Florida 33166-2100

With copies to: ATTENTION - Legal Department
Seaboard Marine Ltd.
8001 N.W. 79th Avenue
Miami, Florida 33166-2100

General Counsel
Seaboard Marine Ltd.
9000 West 67th Street
Merriam, Kansas 66201

Section 38. Inspector General Reviews.

Independent Private Sector Inspector General Reviews

Pursuant to Miami-Dade County Administrative Order 3-20, the County has the right to retain the services of an Independent Private Sector Inspector General (hereinafter "IPSIG"), whenever the County deems it appropriate to do so. Upon written notice from the County, Seaboard shall make available to the IPSIG retained by the County, all requested records and documentation pertaining to this Agreement for inspection and reproduction. The County shall be responsible for the payment of these IPSIG services, and under no circumstance shall Seaboard's prices and any changes thereto approved by the County, be inclusive of any charges relating to these IPSIG services. The terms of this provision apply to Seaboard, its officers, agents, employees, subcontractors and assignees. Nothing contained in this provision shall impair any independent right of the County to conduct an audit or investigate the operations, activities and performance of Seaboard in connection with this Agreement. The terms of this Section shall not impose any liability on the County by Seaboard or any third party.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL REVIEW

According to Section 2-1076 of the Code of Miami-Dade County, Miami-Dade County has established the Office of the Inspector General (IG) which may, on a random basis, perform audits, inspections, and reviews of all County/Trust contracts. This random audit is separate and

distinct from any other audit by the County. To pay for the functions of the Office of the Inspector General, any and all payments to be made to the Contractor under this contract will be assessed one quarter (1/4) of one (1) percent of the total amount of the payment, to be deducted from each progress payment as the same becomes due unless, as stated in the Special Conditions, this Contract is federally or state funded where federal or state law or regulations preclude such a charge. The Contractor shall in stating its agreed process be mindful of this assessment, which will not be separately identified, calculated or adjusted in the proposal or bid form. The audit cost shall also be included in all change orders and all contract renewals and extensions.

The Miami-Dade Office of Inspector General is authorized to investigate County affairs and empowered to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. In addition, the Inspector General has the power to subpoena witnesses, administer oaths, require the production of witnesses and monitor existing projects and programs. Monitoring of an existing project or program may include a report concerning whether the project is on time, within budget and in conformance with plans, specifications and applicable law. The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review operations, activities, performance and procurement process including but not limited to project design, bid specifications, (bid/proposal) submittals, activities of the (Contractor/ Vendor/ Consultant), its officers, agents and employees, lobbyists, County and Public Health Trust staff and elected officials to ensure compliance with contract specifications and to detect fraud and corruption.

Upon ten (10) days written notice to the Contractor shall make all requested records and documents available to the Inspector General for inspection and copying. The Inspector General shall have the right to inspect and copy all documents and records in the (Contractor/Vendor/Consultant's) possession, custody or control which in the Inspector General's sole judgment, pertain to performance of the contract, including, but not limited to original estimate files, change order estimate files, worksheets, proposals and agreements from and with successful subcontractors and suppliers, all project-related correspondence, memoranda, instructions, financial documents, construction documents, (bid/proposal) and contract documents, back-change documents, all documents and records which involve cash, trade or volume discounts, insurance proceeds, rebates, or dividends received, payroll and personnel records and supporting documentation for the aforesaid documents and records.

The Contractor shall make available at its office at all reasonable times the records, materials, and other evidence regarding the acquisition (bid preparation) and performance of this contract, for examination, audit, or reproduction, until three (3) years after final payment under this contract or for any longer period required by statute or by other clauses of this contract. In addition:

1. If this contract is completely or partially terminated, the Contractor shall make available records relating to the work terminated until three (3) years after any resulting final termination settlement; and
2. The Contractor shall make available records relating to appeals or to litigation or the settlement of claims arising under or relating to this contract until such appeals, litigation, or claims are finally resolved.

The provisions in this section shall apply to the (Contractor/Vendor/Consultant), its officers, agents, employees, subcontractors and suppliers. The (Contractor/Vendor/Consultant) shall incorporate the provisions in this section in all subcontracts and all other agreements executed by the (Contractor/Vendor/Consultant) in connection with the performance of this contract.

Nothing in this section shall impair any independent right to the County to conduct audits or investigative activities. The provisions of this section are neither intended nor shall they be construed to impose any liability on the County by the (Contractor/Vendor/Consultant) or third parties.

Exception: The above application of one quarter (1/4) of one percent fee assessment shall not apply to the following contracts: (a) IPSIG contracts; (b) contracts for legal services; (c) contracts for financial advisory services; (d) auditing contracts; (e) facility rentals and lease agreements; (f) concessions and other rental agreements; (g) insurance contracts; (h) revenue-generating contracts; (i) contracts where an IPSIG is assigned at the time the contract is approved by the Trust; (j) professional service agreements under \$1,000; (k) management agreements; (l) small purchase orders as defined in Miami-Dade County Administrative Order 3-2; (m) federal, state and local government-funded grants; and (n) interlocal agreements. Notwithstanding the foregoing, the Trust may authorize the inclusion of the fee assessment of one-quarter (1/4) of one percent in any exempted contract at the time of award.

Nothing contained above shall in any way limit the powers of the Inspector General to perform audits on all Trust contracts including, but not limited to, those contracts specifically exempted above.

Section 39. Mutual Obligations

Nothing in this Agreement shall be construed for the benefit, intended or otherwise, of any third party that is not a parent or subsidiary of a party or otherwise related (by virtue of ownership control or statutory control) to a party.

Section 40. Disputed Invoice Settlement

The Parties agree that there are approximately nine-hundred and seventy thousand dollars (\$970,000) in disputed and unpaid Seaboard invoices dated before January 1, 2008 (collectively "the Invoices"). Seaboard agrees to pay the Port five-hundred thousand dollars (\$500,000) within fifteen (15) days of the Effective Date to settle any and all financial claims made on such Invoices. The Port agrees that upon receipt of the five-hundred thousand dollars (\$500,000), it will consider the Invoices to be fully paid and releases Seaboard from any other payment obligations. Further, the Port agrees that it will waive and release Seaboard from any late payment penalties through the Effective Date of this Agreement.

Section 41. Business application and forms

Seaboard shall be a registered vendor with the Miami-Dade County, Department of Procurement Management, for the duration of this Agreement. It is the responsibility of Seaboard to file the appropriate

Vendor Application and to update the Application file for any changes for the duration of this Agreement, including any Renewal Terms.

Section 42. Nondiscrimination

During the performance of this Agreement, Seaboard agrees to: not discriminate against any employee or applicant for employment because of race, religion, color, sex, handicap, marital status, age or national origin, and will take affirmative action to ensure that they are afforded equal employment opportunities without discrimination. Such action shall be taken with reference to, but not limited to: recruitment, employment, termination, rates of pay or other forms of compensation, and selection for training or retraining, including apprenticeship and on the job training.

By entering into this Agreement with the County, Seaboard attests that it is not in violation of the Americans with Disabilities Act of 1990 (and related Acts) or Miami-Dade County Resolution No. R-385-95. This agreement shall be voidable by the County if Seaboard submits a false affidavit pursuant to this Resolution or Seaboard violates the Act or the Resolution during the Initial Term and any Renewal Term of this Agreement, even if Seaboard was not in violation at the time it submitted the affidavit.

Section 43. Conflict of Interest

Seaboard represents that:

- a) No officer, director, employee, agent, or other consultant of the County or a member of the immediate family or household of the aforesaid has directly or indirectly received or been promised any form of benefit, payment or compensation, whether tangible or intangible, in connection with the grant of this Agreement.
- b) There are no undisclosed persons or entities interested with Seaboard in this Agreement. This Agreement is entered into by Seaboard without any connection with any other entity or person making a proposal for the same purpose, and without collusion, fraud or conflict of interest. No elected or appointed officer or official, director, employee, agent or other consultant of the County, or of the State of Florida (including elected and appointed members of the legislative and executive branches of government), or a member of the immediate family or household of any of the aforesaid:

- i) is interested on behalf of or through Seaboard directly or indirectly in any manner whatsoever in the execution or the performance of this Agreement, or in the services, supplies or work, to which this Agreement relates or in any portion of the revenues; or
 - ii) is an employee, agent, advisor, or consultant to Seaboard.
- c) Neither Seaboard nor any officer, director, employee, agency, parent, subsidiary, or affiliate of Seaboard shall have an interest which is in conflict with Seaboard's faithful performance of its obligation under this Agreement; provided that the County, in its sole discretion, may consent in writing to such a relationship, provided Seaboard provides the County with a written notice, in advance, which identifies all the individuals and entities involved and sets forth in detail the nature of the relationship and why it is in the County's best interest to consent to such relationship.
- d) The provisions of this Section are supplemental to, not in lieu of, all applicable laws with respect to conflict of interest. In the event there is a difference between the standards applicable under this Agreement and those provided by statute, the stricter standard shall apply.
- e) In the event Seaboard has no prior knowledge of a conflict of interest as set forth above and acquires information which may indicate that there may be an actual or apparent violation of any of the above, Seaboard shall promptly bring such information to the attention of the County's Project Manager. Seaboard shall thereafter cooperate with the County's review and investigation of such information, and comply with the instructions Seaboard receives from the Project Manager in regard to remedying the situation.

IN WITNESS WHEREOF, the County and Seaboard have caused this Agreement to be duly executed.

SEABOARD MARINE LTD.

By: Bruce A. Brecheisen
Name: Bruce A. Brecheisen
Title: Exec VP

Date: 5 May 2008

MIAMI-DADE COUNTY, FLORIDA,
a political subdivision of the
State of Florida

By _____
Mayor or Designee

Date: _____

ATTEST:

Name: CHARLES J. AROCHA
By: [Signature]
Title: Vice Pres. OPS
Date: 5 MAY 2008

ATTEST:

CLERK OF THE BOARD
By: _____
Deputy Clerk
Date: _____

Approved as to form and legal
sufficiency

58

EXHIBIT A:

**SEABOARD-PORT OF MIAMI
TEU MINIMUM THROUGHPUT GUARANTEES AND RATES**

FISCAL YEAR ENDED	ANNUAL MINIMUM TEU THROUGHPUT GUARANTEE (per Throughput Acre)	TIER 1		DISCOUNT TEU RATES		
		TEU THROUGHPUT (per Throughput Acre)	TEU Rate	TIER 1 to TIER 1 + 1000	TIER 1 +1001 to TIER 1 + 2000	TIER 1 +2001 and over.
2009*	4,000	4,000	\$24.00	\$15.00	\$12.00	\$10.00
2010	4,080	4,000	\$24.72	\$15.45	\$12.36	\$10.30
2011	4,160	4,000	\$25.46	\$15.91	\$12.73	\$10.61
2012	4,240	4,000	\$26.23	\$16.39	\$13.11	\$10.93
2013	4,320	4,000	\$27.01	\$16.88	\$13.51	\$11.26
2014	4,400	4,000	\$27.82	\$17.39	\$13.91	\$11.59
2015	4,400	4,000	\$28.66	\$17.91	\$14.33	\$11.94
2016	4,400	4,000	\$29.52	\$18.45	\$14.76	\$12.30
2017	4,400	4,000	\$30.40	\$19.00	\$15.20	\$12.67
2018	4,400	4,000	\$31.31	\$19.57	\$15.66	\$13.05
2019	4,400	4,000	\$32.25	\$20.16	\$16.13	\$13.44
2020	4,400	4,000	\$33.22	\$20.76	\$16.61	\$13.84
2021	4,400	4,000	\$34.22	\$21.39	\$17.11	\$14.26
2022	4,400	4,000	\$35.24	\$22.03	\$17.62	\$14.69
2023	4,400	4,000	\$36.30	\$22.69	\$18.15	\$15.13
2024	4,480	4,100	\$37.39	\$23.37	\$18.70	\$15.58
2025	4,560	4,100	\$38.51	\$24.07	\$19.26	\$16.05
2026	4,640	4,100	\$39.67	\$24.79	\$19.83	\$16.53
2027	4,720	4,100	\$40.86	\$25.54	\$20.43	\$17.02
2028	4,800	4,100	\$42.08	\$26.30	\$21.04	\$17.54
RENEWAL #1						
2029	4,880	4,200	\$43.35	\$27.09	\$21.67	\$18.06
2030	4,960	4,200	\$44.65	\$27.90	\$22.32	\$18.60
2031	5,040	4,200	\$45.99	\$28.74	\$22.99	\$19.16
2032	5,120	4,200	\$47.37	\$29.60	\$23.68	\$19.74
2033	5,200	4,200	\$48.79	\$30.49	\$24.39	\$20.33
RENEWAL #2						
2034	5,280	4,300	\$50.25	\$31.41	\$25.13	\$20.94
2035	5,360	4,300	\$51.76	\$32.35	\$25.88	\$21.57
2036	5,440	4,300	\$53.31	\$33.32	\$26.66	\$22.21
2037	5,520	4,300	\$54.91	\$34.32	\$27.46	\$22.88
2038	5,600	4,300	\$56.56	\$35.35	\$28.28	\$23.57

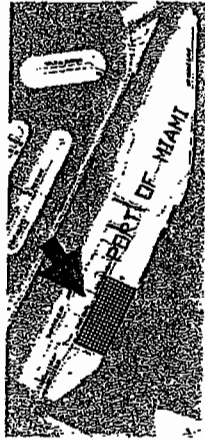
* Fiscal Year 2009 will cover the period from Effective Date through September 30, 2009.

59

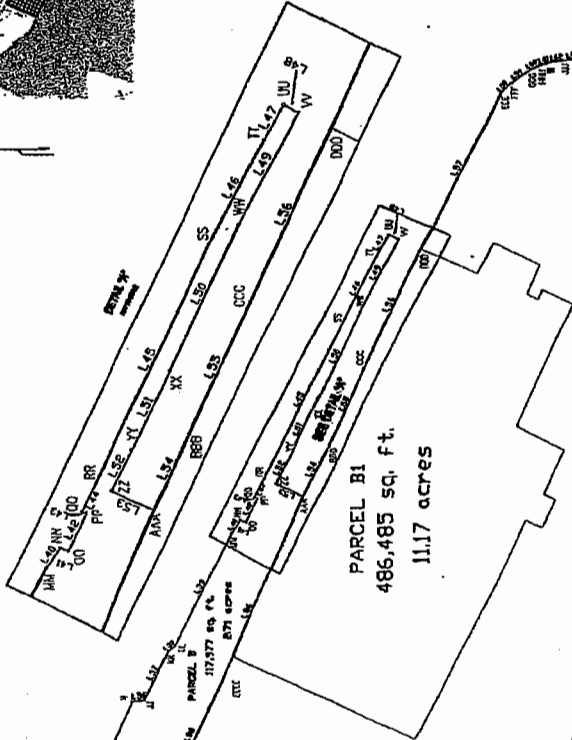
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EXHIBIT "B"

SKETCH OF SEABOARD PARCELS
EXHIBIT "B"



MIAMI COUNTY PUBLIC WORKS DEPT
SCALE: 1"=200'
MAY 1958

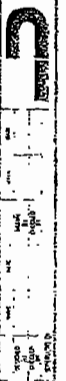


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POINT OF COMMENCEMENT
MIDDLE-AGE COUNTY DEPT
CONTRACT POINT 1944-7

MICHAEL J. WHITE
1584688

PUBLIC WORKS DEPARTMENT
MIDDLE-AGE COUNTY DEPT
CONTRACT POINT 1944-7



PORT OF MIAMI - SEABOARD LEASE AGREEMENT

THIS IS NOT A BOUNDARY SURVEY

60

BAB

**AMENDED AND RESTATED TERMINAL AGREEMENT
 BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE LTD.
 FOR MARINE TERMINAL OPERATIONS**

EXHIBIT "C"

<u>PHASE ⁽¹⁾</u>	<u>APPROXIMATE ACREAGE</u>	<u>COMPLETION DATE ⁽¹⁾</u>	<u>GENERAL DESCRIPTION</u>
I	13	December 31, 2009	Container yard paving and drainage ⁽²⁾
II	12	September 30, 2010 ⁽³⁾	Container Yard paving and drainage And RTG runways
III	11	September 30, 2011	Container Yard paving and drainage And RTG runways
IV	11	September 30, 2012	Container Yard paving and drainage And RTG runways
V	15	September 30, 2014	Container Yard paving and drainage And RTG runways

Note (1): Should the County complete each phase by the date indicated above, Seaboard agrees that it will pay the County one million dollars (\$1,000,000) for each of the five (5) phases upon final acceptance by both parties of the work for that defined phase. Should the County fail to complete any phase by the dates indicated above, then Seaboard will reduce its one million dollar (\$1,000,000) payment by one-hundred thousand dollars (\$100,000) for every month past the target date for that respective phase. If the improvements are completed more than ten (10) months past the respective target date for any of phase, then Seaboard will not make any payment towards that respective phase.

<u>Months After Completion Date</u>	<u>Percentage Rent Reduction</u>
10	33%
20	66%
30	100%

61

BAB

**AMENDED AND RESTATED TERMINAL AGREEMENT
BETWEEN MIAMI-DADE COUNTY AND SEABOARD MARINE LTD.
FOR MARINE TERMINAL OPERATIONS**

**EXHIBIT "C"
(cont.)**

In addition to the above Land Rental Rate reduction, failure by the County to complete construction of the phases identified above within 30 months of the dates indicated will reduce the acreage upon which the Minimum Guaranteed TEU Throughput is calculated for the uncompleted portion of any phase.

The Land Rental Rate reduction and the reduction of acreage from Minimum Guaranteed TEU Throughput calculation will remain in place until such time as individual phases are completed.. or until the County has completed its obligation as described in Section 7(F), whichever comes first.

Note (2): It is recognized by both parties that the construction plans for Phase I have already been prepared and permitted. These plans may need to be modified in the future as both Parties desire for eventual RTG runways in the acreage included within Phase 1.

Note (3): The Phase II completion date may be extended, but only due to environmental permitting delays as described below. Should the County (or its designee) apply for an environmental permit for the Phase II work, and an approved permit is not received within twelve (12) months, then the completion date may be extended by one-half the delay period which extended beyond the initial twelve (12) months. For example, if the County applies for the environmental permit on January 1, 2009, and an approved permit is not granted until March 1, 2010 (a period of two months), the completion deadline shall be extended one month to October 31, 2010. In no event shall the completion date be extended beyond June 30, 2011.

Exhibit "D"

Miami-Dade Seaport Department
Engineering & Construction Management Division
Installation or Modification of Facilities
Port Authorization Application

Submit the following with this application: 1. Two (2) sets signed and seal plans, 2. Miami-Dade County Permit application signed and notarized by applicant's contractor, 3. Specifications, 4. Pertinent Bond (if applicable), 5. Copy of all permits from other agencies.

Location: _____ Date: _____

Applicant: _____ Phone: _____

Representative: _____ Address: _____

Description of facilities to be installed or modified (attach plans and sketch as required):

Work to be performed by: _____ Est. Cost: _____

Address: _____ Phone: _____

Est. Start Date: _____ Est. Completion Date: _____

Remarks: _____

Applicant hereby certifies above information to be correct to the best of his knowledge and that all other required permits have been or will be obtained.

Date: _____ Applicant's Representative: _____

Special Conditions (attached additional pages if required)

Final Approval

This permit application is approved subject to the compliance with the following general conditions:

1. The applicant shall comply with all permit requirements as required by the County, State and Federal agencies, as well as being compliant with all applicable code, rules and regulations whether it is for this project or resulting from said work and/or as agreed with the Seaport.
2. Copies of said permits must be provided to the Seaport's Engineering & Construction Management Division ("Engineering"), prior to any commencement of work.
3. Any additional required upgrades or improvements of any Seaport facility as a result of this tenant's improvements are the responsibility of the applicant. Applicant shall submit the additional upgrade(s) for permit to the Seaport and as required by the regulating agency jointly with this application prior to receiving the Seaport's authorization to proceed with proposed work.
4. The applicant shall provide written notice of commencement to Engineering.
5. The Seaport Project Manager may stop work if deemed necessary due to unexpected operational requirements or any other event(s).
6. Applicant may be required to modify or remove facilities at a later date at the request of the Seaport Department.
7. The area must be cleaned and the applicant shall be responsible for damages to other facilities impacted by the applicant's work.
8. Provide written notice of completion to Engineering with copies of as-built drawings, Certificate of Occupancy and/or other applicable final approvals.

Approved by:

Marketing _____	Date _____	Facilities Maintenance _____	Date _____
Operations _____	Date _____	Property _____	Date _____
Security _____	Date _____	Engineering _____	Date _____
Asst. Director of Engineering & Development _____	Date _____		

63

BAB

Memorandum



Date: May 20, 2008

To: Honorable Chairman Bruno A. Barreiro and Members,
Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplement to Item 14A7 - Resolution Authorizing Execution of Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine, Ltd.

Supplement to
Agenda Item No. 14(A)7

On May 12, 2008, the Office of the Inspector General ("OIG") issued a memorandum (attached) to the Mayor and the Board of County Commissioners regarding their observations, review, and comments on the proposed Amended and Restated Terminal Agreement ("Agreement") between Miami-Dade County ("County") and Seaboard Marine, Ltd., ("Seaboard"). In that report, the OIG expressed concerns, primarily regarding the following three issues:

- 1) Contract Term – 'The OIG could not find any sound economic or financial reasons for proposing an initial term of twenty (20) years with two (2) unilateral five (5) year renewal options, making this a potentially thirty (30) year unilateral agreement.'
- 2) Capital Improvements – 'The OIG is concerned that the Port of Miami ("Port") may have committed to fund improvement projects that it may not be able to afford or be able to adequately manage and complete within the Agreement's required time frames.'
- 3) Financial Terms – 'The OIG is concerned that the Agreement's short term revenue stream may not be sufficient to offset the Port's current operating expenditures and debt requirements and still provide funding to support additional debt.'

These three issues have been previously addressed by the Port in a memorandum from the Port Director to the OIG dated April 25, 2008 (attached) responding to the OIG's April 11, 2008, draft report. As explained in the Port's response, the Agreement's initial term of twenty (20) years, with two (2) five (5) year renewal options, is consistent within industry standards for cargo terminal operator leases - not only in Florida, but throughout the United States (attached please find a report providing brief descriptions of such leases). These long term lease agreements are necessary due to the capital-intensive nature of container yard terminal development and the need for a port to obtain a secure base upon which to finance the construction of new terminal infrastructure through future borrowings. The Agreement accomplishes this objective by encouraging the terminal operator to commit their financial and managerial resources to the overall long term development of their terminal facilities. This strategy provides financial incentives to the terminal operator as well as financial benefits to the Port.

With regard to the issue of capital improvements, as mentioned on the accompanying agenda item, these projects are typical for landlord seaports, such as the Port of Miami, and are the means by which facilities are maintained in order to attract new business. The cost of the improvements (up to a maximum of \$26 million), which the County has committed to fund as part of this Agreement, represents approximately thirty-five percent (35%) of the new revenues, and ten percent (10%) of the net present value of anticipated revenue streams, that Seaboard will be paying the Port under the terms of the lease during the initial 20 year term. It is important to note that the Port, as part of the 1998 agreement with Seaboard, had committed to approximately two-thirds of these improvements but has yet to complete them. Funding for these improvement projects, which are included and funded in the Port's Five Year Capital Improvement Program, will come from federal and state grants

as well as future borrowings. The borrowed funds will be paid from the additional revenues generated as a result of this Agreement.

An additional concern to the OIG was the County's position regarding the unilateral renewal terms of the proposed Agreement and the Port's inability to renegotiate economic terms. This issue has been addressed by requiring Seaboard to exceed either of the performance thresholds shown on page two of the accompanying item's County Manager's memorandum, indicating that the Seaboard contract is still beneficial to the Port. The Port feels that these thresholds significantly protect the County during the out years of this Agreement. Furthermore, the length of this Agreement itself protects the County in the event of any significant downturn in this industry.

With respect to the criminal violation, as reported in the OIG's May 12 memorandum and previously on its April 22 addendum (also attached), please be advised that this was a single hazardous materials (hazmat) incident which occurred in 2004, and did not involve any environmental damage to the Port. Seaboard agrees that the container, which had an incorrect manifest, was improperly handled by its dispatch department. To avoid an extended legal process, the company pled guilty in May 2005. Seaboard paid a \$305,000 fine and was put on probation for a period of three years. The probation was terminated earlier than its three year term, in March 2008. Seaboard admitted their involvement in this matter and acknowledged that this incident was a learning experience for them. The experience strengthened their hazmat plan systems (containment areas, identification of situations) and training program. Seaboard currently has a hazmat plan which complies with all regulations at the local, state, federal, and international levels.

The proposed Agreement provides the Port with a steady level of income, both short and long term, and provides an incentive for Seaboard to generate business by maximizing the productive usage of its terminal facility. The Agreement provides each party with a known cost/reward point. Regardless of the volume of business, Seaboard is assured of a specific expense cost and the Port is assured of a specific future revenue stream.

I trust that this additional information will address the concerns raised in the OIG's memorandum of May 12, 2008.



Assistant County Manager

Attachments



April 11, 2008

Christopher R. Mazzella
Inspector General

Alan Solowitz
Deputy Inspector General

Patra Liu
Assistant Inspector General
Legal Counsel

Mr. Bill Johnson, Director
Miami-Dade Seaport Department
1015 North America Way
Miami, Florida 33132

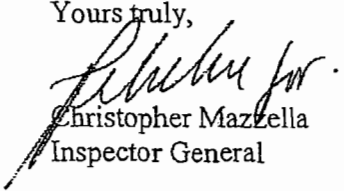
Re: OIG Draft Report – IG07-74

Dear Mr. Johnson:

Attached please find a copy of the Office of the Inspector General's (OIG) draft report regarding our review and comments on the proposed amended and restated terminal agreement between Miami-Dade County and Seaboard Marine Ltd.

The OIG requests your response to this draft report. If you would like your response to be included in the Final Report, you must submit it to the OIG by close of business on April 25th, 2008. If you wish, you may provide your response by fax to (305) 579-2656.

Yours truly,


Christopher Mazzella
Inspector General

Acknowledgment of Receipt or Proof of Service

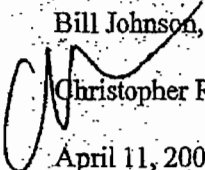
Date

3



Memorandum

19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
visit our website at www.miamidadeig.org

To: Bill Johnson, Seaport Director
From:  Christopher R. Mazzella, Inspector General
Date: April 11, 2008
Subject: Draft Memorandum of OIG Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd.

COPY

As part of the Miami-Dade Office of the Inspector General's (OIG) continuing oversight of Seaport Department (Seaport) operations, the OIG conducted observations and review of the contract negotiations process with the current terminal operators (Operators) serving the Port of Miami (POM). The three (3) Operators serving the Port are: Maersk, Inc. (Maersk), Seaboard Marine, Ltd. (Seaboard), and the Port of Miami Terminal Operating Company, L.L.C. (POMTOC).

BACKGROUND

On July 27, 2007, the Seaport Director (Director) requested that the OIG observe and review the contract negotiations process with the current Operators serving POM and to comment on the fairness of the Seaport's position in such negotiations.

Since that time, the OIG activities included attendance at all scheduled negotiation meetings with the Seaport and the Operators; reviewed all existing terminal operating contracts; POM tariff; historical statistical and financial data; current financial data; research on international cargo shipping, and two (2) independent studies¹ of POM operations. OIG staff also made numerous site visits to observe cargo operations and facility conditions. Meetings and interviews were held with various Seaport staff members representing Administration, Finance, Operations, and Marketing.

While contract negotiations are still on-going with other Operators, the OIG will restrict comments only to the subject Agreement.

¹ Port of Miami Tariff Analysis, Planning and Economics Group, May 24, 2006
Port of Miami Cargo Terminal Capacity Analysis, TranSystems, October 26, 2007

AN INTERIM PROGRESS REPORT ISSUED

On November 13, 2007 the OIG issued a memorandum to the Director on the "Oversight of Seaport Terminal Operator Lease Agreement Negotiations" that provided initial comments on the negotiations process with emphasis on areas of concern that were either the subject of negotiations or that should be included for negotiations. That memorandum, in general discussed the issues of: Seaport Strategic Plan, Synchronizing Future Contract Renewal/Expiration Dates, Cargo Contract Revenue Projections, Subletting, and Accounts Receivables - Arrearages.

On December 14, 2007, the Director provided responses to issues raised in the aforementioned OIG memorandum. As negotiations continued, the OIG issued additional comments to the Director. Among the other issues surfaced were the contract renewal options and electrical surcharges.

SUMMARY OPINION

The OIG believes that certain major provisions contained in Amended and Restated Agreement (Agreement) are not in the best interest for the future growth and development of all the stakeholders in the Port of Miami. The opinion of the OIG is based on three major areas of concern, summarized as follows:

1. **CONTRACT TERM** – The OIG could not find any sound economic or financial reasons for proposing an initial term of 20 years nor a 30-year non-negotiable agreement with Seaboard.
2. **CAPITAL IMPROVEMENTS** – Both the Seaport and Seaboard agreed on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the Seaport to complete certain improvements required under the present agreement. However, the OIG is concerned that the Seaport may be committing to fund improvement projects that it may not be able to afford and also the ability of the Seaport to adequately manage such projects.
3. **FINANCIAL TERMS** – While the financial terms of proposed Agreement significantly increases the near-term revenues, the OIG is concerned that it is almost entirely due to the new land rent component with no requirements for capacity growth.

Each of these issues will be discussed in further detail.

1998 AGREEMENT WITH SEABOARD MARINE LTD.

On November 18, 1998, Miami-Dade County entered into the current agreement with Seaboard for terminal operations at the POM. This agreement provided an initial term of 10-years with two 5-year options with mutual consent and subject to renegotiations as part of any renewal. The initial term will be completed on November 17, 2008. It is under the requirements of this first renewal option that this Agreement is being presented to the Miami-Dade County Board of County Commissioners (BCC) for consideration and approval.

At present, Seaboard operates from a terminal yard consisting of approximately 75 acres, including 14.16 acres that are sub-leased from POMTOC². Seaboard does not pay rent for use of this land. Instead, Seaboard pays a negotiated TEU³ rate that is intended to cover the costs for dockage, wharfage and no charge for land; other items, such as vehicles and break bulk cargo are paid at negotiated rates or Tariff rates.

AREAS OF MAJOR CONCERN

1. CONTRACT TERM – 20 YEARS PLUS TWO 5-YEAR OPTIONS

The Agreement provides for an initial term expiring on September 30, 2028 (20 years) with 2 renewals of 5 years each at the option of the Seaboard. This provision gives Seaboard the right to continue terminal operations for an uninterrupted period of 30 years notwithstanding the reappraised rental value of the land and compliance with other contractual requirements. During this 30-year period, the Seaport cannot require Seaboard to negotiate any changes to the Agreement that maybe necessary and in the best interest of the Seaport of Miami-Dade County. The OIG believes that both the initial 20-year term and the non-negotiable 30-year agreement are not in the best interest of the Seaport and Miami-Dade County. And, in fact, it could be detrimental to the future growth and development of the POM.

Our position is substantiated by the repeated comments of the Director that his hands are tied on the POMTOC agreement because the current agreement with POMTOC states: "POMTOC shall have the right to renew this Agreement for each of the 3 additional five-year renewal periods ..." and as a result, he will have to wait 7 years until after the expiration of the current and final renewals before the Seaport may require POMTOC enter into any negotiations.

² Exception: At present, Seaboard pays POMTOC the rate of \$0.28 per square foot for the 14.16 acres. This amount is to be included in the monthly rent payments made by POMTOC to the Seaport according to the terms of POMTOC lease agreement.

³ TEU means Twenty Foot Equivalent Unit and is the standard measure for cargo shipping containers. E.g. a 40-foot container counts as 2 TEUs.

The proposed language of giving⁴ Seaboard the "sole option to renew" would place the Seaport in a similar position that it finds itself with POMTOC. Once approved, the Seaport would not be able to require Seaboard to renegotiate any contract terms until the year 2038. The Agreement will tie the hands of all future directors for the next 30 years regardless of international, national, or local economic conditions.

Additionally, the schedule for 2 majors projects⁵ that are designed to provide major benefits to the port are expected to be completed within the next ten years, by the year 2018. At that time, the viability and competitiveness of the Port is expected to significantly improve. This would appear to be an appropriate time to review all terminal operating contracts.

Finally, the duration for the Agreement should consider the value of any infrastructure investments to be made by Seaboard with a reasonable amount of time for them to depreciate or recapture the cost of those investments. Seaboard's capital contribution does not justify a 30-year agreement. (See #3)

We believe that for all terminal operating agreements, the Seaport must retain the mutually agreeable renewal option that would place the POM in a more favorable position to plan for growth and development. The OIG's belief was communicated to the Seaport on January 23, 2008.

2. CAPITAL IMPROVEMENTS -PAVING AND DRAINAGE

The OIG is concerned about the Seaport's ability to fund all the proposed capital commitments not only within the Seaboard terminal yard but also other terminal yards, the tunnel, and dredging of the harbor channel. The OIG has requested but has not received any information from the Seaport regarding their debt capacity and ability to fund proposed capital projects.

In the proposed Agreement, the Seaport is committing up to \$21 million to complete approximately 62 acres of paving maintenance and upgrades and RTG runways within 5 phased areas by September 2013, as outlined in Exhibit E of the Agreement. In return, Seaboard is committing to make a \$1 million contribution after the timely completion of each of the five scheduled phases. Seaboard's total contribution would be up to \$5,000,000 with penalty reductions of \$100,000 for each month any of the phases are delayed. Should the Seaport still not complete the improvements after extended deadlines, additional penalties would be imposed in the form of rent reductions.

While the penalties for delays in completing these improvements may appear harsh, the OIG notes that during negotiations, both parties readily agreed without hesitation on the

⁴ OIG meeting notes of negotiation shows no indication that this provision was discussed and as a result, is unaware why the change is granted.

⁵ The 2 projects are identified as the "Port of Miami Tunnel" and "Dredging to 50 foot depth".

7

sub-standard condition of the Seaboard terminal area and the failure of the Seaport to have completed many of the proposed improvements that are required under the current contract. Thus, Seaboard's contribution of up to \$5 million may be viewed as a generous contribution to reward the Seaport for completing improvement projects which it failed to complete the first time around.

Although the OIG concurs with both the Seaport and Seaboard that the identified improvement projects are a high priority to bring the terminal yard up to minimum standards, the OIG has severe reservations about the Seaport's ability to manage and fund these projects due to the following considerations:

- In the 10 years since the signing of the current agreement, the Seaport has completed only one of nine projects identified in the contract; none of the remaining eight projects were even started. All these projects were to have been completed by March 2000. Seven of the remaining projects were for re-grading, paving, and drainage of the terminal yard that are now being carried forward to the new agreement. Seaboard was not required to make any financial contribution to these improvements.
- Negotiations with other Operators may include similar type terminal improvements with Seaport funding contributions and project management.
- Although the 2007 Water Resources Development Act (WRDA) approved funding of \$64 million for the dredging of the POM South Channel to depth of 50 feet, the Seaport must still identify and obtain state and/or local funding for the remaining 59.5% or \$93 million of the \$157 million project.
- Funding in the amount of \$257.7 million for the "tunnel" will be repaid either by tolls and/or Port revenues.

The Seaport has stated that funding for these projects are expected to come from future Sunshine State Loans and State of Florida Grants. In concert with this funding mechanism, the OIG had requested but not received any financial projections from the Seaport to support the ability to increase debt to satisfy these commitments.

The OIG is concerned that the Seaport may not have resources necessary to either fund or manage all the capital improvements scheduled to be completed during the next 4 to 10 years.

The OIG is reminded of its recent oversight of the Miami Seaport Redevelopment Program (MSRP) and the three construction management at-risk contracts and the program management agreement for Port Development Management. In its inception, the MSRP had identified and funded fifty projects of which twenty were cancelled due to lack of funding, cost over runs, and management issues. Should the BCC approve this Agreement, it should be with the request that the Seaport devote such resources to ensure that the experiences of the MSRP do not recur.

3. FINANCIAL TERMS - REVENUE ANALYSIS⁶

An OIG analysis of the major fiscal terms (Land Rent⁷ and TEU Rate⁸) of the proposed Agreement projects an annual revenue increase of \$3.613 million due almost entirely to the first time imposition of a \$1.00 per square foot charge for 81.91 acres. The revenues from cargo volume would increase marginally based on a projected volume of 360,000 TEUs. The summary result for the first year of the proposed Agreement is shown below:

	\$x000,000			
	Current	Proposed	Inc/(Dec)	%chg
TEU	\$7.590	\$7.635	\$0.045	0.6%
Land	0.000	3.568	3.568	n/a
	<u>\$7.590</u>	<u>\$11.203</u>	<u>\$3.613</u>	<u>47.6%</u>

The OIG is concerned with what inflationary effect this Agreement might have on the competitiveness of the POM. In the case of Seaboard, the new land rent component is the equivalent of increasing the POM charges⁹ by \$19.82 for a 40 foot container on top of the TEU cost of \$42.42 to a total of \$62.24. It must be noted that these charges are based on their current projected volume and would decrease as volume increases. However, Seaboard cargo volume through the POM has remained relatively constant during the past three years and the OIG has not been able to determine if this is due to terminal capacity or lack of new business.

During negotiations, there was little or no meaningful discussion on requirements to growing the business by adding new services or the like. On the contrary, the Seaport has placed a restriction on Seaboard from seeking any new 3rd party business¹⁰ until 2016 (8 years away) and that such business shall not exceed 20% of the Seaboard minimum guarantee TEU throughput.

Further, considering the condition of the infrastructure in the Seaboard terminal yard, it is recognized that should terminal renovations not be expeditiously implemented or additional acreage provided, Seaboard's growth capacity is severely restricted. Assuming Seaboard's 2008 volume would be the same as prior years and the adjusted gross terminal acreage¹¹ for thru-put calculations, Seaboard acreage efficiency is calculated at 5,538

⁶ The analysis considers only land rent and TEU rate because all other revenue sources will for the most part remain the same and is not expected to have any significant impact on projections.

⁷ Currently, Seaboard does not pay land rent. Consideration for land rent is included in a TEU charge.

⁸ TEU Rate is the negotiated amount that includes consideration for land rent, dockage, and wharfage that is charged for each container loaded or unloaded from a vessel.

⁹ The POM charges do not include or consider other costs, such as land/ocean transportation, stevedoring, etc.

¹⁰ New 3rd Party business is used here to refer to any new non-Seaboard service that does not currently stop at the POM.

¹¹ Seaboard lease covers 81.91 acres of which 65 acres are considered "throughput acres."

9

TEUs/acre. For increased utilization of existing acreage, both the Seaport and Seaboard concur on the need for utilization of RTG¹²s.

The OIG is reminded of the leasing process recommendation made in the "Port of Miami Tariff Analysis – Final Report".¹³ This report recommends, in part, that "If the lease is awarded through negotiation, presumably with an existing tenant, it is recommended that the Port agree to the lease only if it funds the Port's expenses shown above."

The report indicated that in Fiscal Year 2004, total expenses to support the cargo operations averaged \$180,542 per acre while the revenue from Seaboard was \$80,852 per acre less (not including gantry cranes). While these cost figures have not been updated, the OIG is concerned that the Seaport's own projected revenues of \$158,710 per acre will not be sufficient to offset current expenses much less fund the improvements (See #2).

At this point, it must be mentioned that the Seaport had originally request a minimum guarantee of 2,750 TEUs per acre at \$28.00 per TEU (\$77,000 per acre). And that in order to gain concessions at higher TEU levels, Seaboard offered to increase the minimum guarantee to 4,000 TEUs per acre at \$24 per TEU (\$96,000 per acre) without any pre-condition as to the use of RTGs. This \$19,000 per acre increase in the minimum guarantee is the equivalent of an increase of \$1,200,000 in the minimum guaranteed revenues to the Seaport.

OTHER AREAS

EFFICIENT USE OF LIMITED TERMINAL AREAS – MINIMUM ANNUAL GUARANTEE TEU THROUGHPUT (MAGTT)

Due to the limited land space available for cargo operations at the Port of Miami, the Seaport is strongly encouraged to negotiate meaningful productivity measures to ensure that all cargo terminal operators increase the productivity in their allocated terminal area. Simply stated, this means that all cargo operators must be required to achieve higher minimum guarantees for their through-put per acre. Consequently, if operators are not able to achieve the required productivity measures for allocated land, then land would be reduced until the minimum throughput measure is achieved.

Both Seaboard and the Seaport are to be commended for attempting to set higher standards for the utilization of limited acreage. The proposed Agreement with Seaboard sets the MAGTT at 4,000 TEUs per acre; their projected volume is 5,538 TEUs per acre (based on a volume of 360,000 TEUs). In comparison, under the current agreement, the MAGTT for FY 2007-08 is 3,300 TEUs per acre and would have increased to 3,500

¹² RTG – Rubber Tired Gantry cranes

¹³ Port of Miami Tariff Analysis – Final Report, Planning and Economics Group, Inc., May 24, 2006

TEUs per acre during the 1st renewal period. The MAGTT of 4,000 acre was offered by Seaboard despite the sub-standard land and without the benefit of RTGs.

This MAGTT of 4,000 TEUs per acre, without the benefit of RTGs, should now be considered the minimum standard when negotiating with other terminal operators. The 4,000 TEU minimum should be further increased if the Seaport to required to invest in infrastructure enhancements to accommodate RTGs.

ARREARAGE

On November 13, 2007, the OIG advised the Seaport that their own financial report, as of 10/24/07, entitled *Analysis of Outstanding Customer Balances* reported that Seaboard had an outstanding balance of \$807,005.33 (including late payment charges) that was in excess of 90-days with many going as far back as 1997. At that time, the OIG strongly encouraged the Seaport to resolve those outstanding balances prior to concluding negotiations.

Additional analysis by the OIG, on more recent data, indicates that \$200,132 of the outstanding receivables occurred between 1997 and 1999. The annual receivables recorded from 1997 to 2007 are shown below.

Seaboard Outstanding Receivables 1997 to 2007 (Not including Interest Calculations)									
Total	2007	2006	2005	2004	2003	2002	2001	2000	1997-99
\$973,224	\$409,658	\$113,289	\$132,186	\$62,453	\$6,701	\$14,471	\$29,153	\$5,181	\$200,132

A review of the information relating to these receivables indicate that a large portion of the more recent receivables relate to the disputed methodology of counting "flat racks" for billing purposes¹⁴. The Seaport's documentation for the remaining receivables were either scant or non-existent. Over the past 10 years, efforts by the Seaport's Finance Department to collect or resolve outstanding receivables have either been non-existent or ineffective as evidenced by the increasing age and magnitude of the receivables.

In an effort to conclude negotiations, Seaboard offered a one-time payment of \$500,000 to settle all outstanding receivables up to December 31, 2007. This settlement represents \$0.51 per \$1.00 for the outstanding amount between 1997 and 2007.

The OIG is concerned that had it not been for the intervention and persistence of the OIG, these outstanding receivables might have remained unresolved. The OIG recommended to the Seaport that it review their collection processes and make changes as necessary to ensure that all invoices and outstanding balances be resolved on a timely basis.

¹⁴ This issue has been clarified with the proposed Agreement.

//

Memorandum



DATE: April 25, 2008

TO: Christopher R. Mazzella
Inspector General

FROM: Bill Johnson
Port Director

SUBJECT: Response to OIG Draft Memorandum IG07-74 of Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine, Ltd.

On April 11, 2008, the Office of the Inspector General (OIG) issued Draft Memorandum IG07-74 concerning a proposed amended and restated cargo terminal operating agreement between Miami-Dade County, specifically the Port of Miami (POM) and Seaboard Marine Ltd. The OIG's memorandum presented three principal concerns and several minor ones. This memorandum serves to address the OIG's concerns and is intended to be included within the OIG's final report.

ISSUES/RESPONSES

Issue 1: Contract Term - The OIG could not find any sound economic or financial reason for proposing an initial term of 20 years nor a 30-year non-negotiable agreement with Seaboard.

Response: POM has conducted significant research into the customary lengths of cargo terminal operating agreements, finding that long-term contracts like the one proposed for Seaboard fall well within the industry norm. (Upon request, POM will provide its research to the OIG.)

POM was amenable to a contract of 30 years length (inclusive of options) for two principal reasons: 1) Seaboard has offered long-term financial and cargo throughput guarantees that greatly exceed any found within the South Florida market; and 2) Seaboard has consented to being on Tariff excepting certain specific charges. These two conditions - along with contractual protections against inflation, a run-up in port land values and poor financial performance on Seaboard's part - leave future port directors in a much stronger (and more flexible) position to absorb financial challenges than we find ourselves today.

In terms of revenues, POM expects actual revenues from Seaboard to increase 40+% in the first year of this agreement, and guaranteed revenues to triple. A shorter term agreement may have been possible, but not at these revenue levels. Seaboard is a very valuable and not readily replaceable community asset; we are happy to have their long-term commitment to POM and our local economy.

Issue 2: Capital Improvements - Both the POM and Seaboard agree on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the POM to complete certain improvements required under the present agreement. However, the OIG is concerned that the POM may be committing to fund improvement projects that it may not be able to afford and also the ability of the POM to adequately manage such projects.

Response: The OIG's concern that POM may not be able to fund all its future capital commitments is an important one, but this concern needs to be taken somewhat apart from the proposed Seaboard agreement. The Seaboard agreement (re-)commits POM to making improvements to its infrastructure, but under the protection of a \$26 million cap. The Seaboard agreement was designed to financially accommodate this commitment and to produce substantial new net revenues to POM.

The broader capital funding concern is fundamental to POM's future and, for that matter, to the future of most landlord ports and other governmental operations that are infrastructure-intensive. Long-term capital needs, as a matter of course, outstrip resources. However, there is an important distinction to be made between "needs" and "commitments." While POM has tremendous capital needs, POM has committed only to those projects for which it has a funding strategy. Our five-year financial and capital funding plan is readily available; it shows our strategy for financing approximately \$200 million in needed capital improvements, including those associated with three contracts that are bound for the Board of County Commissioners in the coming months. Each of these agreements guarantees revenues beyond those required to finance any contractually obligated capital commitment.

Sitting just outside of our five-year financial plan are two important projects: one involves POM's commitment to funding a portion of a tunnel, while the other involves a potential deep-dredge project. The Draft Memorandum inadvertently overstated POM's financial commitment to the tunnel as being \$257.7 million; POM's actual commitment ranges from a low of \$43.5 million to a maximum of \$143.5 million. At the low end of the commitment, POM intends to fund its obligation within its normal growth, as we quite typically take on \$50 to \$60 million annually in capital improvements. On the high end of our funding commitment, we may require a toll or other similar access charge to support our

obligation. Various financing schemes have been worked out and presented to the Board concerning the tunnel. The Finance Department or my staff can walk your staff through them at your convenience.

With regards to future dredging, the OIG report inadvertently noted that the Water Resources Development Act (WRDA) approved funding of \$64 million for dredging POM's South Channel to 50-foot depth. No such funding was committed, as WRDA is an authorizing bill and not an appropriations bill. Neither the federal government nor POM is presently committed to fund, in whole or in part, this project.

Providing funding for dredging projects has long been a challenge for port directors. Typically, these projects are of such a financial scope that they require federal and state grants, in addition to a large local funding commitment. POM does not intend to commit to future dredging projects (or other capital projects, for that matter) in advance of developing adequate funding plans.

Managing capital planning over a long-term horizon is a dynamic process, whereby unending needs are only slowly accepted as funding commitments. Although we cannot definitively answer today how we will piece together future funding for projects like the deep-dredge, we can tell you that we are purposefully advancing contracts to the Board that are stripped of many of the financially limiting provisions of our existing contracts, and that are positioned to help absorb extraordinary cost increases.

Issue 3: Financial Terms – While the financial terms of the proposed agreement significantly increases the near-term revenues, the OIG is concerned that it is almost entirely due to the new land rent component with no requirement for capacity growth.

Response: The substantial revenue increase to POM linked to a new and significant Seaboard land rent obligation was by design, not accident. Adding a substantial land rent component to terminal operating agreements not only provides much needed guaranteed revenues to POM, it puts in place the proper economic incentive for private operators to maximize land productivity. We consider traditional terminal operating agreements with low land rents to be antiquated and counter-productive, as the intentional undervaluing of land assets encourages "land banking."

Though it is not readily apparent to someone outside the port industry, the \$10 per TEU increase to Seaboard is of little or no consequence to the competitive position of either POM or Seaboard. While the \$10 represents a 40% increase in revenues paid by Seaboard to POM, it represents in the range of 1% of the

Mr. Christopher Mazzella, Inspector General
Response to OIG Draft Memorandum IG07-74
April 25, 2008
Page 4 of 4

charge incurred by a Seaboard customer in getting goods to their new market. A \$10 increase to a discretionary customer or shipping line (e.g., POMTOC customers that pay Tariff rates) would, however, have a detrimental effect on our competitiveness with other South Florida ports.

Other Issues: The OIG raised other concerns about increasing land utilization rates and about settling Seaboard arrearages prior to taking the proposed contract to the Board.

Response: POM is confident that it understands the natural growth trajectories of cargo, the underlying economic realities of terminal land utilization rates, and the important peculiarity (from a competitive perspective) of being located at the tip of a peninsula. In constructing our contract models, we took into consideration these factors, having been supported in our efforts by a leading cargo consulting firm.


Regarding outstanding balances, POM advised Seaboard that it would not take any amendment to the Board unless all receivables past 90 days were resolved. Nonetheless, the OIG's presence at our meetings played a significant role in ensuring a fair resolution to this matter.



Memorandum

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To: Bill Johnson, Director, Seaport Department

From:  Christopher R. Mazzella, Inspector General

Date: April 22, 2008

Subject: ADDENDUM to OIG Draft Memorandum IG07-74
OIG Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami- Dade County and Seaboard Marine Ltd.

FILE COPY

Subsequent to our draft memorandum of April 11, 2007, regarding Seaboard Marine (Seaboard), the OIG discovered that in 2005 Seaboard was sentenced for criminal violations relating to the transportation of hazardous materials over public highways. Seaboard was placed on three (3) years of probation. This information is contained in a press release from the United States Department of Transportation - Office of the Inspector General, dated May 05, 2005, titled *Seaboard Marine Sentenced for Criminal Violations*. (Attached as Exhibit A.)

According to the information contained in the press release, Seaboard was convicted for transporting hazardous materials over public highways, which included two (2) stops, traveling back and forth between its terminal yard, at the Port of Miami. Further, from the sentencing information, it appears that Seaboard is still on criminal probation.

On Monday, April 14, 2005, the OIG presented copies on this press release to the Seaport negotiating team to determine what impact it may have on Seaboard operations or on the negotiations. The Seaport negotiating team stated that they were not aware of this issue, nor were they aware that Seaboard was convicted and sentenced for acts that were, in part, committed on Port of Miami property.

On Friday, April 18, 2008, during negotiations, the OIG raised this issue with the Seaboard representative and requested further information. Among the information requested is proof that the fines were paid (\$305,000 in aggregate) and that Seaboard is in compliance with the terms and conditions of the criminal probation. The Seaboard representative agreed to provide the information and further stated that Seaboard is scheduled to complete probation during late May 2008.

The OIG is very concerned that this matter was previously unknown to the Seaport negotiating team. Also, we are concerned about the ramifications that it may have for current and future Seaport operations. The OIG poses the following questions:

- Since Seaboard is still on criminal probation:
 - Was Seaboard obligated under the plea agreement, current lease agreement, County regulations, and/or other maritime regulations to have notified Seaport/Port of Miami officials of its probationary status?
 - What level of proof and documentation will the Seaport require of Seaboard to demonstrate that it has abided by the terms of its plea agreement?
 - Did Seaboard complete and implement the court ordered Hazardous Material Compliance Plan?
 - What effect does this conviction have going forward on the proposed Amendment?

- Since the Seaport negotiating team was not aware of this incident:
 - What provisions are there in the current and proposed agreements to protect the interests of Miami-Dade County and to protect the County from liability resulting from spillages and environmental hazards on County property?

In the interest of providing safe and environmentally compliant conditions at the Port of Miami, please provide us with a response to these concerns on or before May 6, 2008.

Title: Seaboard Marine sentenced for criminal violations

Date: May 05, 2005

Type: Investigation

Summary: U.S. Department of Justice



United States Attorney
Southern District of Florida

99 N.E. 4 Street
Miami, FL 33132
(305) 961-9000

May 5, 2005

NEWS RELEASE:

SEABOARD MARINE SENTENCED FOR CRIMINAL VIOLATIONS

Marcos Daniel Jiménez, United States Attorney for the Southern District of Florida; Barbara L. Barnet, Special Agent in Charge, United States Department of Transportation-Office of Inspector General; and Tom Tramel, Director, Florida Department of Environmental Protection, Division of Law Enforcement, announced today that on May 4, 2005, defendant, Seaboard Marine Ltd., Inc., a worldwide transportation company, located at 8050 N.W. 79th Avenue in Medley, Florida, and at the Port of Miami, was sentenced for transporting hazardous materials over public highways in violation of numerous Department of Transportation Regulations, a violation of Title 49, United States Code, Section 5124. United States District Court Judge Alan S. Gold sentenced the Miami-based corporation to three (3) years of probation, during which time they must comply with a court ordered Hazardous Material Compliance Plan.

In addition to the term of probation, Judge Gold also ordered Seaboard Marine to pay a \$200,000 fine and to make full restitution to the state agencies which expended over \$55,000 in clean-up costs. Judge Gold also imposed two (2) community service payments totaling \$50,000 to the Miami-Dade Police Department units involved in hazardous materials investigations and emergency response. Seaboard Marine was also required to develop, implement, and enforce a Hazardous Materials Compliance Plan, which was developed by an outside consultant to ensure the company's compliance with all applicable local, state, and federal hazardous materials laws and regulations. The Plan was developed with oversight from the government, including the Federal Motor Carrier and Safety Division of the Department of Transportation. The Plan was presented to the Court at the time of sentencing.

The Information, which was filed by the government on July 7, 2004, charged Seaboard Marine Ltd. Inc., with knowingly and willfully transporting various hazardous materials from January 22, 2002 through February 11, 2002, in intrastate commerce by a commercial motor vehicle. The hazardous materials were primarily solvents and cleaning substances,

including phosphoric acid, hydrochloric acid, isopropanol, potassium hydroxide, and sodium hydroxide.

According to the statements made previously in Court as well as filed documents, an individual shipper purchased the contents of a warehouse in Hialeah for \$1200 in January, 2002, and contracted to sell the contents, which consisted of solvents, chemicals, and cleaning materials, to a detergent company in Antigua. The individual leased a 40-foot shipping container from Seaboard Marine Ltd., Inc. and hired Seaboard to transport the warehouse contents to Antigua. After Seaboard Marine delivered the container to the Hialeah warehouse, it was loaded by the individual shipper. The container was then picked up and transported by Seaboard Marine to its facility at the Port of Miami to be shipped by vessel to Antigua.

When Seaboard Marine contacted the individual shipper to request the required list of the container's contents, the shipper faxed Seaboard Marine a list of materials that Seaboard recognized as hazardous. Seaboard Marine advised the shipper that it needed a Dangerous Goods Declaration before it could ship the contents. The shipper told Seaboard to take the container to Larparkan Trading, Inc. in Miami to inventory the contents and prepare the Dangerous Goods Declaration.

Before transporting the container, Seaboard Marine's driver saw that the container was leaking. Seaboard had failed to enter the existence of the hazardous materials cargo on its forms and the driver had no warning that he was carrying hazardous materials. Seaboard then instructed its driver to move the container to Laparkan. DOT regulations require that upon discovery of a leak of potentially hazardous materials, a company cannot move the leaking container and must immediately contact the Florida Department of Environmental Protection or Bureau of Emergency Response. Laparkan was closed, so the driver transported the container back to the Port of Miami.

The next day another Seaboard driver saw the leaking from the container, but was told to take it to Laparkan Trading. Upon arrival at Laparkan, employees saw and smelled the leaking substances from the container, and believed that some of the contents were hazardous. They opened the container, observed hazardous markings on some of the drums and packages, and observed that the contents were in complete disarray. Laparkan refused the container and contacted Seaboard Marine to pick it up. The next day another Seaboard driver was sent to Larparkan with instructions to take it back to the original warehouse in Hialeah. This driver was very concerned about the leaking but was advised by Seaboard's Dispatch office not to worry because there were no hazardous materials in the container. Since no one was present at the closed warehouse to accept the container, Seaboard directed its driver to take the container to its facility in Medley. The container of leaking hazardous materials was last in the possession of Seaboard Marine. Three days later the container was found abandoned and leaking outside the original warehouse in Hialeah. These incidents took place from January 22, 2002 through February 11, 2002. Clean-up and disposal of the hazardous chemicals took four days and cost a total of \$55,000.

Mr. Jiménez commended the investigative efforts of the United States Department of Transportation-Office of Inspector General, the Florida Department of Environment Protection- Division of Law Enforcement, the Federal Motor Carrier Safety Administration- Department of Transportation, Miami-Dade Police Department, Hazardous Materials Crime Unit/ Intergovernmental Unit, and the Hialeah Police Department. The case was prosecuted by Assistant United States Attorney Diane Patrick.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at www.usdoj.gov/usao/fls<http://www.usdoj.gov/usao/fls>>www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov><http://www.flsd.uscourts.gov>><http://www.flsd.uscourts.gov>> or on <http://pacer.flsd.uscourts.gov><http://pacer.flsd.uscourts.gov>><http://pacer.flsd.uscourts.gov>> <<http://pacer.flsd.uscourts.gov>>.

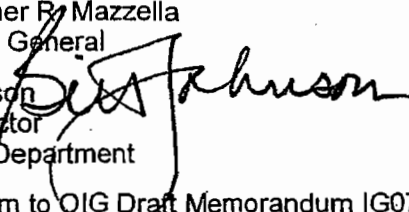
Related Information: OIG

Memorandum



Date: May 6, 2008

To: Christopher R. Mazzella
Inspector General

From: Bill Johnson 
Port Director
Seaport Department

Subject: Addendum to QIG Draft Memorandum IG07-04

In response to your memorandum of April 22, 2008, regarding recent findings by the Office of Inspector General related to a past conviction of Seaboard Marine for the transportation of hazardous materials over public highways, please be advised of the following. We have addressed this issue with top management from Seaboard Marine who has provided us the attached letter regarding the incident, as well as their compliance with and early release from the terms of their court-ordered probationary period. It is our understanding that the Inspector General's office has already received copies of the attached letter, as well as proof of payment of Seaboard fines.

More directly, in response to the issues you raised in your memorandum, under the terms of the existing agreement between Seaboard and the County, and to the best of our knowledge, Seaboard is not obligated to notify the County of such a conviction although it was public and reported in the media. With regard to the level of proof and documentation of Seaboard's compliance, we are satisfied with the information they have provided. This conviction does not have any effect on our negotiations, on the agreement going forward, nor on their standing with the Port of Miami. With regards to your last issue regarding what provisions exist in the current and proposed amendments to protect the interests of Miami-Dade County and to protect the County from liability resulting from spillages and environmental hazards on County property, the agreement provides for the operator to indemnify the County for any actions caused by them.

I trust the above will address your concerns. Should you wish to discuss further, please do not hesitate to contact me.

Attachments



Memorandum

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To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
The Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners, Miami-Dade County

From: Christopher R. Mazzella, Inspector General

Date: May 12, 2008

Subject: Memorandum of OIG Observations, Review and Comments on the *Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd.* Ref. IG07-74

As part of the Miami-Dade Office of the Inspector General's (OIG) continuing oversight of Seaport Department (Seaport) operations, the OIG has been monitoring the contract negotiations process and reviewing the current and proposed agreements with the current terminal operators (Operators) serving the Port of Miami (POM). The three Operators serving the POM are Maersk, Inc. (Maersk), Port of Miami Terminal Operating Company, L.C. (POMTOC) and Seaboard Marine, Ltd. (Seaboard).

This memorandum sets forth the OIG's observations and comments with respect to the proposed Seaboard agreement only (see May 14, 2008, Transit Committee Agenda Item No. 3P). These concerns are not new, as the OIG has been providing comments on the proposed agreements throughout the period of negotiations. The OIG, however, wanted to wait on the finalized proposed amended agreement prior to publicly issuing its comments.

Further, the OIG would like to express gratitude to the Seaport and the Operators for their cooperation and assistance during this process. In particular, the Seaport ensured that the OIG was kept informed of all meetings, provided copies of correspondence and documentation, and in general provided orientation and information on cargo terminal operations.

BACKGROUND

In July 2007, the Seaport Director advised the OIG that the Seaport was about to begin terminal operating negotiations with the Operators at the POM. Due to complexity of simultaneous negotiations with the Operators and the future implications of any or all of those agreements, the Seaport Director requested that the OIG observe and comment on the negotiation processes.

Since that time, OIG activities have included attendance at all scheduled negotiation meetings with the Operators; review of all existing terminal operating contracts and their amendments, if any, Port tariff, historical statistical and financial data, current financial data, and two independent studies of POM operations.¹ OIG staff also made numerous site visits to observe cargo operations and facility conditions. Meetings and interviews were held with various Seaport staff members representing the Administration, Finance, Maritime, and Marketing divisions.

On November 13, 2007, the OIG issued a memorandum to the Seaport Director on the *Oversight of Seaport Terminal Operator Lease Agreement Negotiations* that provided our initial comments on the negotiations process with emphasis on areas of concern that were either the subject of negotiations or areas that, we believed, should be included in the negotiations. That memorandum discussed the subject areas of: the Seaport's Strategic Plan, Synchronizing Future Contract Renewal/Expiration Dates, Cargo Contract Revenue Projections, Subletting, and Accounts Receivables – Arrearages.

On December 14, 2007, the Seaport Director provided responses to issues raised in the aforementioned OIG memorandum, and shortly thereafter, OIG staff met with the Seaport Director and his staff to go over the comments more thoroughly. As negotiations continued, the OIG issued additional comments to the Seaport Director. Among the other issues surfaced were the contract renewal options and electrical surcharges.

On April 11, 2008, the OIG issued essentially this memorandum in draft format to the Seaport Director for review and comment. On April 22, 2008, an addendum to the original OIG draft memorandum was issued due to the discovery of an outstanding item that is directly related to Seaboard (included in this memorandum under the subject heading CRIMINAL VIOLATION, page 11).

On April 25, 2008, the Seaport Director responded to the original draft memorandum. On May 6, 2008, the Seaport Director responded to the addendum. (Responses attached as A and B, respectively.) We have carefully taken the Seaport's responses into consideration. Revisions to our initial memorandum were made, where appropriate. The following "final" memorandum discussed the amended agreement, as it is proposed for the upcoming May 14th TC Agenda, Item 3P.

SUMMARY OPINION

The OIG believes that certain major provisions contained in Amended and Restated Agreement (Agreement) are not in the best interest for the future growth and development of all the stakeholders in the Port of Miami. The opinion of the OIG is based on three major areas of concern, summarized as follows:

¹ *Port of Miami Tariff Analysis*, Planning and Economics Group, May 24, 2006, and *Port of Miami Cargo Terminal Capacity Analysis*, TranSystems, October 26, 2007.

1. **CONTRACT TERM** – The OIG could not find any sound economic or financial reasons for proposing an initial term of 20 years with two unilateral 5-year renewal options, making this a potentially 30-year unilateral agreement.
2. **CAPITAL IMPROVEMENTS** – Both the Seaport and Seaboard agree on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the Seaport to complete certain improvements required under the present agreement, however, the OIG is concerned that the Seaport may be committing to fund improvement projects that it may not be able to afford and may not be able to adequately manage and complete within the required time frames.
3. **FINANCIAL TERMS** – While the financial terms of proposed Agreement significantly increases the near-term revenues, the OIG is concerned that such increases might not be sufficient to offset current operating expenditures and debt requirements and still provide funding to support additional debt, as required by this Agreement.

1998 AGREEMENT WITH SEABOARD MARINE LTD.

On November 18, 1998, Miami-Dade County entered into the current agreement with Seaboard for terminal operations at the POM. This agreement provided an initial term of 10-years with two 5-year options with mutual consent and subject to renegotiations as part of any renewal. The initial term will be completed on November 17, 2008. It is under the requirements of this first renewal option that this Agreement is being presented to the Miami-Dade County Board of County Commissioners (BCC) for consideration and approval.

At present, Seaboard operates from a terminal yard consisting of approximately 75 acres; the yard includes 14.16 acres that are sub-leased from POMTOC.² Seaboard does not pay rent to the County for use of approximately 61 acres of land. Instead, Seaboard pays a negotiated TEU³ rate that is intended to cover the costs for dockage, wharfage with no separate charge for land; other items, such as vehicles and break bulk cargo are paid at negotiated or Tariff rates.

² Exception: At present, Seaboard pays POMTOC the rate of \$0.28 per square foot for the 14.16 acres. This amount is to be included in the monthly rent payments made by POMTOC to the Seaport according to the terms of POMTOC lease agreement.

³ TEU means Twenty Foot Equivalent Unit and is the standard measure for cargo shipping containers, e.g., a 40-foot container counts as 2 TEUs.

AREAS OF MAJOR CONCERN

1. CONTRACT TERM -- 20 YEARS PLUS TWO 5-YEAR OPTIONS

The Agreement provides for an initial term expiring on September 30, 2028 (20 years) with two renewals of 5-years each at the option of the Seaboard. This provision gives Seaboard the right to continue terminal operations for an uninterrupted period of 30 years, notwithstanding the reappraised rental value of the land, the achievement of certain ~~pre-defined performance thresholds, and compliance with other contractual requirements.~~ During this 30-year period, the Seaport cannot require Seaboard to negotiate any changes to the Agreement that maybe necessary and in the best interest of the Seaport or Miami-Dade County. The OIG believes that the structure of this 30-year agreement (initial 20-year term and the two 5-year options) are not in the best interest of the Seaport.

Our position is substantiated by the repeated comments of the Director with respect to the POMTOC agreement that because of POMTOC's unilateral renew options, ("POMTOC shall have the right to renew this Agreement for each of the 3 additional five-year renewal periods ...") he will have to wait 7 years until after the expiration of the current and final renewals before the Seaport may require POMTOC enter into any negotiations. The proposed language of this amendment, which significantly changes the current agreement's requirement of mutual consent, would place the Seaport in a similar position that it finds itself with POMTOC. If the Agreement is approved with this provision, the Seaport would not be able to require renegotiation of any contract provision until the termination of the entire Agreement in the year 2038. The Agreement will tie the hands of all future directors for the next 30 years (or in the best case scenario for only 20 years) regardless of international, national, or local economic conditions.

Additionally, there are two major projects⁴ that are designed to provide significantly increased benefits to the POM and are expected to be completed within the next ten years, by the year 2018. The viability and competitiveness of the POM is expected to significantly improve following the completion of these projects and it would then appear to be an appropriate time to review all terminal operating contracts.

Finally, the duration for the Agreement should consider the value of any infrastructure investments to be made by Seaboard with a reasonable amount of time for them to depreciate or recapture the cost of those investments. Seaboard's initial capital contribution of \$1.150 million does not, in our opinion, justify a 30-year agreement, or ~~even a 20-year agreement for that matter.~~ Even taking into accounts the five phased capital payments of \$1 million each, discussed in the next section below, we still do not believe that these contributions in conjunction with the proposed land and TEU rates warrant an initial 20-year uninterrupted term, with the unilateral option on another 10 year.

⁴ The two projects are identified as the "Port of Miami Tunnel" and "Dredging to 50 foot depth."

*Chris
page
new*

In his April 25, 2008 response (Attachment A), the Seaport Director states that:

POM was amenable to a contract of 30 years length (inclusive of options) for two principal reasons: 1) Seaboard has offered long-term financial and cargo throughput guarantees that greatly exceed any found within the South Florida market; and 2) Seaboard has consented to being on Tariff excepting certain specific charges. These two conditions – along with contractual protections against inflation, a run-up in port land values and poor financial performance on Seaboard's part – leave future port directors in a much stronger (an more flexible) position to absorb financial challenges than we find ourselves today.

It is true that the proposed throughput guarantee of 4,000 TEUs per acre may exceed any other guarantee found in the South Florida market, however 4,000 TEUs per acre is only approximately 80% of its historic averages. Second, the majority of Seaboard's cargo operation will be subject to the land and TEU agreed rates, subject only to formula increases. In fact, only limited categories, such as break bulk (i.e. palletized cargo) and automobiles are subject to Seaport tariff. The OIG believes that these two reasons do not warrant 30 years.

The OIG is pleased that the Seaport is proposing a long-term business partnership with a company that has maintained its headquarters in Miami-Dade County (Medley) for the past 25-years. Seaboard is the largest user of the POM with more than 70 sailings per month, moving more cargo to and from the POM than any other carrier. It is estimated that Seaboard's operations has an estimated annual economic impact of \$16 billion.

The OIG is not against a long-term agreement. The OIG, however, believes that for any long-term agreement to be successful, certain ingredients are necessary, such as the ability of each of the partners to be able to adjust business plans or renegotiate contract terms as may be required by international or global conditions. Partners in long-term agreements with the mutual options to extend the relationship provide the opportunity for continuation. In the case of Seaboard, it has assurances that the Seaport would not arbitrarily seek bids from other potential operators at the end of the initial period. On the other hand, while the Agreement provides for formula increases to be paid to the Seaport in each year of the Agreement through the entire 30-year period, there isn't any assurance that such formula would be still relevant 10, 20, or 30 years in the future. A mutual agreeable renewal option provides protection to both partners.

We believe that for all terminal operating agreements, the Seaport must retain the mutually agreeable renewal option that would place the POM in a more favorable position to plan for growth and development.

2. CAPITAL IMPROVEMENTS –PAVING AND DRAINAGE

The OIG is concerned about both the Seaport's ability to fund all the proposed capital commitments and their ability to adequately manage the implementation and completion of those projects.

In the proposed Agreement, the Seaport is committing up to \$21 million to complete approximately 62 acres of paving maintenance and upgrades and RTG runways within five phased areas by September 2013, as outlined in Exhibit E of the Agreement. In return, Seaboard is committing to make a \$1 million contribution after the timely completion of each of the five scheduled phases. Seaboard's total contribution would be up to \$5,000,000 with penalty reductions of \$100,000 for each month any of the phases are delayed. Should the Seaport still not complete the improvements, as was the case in the current agreement, Seaboard would not be required to make any contributions; additional penalties in the form of rent reductions, would also be imposed.

While the penalties for delays in completing these improvements may appear harsh, the OIG notes that during negotiations, both parties readily agreed, without hesitation, on the sub-standard condition of the Seaboard terminal area and the failure of the Seaport to have completed many of the proposed improvements that were required under the current contract. Thus, Seaboard's contribution of up to \$5 million may be viewed as a generous contribution to reward the Seaport for completing improvement projects, which it failed to complete the first time around.

Although the OIG concurs with both the Seaport and Seaboard that the identified improvement projects are a high priority to bring the terminal yard up to minimum standards, the OIG has severe reservations about the Seaport's ability to manage and fund these projects due to the following considerations:

- In the 10 years since the signing of the current agreement, the Seaport has completed only one of nine projects identified in the contract; none of the remaining eight projects were even started. All these projects were to have been completed by March 2000. Seven of the remaining projects were for re-grading, paving, and drainage of the terminal yard that are now being carried forward to the new agreement.
- Negotiations with other Operators may include similar type terminal improvements with Seaport funding contributions and project management requirements, which may impact the Seaport's ability to complete these projects timely.
- Two proposed mega-projects (the dredging of the POM South Channel to depth of 50 feet and the Port tunnel) will be competing for funds, which may impact the Seaport's ability to borrow additional Sunshine State Loans, and/or impact current abilities to satisfy debt obligations.

The Seaport has stated that funding for these projects are expected to come from future Sunshine State Loans and available State of Florida grants. However, the OIG is reminded of its earlier audit of the Miami Seaport Redevelopment Program (MSRP) and the various construction manager at-risk agreements encompassing a variety of cargo terminal yard improvement projects.⁵ In summary, we found an alarming number of improvement projects being cancelled in an effort to keep the overall CM contract within budget. These cancelled projects, however, were budgeted in many of the associated "borrowings" and, thus, we questioned the department's ability to budget and "pay" for them again. Should the BCC approve this Agreement as proposed, it should be with the mandate that the Seaport devote such resources to ensure that the experiences of the MSRP do not recur.

In his response of April 25, 2008, the Seaport Director states that:

Our five-year financial and capital funding plan is readily available; it shows our strategy for financing approximately \$200 million in capital improvements, including those associated with three contracts that are bound for the Board of County Commissioners in the coming months. Each of these agreements guarantees revenues beyond those required to finance any contractually obligated commitment.

While the OIG sincerely hopes that that is the case, we have not been provided with any assurances that the Seaport's current and projected operating deficits, debt service, and any other financial obligations would not significantly erode the increased revenues from the land rent. This is particularly significant since the Seaport has been losing other revenues (wharfage, dockage, and crane) due to the overall cargo volume decrease in each of the past 2 years (-8.7% and -9.4%, respectively) and the concerns about rising security costs.

3. FINANCIAL TERMS - REVENUE ANALYSIS⁶

An OIG analysis of the major fiscal terms (Land Rent⁷ and TEU Rate⁸) of the proposed Agreement projects an annual revenue increase of \$3.613 million due almost entirely to the first time imposition of a \$1.00 per square foot charge for 81.91 acres. The revenues from cargo volume would increase marginally based on a projected volume of 360,000 TEUs. The summary result for the first year is shown on the next page:

⁵ "Final Audit Report of the Cargo and Cruise Project of the Miami Seaport Redevelopment Project (MSRP) at the Miami-Dade County Seaport", issued by the OIG on August 11, 2004.

⁶ The analysis considers only land rent and TEU rate because all other revenue sources will for the most part remain the same and is not expected to have any significant impact on projections.

⁷ Currently, Seaboard does not pay land rent. Consideration for land rent is included in a TEU charge.

⁸ TEU Rate is the negotiated amount that includes consideration for land rent, dockage, and wharfage that is charged for each container loaded or unloaded from a vessel.

	\$x000,000			
	Current	Proposed	Inc/(Dec)	%chg
TEU	\$7.590	\$7.635	\$0.045	0.6%
Land	0.000	3.568	3.568	n/a
	<u>\$7.590</u>	<u>\$11.203</u>	<u>\$3.613</u>	<u>47.6%</u>

While we acknowledge that the agreement positively affects Seaport revenues, we are reminded of its consultant's financial report, which recommends, in part, that: *"If the lease is awarded through negotiation, presumably with an existing tenant, it is recommended that the Port agree to the lease only if it funds the Port's expenses shown above."*⁹ (Table from report not included.)

This 2006 report indicated that in Fiscal Year 2004, total expenses to support the cargo operations averaged \$180,542 per acre; revenue from Seaboard was \$80,852 per acre less (not including gantry cranes). While these cost figures have not been updated, the OIG is concerned that the Seaport's own projected revenues of \$158,710 per acre will not be sufficient to offset current expenses, much less fund the improvements mentioned earlier.

At this point, the OIG would also like to point out that on page 3 of the County Manager's memorandum regarding this Agreement, in reference to the land rental rate, states that "This rate shall escalate up to 3% compounded yearly..." However, in the actual Agreement on page 14, Section 5A Land Rent it states that "subject to an annual increase of not more than three percent (3%) ..." Even the language in the Agreement is ambiguous in that there is no determinant as to what will cause an increase or determine the amount of the increase.

OTHER AREAS OF CONCERN

EFFICIENT USE OF LIMITED TERMINAL AREAS – MINIMUM ANNUAL GUARANTEE TEU (MAGT) – AN OIG CONCERN IMPACTING THE SEAPORT'S OTHER TERMINAL AGREEMENTS

The OIG makes the following comment relative to the two other terminal operating agreements that are in contemplation of being amended, renegotiated, etc.

Due to the limited land space available for cargo operations at the Port of Miami, the Seaport is strongly encouraged to negotiate meaningful productivity measures to ensure that all cargo terminal operators increase the productivity in their allocated terminal area. Simply stated, this means that all cargo operators must be required to achieve higher minimum guarantees for their through-put per acre. Consequently, if operators are not able to achieve the required productivity measures for allocated land, then land would be reduced until the minimum throughput measure is achieved.

⁹ *Port of Miami Tariff Analysis – Final Report*, Planning and Economics Group, Inc., May 24, 2006

Both Seaboard and the Seaport are to be commended for attempting to set higher standards for the utilization of limited acreage. The proposed Agreement with Seaboard sets the MAGT at 4,000 TEUs per acre with a projected annual volume of 5,538 TEUs per acre (based on total volume of 360,000 TEUs). In comparison, under the current agreement, the MAGT for FY 2007-08 is 2,000 TEUs per acre and would have been 3,300 TEUs per acre had the Seaport completed the required improvements. The MAGT of 4,000 TEUs per acre was offered by Seaboard despite the sub-standard land and without the benefit of RTGs.

This MAGT of 4,000 TEUs per acre, without the benefit of RTGs, should now be considered the minimum standard when negotiating with other terminal operators. The 4,000 TEU minimum should be further increased if the Seaport is to be required to invest in infrastructure enhancements to accommodate RTGs.

The OIG has difficulty understanding the Seaport's strategy or the economic reality of having one terminal operator guarantee 4,000 TEUs per acre on substandard land while others are permitted to provide anywhere from 2,000 to 3,000 TEUs per acres.¹⁰ Using the Seaport's own model, a cargo terminal operator with a proposed minimum throughput guarantee of 2,750 TEUs per acre would have until the year 2026 (18 years) before they would be required to have the same throughput rate guaranteed by another provider, today.

ARREARAGES

On November 13, 2007, the OIG advised the Seaport that its own financial report, as of 10/24/07, entitled *Analysis of Outstanding Customer Balances*, reported that Seaboard had an outstanding balance of \$807,005.33 (including late payment charges) that was in excess of 90-days, with many charges going as far back as 1997. At that time, the OIG reminded the Seaport of Miami-Dade County Administrative Order (A.O.) 3-29 *Prohibiting County Contracting with Individuals and Entities Who are in Arrears to the County*. A.O. 3-29 states in part:

This Administrative Order prohibits contractors that are in arrears to the County in excess of the enforcement threshold¹¹ from obtaining new County contracts, extensions of contracts, or new purchase orders, until such time as the arrearage has been paid in full or the County has agreed in writing to an approved payment plan.

¹⁰ The Seaport Director's response of April 25, 2008 states "POM is confident that it understands the natural growth trajectories of cargo, the underlying economic realities of terminal land utilization rates, and the important peculiarity of being located at the tip of a peninsula. In constructing our contract models, we took into consideration these factors, having been supported in our efforts by a leading cargo consulting firm."

¹¹ "Enforcement Threshold" shall mean any arrearage under any individual contract, final non-appealable judgment or lien with Miami-Dade County that exceeds \$25,000 and has been delinquent for greater than 180 days.

Even absent the requirements of A.O. 3-29, the OIG strongly believes that as a prerequisite to good faith contract negotiations, all debts to the County should be paid. Our concerns were shared with the Seaport.

Most recent data indicates that \$200,132 of the outstanding receivables occurred between 1997 and 1999, of which \$96,451 pre-dates the current agreement. The annual receivables recorded from 1997 to 2007 are shown below.

Seaboard Outstanding Receivables									
1997 to 2007									
(Not including Interest Calculations)									
Total	2007	2006	2005	2004	2003	2002	2001	2000	1997-99
\$973,224	\$409,658	\$113,289	\$132,186	\$62,453	\$6,701	\$14,471	\$29,153	\$5,181	\$200,132

A review of the information relating to these receivables indicate that a large portion of the more recent receivables relate to the disputed methodology of counting "flat racks" for billing purposes, which we are glad to see has been clarified in the proposed agreement. However, the Seaport's documentation for the remaining receivables were either scant or non-existent. Over the past 10 years, efforts by the Seaport's Finance Department to collect or resolve outstanding receivables have either been non-existent or ineffective as evidenced by the increasing age and magnitude of the receivables.

In an effort to conclude negotiations, Seaboard offered a one-time payment of \$500,000 to settle all outstanding receivables up to December 31, 2007. This settlement represents \$0.51 per \$1.00 for the outstanding amount between 1997 and 2007.

The OIG is concerned that had it not been for our intervention, these outstanding receivables might have remained unresolved. The OIG recommended to the Seaport that it review their collection processes and make changes as necessary to ensure that all invoices and outstanding balances be resolved on a timely basis. Further, with the understanding that there may be other accounts in a similar situation, the OIG is strongly recommending that Seaport consider implementing a system so that the supporting documentation for all open, disputed, or unpaid invoices remain in a current filing system rather than being sent to storage at the end of the fiscal year. In doing so, the Seaport would have all necessary documentation readily available to ensure effective collection or resolution of all receivables.

Moreover, given the initial 20-year uninterrupted contract term, as discussed above, the OIG feels strongly that there must be a mechanism or protocol in place to ensure that arrearages are dealt with timely. The Seaport and Seaboard have agreed to create a joint accounts receivable committee to review this account on a bi-monthly basis. We surely hope that this actually occurs, and we do not find ourselves with a substantial delinquency at the end of 20 years.

CRIMINAL VIOLATION

Subsequent to our draft memorandum of April 11, 2007, the OIG discovered that in 2005, Seaboard was sentenced for criminal violations relating to the transportation of hazardous materials over public highways.¹² As part of the sentence, Seaboard was placed on criminal probation for a period of three (3) years and required to pay significant amounts in large monetary payments in fines, restitution, and clean-up costs. This information is contained in a press release from the United States Department of Transportation – Office of the Inspector General, dated May 05, 2005, titled *Seaboard Marine Sentenced for Criminal Violations*. According to the information contained in the press release, Seaboard was convicted for improperly transporting hazardous materials over public highways, which included two (2) stops, traveling back and forth between its terminal yard at the Port of Miami and other locations. From the sentencing information, it appeared that Seaboard was still on criminal probation during the negotiation process.

On Monday, April 14, 2008, the OIG presented copies of this press release to the Seaport negotiating team to determine what impact it may have on Seaboard operations or on the negotiation process. The Seaport negotiating team stated that they were not aware of this issue, nor were they aware that Seaboard was convicted and sentenced for acts that were, in part, committed on Port of Miami property. Neither were they aware of the Seaboard probationary requirements or compliance status.

On Friday, April 18, 2008, during negotiations, the OIG raised this issue with the Seaboard representative and requested further information. Among the information requested was proof that the fines were paid (\$305,000 in aggregate) and that Seaboard is in compliance with the terms and conditions of the criminal probation. We subsequently received documentation from Seaboard demonstrating its compliance and showing that it was granted early termination of its probation, one month earlier, effective March 24, 2008.

As the OIG was very concerned that that this matter was previously unknown, we posed several questions to the Seaport in an addendum to our April 11th memorandum. In his response of May 6, 2008, (Attachment B) the Seaport Director stated that "...under the terms of the existing agreement between Seaboard and the County, and to the best of our knowledge, Seaboard is not obligated to notify the County of such a conviction..." He further points out that "... the agreement provides for the operator to indemnify the County for any actions caused by them." However, it is the opinion of the OIG that the Seaport strongly consider the inclusion of such a requirement whereby all tenants and operators on POM property be obligated to advise the Seaport whenever there are potential dangers due to environmental issues or wherever not prohibited by law, the initiation of any investigation pursuant to applicable environmental laws and of the findings of any such investigations. For that matter, we believe such a requirement should be in all County contracts. Under separate cover to the County Attorney, the OIG is recommending that such language, as may be necessary, be developed and included in

¹² Case No. 04-20455-CR-GOLD/SIMONTON

all future renewals, agreements, etc. requiring the vendors to notify the County when they have been charged or convicted with any crime.

The OIG is concerned that had the OIG not made this discovery and that if this Agreement been brought forward for approval, as originally scheduled, the Board of County Commissioners would unwittingly have been considering an agreement with an entity that was convicted of criminal charges and would have been on criminal probation while the renewal was being considered.

Cc: George M. Burgess, County Manager
Robert A. Cuevas, Jr., County Attorney
Ysela Llort, Assistant County Manager
Bill Johnson, Director, Miami-Dade Seaport Department
Denis Morales, Mayor's Chief of Staff
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)

Attachments

Summary of Terms

Port	Shipping Line	Term	Start	Finish	Extension options
Houston	CMA CGM	30 years			To be negotiated
Houston	Seaboard Marine	30 years	1990	2020	
JaxPort	MOL (America) Inc.	30 years	10/1/2000	9/30/2030	Either party may request negotiations
JaxPort	ICS, Inc & Global Stevedoring	30 years	2005	2035	(4) 5-years options Lessee option to renew
Los Angeles	Maersk Pacific Ltd. (APM Terminals Pacific Ltd.)	25 years	9/14/2000	10/31/2025	(3) 5-year options Mutual agreement for renew
Los Angeles	Eagle Marine	30 years	9/10/1993	10/1/2023	None Specified
Los Angeles	NYK Line	25 years	1990	2015	(1) 10-year option Lessee option to renew
Mobile	CMA CGM	30 years	Commences late 2008	2038	(1) 10-year option
New Orleans	P&O Ports Louisiana	5 Years	11/1/2003	10/31/2008	(3) 5-year options plus a final term of 4 years Lessee option to renew
New Orleans	New Orleans Cold Storage & Warehouse	30 years	11/1/2002	4/30/2033	(2) 10-year options
New Orleans	Seaboard	6 years	2/1/2008	1/31/2014	(3) 5-year options Lessee option to renew
New Orleans	Ceres Gulf, Inc	5 Years	11/1/2003	12/31/2008	(3) 5-year options plus a final term of 4 years Lessee option to renew
New Orleans	Trans Ocean Terminal	5 years	5/27/1997	4/7/2002 renewal exercised	(4) 5-year options Lessee option to renew
New York & New Jersey	Maher Terminals	30 years	10/1/2000	9/30/2030	None Specified
New York & New Jersey	Port Newark Container Terminal	30 years	1/1/2000	11/30/2030	None Specified
New York & New Jersey	Maersk Container Service Company, Inc.	30 years	1/6/2000	12/31/2029	None Specified

Summary of Terms

Port	Shipping Line	Term	Start	Finish	Extension options
Port Everglades	MSC	10 years	6/24/2004	6/23/2014	(2) 5-year options Lessee option to renew
Port Everglades	Chiquita	10 years	10/13/2004	10/12/2014	(2) 5-year options
Port Everglades	King Ocean	5 years	6/1/94	5/1/1999 Renewal exercised	(2) 5-year options Lessee option to renew
Seattle	APL, Ltd	30 years	1/1/1986	12/31/2015	(2) 5-year options Lessee option to renew
Seattle	Eagle Marine	30 years	1996	2026	(2) 5-year options Lessee option to renew
Seattle	SSA Terminals, LLC	30 years	7/8/2005	7/7/2035	(3) 5-year options Lessee option to renew
State of Hawaii	Sea-Land Services	35 years	2/12/1996	2/11/2031	None specified
Tampa	Ports America Group Container	40 years	5/30/2006	5/29/2046	None specified

Memorandum

MIAMI-DADE
COUNTY

Date: May 20, 2008

To: Honorable Chairman Bruno A. Barreiro and Members,
Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplement to Item 14A7 - Resolution Authorizing Execution of Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine, Ltd.

Supplement to
Agenda Item No. 14(A)7

On May 12, 2008, the Office of the Inspector General ("OIG") issued a memorandum (attached) to the Mayor and the Board of County Commissioners regarding their observations, review, and comments on the proposed Amended and Restated Terminal Agreement ("Agreement") between Miami-Dade County ("County") and Seaboard Marine, Ltd., ("Seaboard"). In that report, the OIG expressed concerns, primarily regarding the following three issues:

- 1) Contract Term – 'The OIG could not find any sound economic or financial reasons for proposing an initial term of twenty (20) years with two (2) unilateral five (5) year renewal options, making this a potentially thirty (30) year unilateral agreement.'
- 2) Capital Improvements – 'The OIG is concerned that the Port of Miami ("Port") may have committed to fund improvement projects that it may not be able to afford or be able to adequately manage and complete within the Agreement's required time frames.'
- 3) Financial Terms – 'The OIG is concerned that the Agreement's short term revenue stream may not be sufficient to offset the Port's current operating expenditures and debt requirements and still provide funding to support additional debt.'

These three issues have been previously addressed by the Port in a memorandum from the Port Director to the OIG dated April 25, 2008 (attached) responding to the OIG's April 11, 2008, draft report. As explained in the Port's response, the Agreement's initial term of twenty (20) years, with two (2) five (5) year renewal options, is consistent within industry standards for cargo terminal operator leases - not only in Florida, but throughout the United States (attached please find a report providing brief descriptions of such leases). These long term lease agreements are necessary due to the capital-intensive nature of container yard terminal development and the need for a port to obtain a secure base upon which to finance the construction of new terminal infrastructure through future borrowings. The Agreement accomplishes this objective by encouraging the terminal operator to commit their financial and managerial resources to the overall long term development of their terminal facilities. This strategy provides financial incentives to the terminal operator as well as financial benefits to the Port.

With regard to the issue of capital improvements, as mentioned on the accompanying agenda item, these projects are typical for landlord seaports, such as the Port of Miami, and are the means by which facilities are maintained in order to attract new business. The cost of the improvements (up to a maximum of \$26 million), which the County has committed to fund as part of this Agreement, represents approximately thirty-five percent (35%) of the new revenues, and ten percent (10%) of the net present value of anticipated revenue streams, that Seaboard will be paying the Port under the terms of the lease during the initial 20 year term. It is important to note that the Port, as part of the 1998 agreement with Seaboard, had committed to approximately two-thirds of these improvements but has yet to complete them. Funding for these improvement projects, which are included and funded in the Port's Five Year Capital Improvement Program, will come from federal and state grants

as well as future borrowings. The borrowed funds will be paid from the additional revenues generated as a result of this Agreement.

An additional concern to the OIG was the County's position regarding the unilateral renewal terms of the proposed Agreement and the Port's inability to renegotiate economic terms. This issue has been addressed by requiring Seaboard to exceed either of the performance thresholds shown on page two of the accompanying item's County Manager's memorandum, indicating that the Seaboard contract is still beneficial to the Port. The Port feels that these thresholds significantly protect the County during the out years of this Agreement. Furthermore, the length of this Agreement itself protects the County in the event of any significant downturn in this industry.

With respect to the criminal violation, as reported in the OIG's May 12 memorandum and previously on its April 22 addendum (also attached), please be advised that this was a single hazardous materials (hazmat) incident which occurred in 2004, and did not involve any environmental damage to the Port. Seaboard agrees that the container, which had an incorrect manifest, was improperly handled by its dispatch department. To avoid an extended legal process, the company pled guilty in May 2005. Seaboard paid a \$305,000 fine and was put on probation for a period of three years. The probation was terminated earlier than its three year term, in March 2008. Seaboard admitted their involvement in this matter and acknowledged that this incident was a learning experience for them. The experience strengthened their hazmat plan systems (containment areas, identification of situations) and training program. Seaboard currently has a hazmat plan which complies with all regulations at the local, state, federal, and international levels.

The proposed Agreement provides the Port with a steady level of income, both short and long term, and provides an incentive for Seaboard to generate business by maximizing the productive usage of its terminal facility. The Agreement provides each party with a known cost/reward point. Regardless of the volume of business, Seaboard is assured of a specific expense cost and the Port is assured of a specific future revenue stream.

I trust that this additional information will address the concerns raised in the OIG's memorandum of May 12, 2008.



Assistant County Manager

Attachments



April 11, 2008

Christopher R. Mazzella
Inspector General

Alan Solowitz
Deputy Inspector General

Patra Liu
Assistant Inspector General
Legal Counsel

Mr. Bill Johnson, Director
Miami-Dade Seaport Department
1015 North America Way
Miami, Florida 33132

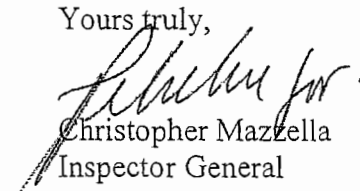
Re: OIG Draft Report – IG07-74

Dear Mr. Johnson:

Attached please find a copy of the Office of the Inspector General's (OIG) draft report regarding our review and comments on the proposed amended and restated terminal agreement between Miami-Dade County and Seaboard Marine Ltd.

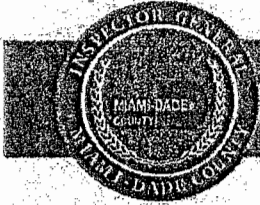
The OIG requests your response to this draft report. If you would like your response to be included in the Final Report, you must submit it to the OIG by close of business on April 25th, 2008. If you wish, you may provide your response by fax to (305) 579-2656.

Yours truly,


Christopher Mazzella
Inspector General

Acknowledgment of Receipt or Proof of Service

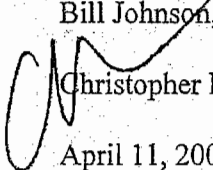
Date



Memorandum

19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
visit our website at www.miamidadeig.org

To: Bill Johnson, Seaport Director

From:  Christopher R. Mazzella, Inspector General

Date: April 11, 2008

Subject: Draft Memorandum of OIG Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd.

COPY

As part of the Miami-Dade Office of the Inspector General's (OIG) continuing oversight of Seaport Department (Seaport) operations, the OIG conducted observations and review of the contract negotiations process with the current terminal operators (Operators) serving the Port of Miami (POM). The three (3) Operators serving the Port are: Maersk, Inc. (Maersk), Seaboard Marine, Ltd. (Seaboard), and the Port of Miami Terminal Operating Company, L.L.C. (POMTOC).

BACKGROUND

On July 27, 2007, the Seaport Director (Director) requested that the OIG observe and review the contract negotiations process with the current Operators serving POM and to comment on the fairness of the Seaport's position in such negotiations.

Since that time, the OIG activities included attendance at all scheduled negotiation meetings with the Seaport and the Operators; reviewed all existing terminal operating contracts; POM tariff; historical statistical and financial data; current financial data; research on international cargo shipping, and two (2) independent studies¹ of POM operations. OIG staff also made numerous site visits to observe cargo operations and facility conditions. Meetings and interviews were held with various Seaport staff members representing Administration, Finance, Operations, and Marketing.

While contract negotiations are still on-going with other Operators, the OIG will restrict comments only to the subject Agreement.

¹ Port of Miami Tariff Analysis, Planning and Economics Group, May 24, 2006
Port of Miami Cargo Terminal Capacity Analysis, TranSystems, October 26, 2007

AN INTERIM PROGRESS REPORT ISSUED

On November 13, 2007 the OIG issued a memorandum to the Director on the "Oversight of Seaport Terminal Operator Lease Agreement Negotiations" that provided initial comments on the negotiations process with emphasis on areas of concern that were either the subject of negotiations or that should be included for negotiations. That memorandum, in general discussed the issues of: Seaport Strategic Plan, Synchronizing Future Contract Renewal/Expiration Dates, Cargo Contract Revenue Projections, Subletting, and Accounts Receivables – Arrearages.

On December 14, 2007, the Director provided responses to issues raised in the aforementioned OIG memorandum. As negotiations continued, the OIG issued additional comments to the Director. Among the other issues surfaced were the contract renewal options and electrical surcharges.

SUMMARY OPINION

The OIG believes that certain major provisions contained in Amended and Restated Agreement (Agreement) are not in the best interest for the future growth and development of all the stakeholders in the Port of Miami. The opinion of the OIG is based on three major areas of concern, summarized as follows:

1. **CONTRACT TERM** – The OIG could not find any sound economic or financial reasons for proposing an initial term of 20 years nor a 30-year non-negotiable agreement with Seaboard.
2. **CAPITAL IMPROVEMENTS** – Both the Seaport and Seaboard agreed on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the Seaport to complete certain improvements required under the present agreement. However, the OIG is concerned that the Seaport may be committing to fund improvement projects that it may not be able to afford and also the ability of the Seaport to adequately manage such projects.
3. **FINANCIAL TERMS** – While the financial terms of proposed Agreement significantly increases the near-term revenues, the OIG is concerned that it is almost entirely due to the new land rent component with no requirements for capacity growth.

Each of these issues will be discussed in further detail.

1998 AGREEMENT WITH SEABOARD MARINE LTD.

On November 18, 1998, Miami-Dade County entered into the current agreement with Seaboard for terminal operations at the POM. This agreement provided an initial term of 10-years with two 5-year options with mutual consent and subject to renegotiations as part of any renewal. The initial term will be completed on November 17, 2008. It is under the requirements of this first renewal option that this Agreement is being presented to the Miami-Dade County Board of County Commissioners (BCC) for consideration and approval.

At present, Seaboard operates from a terminal yard consisting of approximately 75 acres, including 14.16 acres that are sub-leased from POMTOC². Seaboard does not pay rent for use of this land. Instead, Seaboard pays a negotiated TEU³ rate that is intended to cover the costs for dockage, wharfage and no charge for land; other items, such as vehicles and break bulk cargo are paid at negotiated rates or Tariff rates.

AREAS OF MAJOR CONCERN

1. CONTRACT TERM – 20 YEARS PLUS TWO 5-YEAR OPTIONS

The Agreement provides for an initial term expiring on September 30, 2028 (20 years) with 2 renewals of 5 years each at the option of the Seaboard. This provision gives Seaboard the right to continue terminal operations for an uninterrupted period of 30 years notwithstanding the reappraised rental value of the land and compliance with other contractual requirements. During this 30-year period, the Seaport cannot require Seaboard to negotiate any changes to the Agreement that maybe necessary and in the best interest of the Seaport of Miami-Dade County. The OIG believes that both the initial 20-year term and the non-negotiable 30-year agreement are not in the best interest of the Seaport and Miami-Dade County. And, in fact, it could be detrimental to the future growth and development of the POM.

Our position is substantiated by the repeated comments of the Director that his hands are tied on the POMTOC agreement because the current agreement with POMTOC states: "POMTOC shall have the right to renew this Agreement for each of the 3 additional five-year renewal periods ..." and as a result, he will have to wait 7 years until after the expiration of the current and final renewals before the Seaport may require POMTOC enter into any negotiations.

² Exception: At present, Seaboard pays POMTOC the rate of \$0.28 per square foot for the 14.16 acres. This amount is to be included in the monthly rent payments made by POMTOC to the Seaport according to the terms of POMTOC lease agreement.

³ TEU means Twenty Foot Equivalent Unit and is the standard measure for cargo shipping containers. E.g. a 40-foot container counts as 2 TEUs.

The proposed language of giving⁴ Seaboard the "sole option to renew" would place the Seaport in a similar position that it finds itself with POMTOC. Once approved, the Seaport would not be able to require Seaboard to renegotiate any contract terms until the year 2038. The Agreement will tie the hands of all future directors for the next 30 years regardless of international, national, or local economic conditions.

Additionally, the schedule for 2 majors projects⁵ that are designed to provide major benefits to the port are expected to be completed within the next ten years, by the year 2018. At that time, the viability and competitiveness of the Port is expected to significantly improve. This would appear to be an appropriate time to review all terminal operating contracts.

Finally, the duration for the Agreement should consider the value of any infrastructure investments to be made by Seaboard with a reasonable amount of time for them to depreciate or recapture the cost of those investments. Seaboard's capital contribution does not justify a 30-year agreement. (See #3)

We believe that for all terminal operating agreements, the Seaport must retain the mutually agreeable renewal option that would place the POM in a more favorable position to plan for growth and development. The OIG's belief was communicated to the Seaport on January 23, 2008.

2. CAPITAL IMPROVEMENTS –PAVING AND DRAINAGE

The OIG is concerned about the Seaport's ability to fund all the proposed capital commitments not only within the Seaboard terminal yard but also other terminal yards, the tunnel, and dredging of the harbor channel. The OIG has requested but has not received any information from the Seaport regarding their debt capacity and ability to fund proposed capital projects.

In the proposed Agreement, the Seaport is committing up to \$21 million to complete approximately 62 acres of paving maintenance and upgrades and RTG runways within 5 phased areas by September 2013, as outlined in Exhibit E of the Agreement. In return, Seaboard is committing to make a \$1 million contribution after the timely completion of each of the five scheduled phases. Seaboard's total contribution would be up to \$5,000,000 with penalty reductions of \$100,000 for each month any of the phases are delayed. Should the Seaport still not complete the improvements after extended deadlines, additional penalties would be imposed in the form of rent reductions.

While the penalties for delays in completing these improvements may appear harsh, the OIG notes that during negotiations, both parties readily agreed without hesitation on the

⁴ OIG meeting notes of negotiation shows no indication that this provision was discussed and as a result, is unaware why the change is granted.

⁵ The 2 projects are identified as the "Port of Miami Tunnel" and "Dredging to 50 foot depth".

sub-standard condition of the Seaboard terminal area and the failure of the Seaport to have completed many of the proposed improvements that are required under the current contract. Thus, Seaboard's contribution of up to \$5 million may be viewed as a generous contribution to reward the Seaport for completing improvement projects which it failed to complete the first time around.

Although the OIG concurs with both the Seaport and Seaboard that the identified improvement projects are a high priority to bring the terminal yard up to minimum standards, the OIG has severe reservations about the Seaport's ability to manage and fund these projects due to the following considerations:

- In the 10 years since the signing of the current agreement, the Seaport has completed only one of nine projects identified in the contract; none of the remaining eight projects were even started. All these projects were to have been completed by March 2000. Seven of the remaining projects were for re-grading, paving, and drainage of the terminal yard that are now being carried forward to the new agreement. Seaboard was not required to make any financial contribution to these improvements.
- Negotiations with other Operators may include similar type terminal improvements with Seaport funding contributions and project management.
- Although the 2007 Water Resources Development Act (WRDA) approved funding of \$64 million for the dredging of the POM South Channel to depth of 50 feet, the Seaport must still identify and obtain state and/or local funding for the remaining 59.5% or \$93 million of the \$157 million project.
- Funding in the amount of \$257.7 million for the "tunnel" will be repaid either by tolls and/or Port revenues.

The Seaport has stated that funding for these projects are expected to come from future Sunshine State Loans and State of Florida Grants. In concert with this funding mechanism, the OIG had requested but not received any financial projections from the Seaport to support the ability to increase debt to satisfy these commitments.

The OIG is concerned that the Seaport may not have resources necessary to either fund or manage all the capital improvements scheduled to be completed during the next 4 to 10 years.

The OIG is reminded of its recent oversight of the Miami Seaport Redevelopment Program (MSRP) and the three construction management at-risk contracts and the program management agreement for Port Development Management. In its inception, the MSRP had identified and funded fifty projects of which twenty were cancelled due to lack of funding, cost over runs, and management issues. Should the BCC approve this Agreement, it should be with the request that the Seaport devote such resources to ensure that the experiences of the MSRP do not recur.

3. FINANCIAL TERMS - REVENUE ANALYSIS⁶

An OIG analysis of the major fiscal terms (Land Rent⁷ and TEU Rate⁸) of the proposed Agreement projects an annual revenue increase of \$3.613 million due almost entirely to the first time imposition of a \$1.00 per square foot charge for 81.91 acres. The revenues from cargo volume would increase marginally based on a projected volume of 360,000 TEUs. The summary result for the first year of the proposed Agreement is shown below:

	\$x000,000			
	Current	Proposed	Inc/(Dec)	%chg
TEU	\$7.590	\$7.635	\$0.045	0.6%
Land	0.000	3.568	3.568	n/a
	<u>\$7.590</u>	<u>\$11.203</u>	<u>\$3.613</u>	<u>47.6%</u>

The OIG is concerned with what inflationary effect this Agreement might have on the competitiveness of the POM. In the case of Seaboard, the new land rent component is the equivalent of increasing the POM charges⁹ by \$19.82 for a 40 foot container on top of the TEU cost of \$42.42 to a total of \$62.24. It must be noted that these charges are based on their current projected volume and would decrease as volume increases. However, Seaboard cargo volume through the POM has remained relatively constant during the past three years and the OIG has not been able to determine if this is due to terminal capacity or lack of new business.

During negotiations, there was little or no meaningful discussion on requirements to growing the business by adding new services or the like. On the contrary, the Seaport has placed a restriction on Seaboard from seeking any new 3rd party business¹⁰ until 2016 (8 years away) and that such business shall not exceed 20% of the Seaboard minimum guarantee TEU throughput.

Further, considering the condition of the infrastructure in the Seaboard terminal yard, it is recognized that should terminal renovations not be expeditiously implemented or additional acreage provided, Seaboard's growth capacity is severely restricted. Assuming Seaboard's 2008 volume would be the same as prior years and the adjusted gross terminal acreage¹¹ for thru-put calculations, Seaboard acreage efficiency is calculated at 5,538

⁶ The analysis considers only land rent and TEU rate because all other revenue sources will for the most part remain the same and is not expected to have any significant impact on projections.

⁷ Currently, Seaboard does not pay land rent. Consideration for land rent is included in a TEU charge.

⁸ TEU Rate is the negotiated amount that includes consideration for land rent, dockage, and wharfage that is charged for each container loaded or unloaded from a vessel.

⁹ The POM charges do not include or consider other costs, such as land/ocean transportation, stevedoring, etc.

¹⁰ New 3rd Party business is used here to refer to any new non-Seaboard service that does not currently stop at the POM.

¹¹ Seaboard lease covers 81.91 acres of which 65 acres are considered "throughput acres."

9

TEUs/acre. For increased utilization of existing acreage, both the Seaport and Seaboard concur on the need for utilization of RTG¹²s.

The OIG is reminded of the leasing process recommendation made in the **“Port of Miami Tariff Analysis – Final Report”**.¹³ This report recommends, in part, that *“If the lease is awarded through negotiation, presumably with an existing tenant, it is recommended that the Port agree to the lease only if it funds the Port’s expenses shown above.”*

The report indicated that in Fiscal Year 2004, total expenses to support the cargo operations averaged \$180,542 per acre while the revenue from Seaboard was \$80,852 per acre less (not including gantry cranes). While these cost figures have not been updated, the OIG is concerned that the Seaport’s own projected revenues of \$158,710 per acre will not be sufficient to offset current expenses much less fund the improvements (See #2).

At this point, it must be mentioned that the Seaport had originally request a minimum guarantee of 2,750 TEUs per acre at \$28.00 per TEU (\$77,000 per acre). And that in order to gain concessions at higher TEU levels, Seaboard offered to increase the minimum guarantee to 4,000 TEUs per acre at \$24 per TEU (\$96,000 per acre) without any pre-condition as to the use of RTGs. This \$19,000 per acre increase in the minimum guarantee is the equivalent of an increase of \$1,200,000 in the minimum guaranteed revenues to the Seaport.

OTHER AREAS

EFFICIENT USE OF LIMITED TERMINAL AREAS – MINIMUM ANNUAL GUARANTEE TEU THROUGHPUT (MAGTT)

Due to the limited land space available for cargo operations at the Port of Miami, the Seaport is strongly encouraged to negotiate meaningful productivity measures to ensure that all cargo terminal operators increase the productivity in their allocated terminal area. Simply stated, this means that all cargo operators must be required to achieve higher minimum guarantees for their through-put per acre. Consequently, if operators are not able to achieve the required productivity measures for allocated land, then land would be reduced until the minimum throughput measure is achieved.

Both Seaboard and the Seaport are to be commended for attempting to set higher standards for the utilization of limited acreage. The proposed Agreement with Seaboard sets the MAGTT at 4,000 TEUs per acre; their projected volume is 5,538 TEUs per acre (based on a volume of 360,000 TEUs). In comparison, under the current agreement, the MAGTT for FY 2007-08 is 3,300 TEUs per acre and would have increased to 3,500

¹² RTG – Rubber Tired Gantry cranes

¹³ **Port of Miami Tariff Analysis – Final Report**, Planning and Economics Group, Inc., May 24, 2006

TEUs per acre during the 1st renewal period. The MAGTT of 4,000 acre was offered by Seaboard despite the sub-standard land and without the benefit of RTGs.

This MAGTT of 4,000 TEUs per acre, without the benefit of RTGs, should now be considered the minimum standard when negotiating with other terminal operators. The 4,000 TEU minimum should be further increased if the Seaport to required to invest in infrastructure enhancements to accommodate RTGs.

ARREARAGE

On November 13, 2007, the OIG advised the Seaport that their own financial report, as of 10/24/07, entitled *Analysis of Outstanding Customer Balances* reported that Seaboard had an outstanding balance of \$807,005.33 (including late payment charges) that was in excess of 90-days with many going as far back as 1997. At that time, the OIG strongly encouraged the Seaport to resolve those outstanding balances prior to concluding negotiations.

Additional analysis by the OIG, on more recent data, indicates that \$200,132 of the outstanding receivables occurred between 1997 and 1999. The annual receivables recorded from 1997 to 2007 are shown below.

Seaboard Outstanding Receivables 1997 to 2007 (Not including Interest Calculations)									
Total	2007	2006	2005	2004	2003	2002	2001	2000	1997-99
\$973,224	\$409,658	\$113,289	\$132,186	\$62,453	\$6,701	\$14,471	\$29,153	\$5,181	\$200,132

A review of the information relating to these receivables indicate that a large portion of the more recent receivables relate to the disputed methodology of counting "flat racks" for billing purposes¹⁴. The Seaport's documentation for the remaining receivables were either scant or non-existent. Over the past 10 years, efforts by the Seaport's Finance Department to collect or resolve outstanding receivables have either been non-existent or ineffective as evidenced by the increasing age and magnitude of the receivables.

In an effort to conclude negotiations, Seaboard offered a one-time payment of \$500,000 to settle all outstanding receivables up to December 31, 2007. This settlement represents \$.51 per \$1.00 for the outstanding amount between 1997 and 2007.

The OIG is concerned that had it not been for the intervention and persistence of the OIG, these outstanding receivables might have remained unresolved. The OIG recommended to the Seaport that it review their collection processes and make changes as necessary to ensure that all invoices and outstanding balances be resolved on a timely basis.

¹⁴ This issue has been clarified with the proposed Agreement.

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DATE: April 25, 2008

TO: Christopher R. Mazzella
Inspector General

FROM: Bill Johnson
Port Director

SUBJECT: Response to OIG Draft Memorandum IG07-74 of Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine, Ltd.

On April 11, 2008, the Office of the Inspector General (OIG) issued Draft Memorandum IG07-74 concerning a proposed amended and restated cargo terminal operating agreement between Miami-Dade County, specifically the Port of Miami (POM) and Seaboard Marine Ltd. The OIG's memorandum presented three principal concerns and several minor ones. This memorandum serves to address the OIG's concerns and is intended to be included within the OIG's final report.

ISSUES/RESPONSES

Issue 1: Contract Term - The OIG could not find any sound economic or financial reason for proposing an initial term of 20 years nor a 30-year non-negotiable agreement with Seaboard.

Response: POM has conducted significant research into the customary lengths of cargo terminal operating agreements, finding that long-term contracts like the one proposed for Seaboard fall well within the industry norm. (Upon request, POM will provide its research to the OIG.)

POM was amenable to a contract of 30 years length (inclusive of options) for two principal reasons: 1) Seaboard has offered long-term financial and cargo throughput guarantees that greatly exceed any found within the South Florida market; and 2) Seaboard has consented to being on Tariff excepting certain specific charges. These two conditions - along with contractual protections against inflation, a run-up in port land values and poor financial performance on Seaboard's part - leave future port directors in a much stronger (and more flexible) position to absorb financial challenges than we find ourselves today.

In terms of revenues, POM expects actual revenues from Seaboard to increase 40+% in the first year of this agreement, and guaranteed revenues to triple. A shorter term agreement may have been possible, but not at these revenue levels. Seaboard is a very valuable and not readily replaceable community asset; we are happy to have their long-term commitment to POM and our local economy.

Issue 2: Capital Improvements - Both the POM and Seaboard agree on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the POM to complete certain improvements required under the present agreement. However, the OIG is concerned that the POM may be committing to fund improvement projects that it may not be able to afford and also the ability of the POM to adequately manage such projects.

Response: The OIG's concern that POM may not be able to fund all its future capital commitments is an important one, but this concern needs to be taken somewhat apart from the proposed Seaboard agreement. The Seaboard agreement (re-)commits POM to making improvements to its infrastructure, but under the protection of a \$26 million cap. The Seaboard agreement was designed to financially accommodate this commitment and to produce substantial new net revenues to POM.

The broader capital funding concern is fundamental to POM's future and, for that matter, to the future of most landlord ports and other governmental operations that are infrastructure-intensive. Long-term capital needs, as a matter of course, outstrip resources. However, there is an important distinction to be made between "needs" and "commitments." While POM has tremendous capital needs, POM has committed only to those projects for which it has a funding strategy. Our five-year financial and capital funding plan is readily available; it shows our strategy for financing approximately \$200 million in needed capital improvements, including those associated with three contracts that are bound for the Board of County Commissioners in the coming months. Each of these agreements guarantees revenues beyond those required to finance any contractually obligated capital commitment.

Sitting just outside of our five-year financial plan are two important projects: one involves POM's commitment to funding a portion of a tunnel, while the other involves a potential deep-dredge project. The Draft Memorandum inadvertently overstated POM's financial commitment to the tunnel as being \$257.7 million; POM's actual commitment ranges from a low of \$43.5 million to a maximum of \$143.5 million. At the low end of the commitment, POM intends to fund its obligation within its normal growth, as we quite typically take on \$50 to \$60 million annually in capital improvements. On the high end of our funding commitment, we may require a toll or other similar access charge to support our

obligation. Various financing schemes have been worked out and presented to the Board concerning the tunnel. The Finance Department or my staff can walk your staff through them at your convenience.

With regards to future dredging, the OIG report inadvertently noted that the Water Resources Development Act (WRDA) approved funding of \$64 million for dredging POM's South Channel to 50-foot depth. No such funding was committed, as WRDA is an authorizing bill and not an appropriations bill. Neither the federal government nor POM is presently committed to fund, in whole or in part, this project.

Providing funding for dredging projects has long been a challenge for port directors. Typically, these projects are of such a financial scope that they require federal and state grants, in addition to a large local funding commitment. POM does not intend to commit to future dredging projects (or other capital projects, for that matter) in advance of developing adequate funding plans.

Managing capital planning over a long-term horizon is a dynamic process, whereby unending needs are only slowly accepted as funding commitments. Although we cannot definitively answer today how we will piece together future funding for projects like the deep-dredge, we can tell you that we are purposefully advancing contracts to the Board that are stripped of many of the financially limiting provisions of our existing contracts, and that are positioned to help absorb extraordinary cost increases.

Issue 3: Financial Terms – While the financial terms of the proposed agreement significantly increases the near-term revenues, the OIG is concerned that it is almost entirely due to the new land rent component with no requirement for capacity growth.

Response: The substantial revenue increase to POM linked to a new and significant Seaboard land rent obligation was by design, not accident. Adding a substantial land rent component to terminal operating agreements not only provides much needed guaranteed revenues to POM, it puts in place the proper economic incentive for private operators to maximize land productivity. We consider traditional terminal operating agreements with low land rents to be antiquated and counter-productive, as the intentional undervaluing of land assets encourages "land banking."

Though it is not readily apparent to someone outside the port industry, the \$10 per TEU increase to Seaboard is of little or no consequence to the competitive position of either POM or Seaboard. While the \$10 represents a 40% increase in revenues paid by Seaboard to POM, it represents in the range of 1% of the

Mr. Christopher Mazzella, Inspector General
Response to OIG Draft Memorandum IG07-74
April 25, 2008
Page 4 of 4

charge incurred by a Seaboard customer in getting goods to their new market. A \$10 increase to a discretionary customer or shipping line (e.g., POMTOC customers that pay Tariff rates) would, however, have a detrimental effect on our competitiveness with other South Florida ports.

Other Issues: The OIG raised other concerns about increasing land utilization rates and about settling Seaboard arrearages prior to taking the proposed contract to the Board.

Response: POM is confident that it understands the natural growth trajectories of cargo, the underlying economic realities of terminal land utilization rates, and the important peculiarity (from a competitive perspective) of being located at the tip of a peninsula. In constructing our contract models, we took into consideration these factors, having been supported in our efforts by a leading cargo consulting firm.

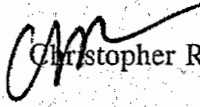
Regarding outstanding balances, POM advised Seaboard that it would not take any amendment to the Board unless all receivables past 90 days were resolved. Nonetheless, the OIG's presence at our meetings played a significant role in ensuring a fair resolution to this matter.



Memorandum

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To: Bill Johnson, Director, Seaport Department

From:  Christopher R. Mazzella, Inspector General

Date: April 22, 2008

Subject: ADDENDUM to OIG Draft Memorandum IG07-74
OIG Observations, Review and Comments on the Proposed Amended and Restated Terminal Agreement between Miami- Dade County and Seaboard Marine Ltd.

FILE COPY

Subsequent to our draft memorandum of April 11, 2007, regarding Seaboard Marine (Seaboard), the OIG discovered that in 2005 Seaboard was sentenced for criminal violations relating to the transportation of hazardous materials over public highways. Seaboard was placed on three (3) years of probation. This information is contained in a press release from the United States Department of Transportation - Office of the Inspector General, dated May 05, 2005, titled *Seaboard Marine Sentenced for Criminal Violations*. (Attached as Exhibit A.)

According to the information contained in the press release, Seaboard was convicted for transporting hazardous materials over public highways, which included two (2) stops, traveling back and forth between its terminal yard, at the Port of Miami. Further, from the sentencing information, it appears that Seaboard is still on criminal probation.

On Monday, April 14, 2005, the OIG presented copies on this press release to the Seaport negotiating team to determine what impact it may have on Seaboard operations or on the negotiations. The Seaport negotiating team stated that they were not aware of this issue, nor were they aware that Seaboard was convicted and sentenced for acts that were, in part, committed on Port of Miami property.

On Friday, April 18, 2008, during negotiations, the OIG raised this issue with the Seaboard representative and requested further information. Among the information requested is proof that the fines were paid (\$305,000 in aggregate) and that Seaboard is in compliance with the terms and conditions of the criminal probation. The Seaboard representative agreed to provide the information and further stated that Seaboard is scheduled to complete probation during late May 2008.

The OIG is very concerned that this matter was previously unknown to the Seaport negotiating team. Also, we are concerned about the ramifications that it may have for current and future Seaport operations. The OIG poses the following questions:

- Since Seaboard is still on criminal probation:
 - Was Seaboard obligated under the plea agreement, current lease agreement, County regulations, and/or other maritime regulations to have notified Seaport/Port of Miami officials of its probationary status?
 - What level of proof and documentation will the Seaport require of Seaboard to demonstrate that it has abided by the terms of its plea agreement?
 - Did Seaboard complete and implement the court ordered Hazardous Material Compliance Plan?
 - What effect does this conviction have going forward on the proposed Amendment?

- Since the Seaport negotiating team was not aware of this incident:
 - What provisions are there in the current and proposed agreements to protect the interests of Miami-Dade County and to protect the County from liability resulting from spillages and environmental hazards on County property?

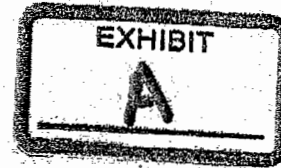
In the interest of providing safe and environmentally compliant conditions at the Port of Miami, please provide us with a response to these concerns on or before May 6, 2008.

Title: Seaboard Marine sentenced for criminal violations

Date: May 05, 2005

Type: Investigation

Summary: U.S. Department of Justice



United States Attorney
Southern District of Florida

99 N.E. 4 Street
Miami, FL 33132
(305) 961-9000

May 5, 2005

NEWS RELEASE:

SEABOARD MARINE SENTENCED FOR CRIMINAL VIOLATIONS

Marcos Daniel Jiménez, United States Attorney for the Southern District of Florida; Barbara L. Barnet, Special Agent in Charge, United States Department of Transportation-Office of Inspector General; and Tom Tramel, Director, Florida Department of Environmental Protection, Division of Law Enforcement, announced today that on May 4, 2005, defendant, Seaboard Marine Ltd., Inc., a worldwide transportation company, located at 8050 N.W. 79th Avenue in Medley, Florida, and at the Port of Miami, was sentenced for transporting hazardous materials over public highways in violation of numerous Department of Transportation Regulations, a violation of Title 49, United States Code, Section 5124. United States District Court Judge Alan S. Gold sentenced the Miami-based corporation to three (3) years of probation, during which time they must comply with a court ordered Hazardous Material Compliance Plan.

In addition to the term of probation, Judge Gold also ordered Seaboard Marine to pay a \$200,000 fine and to make full restitution to the state agencies which expended over \$55,000 in clean-up costs. Judge Gold also imposed two (2) community service payments totaling \$50,000 to the Miami-Dade Police Department units involved in hazardous materials investigations and emergency response. Seaboard Marine was also required to develop, implement, and enforce a Hazardous Materials Compliance Plan, which was developed by an outside consultant to ensure the company's compliance with all applicable local, state, and federal hazardous materials laws and regulations. The Plan was developed with oversight from the government, including the Federal Motor Carrier and Safety Division of the Department of Transportation. The Plan was presented to the Court at the time of sentencing.

The Information, which was filed by the government on July 7, 2004, charged Seaboard Marine Ltd. Inc., with knowingly and willfully transporting various hazardous materials from January 22, 2002 through February 11, 2002, in intrastate commerce by a commercial motor vehicle. The hazardous materials were primarily solvents and cleaning substances,

18

including phosphoric acid, hydrochloric acid, isopropanol, potassium hydroxide, and sodium hydroxide.

According to the statements made previously in Court as well as filed documents, an individual shipper purchased the contents of a warehouse in Hialeah for \$1200 in January, 2002, and contracted to sell the contents, which consisted of solvents, chemicals, and cleaning materials, to a detergent company in Antigua. The individual leased a 40-foot shipping container from Seaboard Marine Ltd., Inc. and hired Seaboard to transport the warehouse contents to Antigua. After Seaboard Marine delivered the container to the Hialeah warehouse, it was loaded by the individual shipper. The container was then picked up and transported by Seaboard Marine to its facility at the Port of Miami to be shipped by vessel to Antigua.

When Seaboard Marine contacted the individual shipper to request the required list of the container's contents, the shipper faxed Seaboard Marine a list of materials that Seaboard recognized as hazardous. Seaboard Marine advised the shipper that it needed a Dangerous Goods Declaration before it could ship the contents. The shipper told Seaboard to take the container to Larparkan Trading, Inc. in Miami to inventory the contents and prepare the Dangerous Goods Declaration.

Before transporting the container, Seaboard Marine's driver saw that the container was leaking. Seaboard had failed to enter the existence of the hazardous materials cargo on its forms and the driver had no warning that he was carrying hazardous materials. Seaboard then instructed its driver to move the container to Laparkan. DOT regulations require that upon discovery of a leak of potentially hazardous materials, a company cannot move the leaking container and must immediately contact the Florida Department of Environmental Protection or Bureau of Emergency Response. Laparkan was closed, so the driver transported the container back to the Port of Miami.

The next day another Seaboard driver saw the leaking from the container, but was told to take it to Laparkan Trading. Upon arrival at Laparkan, employees saw and smelled the leaking substances from the container, and believed that some of the contents were hazardous. They opened the container, observed hazardous markings on some of the drums and packages, and observed that the contents were in complete disarray. Laparkan refused the container and contacted Seaboard Marine to pick it up. The next day another Seaboard driver was sent to Laparkan with instructions to take it back to the original warehouse in Hialeah. This driver was very concerned about the leaking but was advised by Seaboard's Dispatch office not to worry because there were no hazardous materials in the container. Since no one was present at the closed warehouse to accept the container, Seaboard directed its driver to take the container to its facility in Medley. The container of leaking hazardous materials was last in the possession of Seaboard Marine. Three days later the container was found abandoned and leaking outside the original warehouse in Hialeah. These incidents took place from January 22, 2002 through February 11, 2002. Clean-up and disposal of the hazardous chemicals took four days and cost a total of \$55,000.

Mr. Jiménez commended the investigative efforts of the United States Department of Transportation-Office of Inspector General, the Florida Department of Environment Protection- Division of Law Enforcement, the Federal Motor Carrier Safety Administration- Department of Transportation, Miami-Dade Police Department, Hazardous Materials Crime Unit/ Intergovernmental Unit, and the Hialeah Police Department. The case was prosecuted by Assistant United States Attorney Diane Patrick.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at www.usdoj.gov/usao/fls<http://www.usdoj.gov/usao/fls/>>www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov>http://www.flsd.uscourts.gov>http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov>http://pacer.flsd.uscourts.gov>http://pacer.flsd.uscourts.gov> <<http://pacer.flsd.uscourts.gov>>.

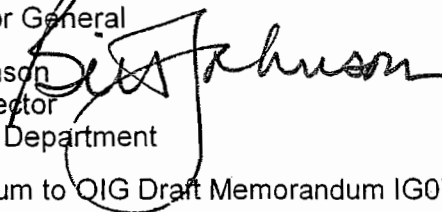
Related Information: OIG

Memorandum



Date: May 6, 2008

To: Christopher R. Mazzella
Inspector General

From: Bill Johnson 
Port Director
Seaport Department

Subject: Addendum to OIG Draft Memorandum IG07-04

In response to your memorandum of April 22, 2008, regarding recent findings by the Office of Inspector General related to a past conviction of Seaboard Marine for the transportation of hazardous materials over public highways, please be advised of the following. We have addressed this issue with top management from Seaboard Marine who has provided us the attached letter regarding the incident, as well as their compliance with and early release from the terms of their court-ordered probationary period. It is our understanding that the Inspector General's office has already received copies of the attached letter, as well as proof of payment of Seaboard fines.

More directly, in response to the issues you raised in your memorandum, under the terms of the existing agreement between Seaboard and the County, and to the best of our knowledge, Seaboard is not obligated to notify the County of such a conviction although it was public and reported in the media. With regard to the level of proof and documentation of Seaboard's compliance, we are satisfied with the information they have provided. This conviction does not have any effect on our negotiations, on the agreement going forward, nor on their standing with the Port of Miami. With regards to your last issue regarding what provisions exist in the current and proposed amendments to protect the interests of Miami-Dade County and to protect the County from liability resulting from spillages and environmental hazards on County property, the agreement provides for the operator to indemnify the County for any actions caused by them.

I trust the above will address your concerns. Should you wish to discuss further, please do not hesitate to contact me.

Attachments



Memorandum

19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
visit our website at www.miamidadeig.org

To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
The Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners, Miami-Dade County

From: Christopher R. Mazzella, Inspector General

Date: May 12, 2008

Subject: Memorandum of OIG Observations, Review and Comments on the *Proposed Amended and Restated Terminal Agreement between Miami-Dade County and Seaboard Marine Ltd.* Ref. IG07-74

As part of the Miami-Dade Office of the Inspector General's (OIG) continuing oversight of Seaport Department (Seaport) operations, the OIG has been monitoring the contract negotiations process and reviewing the current and proposed agreements with the current terminal operators (Operators) serving the Port of Miami (POM). The three Operators serving the POM are Maersk, Inc. (Maersk), Port of Miami Terminal Operating Company, L.C. (POMTOC) and Seaboard Marine, Ltd. (Seaboard).

This memorandum sets forth the OIG's observations and comments with respect to the proposed Seaboard agreement only (see May 14, 2008, Transit Committee Agenda Item No. 3P). These concerns are not new, as the OIG has been providing comments on the proposed agreements throughout the period of negotiations. The OIG, however, wanted to wait on the finalized proposed amended agreement prior to publicly issuing its comments.

Further, the OIG would like to express gratitude to the Seaport and the Operators for their cooperation and assistance during this process. In particular, the Seaport ensured that the OIG was kept informed of all meetings, provided copies of correspondence and documentation, and in general provided orientation and information on cargo terminal operations.

BACKGROUND

In July 2007, the Seaport Director advised the OIG that the Seaport was about to begin terminal operating negotiations with the Operators at the POM. Due to complexity of simultaneous negotiations with the Operators and the future implications of any or all of those agreements, the Seaport Director requested that the OIG observe and comment on the negotiation processes.

Since that time, OIG activities have included attendance at all scheduled negotiation meetings with the Operators; review of all existing terminal operating contracts and their amendments, if any, Port tariff, historical statistical and financial data, current financial data, and two independent studies of POM operations.¹ OIG staff also made numerous site visits to observe cargo operations and facility conditions. Meetings and interviews were held with various Seaport staff members representing the Administration, Finance, Maritime, and Marketing divisions.

On November 13, 2007, the OIG issued a memorandum to the Seaport Director on the *Oversight of Seaport Terminal Operator Lease Agreement Negotiations* that provided our initial comments on the negotiations process with emphasis on areas of concern that were either the subject of negotiations or areas that, we believed, should be included in the negotiations. That memorandum discussed the subject areas of: the Seaport's Strategic Plan, Synchronizing Future Contract Renewal/Expiration Dates, Cargo Contract Revenue Projections, Subletting, and Accounts Receivables – Arrearages.

On December 14, 2007, the Seaport Director provided responses to issues raised in the aforementioned OIG memorandum, and shortly thereafter, OIG staff met with the Seaport Director and his staff to go over the comments more thoroughly. As negotiations continued, the OIG issued additional comments to the Seaport Director. Among the other issues surfaced were the contract renewal options and electrical surcharges.

On April 11, 2008, the OIG issued essentially this memorandum in draft format to the Seaport Director for review and comment. On April 22, 2008, an addendum to the original OIG draft memorandum was issued due to the discovery of an outstanding item that is directly related to Seaboard (included in this memorandum under the subject heading CRIMINAL VIOLATION, page 11).

On April 25, 2008, the Seaport Director responded to the original draft memorandum. On May 6, 2008, the Seaport Director responded to the addendum. (Responses attached as A and B, respectively.) We have carefully taken the Seaport's responses into consideration. Revisions to our initial memorandum were made, where appropriate. The following "final" memorandum discussed the amended agreement, as it is proposed for the upcoming May 14th TC Agenda, Item 3P.

SUMMARY OPINION

The OIG believes that certain major provisions contained in Amended and Restated Agreement (Agreement) are not in the best interest for the future growth and development of all the stakeholders in the Port of Miami. The opinion of the OIG is based on three major areas of concern, summarized as follows:

¹ *Port of Miami Tariff Analysis*, Planning and Economics Group, May 24, 2006, and *Port of Miami Cargo Terminal Capacity Analysis*, TranSystems, October 26, 2007.

1. CONTRACT TERM – The OIG could not find any sound economic or financial reasons for proposing an initial term of 20 years with two unilateral 5-year renewal options, making this a potentially 30-year unilateral agreement.
2. CAPITAL IMPROVEMENTS – Both the Seaport and Seaboard agree on the less-than-acceptable condition of the Seaboard terminal yard and the failure of the Seaport to complete certain improvements required under the present agreement, however, the OIG is concerned that the Seaport may be committing to fund improvement projects that it may not be able to afford and may not be able to adequately manage and complete within the required time frames.
3. FINANCIAL TERMS – While the financial terms of proposed Agreement significantly increases the near-term revenues, the OIG is concerned that such increases might not be sufficient to offset current operating expenditures and debt requirements and still provide funding to support additional debt, as required by this Agreement.

1998 AGREEMENT WITH SEABOARD MARINE LTD.

On November 18, 1998, Miami-Dade County entered into the current agreement with Seaboard for terminal operations at the POM. This agreement provided an initial term of 10-years with two 5-year options with mutual consent and subject to renegotiations as part of any renewal. The initial term will be completed on November 17, 2008. It is under the requirements of this first renewal option that this Agreement is being presented to the Miami-Dade County Board of County Commissioners (BCC) for consideration and approval.

At present, Seaboard operates from a terminal yard consisting of approximately 75 acres; the yard includes 14.16 acres that are sub-leased from POMTOC.² Seaboard does not pay rent to the County for use of approximately 61 acres of land. Instead, Seaboard pays a negotiated TEU³ rate that is intended to cover the costs for dockage, wharfage with no separate charge for land; other items, such as vehicles and break bulk cargo are paid at negotiated or Tariff rates.

² Exception: At present, Seaboard pays POMTOC the rate of \$0.28 per square foot for the 14.16 acres. This amount is to be included in the monthly rent payments made by POMTOC to the Seaport according to the terms of POMTOC lease agreement.

³ TEU means Twenty Foot Equivalent Unit and is the standard measure for cargo shipping containers, e.g., a 40-foot container counts as 2 TEUs.

AREAS OF MAJOR CONCERN

1. CONTRACT TERM – 20 YEARS PLUS TWO 5-YEAR OPTIONS

The Agreement provides for an initial term expiring on September 30, 2028 (20 years) with two renewals of 5-years each at the option of the Seaboard. This provision gives Seaboard the right to continue terminal operations for an uninterrupted period of 30 years, notwithstanding the reappraised rental value of the land, the achievement of certain ~~pre-defined performance thresholds, and compliance with other contractual requirements.~~ During this 30-year period, the Seaport cannot require Seaboard to negotiate any changes to the Agreement that maybe necessary and in the best interest of the Seaport or Miami-Dade County. The OIG believes that the structure of this 30-year agreement (initial 20-year term and the two 5-year options) are not in the best interest of the Seaport.

Our position is substantiated by the repeated comments of the Director with respect to the POMTOC agreement that because of POMTOC's unilateral renewal options, ("POMTOC shall have the right to renew this Agreement for each of the 3 additional five-year renewal periods ...") he will have to wait 7 years until after the expiration of the current and final renewals before the Seaport may require POMTOC enter into any negotiations. The proposed language of this amendment, which significantly changes the current agreement's requirement of mutual consent, would place the Seaport in a similar position that it finds itself with POMTOC. If the Agreement is approved with this provision, the Seaport would not be able to require renegotiation of any contract provision until the termination of the entire Agreement in the year 2038. The Agreement will tie the hands of all future directors for the next 30 years (or in the best case scenario for only 20 years) regardless of international, national, or local economic conditions.

Additionally, there are two major projects⁴ that are designed to provide significantly increased benefits to the POM and are expected to be completed within the next ten years, by the year 2018. The viability and competitiveness of the POM is expected to significantly improve following the completion of these projects and it would then appear to be an appropriate time to review all terminal operating contracts.

Finally, the duration for the Agreement should consider the value of any infrastructure investments to be made by Seaboard with a reasonable amount of time for them to depreciate or recapture the cost of those investments. Seaboard's initial capital contribution of \$1.150 million does not, in our opinion, justify a 30-year agreement, ~~or even a 20-year agreement for that matter.~~ Even taking into accounts the five phased capital payments of \$1 million each, discussed in the next section below, we still do not believe that these contributions in conjunction with the proposed land and TEU rates warrant an initial 20-year uninterrupted term, with the unilateral option on another 10 year.

⁴ The two projects are identified as the "Port of Miami Tunnel" and "Dredging to 50 foot depth."

*Chris
page
new*

In his April 25, 2008 response (Attachment A), the Seaport Director states that:

POM was amenable to a contract of 30 years length (inclusive of options) for two principal reasons: 1) Seaboard has offered long-term financial and cargo throughput guarantees that greatly exceed any found within the South Florida market; and 2) Seaboard has consented to being on Tariff excepting certain specific charges. These two conditions – along with contractual protections against inflation, a run-up in port land values and poor financial performance on Seaboard's part – leave future port directors in a much stronger (an more flexible) position to absorb financial challenges than we find ourselves today.

It is true that the proposed throughput guarantee of 4,000 TEUs per acre may exceed any other guarantee found in the South Florida market, however 4,000 TEUs per acre is only approximately 80% of its historic averages. Second, the majority of Seaboard's cargo operation will be subject to the land and TEU agreed rates, subject only to formula increases. In fact, only limited categories, such as break bulk (i.e. palletized cargo) and automobiles are subject to Seaport tariff. The OIG believes that these two reasons do not warrant 30 years.

The OIG is pleased that the Seaport is proposing a long-term business partnership with a company that has maintained its headquarters in Miami-Dade County (Medley) for the past 25-years. Seaboard is the largest user of the POM with more than 70 sailings per month, moving more cargo to and from the POM than any other carrier. It is estimated that Seaboard's operations has an estimated annual economic impact of \$16 billion.

The OIG is not against a long-term agreement. The OIG, however, believes that for any long-term agreement to be successful, certain ingredients are necessary, such as the ability of each of the partners to be able to adjust business plans or renegotiate contract terms as may be required by international or global conditions. Partners in long-term agreements with the mutual options to extend the relationship provide the opportunity for continuation. In the case of Seaboard, it has assurances that the Seaport would not arbitrarily seek bids from other potential operators at the end of the initial period. On the other hand, while the Agreement provides for formula increases to be paid to the Seaport in each year of the Agreement through the entire 30-year period, there isn't any assurance that such formula would be still relevant 10, 20, or 30 years in the future. A mutual agreeable renewal option provides protection to both partners.

We believe that for all terminal operating agreements, the Seaport must retain the mutually agreeable renewal option that would place the POM in a more favorable position to plan for growth and development.

2. CAPITAL IMPROVEMENTS –PAVING AND DRAINAGE

The OIG is concerned about both the Seaport's ability to fund all the proposed capital commitments and their ability to adequately manage the implementation and completion of those projects.

In the proposed Agreement, the Seaport is committing up to \$21 million to complete approximately 62 acres of paving maintenance and upgrades and RTG runways within five phased areas by September 2013, as outlined in Exhibit E of the Agreement. In return, Seaboard is committing to make a \$1 million contribution after the timely completion of each of the five scheduled phases. Seaboard's total contribution would be up to \$5,000,000 with penalty reductions of \$100,000 for each month any of the phases are delayed. Should the Seaport still not complete the improvements, as was the case in the current agreement, Seaboard would not be required to make any contributions; additional penalties in the form of rent reductions, would also be imposed.

While the penalties for delays in completing these improvements may appear harsh, the OIG notes that during negotiations, both parties readily agreed, without hesitation, on the sub-standard condition of the Seaboard terminal area and the failure of the Seaport to have completed many of the proposed improvements that were required under the current contract. Thus, Seaboard's contribution of up to \$5 million may be viewed as a generous contribution to reward the Seaport for completing improvement projects, which it failed to complete the first time around.

Although the OIG concurs with both the Seaport and Seaboard that the identified improvement projects are a high priority to bring the terminal yard up to minimum standards, the OIG has severe reservations about the Seaport's ability to manage and fund these projects due to the following considerations:

- In the 10 years since the signing of the current agreement, the Seaport has completed only one of nine projects identified in the contract; none of the remaining eight projects were even started. All these projects were to have been completed by March 2000. Seven of the remaining projects were for re-grading, paving, and drainage of the terminal yard that are now being carried forward to the new agreement.
- Negotiations with other Operators may include similar type terminal improvements with Seaport funding contributions and project management requirements, which may impact the Seaport's ability to complete these projects timely.
- Two proposed mega-projects (the dredging of the POM South Channel to depth of 50 feet and the Port tunnel) will be competing for funds, which may impact the Seaport's ability to borrow additional Sunshine State Loans, and/or impact current abilities to satisfy debt obligations.

The Seaport has stated that funding for these projects are expected to come from future Sunshine State Loans and available State of Florida grants. However, the OIG is reminded of its earlier audit of the Miami Seaport Redevelopment Program (MSRP) and the various construction manager at-risk agreements encompassing a variety of cargo terminal yard improvement projects.⁵ In summary, we found an alarming number of improvement projects being cancelled in an effort to keep the overall CM contract within budget. These cancelled projects, however, were budgeted in many of the associated "borrowings" and, thus, we questioned the department's ability to budget and "pay" for them again. Should the BCC approve this Agreement as proposed, it should be with the mandate that the Seaport devote such resources to ensure that the experiences of the MSRP do not recur.

In his response of April 25, 2008, the Seaport Director states that:

Our five-year financial and capital funding plan is readily available; it shows our strategy for financing approximately \$200 million in capital improvements, including those associated with three contracts that are bound for the Board of County Commissioners in the coming months. Each of these agreements guarantees revenues beyond those required to finance any contractually obligated commitment.

While the OIG sincerely hopes that that is the case, we have not been provided with any assurances that the Seaport's current and projected operating deficits, debt service, and any other financial obligations would not significantly erode the increased revenues from the land rent. This is particularly significant since the Seaport has been losing other revenues (wharfage, dockage, and crane) due to the overall cargo volume decrease in each of the past 2 years (-8.7% and -9.4%, respectively) and the concerns about rising security costs.

3. FINANCIAL TERMS - REVENUE ANALYSIS⁶

An OIG analysis of the major fiscal terms (Land Rent⁷ and TEU Rate⁸) of the proposed Agreement projects an annual revenue increase of \$3.613 million due almost entirely to the first time imposition of a \$1.00 per square foot charge for 81.91 acres. The revenues from cargo volume would increase marginally based on a projected volume of 360,000 TEUs. The summary result for the first year is shown on the next page:

⁵ "Final Audit Report of the Cargo and Cruise Project of the Miami Seaport Redevelopment Project (MSRP) at the Miami-Dade County Seaport", issued by the OIG on August 11, 2004.

⁶ The analysis considers only land rent and TEU rate because all other revenue sources will for the most part remain the same and is not expected to have any significant impact on projections.

⁷ Currently, Seaboard does not pay land rent. Consideration for land rent is included in a TEU charge.

⁸ TEU Rate is the negotiated amount that includes consideration for land rent, dockage, and wharfage that is charged for each container loaded or unloaded from a vessel.

28

	\$x000,000			
	Current	Proposed	Inc/(Dec)	%chg
TEU	\$7.590	\$7.635	\$0.045	0.6%
Land	0.000	3.568	3.568	n/a
	<u>\$7.590</u>	<u>\$11.203</u>	<u>\$3.613</u>	<u>47.6%</u>

While we acknowledge that the agreement positively affects Seaport revenues, we are reminded of its consultant's financial report, which recommends, in part, that: *"If the lease is awarded through negotiation, presumably with an existing tenant, it is recommended that the Port agree to the lease only if it funds the Port's expenses shown above."*⁹ (Table from report not included.)

This 2006 report indicated that in Fiscal Year 2004, total expenses to support the cargo operations averaged \$180,542 per acre; revenue from Seaboard was \$80,852 per acre less (not including gantry cranes). While these cost figures have not been updated, the OIG is concerned that the Seaport's own projected revenues of \$158,710 per acre will not be sufficient to offset current expenses, much less fund the improvements mentioned earlier.

At this point, the OIG would also like to point out that on page 3 of the County Manager's memorandum regarding this Agreement, in reference to the land rental rate, states that "This rate shall escalate up to 3% compounded yearly..." However, in the actual Agreement on page 14, Section 5A Land Rent it states that "subject to an annual increase of not more than three percent (3%) ..." Even the language in the Agreement is ambiguous in that there is no determinant as to what will cause an increase or determine the amount of the increase.

OTHER AREAS OF CONCERN

EFFICIENT USE OF LIMITED TERMINAL AREAS – MINIMUM ANNUAL GUARANTEE TEU (MAGT) – AN OIG CONCERN IMPACTING THE SEAPORT'S OTHER TERMINAL AGREEMENTS

The OIG makes the following comment relative to the two other terminal operating agreements that are in contemplation of being amended, renegotiated, etc.

Due to the limited land space available for cargo operations at the Port of Miami, the Seaport is strongly encouraged to negotiate meaningful productivity measures to ensure that all cargo terminal operators increase the productivity in their allocated terminal area. Simply stated, this means that all cargo operators must be required to achieve higher minimum guarantees for their through-put per acre. Consequently, if operators are not able to achieve the required productivity measures for allocated land, then land would be reduced until the minimum throughput measure is achieved.

⁹ *Port of Miami Tariff Analysis – Final Report*, Planning and Economics Group, Inc., May 24, 2006

Both Seaboard and the Seaport are to be commended for attempting to set higher standards for the utilization of limited acreage. The proposed Agreement with Seaboard sets the MAGT at 4,000 TEUs per acre with a projected annual volume of 5,538 TEUs per acre (based on total volume of 360,000 TEUs). In comparison, under the current agreement, the MAGT for FY 2007-08 is 2,000 TEUs per acre and would have been 3,300 TEUs per acre had the Seaport completed the required improvements. The MAGT of 4,000 acre was offered by Seaboard despite the sub-standard land and without the benefit of RTGs.

This MAGT of 4,000 TEUs per acre, without the benefit of RTGs, should now be considered the minimum standard when negotiating with other terminal operators. The 4,000 TEU minimum should be further increased if the Seaport is to be required to invest in infrastructure enhancements to accommodate RTGs.

The OIG has difficulty understanding the Seaport's strategy or the economic reality of having one terminal operator guarantee 4,000 TEUs per acre on substandard land while others are permitted to provide anywhere from 2,000 to 3,000 TEUs per acres.¹⁰ Using the Seaport's own model, a cargo terminal operator with a proposed minimum throughput guarantee of 2,750 TEUs per acre would have until the year 2026 (18 years) before they would be required to have the same throughput rate guaranteed by another provider, today.

ARREARAGES

On November 13, 2007, the OIG advised the Seaport that its own financial report, as of 10/24/07, entitled *Analysis of Outstanding Customer Balances*, reported that Seaboard had an outstanding balance of \$807,005.33 (including late payment charges) that was in excess of 90-days, with many charges going as far back as 1997. At that time, the OIG reminded the Seaport of Miami-Dade County Administrative Order (A.O.) 3-29 *Prohibiting County Contracting with Individuals and Entities Who are in Arrears to the County*. A.O. 3-29 states in part:

This Administrative Order prohibits contractors that are in arrears to the County in excess of the enforcement threshold^[11] from obtaining new County contracts, extensions of contracts, or new purchase orders, until such time as the arrearage has been paid in full or the County has agreed in writing to an approved payment plan.

¹⁰ The Seaport Director's response of April 25, 2008 states "POM is confident that it understands the natural growth trajectories of cargo, the underlying economic realities of terminal land utilization rates, and the important peculiarity of being located at the tip of a peninsula. In constructing our contract models, we took into consideration these factors, having been supported in our efforts by a leading cargo consulting firm."

¹¹ "Enforcement Threshold" shall mean any arrearage under any individual contract, final non-appealable judgment or lien with Miami-Dade County that exceeds \$25,000 and has been delinquent for greater than 180 days.

Even absent the requirements of A.O. 3-29, the OIG strongly believes that as a prerequisite to good faith contract negotiations, all debts to the County should be paid. Our concerns were shared with the Seaport.

Most recent data indicates that \$200,132 of the outstanding receivables occurred between 1997 and 1999, of which \$96,451 pre-dates the current agreement. The annual receivables recorded from 1997 to 2007 are shown below.

Seaboard Outstanding Receivables 1997 to 2007 (Not including Interest Calculations)									
<i>Total</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1997-99</i>
\$973,224	\$409,658	\$113,289	\$132,186	\$62,453	\$6,701	\$14,471	\$29,153	\$5,181	\$200,132

A review of the information relating to these receivables indicate that a large portion of the more recent receivables relate to the disputed methodology of counting "flat racks" for billing purposes, which we are glad to see has been clarified in the proposed agreement. However, the Seaport's documentation for the remaining receivables were either scant or non-existent. Over the past 10 years, efforts by the Seaport's Finance Department to collect or resolve outstanding receivables have either been non-existent or ineffective as evidenced by the increasing age and magnitude of the receivables.

In an effort to conclude negotiations, Seaboard offered a one-time payment of \$500,000 to settle all outstanding receivables up to December 31, 2007. This settlement represents \$0.51 per \$1.00 for the outstanding amount between 1997 and 2007.

The OIG is concerned that had it not been for our intervention, these outstanding receivables might have remained unresolved. The OIG recommended to the Seaport that it review their collection processes and make changes as necessary to ensure that all invoices and outstanding balances be resolved on a timely basis. Further, with the understanding that there may be other accounts in a similar situation, the OIG is strongly recommending that Seaport consider implementing a system so that the supporting documentation for all open, disputed, or unpaid invoices remain in a current filing system rather than being sent to storage at the end of the fiscal year. In doing so, the Seaport would have all necessary documentation readily available to ensure effective collection or resolution of all receivables.

Moreover, given the initial 20-year uninterrupted contract term, as discussed above, the OIG feels strongly that there must be a mechanism or protocol in place to ensure that arrearages are dealt with timely. The Seaport and Seaboard have agreed to create a joint accounts receivable committee to review this account on a bi-monthly basis. We surely hope that this actually occurs, and we do not find ourselves with a substantial delinquency at the end of 20 years.

CRIMINAL VIOLATION

Subsequent to our draft memorandum of April 11, 2007, the OIG discovered that in 2005, Seaboard was sentenced for criminal violations relating to the transportation of hazardous materials over public highways.¹² As part of the sentence, Seaboard was placed on criminal probation for a period of three (3) years and required to pay significant amounts in large monetary payments in fines, restitution, and clean-up costs. This information is contained in a press release from the United States Department of Transportation – Office of the Inspector General, dated May 05, 2005, titled *Seaboard Marine Sentenced for Criminal Violations*. According to the information contained in the press release, Seaboard was convicted for improperly transporting hazardous materials over public highways, which included two (2) stops, traveling back and forth between its terminal yard at the Port of Miami and other locations. From the sentencing information, it appeared that Seaboard was still on criminal probation during the negotiation process.

On Monday, April 14, 2008, the OIG presented copies of this press release to the Seaport negotiating team to determine what impact it may have on Seaboard operations or on the negotiation process. The Seaport negotiating team stated that they were not aware of this issue, nor were they aware that Seaboard was convicted and sentenced for acts that were, in part, committed on Port of Miami property. Neither were they aware of the Seaboard probationary requirements or compliance status.

On Friday, April 18, 2008, during negotiations, the OIG raised this issue with the Seaboard representative and requested further information. Among the information requested was proof that the fines were paid (\$305,000 in aggregate) and that Seaboard is in compliance with the terms and conditions of the criminal probation. We subsequently received documentation from Seaboard demonstrating its compliance and showing that it was granted early termination of its probation, one month earlier, effective March 24, 2008.

As the OIG was very concerned that that this matter was previously unknown, we posed several questions to the Seaport in an addendum to our April 11th memorandum. In his response of May 6, 2008, (Attachment B) the Seaport Director stated that "...under the terms of the existing agreement between Seaboard and the County, and to the best of our knowledge, Seaboard is not obligated to notify the County of such a conviction..." He further points out that "... the agreement provides for the operator to indemnify the County for any actions caused by them." However, it is the opinion of the OIG that the Seaport strongly consider the inclusion of such a requirement whereby all tenants and operators on POM property be obligated to advise the Seaport whenever there are potential dangers due to environmental issues or wherever not prohibited by law, the initiation of any investigation pursuant to applicable environmental laws and of the findings of any such investigations. For that matter, we believe such a requirement should be in all County contracts. Under separate cover to the County Attorney, the OIG is recommending that such language, as may be necessary, be developed and included in

¹² Case No. 04-20455-CR-GOLD/SIMONTON

all future renewals, agreements, etc. requiring the vendors to notify the County when they have been charged or convicted with any crime.

The OIG is concerned that had the OIG not made this discovery and that if this Agreement been brought forward for approval, as originally scheduled, the Board of County Commissioners would unwittingly have been considering an agreement with an entity that was convicted of criminal charges and would have been on criminal probation while the renewal was being considered.

Cc: George M. Burgess, County Manager
Robert A. Cuevas, Jr., County Attorney
Ysela Llort, Assistant County Manager
Bill Johnson, Director, Miami-Dade Seaport Department
Denis Morales, Mayor's Chief of Staff
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)

Attachments

Summary of Terms

Port	Shipping Line	Term	Start	Finish	Extension options
Houston	CMA CGM	30 years			To be negotiated
Houston	Seaboard Marine	30 years	1990	2020	
JaxPort	MOL (America) Inc.	30 years	10/1/2000	9/30/2030	Either party may request negotiations
JaxPort	ICS, Inc & Global Stevedoring	30 years	2005	2035	(4) 5-years options Lessee option to renew
Los Angeles	Maersk Pacific Ltd. (APM Terminals Pacific Ltd.)	25 years	9/14/2000	10/31/2025	(3) 5-year options Mutual agreement for renew
Los Angeles	Eagle Marine	30 years	9/10/1993	10/1/2023	None Specified
Los Angeles	NYK Line	25 years	1990	2015	(1) 10-year option Lessee option to renew
Mobile	CMA CGM	30 years	Commences late 2008	2038	(1) 10-year option
New Orleans	P&O Ports Louisiana	5 Years	11/1/2003	10/31/2008	(3) 5-year options plus a final term of 4 years Lessee option to renew
New Orleans	New Orleans Cold Storage & Warehouse	30 years	11/1/2002	4/30/2033	(2) 10-year options
New Orleans	Seaboard	6 years	2/1/2008	1/31/2014	(3) 5-year options Lessee option to renew
New Orleans	Ceres Gulf, Inc	5 Years	11/1/2003	12/31/2008	(3) 5-year options plus a final term of 4 years Lessee option to renew
New Orleans	Trans Ocean Terminal	5 years	5/27/1997	4/7/2002 renewal exercised	(4) 5-year options Lessee option to renew
New York & New Jersey	Maher Terminals	30 years	10/1/2000	9/30/2030	None Specified
New York & New Jersey	Port Newark Container Terminal	30 years	1/1/2000	11/30/2030	None Specified
New York & New Jersey	Maersk Container Service Company, Inc.	30 years	1/6/2000	12/31/2029	None Specified

Summary of Terms

Port	Shipping Line	Term	Start	Finish	Extension options
Port Everglades	MSC	10 years	6/24/2004	6/23/2014	(2) 5-year options Lessee option to renew
Port Everglades	Chiquita	10 years	10/13/2004	10/12/2014	(2) 5-year options
Port Everglades	King Ocean	5 years	6/1/94	5/1/1999 Renewal exercised	(2) 5-year options Lessee option to renew
Seattle	APL, Ltd	30 years	1/1/1986	12/31/2015	(2) 5-year options Lessee option to renew
Seattle	Eagle Marine	30 years	1996	2026	(2) 5-year options Lessee option to renew
Seattle	SSA Terminals, LLC	30 years	7/8/2005	7/7/2035	(3) 5-year options Lessee option to renew
State of Hawaii	Sea-Land Services	35 years	2/12/1996	2/11/2031	None specified
Tampa	Ports America Group Container	40 years	5/30/2006	5/29/2046	None specified