

Cleveland - Cuyahoga County Port Authority

Port Reconfiguration Plan – Docks 20-30
September 2009

EXECUTIVE SUMMARY

The Cleveland-Cuyahoga County Port Authority (the "Authority") operates certain maritime facilities located on Lake Erie's waterfront in downtown Cleveland, Ohio, east of the Cuyahoga River and west of NorthCoast Harbor, commonly known as Docks 20-30 and more particularly depicted on Exhibit A attached hereto and made a part hereof (the "Property").

In an effort to create new jobs and tax base for the community, as well increase maritime throughput on the Property, the Authority is undertaking a certain Port Reconfiguration Plan – Docks 20-30 (the "Reconfiguration Plan"), more particularly described herein, which will effectively reconfigure existing port facilities in order to accommodate additional maritime throughput capacity and growth and on-site manufacturing and logistics investment.

This Reconfiguration Plan, which will lead to greater efficiencies of operations on the Property, is also being undertaken in order to further promote and establish new water service to additional locations within the Great Lakes and via the St. Lawrence Seaway to international markets which include, without limitation, key target destinations in Europe and South Asia. These efforts, which include working with transshipment port partners, will lead to the creation of Short Sea Shipping service through the St. Lawrence Seaway, will establish the Port of Cleveland as a hub for international maritime trade for markets in the Midwestern United States and will specifically yield benefits to Ohio manufacturers by providing a direct logistics link to key customer/supplier concentrations.

In summary, key highlights of the Reconfiguration Plan include: (1) creation of additional under-roof warehousing and manufacturing capacity; (2) additional land creation and docking reconfiguration via the filling of Slip 26/28; (3) certain infrastructure improvements; and (4) the replacement of the "Buckeye Booster" with a modern "crawler crane."

It should be noted that the Authority operates additional bulk commodity facilities located west of the Cuyahoga River commonly referred to as Cleveland Bulk Terminal ("CBT"), as depicted on Exhibit A. The Reconfiguration Plan contemplated herein does not relate to the CBT facilities. Further, the Authority is considering the feasibility of relocating the maritime facilities and operations currently located and being performed on the Property ("Relocation") to a new location in the vicinity of E. 55th Street (the "Relocated Facilities"). This Reconfiguration Plan does not relate to the Relocated Facilities. Additionally, in light of the potential Relocation in the future, the Authority is currently undertaking certain planning activities for mixed-use redevelopment of the Property (the "Mixed-Use Redevelopment"). The Reconfiguration Plan contemplated herein does not relate to the potential Mixed-Use Redevelopment.

The Reconfiguration Plan contained herein has been established pursuant to Section 4582.07 of the Ohio Revised Code. The Reconfiguration Plan represents a feasible, short-term capital investment program for the Authority's maritime, logistics and manufacturing business growth initiatives and strategies which will provide adequate

facility capacity during the interim period prior to the completion and availability of the Relocated Facilities and prior to the full implementation and completion of the Mixed-Use Redevelopment.

RECONFIGURATION PLAN OBJECTIVES

With substantially increased capacities, the Authority believes that over the next 20 years or more, the Port of Cleveland has the potential to become a major Midwest logistics hub. Since a portion of the Relocated Facilities will not be in place until at least the mid 2020's, it will be critical to utilize the existing maritime Property to its fullest capacity.

The Authority's objective is to substantially grow and diversify its maritime and logistics business. With anticipated growth in the existing and new lines of business, the Authority will require significant improvements to facilities located on the Property. The footprint of the port will need to accommodate increased bulk, break-bulk volumes, new container movements and also on site manufacturing and/or logistics businesses. Reconfiguration will lead to substantial maritime operational efficiencies and increased throughput capacities. In addition to land issues, a further substantial investment will be required in support infrastructure, cranes, warehouses and equipment.

The Authority is one project away from potentially not being able to meet a critical regional need for waterborne transportation services. Without addressing this shortfall now, the Authority is putting the region and the State at a competitive disadvantage as the Authority continues to try and attract international companies that need access to the global marketplace.

With the assistance of the State of Ohio, through the Ohio Job Stimulus Plan the Authority now has a unique opportunity to further open access to a very important and previously underutilized logistics and distribution intermodal hub.

The Authority's Reconfiguration Plan is central to the Authority's mission. The Authority strongly feels that delivering on the Reconfiguration Plan contained herein is a critical lifeline to the region in terms of access to business growth and economic development opportunities. In order to grow and open additional manufacturing, logistics and distribution opportunities that will ultimately create jobs, the Authority must become more competitive and to do that the Authority must become more efficient.

The Authority must be more efficient in its linkages. Key international markets must be serviced to maximize Ohio's unique and favorable location. It will be important to create hub and spoke partnerships and collaborations.

The Authority must be more efficient in its diversification, thereby creating new cargo lines of business that take full advantage of the Port of Cleveland's location and capabilities to serve customers in various industries such as chemical's, automotive products and industrial equipment.

The Authority must be more efficient in its potential, thereby maximizing the utilization of the current Authority Property and moving forward with a series of planned improvements to its infrastructure and facilities.

The Authority's Reconfiguration Plan will look to maximize the use of current physical assets in order to create a strong, vibrant, competitive port that will leverage new jobs and increase tax revenues for the region and the state of Ohio.

DESCRIPTION OF CURRENT PROPERTY AND FACILITIES

The Authority operates certain maritime facilities located on Lake Erie's waterfront in downtown Cleveland, Ohio, which Property is east of the Cuyahoga River and west of NorthCoast Harbor, and commonly known as Docks 20-30. This Property totals approximately 90 acres. Docks 20-30 have over 7,000 linear feet of dock space. Cargo is stored in open storage yards and/or within existing warehousing facilities. The Property includes existing warehouse space approximately as follows:

1. Warehouse A 144,000 sq. ft.
2. Warehouse 24 79,000 sq. ft.
3. Warehouse 26 76,300 sq. ft.
4. Warehouse 30 54,000 sq. ft.

Currently, one stevedoring company operates on the Property and two additional tenants have operations located on the Property. The stevedoring company presently handles break-bulk materials and heavy-lift equipment. One tenant handles bulk material (predominantly limestone) and the other tenant handles cement.

Except as otherwise specifically set forth herein, current use and operation of the Property and related facilities would not be effected.

RECONFIGURATION PLAN DESCRIPTION

The Authority's Reconfiguration Plan has four primary components, as depicted on Exhibit B attached hereto and made a part hereof, which include:

1. The construction of a new, up to 100,000 square foot Authority Manufacturing-Warehouse facility that will allow for the growth of existing lines of business and the ability to develop new market opportunities.
2. The filling of Slip 26/28 that will add additional cargo lay-down acreage and/or developable land and reconfigure the docking configuration and orientation from an underutilized north-south slip, to a new very efficient east-west dock.
3. Infrastructure improvements that will enhance and efficiently re-route the internal access roads, docks, fencing, staging and storage areas.

4. The elimination of the Authority's outdated 150-ton capacity "Buckeye Booster" heavy lift crane and the purchase of a multi-use "crawler crane".

Manufacturing-Warehouse Facility:

The newly constructed manufacturing/warehousing facility will consist of an up to 100,000 square foot state-of-the-art building. The facility when constructed, which construction may occur in phases, will be one that can easily be retrofitted and upgraded for specialized uses. Additionally, the facility will be dividable, for simultaneous shared use.

While it is key to understand that the project will increase the Authority's handling efficiency and capacity, it is particularly important to promote the port location for manufacturers who require water (specifically), rail and road access. Offering three-mode access positions Cleveland to attract investment that would otherwise not find a suitable location. This combination of readily developable land and multi-modal transport can make the Authority's location a prized business setting – distinguishing from other sites perhaps anywhere on the Great Lakes. This creates a unique opportunity to open access to an important logistic and distribution intermodal hub.

Slip 26/28 Reconfiguration:

Filling in the slip between Dock 26 East and Dock 28 west addresses two critical areas; additional land creation and berthing reconfiguration.

Filling Slip 26/28 will create approximately 3.5 acres of new developable lake front land. This new land area to be created will be designated as either an outdoor cargo storage area or a future site for an expanded manufacturing-warehouse facility. The current slip configuration is not designed for modern ship unloading practices, due in large part to its cramped apron (working space between the dock face and closest warehouse). Stevedoring from the existing slip is very inefficient in that the warehouse currently being utilized (Warehouse 30) is approximately 1,000 feet east of the dock.

Filling Slip 26/28 will create a new 1,583 foot berth utilizing the north end of the slips 26, 28 and 30. Docking vessels would be oriented in an East/West direction and the new berth would be capable of accommodating two maximum-sized Seaway vessels as well as medium and small vessels or tug/barges. This utilization is not feasible under the current configuration.

It should be noted that prior to undertaking the filling of Slip 26/28 the Authority must seek consent from the City of Cleveland (the Authority's landlord for this area of the Property) and may need to receive certain permits and approvals from the Ohio Department of Natural Resources, the U.S. Army Corps of Engineers and the Ohio Environmental Protection Agency.

Infrastructure Improvements:

The most significant infrastructure improvements will take place on the Property's access roads, as generally depicted on Exhibit B attached hereto. The Reconfiguration Plan calls potential improvements to existing major roads (arteries) and the paving of new roads (separate arteries). The new roads will be more efficient for port operations and will provide access to the new manufacturing-warehouse facility.

The existing infrastructure, although in need of upgrades in anticipation of the improvements outlined herein, is designed well and fully capable of interfacing with the proposed reconfiguration. The major utilities have been improved and adequate service access is available and/or can be cost effectively made available virtually anywhere on the Property.

The Reconfiguration Plan does call for some minor infrastructure improvements to the Property that would further enhance and prepare the manufacturing-warehouse sites for future development and interface with existing/future Authority operations. In all the improvements will include:

- Paving – Parking, Storage, Docks and Access Roads
- Utilities – Upgrades and Connections
- Bulkheading – Filled Slip

Maritime Equipment Upgrade:

When Slip 26/28 is filled the outdated 150-ton capacity “Buckeye Booster” crane will not be usable for cargo operations in its existing location, nor will it be feasible to move this 45 year old antiquated piece of equipment. It is critical at this time to make a significant equipment upgrade that will position the Authority to grow its business in some new key areas.

One market that the Authority will develop within the next 3 years is in container movements on Seaway sized container vessels. Specialized equipment to handle off-loading containers is a critical component for attracting steamship feeder service. In order to be efficient in the early years of this new segment, it will be necessary to acquire equipment that can be used for more than one function. It is proposed that the Authority acquire a large Manitowoc 2250 “Crawler Crane”, or reasonable equivalent, that will have heavy lift capability yet would allow for the Authority to efficiently handle containers, oversized cargo (i.e. wind turbines parts) and other project cargo, without investing in multiple pieces of machinery. Because of the efficiencies gained, multi-purpose cranes are currently being used in many other ports to enhance cargo handling operations and reduce costs. This investment will make Cleveland competitive as cargo handling capacity would be on par with other established container port operations.

In all, the improvements to be made as a result of the Slip 26/28 reconfigurations will allow the Authority to greatly enhance the business potential of the Authority by increasing efficiencies in the location and design of state-of-the-art facilities. Additionally, the expanded berthing area will create logistic and distribution advantages that do not currently exist. The Authority will have an ability to effectively dock maximum-sized Seaway vessels and efficiently handle their cargo. Lastly, the new equipment will significantly augment the stevedoring operations, paving the way for the opportunity to attract new business and better meet customers' needs.

RECONFIGURATION PLAN FINANCING

The financing of the multiple components of the Reconfiguration Plan will come from a variety of source including, without limitation, a Logistics and Distribution Loan from the Ohio Department of Development (the "State Loan"). With the assistance of the State Loan, among other financing sources, the Authority now has a unique opportunity to open greater access to a very important and previously underutilized logistics and distribution intermodal hub.

The Authority received the State Loan Term Sheet dated April 27, 2009, a copy of which is attached hereto at Exhibit C, pursuant to which the following sources and uses of funds is a part:

Financing Sources

Ohio Department of Development Forgivable Loan	\$4,702,500
Economic Development Administration Grant	5,000,000
Cleveland-Cuyahoga County Port Authority	<u>597,500</u>
<u>Total Sources</u>	<u>\$10,300,000</u>

Uses of Funds

Construction Costs (Warehouse/Mftg)	\$5,305,000
Machinery & Equipment (Crawler Crane)	2,530,000
Site Preparation (Slip)	2,070,000
Professional Fees	125,000
Other Costs (Infrastructure Improvements)	<u>270,000</u>
<u>Total Uses</u>	<u>\$10,300,000</u>

It should be noted that the cost estimates provided above are estimates only and are subject to change based upon a number of factors including, without limitation, the determined size of the warehouse/manufacturing facility, the ability to obtain certain materials for a fee to the Authority (i.e. charge third parties for fill for the slip filling), the ability of the authority to enter into finance lease or similar arrangements with end users for the warehousing/manufacturing facility and/or the Crawler Crane, final negotiated contract amounts and market rates for materials. The Authority will consider finance lease or other similar arrangements with end users to fund all or a portion of the costs of the construction of the warehouse/manufacturing facility and/or the purchase of the Crawler Crane.

In addition, it should be noted that potential enhancement to the improvements referenced herein and an additional contingency are anticipated, totaling approximately

15% (approximately \$1,500,000), which would potentially be funded via Authority funds if other sources of funds are not reasonably available.

The State Loan requires the payment of a commitment fee of \$47,025, which would be made out of Authority funds and is anticipated to close in the Fall of 2009. The terms of the State Loan include requiring the creation of 74,500 construction person hours over a 24 month period, the creation of at least 105 new full-time jobs within a 3 year period, a 24 month term, and an interest rate of 1%. Upon the satisfaction of the terms of the State Loan the outstanding principal and accrued interest are to be forgiven.

The Authority has been working closely with the Federal Economic Development Administration in connection with pursuing a \$5,000,000 grant (the "EDA Grant"), which funds would be applied to the project costs of the Reconfiguration Plan. Currently, the Authority anticipates making application for the EDA Grant in the Fall of 2009, with decision and funding anticipated to occur in the Spring of 2010. The final terms of the EDA Grant are to be determined during the application and approval process. In the event the EDA Grant is not obtained, the Authority would consider other available financing alternatives including, without limitation, Authority funds, other grant and/or loan funds, and finance lease agreements with end users.

EXHIBIT A



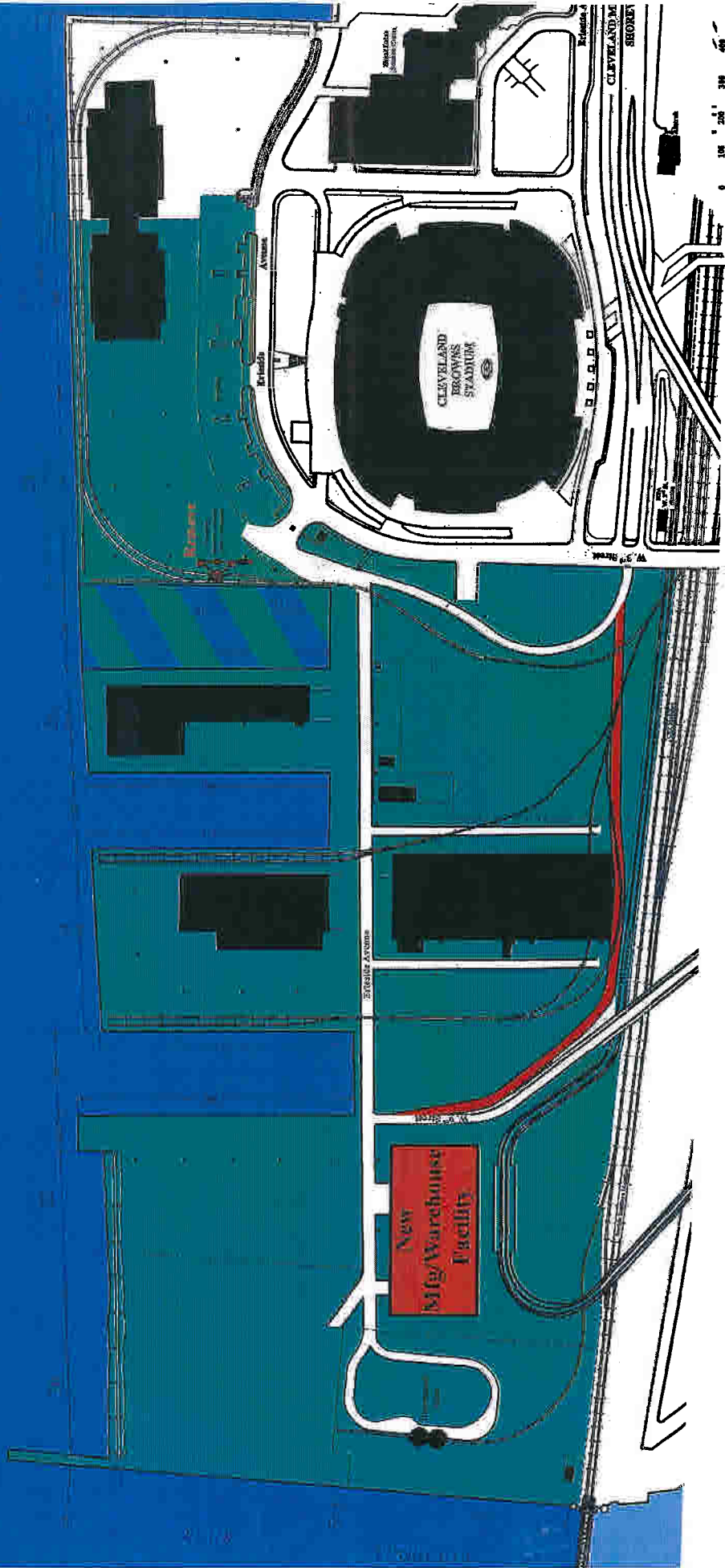
CLEVELAND BULK TERMINAL

DOCKS 20 - 30

**Cleveland-Cuyahoga County Port Authority
Existing Port Facilities**

EXHIBIT B

The Cleveland-Cuyahoga County Port Authority's International docks



Port Controlled Land



New Road



Slip to be Filled

EXHIBIT C



This term sheet is for discussion purposes only. It is not a commitment by the State of Ohio to make a Logistics and Distribution Stimulus Loan. A final commitment is subject to completion of due diligence and can only be provided upon approval by the Development Financing Advisory Council (DFAC) and the State Controlling Board (Controlling Board).

1. Project Assumptions

- Borrower: Cleveland-Cuyahoga Port Authority (Borrower).
Borrower's Contact: Garth Woodson, Assistant Vice President, Development Finance
Borrower is a governmental agency organized under the laws of the State of Ohio.
Borrower is responsible for the management of maritime operations at the Port of Cleveland...
The Ohio Department of Development (Development), through the Director of Development of the State of Ohio (Director), proposes to provide a Logistics and Distribution Stimulus (LDS) Loan to Borrower.
Borrower will invest \$ 10,300,000 in slip reconfigurations, warehouse construction, the purchase of new equipment, and infrastructure and road improvements (Project).
As a condition for receiving the LDS Loan, the Borrower will agree to create 74,500 construction person hours over a construction period anticipated to be 24 months (Construction Jobs Commitment).
Borrower also agrees to create 105 new full-time jobs at the Project site within a three-year period after completion of the Project (Jobs Commitment).

Table with 2 columns: Sources of Funds, Total \$10,300,000

Table with 2 columns: Uses of Funds, Total \$10,300,000

- Borrower anticipates a Project start date of July 1, 2009 and a Project completion date of June 30, 2010.

2. Financial Terms of the LDS Loan
 - LDS Loan of up to 46% of the Project costs, a maximum of \$4,702,500.
 - Term of LDS Loan to be the term of the construction period.
 - 1% interest rate for the term of the construction period with interest accruing during the construction period.
 - Upon completion of the project and certification that 74,500 construction person hours were created the outstanding principal and accrued interest will be forgiven.
 - Upon Borrower's failure to complete Project within a 24-month period then the accrued interest will be added to the outstanding principal and the loan will be due in full.
 - Upon failure of Borrower to achieve Jobs Commitment, then the outstanding proceeds will be due in full.
3. Timing
 - Borrower's project is currently scheduled to be presented before DFAC on April 27, 2009.
 - Borrower's loan request is expected to be presented to the Controlling Board for approval on May 18, 2009.
 - Loan documentation will begin upon receipt of the signed loan approval confirmation and commitment letter with the commitment fee.
 - Loan documents will be completed and signed (Closing) not sooner than a date to be determined.
4. Disbursement of Loan Proceeds
 - LDS Loan proceeds will be disbursed into escrow after Closing.
 - Allowable project costs will be funded on a 46%, 54 basis between LDS Loan proceeds disbursed from the escrow account and required contribution by Borrower.
 - Request for disbursements must be submitted on the American Institute of Architects' Pay Application Form and include Construction Hours completed to date.
 - Final disbursement of LDS Loan proceeds will occur after the Project is completed.
5. Fees and Costs Payable by Borrower
 - A processing and commitment fee of 1% of the LDS Loan expected to be \$47,025 is due when a confirmation of LDS Loan approval is signed by Borrower and returned to Development. The processing and commitment fee is non-refundable.
 - All costs and expenses incident to the LDS Loan and the closing and disbursement of the LDS Loan.
6. Covenants
 - Borrower will maintain operations in Ohio at the Project Site throughout the term of the LDS Loan. If Borrower leaves the Project Site, Development will have the right to accelerate the LDS Loan and all remaining principal, interest and fees will become immediately due in full.
 - Other covenants satisfactory to the Director.
 - Borrower shall provide project status reports as required by Development.
7. Other Conditions to Closing and Funding of the LDS Loan
 - All other financing sources for the Project must be identified and the terms of other financing must be acceptable to the Director.
 - Agreement by Borrower to pay State of Ohio prevailing wage rates, as determined by the Ohio Department of Commerce, Wage and Hour Bureau, for Project-related construction, renovation and installation activities, if any.

- Borrower shall provide evidence of Borrower's required equity contribution.
- Borrower shall execute and deliver to the Director loan and collateral documents satisfactory in form and substance to the Director and its counsel.
- Borrower shall furnish to the Director at Borrower's cost customary loan closing documents and items, including, without limitation, authorizing resolutions and copies of organizational documents of Borrower, Project cost certificates and plans and specifications for the Project all in form and substance satisfactory to the Director.

8. Liability

- Borrower shall maintain liability and property insurance to cover against any and all actionable legal claims for liability or loss which are the result of injury to or death of any person, or damage to property (including property of Development) caused by the negligent acts or omissions, or negligent conduct of the Borrower arising out of or connected with the LDS Loan, regardless of whether or not the LDS Loan closes or disbursement of LDS Loan proceeds actually occurs. Furthermore, Borrower agrees to be liable for the negligent acts or negligent omissions by or through itself, its employees, agents and subcontractors.