The Beckett Group

July 20, 2017

Kevin Greenwood, General
Manager Port of Newport
600 SE Bay
Boulevard
Newport, OR
97365

Dear Mr. Greenwood

I am pleased to transmit our third-party analysis of the NIT project for your review and presentation to the Board of Commissioners. In the analysis, you will find our findings and observations. Overall, we believe the proposed agreement package is financially feasible and will spur economic development for Newport and the region.

We did not perform a legal review, and encourage the Port to have Legal counsel review the proposed agreements to determine that the agreements are not in conflict with either Port policies or with each other.

I want to congratulate the Port for the depth and breadth of the financial analysis performed to date. Although, we reformatted the statements slightly and offered a few observations, we found that in general the Port's analysis fairly summarized the anticipated business and funding plans.

I welcome your input on our analysis.

Sincerely

Jeannie Beckett

The Beckett Group

Executive Summary

The Beckett Group (TBG) has been retained by the Port of Newport to provide a third party independent analysis of five agreements for facility development and log shipments through the Port of Newport International Shipping Terminal Facility.

These agreements include:

- Lease Agreement between the Port of Newport and Teevin Brothers
- Three Party Undertaking and Operations Agreement
- Cooperative Project Funding Agreement between Sivan Forest, LLC and the Port of Newport
- Oregon State IFA Loan Agreement
- USDOT TIGER Obligation Agreement

These five agreements are interrelated and interdependent. Accordingly, they need to be reviewed as a package. TBG is not providing a legal review of the contract language in the multiple documents. It is anticipated that such a review would be completed by Port legal counsel and external Financial Advisor. Our analysis is based upon maritime industry best practices garnered from over 30-years of financial and operations experience in the port industry.

The map below shows the site of the proposed project (identified by the blue outline and the #116). The Newport International Terminal can be seen in the left lower corner of the picture. The plan is for logs to be delivered to the log laydown area (site #116) where logs would be sorted and prepared for shipping. When ships are ready to be loaded, logs will be transported to the ship side for loading.

Best Practices

Best Practices dictate that a Business Concept be supported by a Marketing Plan, an Operational Plan, a Financial Plan and a Funding Plan. This analysis examines the risks within each of these elements.

The following matrix describes the risks within each of the elements noted above.

Risk Mitigation Matrix

Risk Area	Current Status/ Mitigation	Risk Level
Market	• Sustainable Timber Supply • Log Export Business Model is Valid • Market Factors Indicate Sustained Demand • Wood Products provide a Competitive Advantage for Newport • Log Buyer is a Proven Entity and want to be a long-term partner	Low
Operational	• Good Operational Plan • Leasing Laydown yard to spread risk and costs • Proven Operator	Low
Financial Viability	• Committed and Proven Tenant • Adequate financial returns • Cash-flow positive	Low
Funding/ Financing	• TIGER Obligation Agreement signed, • Awaiting commission decision on IFA loan and Silvan loan • Risk mitigated through the use of a mix of grants and loans	Low/ Urgent
Construction	• Permits in hand, • Preliminary Engineering Complete, • ready to go to Bid, • Construction takes less than a year to complete	Low

After review, The Beckett Group believes the agreements:

- Align with the Port's Business Plan
- Reduce Risk to the Port of Newport
- Provide Adequate Financial Returns
- Leverages Local Timber Supply
- Meets International Demand for Timber
- Has the potential to provide an option for the region's shipper previously using the Port of Portland's T6 facility
- Aligns with Federal Funding Principals

Project Background:

The Port of Newport has invested in the development of an international shipping gateway at the recently improved Newport International Terminal (NIT), and is in pursuit of site development at a 9-acre parcel within McLean Point. Those investments will result in a fully functional International Terminal dock facility, with imminent opportunity for business expansion on Port owned and adjacent private properties.

For many years, the Port of Newport, OR has worked diligently with the local community to bring shipping back to Newport. The completion of the International Terminal leverages the state's $364 million investment to improve US-20 and the Port's recent $27 million investment in the Newport International Terminal (NIT). The current effort to create backup land for the NIT facility will provide a needed industrial laydown area to support the shipping across the NIT dock. This laydown facility will provide a viable location to prepare loads for both international exporting and domestic coastwise shipping.

Additionally, the completed facility will improve freight flows between Oregon's Willamette Valley and the Coast. Reduced congestion on US 101 is anticipated due to the ability of trucks to deliver directly to Newport from the Willamette Valley.

The project under consideration includes grading of property, creation of a 9-acre laydown area (phase 1) with asphalt, fencing, small work facility, storm water collection system, development of a wetlands mitigation site, transportation improvements off SE Bay Blvd. (a minor arterial), and extension of water and sewer lines. The site is zoned for industrial use but has limited utility infrastructure. Expanding utility infrastructure to the property will nurture the development of the adjacent 40 acres into an industrial site that can serve seafood processing, wave energy R&D, and other export-related industries.

Developing the property to expand the local marine related industry cluster will foster economic benefits for the region through job creation and business expansion.

When completed, the NIT project and the adjoining industrial development will provide shipping and handling options for Lincoln County businesses, agricultural/manufacturing producers in the Mid-Willamette Valley, the Coast Range and Southern Oregon.

This facility should provide a partial solution for the region from the loss of container/break-bulk shipping at the Port of Portland. Since the closure of T6 at the Port of Portland, agriculture producers and manufacturing companies have been searching for less expensive alternatives than trucking products to the Ports of Seattle /Tacoma in Washington or to California ports.

The Business Concept

The Port of Newport Board of Commissioners has entered into a lease option agreement with Teevin Brothers, a prospective tenant, to operate a 9-acre log processing and laydown yard on Port property at McLean Point.

Teevin Brothers would operate the log processing and sorting facility. They would be responsible for all operating and capital costs for labor, materials and equipment.

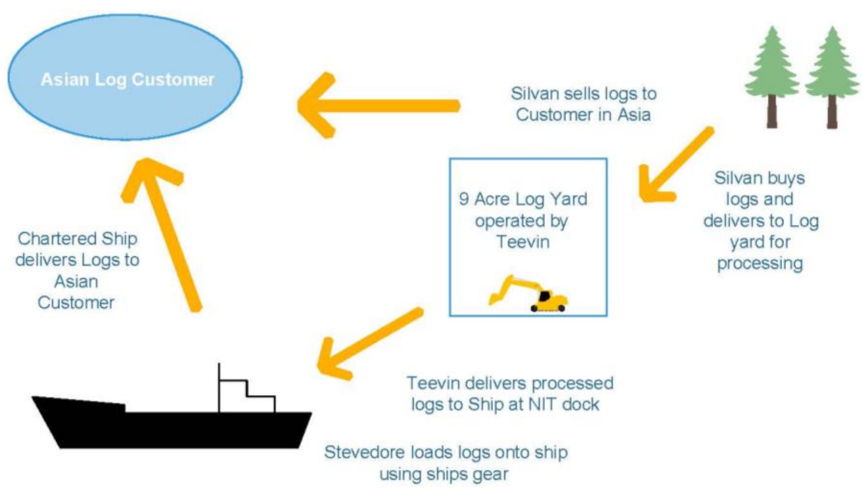
Silvan is an investor in the project, and has a track record of successful partnerships with Teevin Brothers in other areas of the state. Silvan is responsible for acquiring timber for the log facility and marketing to Asian customers.

The Port would provide the land for the log facility and will prepare the site for use by Teevin Brothers. The Port will also provide the dock facilities for ship loading.

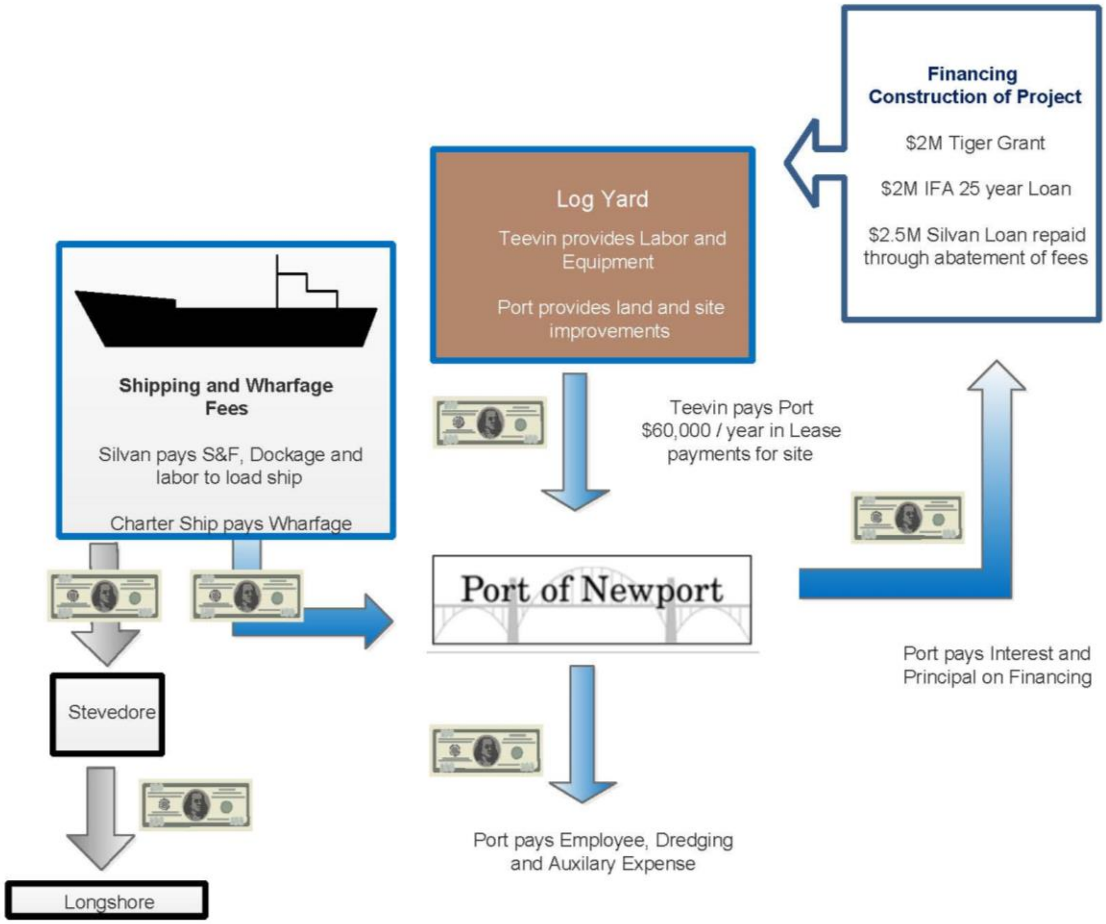
The facility will enable efficient trans-pacific shipping of the logs from the Pacific Northwest to Asia, making harvesting and exporting of local logs cost competitive.

The Port's business plan is to diversify the cargo mix at the Terminal over time. One of the expansion opportunities identified is the short-sea shipping of wood and recycled products on barge. The completion of the log processing and export operations will be the catalyst to further development of necessary auxiliary support services to support additional shipping activity. Further, working with an experienced operator (Teevin Brothers) will instill confidence in prospective customers of the ability of the Port to accommodate future needs.

The Log Delivery Process



The Anticipated Transaction Flow



Proposed Agreements Reduce Risk to the Port

In a new start up, such as the re-introduction of shipping to the Port of Newport, a best practice is to develop a risk mitigation plan. The proposed project financing and agreements include appropriate tools and processes to reduce overall risk to the Port.

Reduced Market Risk

Sustainable Timber Supply

The availability of private timber within the Newport market region is a critical input to the viability of a log export facility.

Teevin Brothers is committed to operating the facility and Silvan is committed to the financing the facility because they have data to support their investment in this project.

Under current law, only timber from private lands can be exported without being processed. Based on current data, there is a proven supply of timber from private lands in an economic distance of 20-40 miles from Newport. The Port facility is anticipated to export approximately 55 million board feet (MMBF) of logs per year. This volume can be shipped using 10 “Handy” size vessels per year.

Using a 20 miles radius from Newport, the 55 MMBF of volume per year represents less than 5 percent of the anticipated growth of timber on private lands. In other words, within an economic hauling distance, there is a sustainable, and adequate supply of timber available.

Under the proposed business model, Silvan is responsible for securing their log supply. They intend to follow their existing practice of securing “material handling contracts” with timber landowners and managers to meet the log requirements for the facility. Silvan has a long and proven track record of establishing these agreements at other facilities

Log Export Business Model is Valid.

Development of a log export business and transpacific export shipment via Handy size vessels loaded from the International Terminal is a probable and validated business model. This business model relies on (1) demand from Asian markets (Japan, China, Korean); (2) availability of private timber, and (3) deep-water access at the Port’s Terminal. Silvan and Teevin Brothers have a proven record of working with these markets, securing private timber for export and managing this type of facility – notably at the Teevin Brothers facility at Rainier OR.

Market Factors Indicate Sustained Demand.

Current market conditions (1-5 years) suggest the macro-economic cost model will support log exports to Asian counties from west coast ports. The Newport proposal provides a competitive cost advantage by reducing the transportation costs for logs in the proximity of the Port of Newport.

Private Timber Stands are Available.

The volume of log exports handled by the Port of Newport is projected to be about 55 MMBF per year. This volume represents only 5 percent of the total annual harvest capacity of privately owned timber in the economic supply area around Newport. In other words, there is an ample, and sustainable supply of exportable timber in the economic area surrounding the Port of Newport.

Indeed, the addition of a new export facility at Newport will likely increase the competition, and prices, for privately owned timber, thereby increasing financial incentives to reforest and invest in thinning and other silvicultural treatments to increase timber growth. Timber land owners in the area will benefit from the new markets created by the Newport facility. Some estimates show that current annual private timber harvests in Oregon are about 10% below sustainable harvest volumes.

Wood Products are a Competitive Advantage.

Trade in logs and wood products from the Northwest has a long and successful track record. It is a commodity that is capable of shipment by bulk loaded vessels (barge or “Handy” size) and has few specialty handling requirements (generally). The commodity is not perishable or time sensitive.

Log Buyer is a Proven Entity.

Silvan Forest, LLC is a shipping broker with experience in investing in timber and logs for exports from the Pacific Northwest. The Port will benefit from their experience. By investing in the project, Silvan will certainly have incentives for the project to succeed.

As the shipper, Silvan will be responsible to the Port to pay service and facilities (S&F) fees to the Port. As part of the 20-year Three-Party Agreement, Silvan agrees to deliver and export forest product shipments pursuant to the terms of its Service Agreement with Teevin and its Cooperative Funding Agreement with the Port.

Reduced Operational Risk

On the operational side of the terminal, the port is choosing to partner with Teevin Bros. Timber and Land Company, LLC (Teevin Bros.) and Silvan Forest, LLC

Teevin Bros. and the Port of Newport have entered a lease option for use of the 9-acre site (Exhibit 2.5). This agreement would allow Teevin Bros to make improvements to the port-owned 9-acre parcel that would enable the site to be used for a secured outdoor laydown facility for cargo shipped though the International Terminal. Teevin Bros. would serve as the operator and manager of the laydown facility. The facility would also have access to the International Terminal so that cargo (such as lumber, logs, small containers, etc.) can be moved on trailers using small off-highway transport tractors called "hosslers" to barges or ships docked at the Terminal.

Proven Terminal Operator

Teevin Brothers, as the Terminal Operator, will supply the labor and equipment required for such activities. This limits the financial risks to the Port. Several ports in the Pacific Northwest operate log terminals and laydown areas. Although this allows the Port to control activities, those Ports must also purchase labor and invest in equipment to operate their facilities. These expenditures add considerable operating and capital costs to the respective port.

Teevin Bros. currently anticipates the demand for approximately 10 vessel calls per year. A mix of barge and "Handy" size vessels would be expected. Barge shipments could call on the Port, moving product between west coast ports (such as the port of Oakland or Tacoma). Barge shipments have the benefit of moving cargo at a lower cost than by trucks using I-5. "Handy" size vessels are typically 28,000 – 32,000-ton deadweight vessels that have self-loading capabilities. When fully loaded, these ships have drafts less than 35 feet.

Teevin Bros. anticipates handling about 55 MMBF of logs per year, which would be delivered to the site primarily by truck (about 1,200 truck deliveries per year).

In addition to investing in the project, Silvan will supply and market logs for the facility.

Financial Risk of the Business Model

Committed and Proven Tenant

The Port of Newport has entered into a lease option agreement with Teevin Bros. Land and Timber Co. LLC (Teevin Bros) to occupy the Port's 9-acre parcel with the intent to operate a shipping facility terminal. Teevin Bros., in operation since 1978, has a proven business model and successful track record for operating a diverse portfolio of business (logging operations, trucking/intermodal operations, and quarry operations) in the Pacific Northwest. Teevin Bros. operates peer facilities and knows how to successfully operate a log export handling and processing facilities like the proposed facility at the Port of Newport.

Teevin Brothers will lease approximately 9 acres for the layout area from the Port. The revenue from the lease will be used to offset the short-term financing costs. After Silvan's short-term loan is paid off, the revenue can be used toward other operating costs or to provide funds toward the payment of the IFA loan.

Since Teevin Brothers will be leasing land, operating the log yard and delivering the product alongside of the ship, Teevin will cover the costs of the labor and equipment required for such activities. This agreement limits the financial risk to the Port because Teevin Brothers will be making the investments in equipment to process logs and operate the log facility. Those investments could account for millions of dollars. Outsourcing these operations, is a good risk reduction measure for the Port. At many ports in the Pacific Northwest, ports choose to operate their log terminals. Although this may appear to be a good way to be in control of the business model, it also adds a tremendous cost burden to the port.

Teevin Bros. has already shown themselves to be a good business partner. They have demonstrated their commitment to the project through their investments in site planning, preliminary engineering, and permitting for site development. It is estimated that Teevin has already invested between $300,000-$400,000 in these pre-construction activities. The use of these plans and permits was transferred to the Port of Newport as part of lease option agreement, and will reduce the Port's project costs. Those investments should also expedite the Port's pre-construction activities for final permitting and preparation for bidding of the project.

Teevin will be paying $60,000 per year to lease the layout area. As noted above, this is a source of revenue which the Port can use to pay the interest on short-term loan from Silvan and later to offset terminal related costs. These are revenues that Port would not have if the Port had decided to operate the yard itself.

The lease rate may be viewed as less than desired when compared to urban ports who have policies establishing lease revenue goals of 10% on land value, and 12% on improvements. For rural, economically distressed ports, such as Newport, the market demand of terminal related land is very limited. With a restricted market demand for vacant land, a rural port needs to be able to negotiate lease terms that are acceptable to both parties and accommodate the appropriate risk and return for each partner. This agreement reflects the reality that there is only one interested party. It is unlikely the Port of Newport would receive terms comparable to an urban port. Accordingly, the evaluation needs to analyze whether the terms meet the Port's long-term goals and fiduciary responsibilities. This agreement would appear to do so. As proposed, the combined agreements:

- Limit the financial risk by diversifying financial terms and transferring operating and capital costs to the operator.
- Include partners with a proven track record of success, and who have demonstrated a commitment to the project with up-front investments in planning, engineering and financing of the project.
- Deliver revenues needed to re-pay the short-term loan.
- Provide the ability to diversify Port business.
- Provide adequate revenues to pay expenses, depreciation and debt service.

Adequate Financial Returns

We would like to complement the Port staff's comprehensive financial analysis completed to date. Staff did a good job in projecting the potential NIT terminal financial outcomes. It should be noted the analysis demonstrates the effort the Port staff made to prepare for potential questions from both the Port Commission, stakeholders and general public. Their analysis was very detailed and complete. The snapshots of these analysis included in commission agenda packets does not fully represent the depth of analysis completed by the Port to fully evaluate the agreements and probable outcomes.

Port staff prepared multiple scenarios to test the sensitivity of project financing options and to understand how bottom line results fluctuate with different levels of annual ship calls.

After review of the Port's analysis, TBG has completed a minor reformatting of the results into a more traditional approach by separating the incremental contribution of the project to the Port's overall Net Income from the financing decision. Finally, a combined cashflow projection is provided that very closely mirrors the analysis presented by Port staff at the June 27, 2017 Commission meetings. We did find that IFA loan payments had been understated based upon a 30-year term at 2.375% when compared to the current IFA document that stipulates a 25-year term at 3.3%. The other observation is the Port's analysis was generally a cashflow statement verses a traditional income statement that includes depreciation expense. The inclusion of depreciation is a conventional accounting technique that allows a company to recognize wear and tear of an asset and write-off the value of an asset over time. Since, it is considered a non-cash transaction, we have calculated the financial ratios noted below both before and after depreciation.

For this engagement, TBG was asked to use 7.5 ships per year as the basis of the comparative analysis. The TBG model is based upon a 25-year period post construction to match the life of the IFA loan. USDOT best-practices were used in the reverse engineering of the Port's financial analysis to confirm the results. It should be noted that CPI increases for expenses and tariff increase would normally be included in an analysis of this type. To make the comparison to the Port analysis as simple as possible, TBG used 2017 dollars with no cost inflation nor an introduction of future annual tariff increases. This simplicity was used to ensure the two analyses could be easily compared without detailed explanations justifying additional CPI or other inflationary assumptions used by TBG. The lack of these additional factors does not change the general comparative conclusions. Thus, were not added into TBG's model.

Findings:

Based upon 7.5 log ships per year, it will take 8.73 years to pay off the Silvan loan using abatement of fees. Over the 25 years, the project will generate $7.5 million in cash-flow after principal and interest payments using a steady 7.5 shipments per year.

The Beckett Group calculated traditional Net Income after depreciation of $428,720 per year to be $10,723 in years 1-9, increasing to $70,723 in year 10 after the Silvan loan is paid off.

The depreciation was calculated on half of the improvement cost of the $27 million wharf using a useful life of 80 years plus the $6.5 million in improvement on the 9 acres based upon a useful life of 25 years. The depreciate is fully loaded as revenue in the model is achieve by loading the logs onto the ship at the wharf.

Operational Margin (after depreciation) of the 9-acre project is estimated to be 18% per year.

Return of Revenue (after depreciation) is 1.4% years 1-9 and 9.1% after the Silvan loan is paid off.

Net Income before depreciation is $439,433 per year until the Silvan loan is paid off and then jumps to $499,433 in year 10-25.

Return on Investment based upon only the $6.5 million investment generated a return of less than 1% when depreciation is included and increased to 5.9% years in 1-9 and 6.7% in years 10-25.

These initial results suggest that additional cargo moving across the NIT will only increase the returns of the facility. This is especially true if the IFA grant covenants that recognize a second commodity can be utilized. This alone will without an additional revenue or expense will increase the return by $20,000 per year due to the interest rate decreasing from 3.3% down to 2.3%

Project Financing Risk:

On the financing side: the port is proposing a mix of financing vehicles including a grant, a short-term loan and a long-term loan to fund the project. The use of three funding sources mitigates the Port's financing risk by spreading the financing risk between three funding partners each with different financing terms. Additionally, the three funding partners originate from different legislative subdivisions (federal, state and private).

- The TIGER Grant is interest free, but requires the project to be completed per the obligation agreement and remain viable for a 20-year horizon. Performance measures need to be reported for the three years of operation.
- The IFA loan offers a rate reduction to 2.3% when the Port moves a second commodity across the terminal. This incentive aligns with the Port's business expansion plans.
- The inclusion of Silvan, the log supplier, as a financial partner further reduces the Port's risk by ensuring that there is a committed supply of logs to meet the volume necessary to sustain the business concept.

Proposed Funding Sources			
	$ Millions	Interest rate	Term
TIGER VII grant	**$2.00**	**0%**	**Performance must be reported for 3 years**
Oregon IFA Loan	**$2.00**	**3.3%**	**25 years, Interest rate can drop to 2.3% if additional commodities moved**
Silvan Loan	**$2.50**	**2.4%**	**Until paid off through fee abatements Estimated at 8.73 years with 7.5 ships/ year**

Agreement Structure Aligns with Federal Funding Principals

The proposed structure of the agreements aligns with the current national level principals related to USDOT federal funding of local projects.

As the Administration develops policy and regulatory changes, and seeks statutory proposals working with Congress, the US Department of Transportation (USDOT) intends to focus on proposals that meet the following key principles:

1. *Make Targeted Federal Investments*. Focusing Federal dollars on the most transformative projects and processes stretches the use and benefit of taxpayer funds. When Federal funds are provided, they should be awarded to projects that address problems that are a high priority from the perspective of a region or the Nation, or projects that lead to long-term changes in how infrastructure is designed, built, and maintained.

2. *Encourage Self-Help.* Many States, tribes, and localities have stopped waiting for Washington to come to the rescue and have raised their own dedicated revenues for infrastructure. Localities are better equipped to understand the right level – and type – of infrastructure investments needed for their communities, and the Federal Government should support more communities moving toward a model of independence.

3. *Align Infrastructure Investment with Entities Best Suited to Provide Sustained and Efficient Investment.* The Federal Government provides services that non-Federal entities, including the private sector, could deliver more efficiently. The Administration will look for opportunities to appropriately divest from certain functions, which will provide better services for citizens, and potentially generate budgetary savings. The Federal Government can also be more efficient about disposing underused capital assets, ensuring those assets are put to their highest and best use.

4. *Leverage the Private Sector.* The private sector can provide valuable benefits for the delivery of infrastructure, through better procurement methods, market discipline, and a long-term focus on maintaining assets. While public-private partnerships will not be the solution to all infrastructure needs, they can help advance the Nation's most important, regionally significant projects.

Review of current contracts compared to each of these key principals

Make Targeted Federal Investments.

In October 2016, the Port of Newport received an award for $2 million TIGER VII (FY15) grant for a laydown area to support the International Terminal Shipping Facility providing approximately 30 percent of the project funding for a project USDOT believes will provide economic and societal benefits to the region that exceed the cost of the investment.

Encourage Self-Help.

The proposed project Funding Plan includes Federal funds, State funds and local funds. Total project cost is estimated to be $6,532,577 based on detailed engineering design plans and cost estimates. Under the FY 15 Notice of Funding Availability the Project was considered to have exceeded the required match with a $4.5 M local share (69.4% local/state/other share). This aligns with the Self-Help principal as the federal government is asking local project sponsor to provide the majority of project funding. In fact, the average TIGER award included at least 50 percent local match to the federal contribution. With a 69.4 percent match, this project exceeds that norm and was very competitive at the national level.

TIGER VII Funding Sources		
	$	%
Federal	**$2.0**	**31%**
Local	**$4.5**	**69%**
Total Funding	**$6.5**	**100%**

Align Infrastructure Investment with Entities Best Suited to Provide Sustained and Efficient Investment.

For the construction and implementation of the International Terminal Facility, the Port of Newport is the best entity suited to provide the oversight for this project and be responsible to fill the project's funding gap.

Leverage the Private Sector

The grant application indicated that local funding would be achieved through state grants and local participation. The current structure of project financing not only meets the terms of the TIGER FY15 grant but also aligns with the current Federal Administration's desire to partner with the Private Sector to build infrastructure that is regionally or nationally significant. The proposed agreement between The Port of Newport, Teevin Brothers and Silvan Forest, LCC demonstrates the type of partnership that is envisioned by the current Administration.

Funding Plan using Private Funds

Proposed Funding Sources			
		$	%
Federal	**TIGER VII grant**	**$2.00**	**30.8%**
State	**IFA Loan**	**$2.00**	**30.8%**
Private	**Silvan Loan**	**$2.50**	**38.5%**
Total Funding		**$6.5**	**100%**

After many attempts to fill the local match with state or federal grants, the Port is proposing that the local share of the project be met using two separate funding sources: a state loan (IFA) of $2 million dollars with a 25-year term at a 3.3% interest rate. The interest rate can drop to 2.3% if a second commodity is moved through the Port's international terminal. The final $2.5 Million gap is proposed to be financed through a short-term loan from Silvan Forest, LLC who will receive a flat $60,000 return on investment (interest payment at a flat rate of 2.4%) per year as long as the loan is outstanding. The principal is to be repaid from the reserve fund using an abatement payment that is based upon shipping and wharfage fees paid to the Port which were generated from Silvan logs delivered to the laydown yard.

Conclusion: Overall Risks are Minimized and there are Opportunities to Diversify

Like other wood products, market values for logs are often subject to cyclical demand. Hence, one can expect values to fluctuate depending on the economic cycles. In response to the reductions in timber supply from public lands in the 1990's, logs originating from publicly owned timber was prohibited from export. Private timber owners; however, are free to offer their timber to both domestic and international markets. Few external threats (market or regulatory) exist in the immediate to short term which would delay site development or limit the functioning of the terminal operator's business plan.

Both financial and operating risks can be further mitigated by diversifying the port's commodity base into additional cargo types. The Shipping Facility Feasibility Study completed in June 2016 by Market Advisory Group, LLC. The study concluded that investment in the shipping facility could be expected to facilitate the movement of other goods through Newport. As vessel calls increase, the awareness of the facility, and its ability to provide various functions, will increase. As shipping patterns and the viability of the Port's ability handle capacity is established (initially by log exports), other goods (such as wood byproducts, specialty cargo, and other bulk agricultural products) will likely explore shipping from Newport in using "Handy" size vessels or barges.

Debt Service Table										
		equal payments								
Oregon Loan		25	years	3.3%	2.3%		7.5 ships per year		8.73 year loan	
Balance		Principal	Interest	Total Payment						Interest
2,000,000	1	80,000	$ 66,000	146,000	($46,000)	2.4%	$ 2,500,000	1	$ 286,486	$ 60,000
1,920,000	2	80,000	$ 66,000				$ 2,213,514	2	$ 286,486	$ 60,000
1,840,000	3	80,000	$ 66,000				$ 1,927,028	3	$ 286,486	$ 60,000
1,760,000	4	80,000	$ 66,000				$ 1,640,541	4	$ 286,486	$ 60,000
1,680,000	5	80,000	$ 66,000				$ 1,354,055	5	$ 286,486	$ 60,000
1,600,000	6	80,000	$ 66,000				$ 1,067,569	6	$ 286,486	$ 60,000
1,520,000	7	80,000	$ 66,000				$ 781,083	7	$ 286,486	$ 60,000
1,440,000	8	80,000	$ 66,000				$ 494,596	8	$ 286,486	$ 60,000
1,360,000	9	80,000	$ 66,000				$ 208,110	9	$ 208,110	$ 60,000
1,280,000	10	80,000	$ 66,000				$ -	10		
1,200,000	11	80,000	$ 66,000				$ -	11		$ 540,000
1,120,000	12	80,000	$ 66,000				$ -	12		
1,040,000	13	80,000	$ 66,000							
960,000	14	80,000	$ 66,000				Flat interest rate: 2.4%			
880,000	15	80,000	$ 66,000				Effective rate: 4.47%			
800,000	16	80,000	$ 66,000				Pay off at 8.73 years			
720,000	17	80,000	$ 66,000							
640,000	18	80,000	$ 66,000							
560,000	19	80,000	$ 66,000							
480,000	20	80,000	$ 66,000							
400,000	21	80,000	$ 66,000							
320,000	22	80,000	$ 66,000							
240,000	23	80,000	$ 66,000							
160,000	24	80,000	$ 66,000							
80,000	25	80,000	$ 66,000							
			https://loanstreet.com.my/calculator/flat-to-effective-interest-calculator							
			interest on Silvan $ is covered by lease payment from Teevin Brothers							
			Principal of Silvan is reimbursed to Silvan based upon a 50%/50% split of Reserve fund							

International Terminal Shipping Facility Financial Analysis -7. 5 Shipments

Year	1	2	3	4	5	6	7	8
Operating Revenues								
Tariff Proceeds	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973
Land lease from Teevin	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Net Revenues from Logs	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973
Lost Service Revenue	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)
Total Operating Revenues	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973
Operating Expenses								
Personel	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Dredging	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Ancillary costs (maint?)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
Total Operating expenses	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)
Operating Income before depreciation	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473
Operating Margin (before depr)	73%	73%	73%	73%	73%	73%	73%	73%
Depreciation	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)
Operating income (loss) after depretion	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723
Operating Margin (after depr)	18%	18%	18%	18%	18%	18%	18%	18%
Non- operating Revenue (expenses)								
Interest expense	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000
Non- operting Revenue (expenses)	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000	-126,000
Net Income (loss) before Depr	439,473	439,473	439,473	439,473	439,473	439,473	439,473	439,473
Net Income (expense) after depreciation	10,723	10,723	10,723	10,723	10,723	10,723	10,723	10,723
Return on Revenue	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Return on Investment on 9 acres only (land and improvements) after depr	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
Return on Investment on 9 acres only w/o depr	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%

Financial Analsys for 7.5 log shipments per year

Year	9	10	11	12	13	14	15	16	17
Operating Revenues									
Tariff Proceeds	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973
Land lease from Teevin	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Net Revenues from Logs	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973
Lost Service Revenue	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)
Total Operating Revenues	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973
Operating Expenses									
Personel	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Dredging	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Ancillary costs (maint?)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
Total Operating expenses	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)
Operating Income before depreciation	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473
Operating Margin (before depr)	73%	73%	73%	73%	73%	73%	73%	73%	73%
Depreciation	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)
Operating income (loss) after depretion	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723
Operating Margin (after depr)	18%	18%	18%	18%	18%	18%	18%	18%	18%
Non- operating Revenue (expenses)									
Interest expense	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000
Non- operting Revenue (expenses)	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000
Net Income (loss) before Depr	499,473	499,473	499,473	499,473	499,473	499,473	499,473	499,473	499,473
Net Income (expense) after depreciation	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723
Return on Revenue	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Return on Investment on 9 acres only (land and improvements) after depr	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%
Return on Investment on 9 acres only w/o depr	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%

Financial Analsys for 7.5 log shipments per year								
Year	18	19	20	21	22	23	24	25
Operating Revenues								
Tariff Proceeds	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973	$ 793,973
Land lease from Teevin	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Net Revenues from Logs	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973	$ 853,973
Lost Service Revenue	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)	$ (76,000)
Total Operating Revenues	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973	$ 777,973
Operating Expenses								
Personel	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Dredging	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Ancillary costs (maint?)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
Total Operating expenses	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)	(212,500)
Operating Income before depreciation	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473	$565,473
Operating Margin (before depr)	73%	73%	73%	73%	73%	73%	73%	73%
Depreciation	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)	$ (428,750)
Operating income (loss) after depretion	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723	$136,723
Operating Margin (after depr)	18%	18%	18%	18%	18%	18%	18%	18%
Non- operating Revenue (expenses)								
Interest expense	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000
Non- operting Revenue (expenses)	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000	-66,000
Net Income (loss) before Depr	499,473	499,473	499,473	499,473	499,473	499,473	499,473	499,473
Net Income (expense) after depreciation	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723
Return on Revenue	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Return on Investment on 9 acres only (land and improvements) after depr	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%
Return on Investment on 9 acres only w/o depr	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%

Year	1	2	3	4	5	6	7	8
Principal payments								
Abatement against principal on Silvan Loan	286,486.3	286,486.3	286,486.3	286,486.3	286,486.3	286,486.3	286,486.3	286,486.3
Principal on IFA loan	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Total Principal Payments	366,486	366,486	366,486	366,486	366,486	366,486	366,486	366,486
Net Income after Depreciation	10,723	10,723	10,723	10,723	10,723	10,723	10,723	10,723
Less Principal payments	-366,486	-366,486	-366,486	-366,486	-366,486	-366,486	-366,486	-366,486
add back depreciation	428,750	428,750	428,750	428,750	428,750	428,750	428,750	428,750
Net Cashflow	72,986	72,986	72,986	72,986	72,986	72,986	72,986	72,986
	72,986							
Amount Owed	2,213,514	1,927,028	1,640,541	1,354,055	1,067,569	781,083	494,596	208,110

Year	9	10	11	12	13	14	15	16	17
Principal payments									
Abatement against principal on Silvan Loan	208,110	0	0	0	0	0	0	0	
Principal on IFA loan	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Total Principal Payments	288,110	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Net Income after Depreciation	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723
Less Principal payments	-288,110	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000
add back depreciation	428,750	428,750	428,750	428,750	428,750	428,750	428,750	428,750	428,750
Net Cashflow	211,363	419,473	419,473	419,473	419,473	419,473	419,473	419,473	419,473
Amount Owed	0	0	0	0	0	0	0	0	
	8.73 years								

Year	18	19	20	21	22	23	24	25	
Principal payments									
Abatement against principal on Silvan Loan									
Principal on IFA loan	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	
Total Principal Payments	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	
Net Income after Depreciation	70,723	70,723	70,723	70,723	70,723	70,723	70,723	70,723	
Less Principal payments	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000	-80,000	
add back depreciation	428,750	428,750	428,750	428,750	428,750	428,750	428,750	428,750	
Net Cashflow	419,473	419,473	419,473	419,473	419,473	419,473	419,473	419,473	7,506,813

Assumptions:

*7.5 5 shipments per year. Average Tariff is $105,863 per shipment

*Additional Costs include Loan Payments, Personnel Expenses, Dredging and Ancillary Costs. Dredging is $100,000 per year and the Ancillary Costs are $5,000 per vessel

*Lost service revenue is 10% per 5 & 6 shipments, 20% per 7 & 8 shipments and 25% per 9 and 10 shipments

*Abatement includes 50-50 split after subtracting costs for the IFA Loan Payment $ 140,000 and Personnel Expenses $75,000 from the Tariff proceeds of $793,973 per year

*0% interest on abatement and no tariff or lease rate increases over the abatement period