

Dear Supply Chain Colleagues,

With the ratification of a new five-year contract between the Pacific Maritime Association and the International Longshore and Warehouse Union, PierPass is now able to finalize our annual financial analysis of the OffPeak program.

OffPeak was launched in 2005 as a private-sector solution to a severe public problem: the heavy weekday road and highway congestion previously caused by trucks going to and from the Ports of Los Angeles and Long Beach, and the added air pollution caused by thousands of idling trucks caught in this traffic. The additional capacity provided by OffPeak has since become essential to port operations.

Approximately 50% of the daily truck traffic calling at the container terminals in the Los Angeles and Long Beach ports – the largest port complex in the United States – does so during the Peak shift between 3:00 a.m. and 5:00 p.m. The other half does so during the OffPeak shifts, from 6:00 p.m. until 3:00 a.m. The balance of truck moves between the two shifts greatly reduces congestion in communities around the ports, on the Southern California freeways, and at the terminal gates. On average, more than 150,000 truck trips per week are spread across Peak and OffPeak shifts.

The OffPeak program collects a Traffic Mitigation Fee (TMF) for loaded containers picked up and delivered during the Peak shift. The TMF provides the incentive to use the OffPeak shift and covers part of the labor and other costs of operating the OffPeak shifts. While container volumes have increased since 2013, they were still not back to 2007 levels last year. Nonetheless, the marine terminal operators continue to operate the OffPeak gates and incur those costs.

Two financial reports for 2014 are attached. The first, from the accounting firm Windes, is a summary of the annual independent financial audit of PierPass Inc. It shows that PierPass distributions to its terminal members totaled \$132.7 million last year. The second report, from maritime industry consultants Palazzolo & Associates, reviews the gate and yard costs incurred by the terminals to operate the OffPeak shifts. It found that these costs totaled \$223.4 million.

We trust that the attached information, along with what is provided on our website (www.pierpass.org), will address any questions you may have. If not, please do not hesitate to contact us.

Best regards,

John Cushing
President
PierPass Inc.

March 27, 2015

PierPASS, LLC
444 W. Ocean Blvd., Ste 700
Long Beach, CA 90802-4581

To the Members of PierPASS, LLC:

We are submitting this letter in response to your request for a summary of financial highlights for the year ended December 26, 2014. The following information has been taken from the combined financial statements of PierPASS, LLC and PierPASS, Inc. (collectively, PierPASS) for which we have rendered an unmodified audit opinion dated March 27, 2015.

PierPASS Financial Performance

Traffic mitigation fee revenues for PierPASS' year ended December 26, 2014 totaled \$144,124,640. PierPASS operating expenditures for the year totaled \$9,482,755. Major categories of operating expenses include computer software, bank transaction processing fees, and administrative support. The excess of revenues over expenses are distributed by management to marine terminal operator members as cash flow permits. Distributions to members totaled \$132,731,829 for the year ended December 26, 2014.

Combined Financial Results of PierPASS, LLC and PierPASS, Inc.

A summary of the combined financial results for 2014 and 2013 follows:

Year Ended	December 26, 2014	December 27, 2013
Total Combined Operating Revenues	\$ 144,124,640	\$ 119,073,204
Total Combined Operating Expenses	\$ 9,482,755	\$ 8,700,455
Excess of Revenues over Expenses	\$ 134,641,885	\$ 110,372,749
Total Distributions to Members	\$ (132,731,829)	\$ (111,226,508)
Members' Equity	\$ 3,741,885	\$ 1,831,829

Sincerely,

Windes, Inc.



June 17, 2015

Mr. John Cushing, President
PIERPASS, Inc.
444 West Ocean Blvd., Suite 700
Long Beach, CA 90802

Mr. Cushing:

At the request of PIERPASS, Inc., we have prepared the attached executive summary of our fourth quarter 2014 PIERPASS OffPeak Program gate and yard cost calculation. This calculation is used, in turn, to help determine a traffic mitigation fee (TMF) to fund the Program.

Since the inception of the Program in July 2005, PIERPASS has engaged outside, independent consultants to determine these costs.

The result of this calculation for the fourth quarter 2014, conducted by our firm on a basis consistent with prior periods, is described in the following executive summary.

Attachment: Executive Summary

PIERPASS 4th Quarter 2014 OffPeak Program Gate and Yard Cost Calculation Executive Summary

This executive summary describes the fourth quarter, 2014 (Q4-2014) calculation of gate and yard costs used to help determine the Traffic Mitigation Fee, for the members of the West Coast Marine Terminal Operators Agreement (WCMTOA), as it relates to the PIERPASS OffPeak Program under Federal Maritime Commission Agreement No. 201143. This report was prepared to summarize the findings of our full report dated June 17, 2015.

The Program's Q4-2014 costs and volumes were determined, on a consistent basis since Program inception, by calculating a four-week average cost¹ for the period between September 20, 2014, and December 19, 2014². PIERPASS administrative costs and a credit for day shift cost savings are included.

The four-week average cost of the PIERPASS OffPeak Program is divided by a four-week average of Twenty Foot Equivalent Units (TEUs) subject to the Traffic Mitigation Fee (TMF). The resultant calculation for Q4-2014 is in Table 1 below:

Table 1: Calculation of Gate and Yard Cost for Q4-2014

Item	Q4-2014 Four Week Average	2014 Full Year Total
PIERPASS OffPeak program costs	\$25,466,799	\$299,241,615
Less: savings from day shift	(\$5,854,925)	(\$75,793,816)
Net PIERPASS OffPeak program costs	\$19,611,874	\$223,447,800
TEU subject to TMF	189,292	2,155,359
Gate/Yard cost per TEU subject to TMF	\$104/TEU	\$104/TEU

The four-week average cost of OffPeak Program costs among the terminals during Q4-2014 was \$24,735,269. When the four-week average PIERPASS administrative costs of \$731,530 for the period are combined with terminal operating costs, the total four-week average PIERPASS cost is \$25,466,799.

The difference between the cost of off-peak operations and the TMF rate is partially mitigated by savings from reductions in peak period shift costs. The four-week average peak period savings is (\$5,854,925)³.

¹ A four-week average is used to eliminate inconsistencies among the lengths of calendar months and because terminal payrolls are determined on a weekly basis, not on the basis of a calendar month.

² These dates are the Q4-2014 beginning and ending dates for WCMTOA member payrolls.

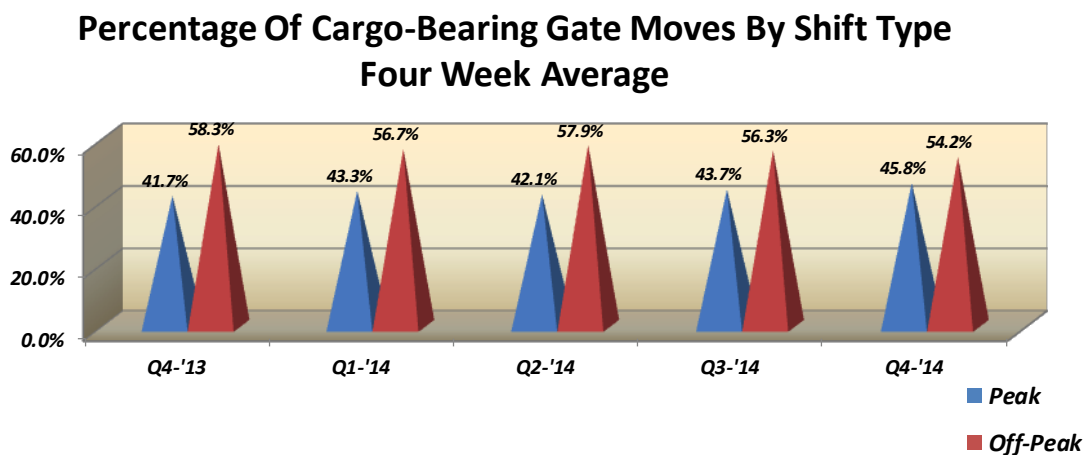
³ Off-Peak cost calculations are reduced by the estimated peak period savings from the shift of cargo from peak to off-peak periods.

It is important to note that, while the cost of off-peak gates was \$104/TEU, the TMF charged to cargo owners was only \$66.50/TEU during the period. In other words, the Program was not fully compensated for its costs during Q4-2014.

Percentage of Laden Cargo by Shift

Laden import and export gate moves include both PierPASS exempt and non-exempt containers that pass through a terminal's gate. Chart 1 below shows the percentage of peak and off-peak laden gate moves as compared to selected prior periods.

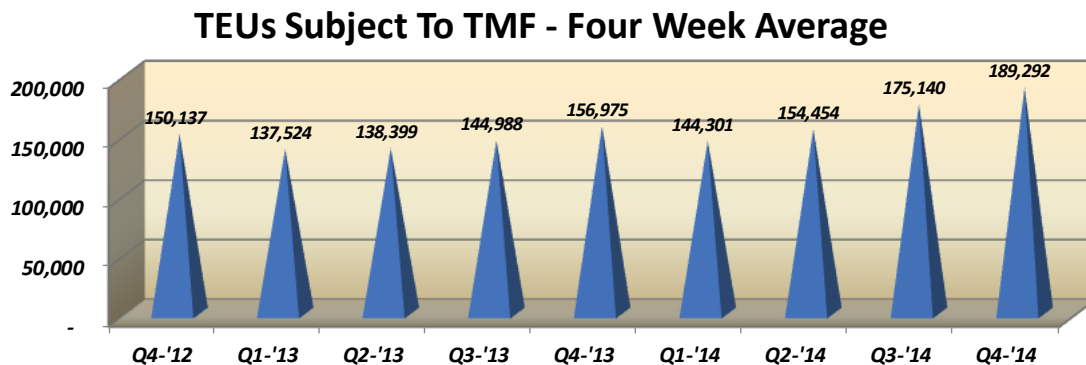
Chart 1 – Percentage of Cargo-Bearing Gate Moves by Shift Type



TEUs Subject To TMF

TEUs subject to TMF are the number of non-exempt laden containers, expressed in twenty foot equivalent units (TEUs), that have in-gated or out-gated during peak shifts. Chart 2 below presents the Q4-2014 TEUs subject to TMF as compared to prior periods.

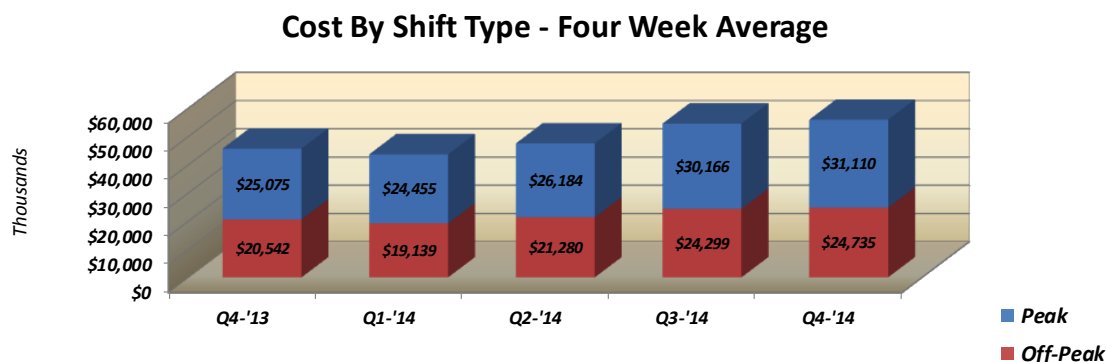
Chart 2 – TEUs Subject to TMF



Terminal Costs

The four-week average cost of peak and off-peak shifts for the last five quarters is presented in Chart 3 below.

Chart 3 – Cost by Shift Type



The costs of peak and off-peak shifts include gate and yard activity only. Vessel and rail costs are excluded from the analysis because these are not the costs of off-peak cargo receipt and delivery. Gate and yard costs include three cost types: ILWU payroll, non-ILWU payroll and equipment costs.

Increases in ILWU labor costs are due in part to contractual increases in wage rates, benefit assessment rates and payroll taxes. Table 2 presents the rate increases that have affected ILWU payroll, benefit assessments and taxes since June 2004.

Table 2 – ILWU Wages Rates, Assessments and Taxes by Period

Wage Rates & Assessments					Payroll Taxes		
As of:	Base Hourly Wage Rates	Hourly Rate Increases	Hourly Assessment Rates	Hourly Assessment Increases	Year	FICA Annual Limits	Percentage of Base Wage
06/28/04	\$28.68	N/A	\$17.02	N/A	2004	\$87,900	*7.65%
07/05/05	29.68	\$1.00	17.11	0.09	2005	\$90,000	*7.65%
07/01/06	30.18	0.50	17.60	0.49	2006	\$94,200	*7.65%
06/30/07	30.68	0.50	19.25	1.65	2007	\$97,500	9.95%
06/28/08	31.18	0.50	21.52	2.27	2008	\$102,000	9.95%
07/04/09	31.68	0.50	28.78	7.26	2009	\$106,800	10.15%
07/03/10	32.68	1.00	29.35	0.57	2010	\$106,800	10.15%
07/02/11	33.68	1.00	30.04	0.69	2011	\$106,800	10.15%
06/30/12	34.68	1.00	30.75	0.71	2012	\$110,100	10.15%
06/28/13	35.68	1.00	35.74	4.99	2013	\$113,700	10.15%
06/28/14	36.68	1.00	35.74	0.00	2014	\$117,000	10.15%

* SUI was not included in PierPASS calculations prior to Qtr 4-2007

Information Sources

PIERPASS OffPeak Program costs used in the determination of TMF are calculated from these sources:

- Pacific Maritime Association (PMA) payroll data files for ILWU wages, benefit assessments and taxes,
- Member-prepared schedules of non-ILWU labor and other overhead costs to operate night and weekend shifts,
- Equipment cost standards calculated by Palazzolo & Associates,
- PIERPASS administrative cost data

Background

PIERPASS is a not-for-profit company created by the terminal operators of the Ports of Los Angeles and Long Beach that constitute the West Coast Marine Terminal Operators Agreement (WCMTOA). Their purpose is to address multi-terminal issues such as congestion, security and air quality. PIERPASS created its OffPeak Program as an incentive for cargo owners to receive and deliver cargo at night and on weekends, in order to reduce truck traffic and air pollution during peak daytime traffic hours and to alleviate port congestion.

To provide an incentive for cargo interests and truckers to use off-peak gates, beginning in July, 2005, a Traffic Mitigation Fee (TMF) was imposed on Beneficial Cargo Owners (BCO's) receiving and delivering cargo to and from the Ports of Los Angeles and Long Beach from Monday thru Friday, 3:00 a.m. to 5:59 p.m.