



May 22, 2014

Dear Customers,

With our 2013 books closed and audited, it is time to release our annual financial snapshot of PierPass and the OffPeak program.

Operationally, the program continues to be very successful in achieving its primary goals of reducing traffic congestion and improving air quality in and around the ports. More than 3.5 million truck trips took place in the OffPeak shifts at the Ports of Los Angeles and Long Beach during 2013 – trips that without OffPeak would have roughly doubled truck traffic and congestion during weekday daytime hours.

Over the past few years, PierPass OffPeak gates have been handling 54 to 55 percent of all truck-borne container traffic at the two adjacent ports. Within a few months we expect to reach a total of 30 million truck trips since the start of the program in 2005.

In 2013, for the ninth year in a row, the marine terminal operators at the ports have made up the shortfall in Traffic Mitigation Fee (TMF) revenue to ensure that the traffic mitigation and air quality benefits of the OffPeak program continue to be realized. The terminals have operated the OffPeak gates at a loss since the program's start in 2005, when they doubled the number of shifts per week, spreading the same number of containers over twice the working hours. Cargo volume since 2005 has been flat (14.6 million TEUs in 2013 vs. 14.2 million TEUs in 2005).

As in previous years, PierPass has asked our independent auditors to present a summary report of their findings. The enclosed reports show that TMF revenue collected in 2013 fell short of the costs of the program by a substantial margin. The shortfall between TMF revenues and OffPeak gate costs was \$64.9 million in 2013, \$53.9 million in 2012*, \$47.1 million in 2011* and \$52.4 million in 2010.

The first document is provided by Windes & McClaughery Accountancy Corp., which is tasked with auditing PierPass. Please note that the figures in this attachment relate to the administrative operation of PierPass for 2013, not the costs of the OffPeak gates. The OffPeak gate costs are paid directly by the terminal operators themselves, not by PierPass, and those costs are addressed by the second document referred to below.

The second document is provided by Palazzolo & Associates, a professional accountancy, operational and technology consultancy firm with a strong maritime background. This document addresses the terminal operators' gate/yard costs of operating OffPeak gates in the 4th quarter of 2013 and the amount of the fee that would be necessary to recover those costs from shipments subject to the TMF.

*Restated for consistency

The third document provides a summary comparing the annual cost of operating OffPeak gates with total Traffic Mitigation Fee revenues collected.

We hope this information answers some of the questions you may have regarding PierPass and the OffPeak program. Please feel free to contact us if you have further questions.

Regards,

A handwritten signature in blue ink, appearing to read "Bruce Wargo". The signature is fluid and cursive, with the first name "Bruce" being the most prominent part.

Bruce Wargo
President & CEO
PierPass, Inc.

April 4, 2014

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 27, 2013. 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 April 4, 2014.

PierPass Financial Performance

Traffic mitigation fee revenues for PierPASS' year ended December 27, 2013 totaled \$119,073,204. PierPASS operating expenditures for the year totaled \$8,700,455. 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 \$111,226,508 for the year ended December 27, 2013.

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

A summary of the combined financial results for 2013 and 2012 follows:

<u>Year Ended</u>	<u>December 27, 2013</u>	<u>December 28, 2012</u>
Total Combined Operating Revenues	\$ 119,073,204	\$ 111,853,549
Total Combined Operating Expenses	\$ 8,700,455	\$ 8,453,941
Excess of Revenues over Expenses	\$ 110,372,749	\$ 103,399,608
Total Distributions to Members	\$ (111,226,508)	\$ (102,589,595)
Member's Equity	\$ 1,831,829	\$ 2,685,588

Sincerely,

Windes, Inc.



May 7, 2014

Mr. B. Wargo, President
PierPASS, Inc.
100 Oceangate, Suite 600
Long Beach, CA 90802

Mr. Wargo:

At the request of PierPASS, Inc., we have prepared the attached executive summary of our fourth quarter 2013 off-peak gate and yard cost calculation. This calculation is used, in turn, to determine a traffic mitigation fee (TMF) to fund the PierPASS off-peak 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 2013, conducted by our firm on a basis consistent with prior periods, is described in the following executive summary.

A handwritten signature in cursive script that reads "Palazzolo & Associates".

Attachment: Executive Summary

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PierPASS 4th Quarter 2013 Off-Peak Gate and Yard Cost Calculation Executive Summary

This executive summary describes the fourth quarter, 2013 (Q4-2013) calculation of gate and yard costs used to determine the Traffic Mitigation Fee, for the members of the West Coast Marine Terminal Operators Agreement (WCMTOA), as it relates to the PierPASS program under Federal Maritime Commission Agreement No. 201143. This report was prepared to summarize the findings of our full report dated March 11, 2014.

The Program's Q4-2013 costs and volumes were determined, on a consistent basis since program inception, by calculating a four-week average cost¹ for the period between September 21, 2013, and December 20, 2013². PierPASS administrative costs and a credit for day shift cost savings are included.

The four-week average cost of the PierPASS 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 Q4-2013 is in Table 1 below:

Table 1: Calculation of Gate and Yard Cost for Q4-2013

Item	Four Week Average	Equivalent Annual Amount
Total PierPASS off-peak costs	\$21,120,000	\$274,560,000
Less: savings from day shift	(\$5,805,662)	(\$75,473,604)
Net PierPASS off-peak shift costs	\$15,314,338	\$199,086,396
TEU subject to TMF	156,975	2,040,675
Gate/Yard cost per TEU subject to TMF	\$98/TEU	\$98/TEU

The four-week average cost of off-peak operations among the terminals during Q4-2013 was \$20,541,983. When the four-week average PierPASS administrative costs of \$578,017 for the period are combined with terminal operating costs, the total four-week average PierPASS cost is \$21,120,000.

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 (\$5,805,662)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 Q4-2013 beginning and ending dates for WCMTOA member payrolls.

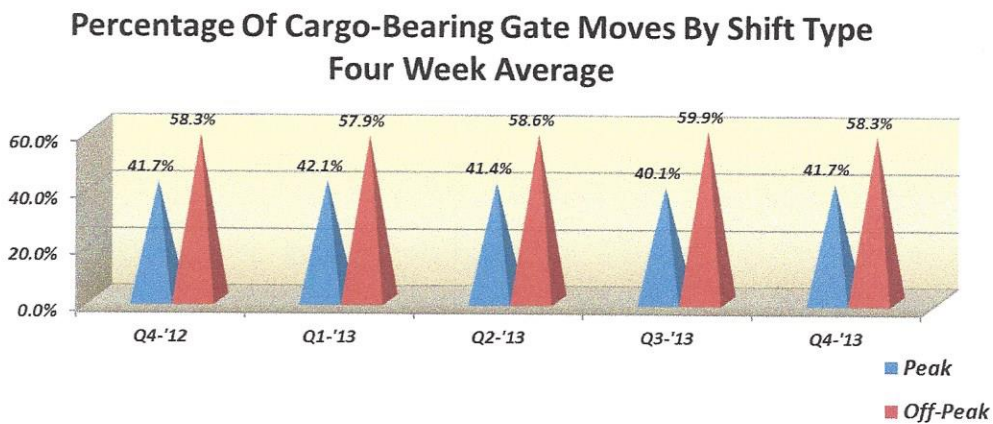
³ Off-Peak cost calculations are reduced by the estimated peak period savings from the shift of cargo from peak to off-peak periods. This amount was determined to be \$5,805,662, on a four-week average basis and \$75,473,604 on an annual basis.

It is important to note that, while the cost of off-peak gates was \$98/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 Q4-2013.

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.

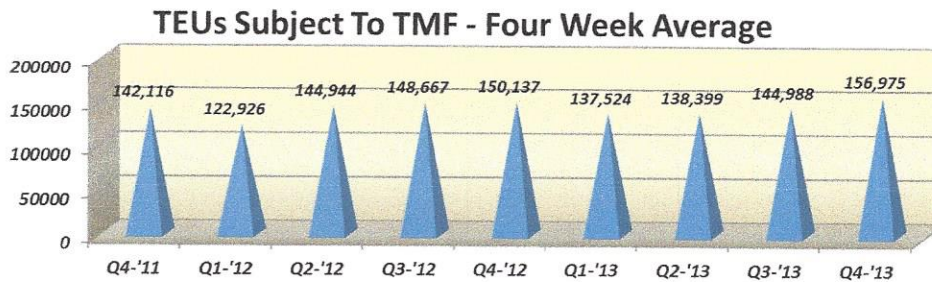
Chart 1 – Percentage of Cargo-Bearing Gate Moves by Shift Type



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 Q4-2013 TEUs subject to TMF as compared to prior periods.

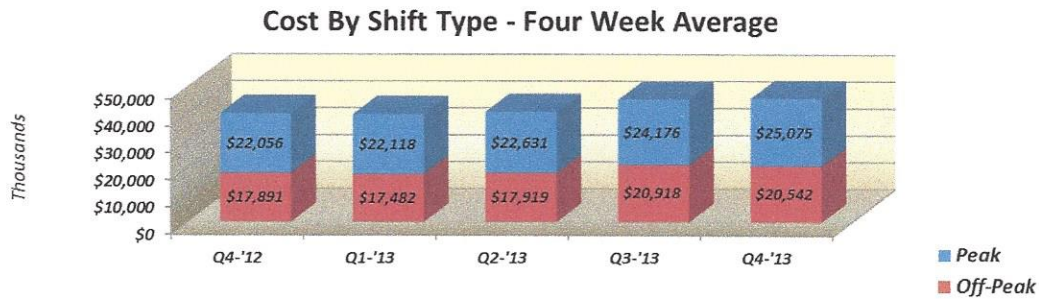
Chart 2 – TEUs Subject to TMF



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%

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

Information Sources

PierPASS 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 Off-Peak 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 during peak hours, (Monday thru Friday, 3:00 a.m. to 5:00 p.m.).

PierPass Financial Summary 2010-2013 (dollars)

Year	2013	2012	2011	2010
Traffic Mitigation Fees Collected*	119,073,204	111,853,549	97,070,540	100,470,410
OffPeak Program Cost**	184,007,915	165,718,300	144,200,660	152,856,063
Surplus (Shortfall)	(64,934,711)	(53,864,751)	(47,130,120)	(52,385,653)

* Source: Windes & McClaughery Accountancy Corp. annual reports

** Source: Palazzolo & Associates