

MINUTES
SPECIAL COMMISSION MEETING
APRIL 27, 2010
PORT COMMISSION CHAMBERS

Chairman Bill Hunsinger called the Special Meeting to order and took roll call.

Commissioners present: Bill Hunsinger, Floyd Holcom, Jack Bland, Dan Hess, Larry Pfund.

Staff present: Executive Director Jack Crider, Terminal & Admin. Manager Rita Fahrney, and Property Manager Herb Florer. Also present: Thane Tiensen, Port Counsel.

Others present: See sign-in sheet.

OLNG SETTLEMENT. Chairman Bill Hunsinger announced the Port Commission will not hold an executive session for further negotiation of the OLNG settlement. The commission has decided because the people of Clatsop County own the port, the terms of the agreement to date will be discussed in open session. He introduced Thane Tiensen, the attorney representing the Port of Astoria in litigation between the Port and OLNG.

Thane Tiensen stated it is important to preface the current status with a background of the lawsuit filed. He explained the lawsuit was filed nine months ago by OLNG against the Port of Astoria when the Port declined to renew the 30-year lease with Calpine, now Oregon LNG for property on the Skipanon River for a proposed liquefied natural gas receiving terminal. Tiensen summarized the current status now being that federal judges have concluded that the Port of Astoria has an obligation to take steps to renew the lease for 30 years. The Port and OLNG are now trying to agree on terms of the settlement agreement.

Tiensen provided an update of the proposed settlement terms. The Port has until May 17th to appeal. Of note is provision that Port shall use its best efforts to purchase 18.7 acres of land quitclaimed to the State of Oregon and immediately offer to sell the same to OLNG at 150% of the purchase price or appraised value. The Port shall use its best efforts to assign the Upland Lease to OLNG who will have the right of first refusal to purchase the land. Chairman Hunsinger pointed out this is new language regarding potential property the Port of Astoria may own and is a major issue that the Board wants to clarify. There are many questions about ownership and too many loose ends. Discussion followed.

Paragraph 11 of the proposed settlement requires that the Port demonstrate full cooperation and support in regards to efforts by OLNG to commence commercial operations at the facility. Paragraph 13 states OLNG will only construct and operate a liquefied natural gas terminal, and not offer "general port services" for loading/unloading of materials unrelated to a LNG terminal. Chairman Hunsinger reported this was a large issue for the board that has now been changed. Earlier language did not specify that the facility was being built specifically for LNG terminal operations. Paragraph 14 speaks to the use of

dredge spoils generated by OLNG that are surplus to their construction and operation. The Port has the right to use of the dredge spoils that are surplus to the OLNG construction needs, subject to certain conditions.

Considerable discussion was held concerning ownership of lands on the Skipanon peninsula and the history of negotiations. Chairman Hunsinger stated the current board is trying to clean up the mess left by previous director, Peter Gearin and his administration. According to Hunsinger, when then Port Attorney, Heather Reynolds, was asked why the Port would give away port land at the Skipanon she replied "for political reasons". Hunsinger thinks the Port can win the case and wished the board could go to the public for a vote. Mr. Tiensen noted the settlement agreement is not advantageous to the Port; there is not a lot of leverage. He recommends the board agree to the settlement. OLNG is motivated to settle. Chairman Hunsinger stated the 1,000 foot waterway lease issue is not resolved. He is not willing to settle. Discussion continued on the waterway lease issues.

PUBLIC COMMENT: Chairman Hunsinger called for public comment.

Lori Durham. Noted anti-LNG groups have known about exclusions in other LNG areas. The OLNG settlement seems to be growing by leaps and bounds. She acknowledged she does not know the answers – the Port is in a bad position paying for past administration dealings.

Jim Campbell. Stated he is a principal with JE McAmis, a tenant at Tongue Point since 1994. He is in the final negotiations with the Port for a five-year lease at Tongue Point. The company values the community and would like to share what the company has put into the community in the past five years. Mr. Campbell distributed to the board a list of vendor purchases made during their Columbia River deepening project. Campbell Towing & Marine keeps 10-15 employed year-round. There are great services locally such as AF Dick Manufacturing, K Manufacturing, Englund Marine, J & H Boatworks and others who all bring benefits to the county. Asked by Commissioner Holcom to share his opinion of Tongue Point and the Port's involvement, Mr. Campbell responded a lot of money will be needed to put into permits, dredging and structural improvements before the facility will be feasible for small businesses. There is not the water depth needed for cargo use.

Don West. Stated the Port commission has done a hell of job, with a gun to their heads, forced to do what is not right for the Port of Astoria. He cautioned them to not do more than they are forced to do. Chairman Hunsinger responded he is not ready to agree with existing terms. Jack Crider stated the wording keeps getting changed just before meetings, causing issues to come up that have not been previously raised.

There being no further public comment, the special meeting was recessed to reconvene following executive session

Following the Executive Session the Special Meeting was reconvened.

RESOLUTION 2010-04 WESTERLUND LOG HANDLERS – DRAFT LEASE. Director Jack Crider reviewed the terms of the lease between the Port of Astoria and Westerlund Log Handlers. The lease is for 3.1 acres on pier one for a period of five years with three successive five-year terms. Monthly rent is \$11,207.00

Port of Astoria will be modifying tariff rates to generate \$80,000 per vessel loaded. The intent now is to complete the Strategic Plan and submit it to the State and after approval, commence with the lease of pier three to Westerlund. Pier three and Pier two were pledged as collateral for the Bornstein building. The Master Plan in 2001 did not include cargo operations on pier three. Commissioner Holcom recited by-laws of the Port of Astoria as cited under ORS 777.763 giving power to the port to form export trading corporations. The approval of a Master Plan should not supersede the Charter of the Port of Astoria. Crider explained in the spirit of cooperation with the State the Port is submitting a new Strategic Master Plan. Commissioner Pfund added pier two and three were used to help Bornstein Seafoods. With a new Master Plan the Port will have the green light to function as a port again. All previous plans, with the exception of the current plan, prioritized cargo. The new plan is again identifying piers one and three for cargo. Kathy Sanders requested a public comment period prior to the vote on Resolution 2010-04.

PUBLIC COMMENT. . *(The following public comments are not written verbatim, but intended to reflect the substance of the comments made.)*

Jay Bornstein. Questioned how a vote can be made of this magnitude without Environmental or Economic Impact Statements. He has not heard the cost of the project to the Port. The Port has a fiduciary responsibility to furnish reports on the project. If the port makes a million, what will be the cost to get there? Chairman Hunsinger replied the Port worked with Bornstein and will receive no revenue from the lease for five years. Commissioner Holcom added the dredging costs are tremendous based on return on investment. He would like to see Jay Bornstein work to get along with the new tenant. The only issue on the table at this time is discussion of the lease of pier one. Commissioner Pfund noted pier one has always been considered the Port's cargo terminal. That if a "big-ticket" customer was interested, it would not be a lot of effort to relocate any present tenant.

Kathy Sanders. Reiterated the need for studies for impacts on other businesses. According to figures available on the Port's website the Port has been operating in "the red" for 8-9 months. She stated it will be a huge mistake if the Port is rushing the lease to come out in the black. The Port has an obligation to support the fishing industry. A vision was put into place, and now the board is trying to turn it around in 90 days. Bornstein had planned the Fish Factory. Tongue Point was going to be used for heavy industry and cargo. She is concerned the Port is rushing the project too quickly. Commissioner Holcom responded the numbers provided by Kathy Sanders are misleading, due to the impact of grants. Crider confirmed the Port needs to make money; however, will see no impact from the log operation from now until the end of the fiscal year.

Don West. Commented he is against the lease. It is a detriment to the plan in place. Tenants were induced to relocate at the Port by previous administration. The Port's success is good for Clatsop County. He would like to see the project work on pier three.

Peter Huhtula. Stated he has great affection for the Port of Astoria and its success; however he said it would be wise to slow down and proceed in a more prudent fashion. There are a lot of folks interested in this issue. If it is a good project, it will stand up to scrutiny. Chairman Hunsinger replied the use of pier one for a log-loading facility has been discussed for 90 days. The facility was built to be a loading dock for logs. Huhtula asked why there is no feasibility study. Director Crider explained there is no impact, the facility was built and designed for the log exporting purpose. It would be an unnecessary

cost and not required. It was pointed out to Mr. Huhtula, this is his first time attending a port meeting to learn about the plans. Discussion followed on the plans for the trucks and exporting.

John Estoos. Stated he drives Highway 30 everyday and observes a number of trucks heading to Longview with Oregon timber. Nine cruise ships do not pay the bills. He doesn't understand why this is a big albatross – Red Lion Motel was going strong when past exporting was active.

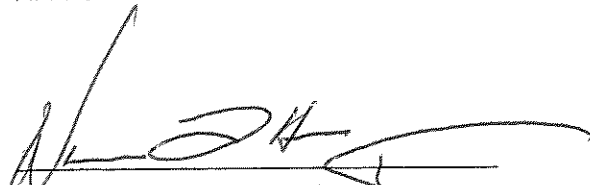
Don Webb. Noted he ran for commissioner years ago. Stated he can see why the Port is in the position it is – the Young's River Bridge was built to accommodate 25,000 vehicles per day and is now at 24,000. The round-about will not work with the volume of logs trucks using the present left turn into the Port. He went on to state the board members who were former longshoremen should declare conflicts of interest. Chairman Hunsinger responded there are many longshoremen serving on Port boards. He has spoken with the Ethics Commission and explained his participation on the board. Commissioner Hess noted this vote could be considered a "perceived" conflict of interest. Don Webb stated he does not think the port should go back into log exporting. As soon as building resumes the log exports will cease.

Ted Thomas. Stated he is in favor of the log terminal, it will bring in revenue flow for the community and ground level retail sales, etc. dependent on good-paying jobs. The Oregon logs are now going to Washington ports. China will not pay our high wage to receive the logs cut into timber. It will save fuel, mileage and overhead costs to Oregon loggers to use the Port of Astoria. The improvements on pier three will bring revenue to the Port to fund infrastructure improvements. He is on record in favor of the lease.

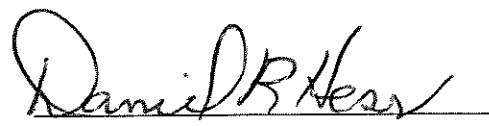
Commissioner Pfund moved to approve Resolution 2010-04 Lease with Westerlund Log Handlers. Commissioner Hess seconded the motion. Commissioner Holcom stated based on information provided to him, the By-Laws, and President Obama's national export initiative of March 11, 2010 where the federal government will achieve the goal of increasing exports with help to small businesses, he is ready to vote. Chairman Hunsinger and Commissioner Hess declared perceived conflicts of interest. Commissioner Pfund's motion carried unanimously.

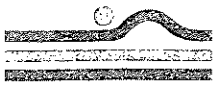
There being no further business, the Special Meeting was adjourned.

APPROVED:


William Hunsinger, President

ATTEST:


Daniel Hess, Secretary



PORT OF ASTORIA

COMMISSION

MEETING ATTENDANCE SHEET

DATE: April 27, 2010

NAME

PRINTED NAME

Lori Durham

JIM CAMPBELL

JOHN ESTOOS

David Brewer

Bronson Gardner

Mark Lewis

Don Webb

Tom Hunsinger

LOZ ABRAM

Dave Westerlund DAVE WESTERLUND

Jeanne Ridicent Jeanne Ridicent

Don West Don West

Kathy Sanders Kathy Sanders