

Permit No. 881
Factors Germaine to Consent – Transmittal 2

14.3 Factors Germane to City Consent. In evaluating any Transfer Notice, it shall not be unreasonable for City to withhold or condition its consent to a Transfer based on the following factors, among others:

(a) The net worth, financial condition and creditworthiness of the Transferee and the existence of any guaranty provided by the Transferee's parent or related entity or entities:

Pursuant to the terms of the purchase agreement, United Pacific Ports B (UK) Ltd., a United Kingdom private limited company, will be the Transferee. United Pacific Ports B (UK) Ltd. is a wholly owned subsidiary of Ocean Network Express Pte. Ltd.

Under Permit No. 881 with Trapac, LLC (TraPac), the minimum annual guarantee (MAG) as of January 1, 2023 is \$3,393,848 per month, increasing to \$3,466,834 per month as of October 1, 2023. For calendar year 2023, the MAG will be \$40,945,131. The MAG will remain at \$3,466,834 per month until September 28, 2024 at which point the MAG will be subject to the five-year compensation reset provision described within Permit No. 881, Section 5.6.4.

The Finance Division reviewed the audited financial statements of Ocean Network Express Pte. Ltd. relative to the unaudited financial statements of MOL for the periods ending March 31, 2022, March 31, 2021, and March 31, 2020. Staff noted that Ocean Network Express Pte. Ltd. held 1,767 percent more cash than MOL as of March 31, 2022. Furthermore, staff noted that Ocean Network Express Pte. Ltd.'s interest-bearing debt represented only 0.1 percent of assets while MOL's interest-bearing debt represented 36.8 percent of assets as of March 31, 2022. Lastly, as of March 31, 2022, Ocean Network Express Pte. Ltd. generated an operating margin of 56.5 percent vs. an operating margin of 4.3 percent at MOL. Based upon the above analysis, staff has observed that Ocean Network Express Pte. Ltd. was more liquid, less leveraged as well as more profitable relative to MOL as of March 31, 2022, and possesses a reasonable level of financial wherewithal to serve as a guarantor under Permit No. 881.

Staff has also reviewed financial statements prepared in accordance with accounting principles generally accepted in Japan for Ocean Network Express Holdings, Ltd. for the same periods noted above. Based upon this review, staff noted that Ocean Network Express Pte. Ltd. is listed as a major consolidated subsidiary of Ocean Network Express Holdings, Ltd. in addition to 39 other global subsidiaries that are consolidated for reporting purposes. Similar to Ocean Network Express Pte. Ltd., Ocean Network Express Holdings, Ltd. appears to possess a reasonable level of financial wherewithal to further support financial obligations as a guarantor under Permit No. 881. Under this transaction, the existing guarantee provided by MOL would be terminated in favor of new guarantees furnished by Ocean Network Express Holdings, Ltd. and Ocean Network Express Pte. Ltd.

(b) The character, experience and reputation of the Transferee (or its operator) in operating the business contemplated by the Transfer:

Transferee United Pacific Ports B (UK) Ltd. is a wholly owned subsidiary of Ocean Network Express Pte. Ltd. Ocean Network Express Pte. Ltd., a Singapore private limited company, is the operating company and wholly owned subsidiary of Ocean Network Express Holdings, Ltd. (ONE). ONE is a Japanese container transportation and shipping company, established on July

7, 2017, jointly owned by the Japanese shipping Lines Nippon Yusen Kabushiki Kaisha, Ltd. (NYK), Kawasaki Kisen Kaisha, Ltd. (K Line), and Mitsui O.S.K. Lines (MOL).

The venture merged the container shipping divisions of the three companies, forming the sixth-largest container shipping company in the world at that time. ONE is a reputable company with a proven history as a manager of container terminal assets in North America. ONE inherited the container shipping operations of its parent companies, corresponding to a combined fleet capacity of about 1.4 million TEUs. TraPac's business will benefit from the industry expertise and capital of ONE to support its operations.

(c) Whether the Transfer will negatively impact the short-term or long-term development, land use or other plans of City's Harbor Department, and whether consent to such Transfer would violate any of the legal duties of City's Harbor Department, including duties owed to other tenants.

Continued use of the Permit No. 881 premises by TraPac as a terminal operator at the Port is consistent with the Port Master Plan and as an existing permitted use. There are currently no conflicting short-term or long-term impacts concerning development, land use or other plans of the Harbor Department, and no existing conflicting legal duties of the Harbor Department relating to this continued use of the permitted premises.

(d) Whether the proposed Transfer is consistent with the terms and conditions of this Agreement in existence when Tenant submitted the Transfer Notice and with the laws, rules and regulations applicable to the Premises and Tenant's use and occupancy thereof:

The proposed Transfer pertains to a change of upstream ownership of TraPac. No changes will be made to the Permit or terminal operations under this proposed Transfer. With respect to TraPac's operations at the Port, TraPac will remain the tenant under the Permit, and the current day-to-day operations of TraPac will remain the same. The proposed Transfer is consistent with the terms and conditions of the Permit when TraPac submitted the Transfer Notice, and also with the laws, rules and regulations applicable to the Premises and TraPac's use and occupancy thereof.

(e) Whether the information provided by Tenant in connection with Subsection 14.2.1 (Transfer Notice) justifies such consent:

The letter dated January 20, 2023, as supplemented, provides all information necessary to justify such consent.

(f) The Transferee's level of commitment and specific plans to invest to improve the Premises following approval of the proposed Transfer, if any.

No alterations or improvements to the Premises are planned as a result of, or in connection with the Transfer, and any alterations and improvements currently in progress or that have been previously approved with respect to the Premises are intended to be completed as currently contemplated.