

**Gambol Industries Reconciliation of October 21, 2010 and July 21, 2020  
AECOM "Engineering Evaluation" of the Gambol Shipyard Business Plan.**

*Prepared: November 30, 2010*

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It is Gambol's understanding that at POLA's request, AECOM prepared an evaluation of the shipyard improvements in the Business Plan, and an estimate of costs perceived to be different from those found in the Business Plan. AECOM prepared an initial evaluation on July 21, 2010, and subsequent evaluation on October 21, 2010. Note that Gambol staff has detailed contractor bids on these items, and has invested many months in researching, bidding and estimating the site and building rehabilitation costs. Neither AECOM nor Port staff has reviewed, or asked to review (outside of the November 12 meeting at which the October 21, 2010 report was first furnished to Gambol), any of the Gambol documents beyond the summary budgets in the Business Plan submittal.

The initial AECOM evaluation estimated that approximately \$58.9 million in costs would have to be added to Business Plan estimates, the subsequent evaluation approximately \$55.8 million. Gambol concludes that it is reasonable to add approximately \$2.4 million in costs (\$3.3m with all appropriate accounting entries related to increases and their impact on drydock asset value) to the original Business Plan estimates resulting in a total development budget of \$79.3 million versus the original \$76.0 million estimate. This change has little impact on the performance or feasibility of the shipyard. Highlights of differences, considerations, and additional details follow.

- Approximately \$15.3 million of the \$55.8 million total in the subsequent evaluation are related to expenditures that would be required if deep draft vessels were to be load/unloaded in the drydock along Pier 4. There are no plans to do this.
- Approximately \$9.7 million in costs would be irrelevant if the Long Beach alternative is utilized. Gambol disagrees that it would cost \$9.7 million if the Long Beach alternative is not utilized.
- Many of the costs included are related to preparing the site for lease. Typically the costs to prepare a site for ground lease would be borne by the landlord. To do otherwise is akin to a tenant paying the mortgage and rent.
- Gambol proposes to invest more than \$20 million in buildings and site improvements for buildings and property owned by POLA, to the benefit of POLA.
- Other than at the November 12 meeting ordered by the Board, neither AECOM nor Port staff personnel have contacted Gambol to ask for explanation or clarification, or even to discuss these items.
- The latest revision of the AECOM report includes 25 percent "contingencies" on all items except for engineering and EIR/EIS preparation costs.

A detailed comparison of the original business plan budgets, the AECOM estimates, and any appropriate adjustment to the business plan follows. Each of the items is listed by AECOM and POLA staff are given as a "delta" or addition to the amounts budgeted in the detailed Business

Plan. In most all cases, AECOM has assumed huge costs where they are either not required at all, or are adequately covered in Gambol's budgets.

Gambol's Business Plan capital budgets and forecasts are more than sufficiently flexible to accommodate any and all reasonable changes in costs for the site and buildings.

Description	Original Business Plan Estimate 1	Original POLA/ AECOM Estimate		Modified Business Plan Estimate 1+4	POLA Improvements to Prepare for Ground Lease	Comments
		(7/21/10, Difference from BP) 2	Revised POLA/ AECOM Estimate (10/21/10, Difference from BP) 3			
<b>Business Plan Development, Environmental Investigation, Design, Sampling &amp; Engineering, Regulatory Approvals</b>						
Site Investigation, Sampling & Engineering	1,400,000	-	-	1,400,000	-	- Directly from original Business Plan - No modifications required
Market & Feasibility Analyses	500,000	-	-	500,000	-	- Directly from original Business Plan - No modifications required
Business Plan Development & Site Optimization	750,000	-	-	750,000	-	- Directly from original Business Plan - No modifications required
CEQA Consultants/EIR Prep	300,000	-	1,404,000	600,000	-	- Gambol's original estimate of \$300,00 was based on discussions with legal counsel. Per POLA staff, AECOM's estimate is based on prior POLA EIR's. Gambol believes the EIR required to reopen the shipyard may be less extensive than prior POLA EIR's. An additional \$300,000 is included to be conservative.
<b>Subtotal</b>	<b>2,950,000</b>	<b>-</b>	<b>1,404,000</b>	<b>3,250,000</b>	<b>-</b>	<b>-</b>
<b>Building Improvements</b>						
Building Improvements	7,986,371	-	-	7,986,371	-	- Directly from original Business Plan - No modifications required
Building Electrical Upgrades	Included above	2,400,000	659,880	-	-	- These costs are included in detailed contractor bids for the buildings. AECOM estimates appear to be based on a per square foot allocation rather than estimates based on specific scope.
Main Substation Electrical Upgrades	Included above	5,000,000	2,919,150	331,930	-	- The substation was simply "turned off" in 2005. Additional discussions with contractors indicate that an additional contingency of +/- \$250,000 may be reasonable, and is now included. (\$332k with soft cost allowance).
<b>Subtotal</b>	<b>7,986,371</b>	<b>7,400,000</b>	<b>3,579,030</b>	<b>8,318,301</b>	<b>-</b>	<b>-</b>

Description	Original Business Plan Estimate 1	Original POLA/ Revised POLA/ AECOM Estimate		Agreed/ Justified Modifications (in addition to BP estimates) 4	Modified Business Plan Estimate 1+4	POLA Improvements to Prepare for Ground Lease	Comments
		(7/21/10, Difference from BP) 2	(10/21/10, Difference from BP) 3				
<b>Site Improvements</b>							
Flatwork/ Asphalt Paving	796,633	-	-	-	796,633	-	-Directly from original Business Plan No modifications required
Site Drainage	663,861	-	-	-	663,861	-	-Directly from original Business Plan No modifications required
Grading, Paving & Drains (existing shipyard land)	Included above	3,300,000	3,444,480	995,791	995,791	-	-These items are included in the business plan. Upon additional discussion with contractors a further contingency/allowance of \$750,000 was added for clarification equipment and storm water runoff systems, and to improve overall drainage. (\$996k with soft cost allowance)
Site Low Voltage	66,386	-	-	-	66,386	-	-Directly from original Business Plan No modifications required
Site Power to Piers	663,861	-	-	-	663,861	-	-Directly from original Business Plan No modifications required
Power Outlets and Substations	Included above	1,000,000	-	-	-	-	- In existing bids/budgets.
Wharf Utilities	Included above	500,000	629,460	265,544	265,544	-	-Cannot locate details in the AECOM report -- Per discussion with POLA staff this is for piping, etc. on the wharves. Many of these systems are no longer necessary (i.e. steam, oxygen, acetylene, fresh water). As necessary, these items are included in the business plan. Upon additional discussion with contractors a further contingency/allowance of \$200,000 was added. (\$266k with soft cost allowance)
Duct Bank & Cables	Included above	4,000,000	1,678,950	398,316	398,316	-	-These items and costs are included in existing budgets. Upon additional discussion with contractors a further contingency/allowance of \$300,000 was added in case existing transformers or conduit need replacement. All new electrical cabling is included. (\$398k with soft cost allowance)
High-Mast Lighting	Not necessary	1,200,000	1,755,000	-	-	-	-The site is lit from the buildings, and high mast lighting is not required or desired as it can restrict open land area. Additional new shipyard lighting on buildings and dry docks is already in bids/budgets.
Site Water	663,861	-	610,740	-	663,861	-	-Directly from original Business Plan No modifications required

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<b>Site Improvements</b>							
Site Sewer	663,861		(56,160)	-	663,861	-	-Directly from original Business Plan No modifications required
Site Gas	265,544		-	-	265,544	-	-Directly from original Business Plan No modifications required
Parking facilities	Not necessary/ included above	9,600,000	167,310	-	-	-	-Per discussions no parking structure necessary. A reasonable figure for striping included above.
Pier 3/4 Transition			3,941,730	-	-	-	-This cost is made on the assumption that Pier 3- 4 "corner" will be used for the roll-off of very large vessels, and that some underwater structure will be needed. The existing structure is sufficient for anticipated loads. This may be a future cost.
<b>Subtotal</b>	<b>3,784,006</b>	<b>19,600,000</b>	<b>12,171,510</b>	<b>1,659,652</b>	<b>5,443,658</b>	<b>-</b>	
<b>Crane Rehab</b>							
Crane Rehab	2,521,220		1,391,000	-	2,521,220	-	-Directly from original Business Plan No modifications required Estimate based on proposed rehab of two cranes and includes \$150,000 per crane for crane power.
Crane Power	Included above	2,500,000	5,557,500	132,772	132,772	-	-This appears to be a complete new shipyard electrical system, not just "crane power". As in the Main Substation Electrical Upgrades above, this unusually high estimate appears to be based on a completely new system and assumes that millions of dollars in existing equipment will be thrown away. Appropriate items are included in the business plan. Upon further discussion with contractors an additional contingency/ allowance of \$100,000 was added. (\$133k with soft cost allowance)
<b>Subtotal</b>	<b>2,521,220</b>	<b>2,500,000</b>	<b>6,948,500</b>	<b>132,772</b>	<b>2,653,992</b>	<b>-</b>	

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<b>Improvements Necessary to Prepare Site for Lease</b>						
Removal of Surcharge Pile (China Shipping Dirt)	-	3,400,000	3,958,110	-	-	-This surcharge pile will have to be removed prior to any use or lease of the area (whether shipyard or other) and cannot be left at this location permanently. Including this as a cost to the shipyard is akin to charging China Shipping for the removal of the dirt pile on its proposed lease and then also charging to lease the land. <b>This is irrelevant under the Long Beach alternative.</b>
Concrete Cap Beam	-	1,000,000	1,170,000	-	-	-This improvement is equivalent to building a pier for water based activities, and is A cost associated with preparing the site for use and lease. <b>This is irrelevant under the Long Beach alternative.</b>
Pier Fendering, etc.	-	1,500,000	1,755,000	-	-	-Floating drydocks do not require the fendering systems estimated. Pier fendering would be included in a lease, lessee would typically be responsible for maintaining existing.
Reconstruct Wharves & Piers	-	3,800,000	3,153,150	-	-	-Port cost to prepare facilities for any lessee requiring use of piers. <b>This is irrelevant under the Long Beach alternative.</b>
Grading, Paving & Drains (New CDF Land)	-	1,200,000	1,387,620	-	-	-Port cost to prepare new land for lease. <b>Irrelevant under the Long Beach alternative.</b>
Storm Drain (CDF Land)	-	-	(503,100)	-	-	-Duplicates "Grading, Paving & Drains" above. No deduction assumed.
Sheet Pile Wall (Pier 4)	-	11,200,000	13,104,000	-	-	-This is only necessary to load/unload deep draft vessels at Pier 4. There are no plans to do this.
Dredging (Slip 240/Pier 4)	-	1,800,000	2,155,140	-	-	-This is only necessary to load/unload deep draft vessels at Pier 4. There are no plans to do this.
Additional Costs of Vertical Wall CDF over original Rock Dike CDF	-	5,500,000	5,500,000 *	-	-	-This is a very disputed number - this was added in the past without meaningful support. <b>This is irrelevant under the Long Beach alternative.</b>
<b>Subtotal</b>	-	29,400,000	31,679,920	-	-	<b>11,423,880</b>

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Startup Equipment, VTS, Dry Docks	58,807,011	-	-	840,255	59,647,266	-	This is an accounting entry allocating appropriate additional expenses associated with putting the drydocks into service to the drydock asset balances.
<b>Totals</b>							
<b>Total Budget - With CDF</b>	<b>76,048,608</b>	<b>58,900,000</b>	<b>55,782,960</b>	<b>3,264,609</b>	<b>79,313,217</b>	<b>11,423,880</b>	
<i>less: Asset Accounting Adj</i>				<b>2,424,354</b>	<b>78,472,962</b>		
<b>Total - Long Beach Option</b>	<b>76,048,608</b>	<b>44,000,000</b>	<b>40,614,080</b>	<b>3,264,609</b>	<b>79,313,217</b>	<b>1,755,000</b>	
<i>less: Other Asset Adj</i>				<b>2,424,354</b>	<b>78,472,962</b>		

**Notes**

- The changes incorporated herein result in \$4.9 million in additional contingencies added to the business plan.
- Business Plan costs typically include an allowance of 27% for Permits, Design, and Contractor Overhead & Profit, plus inflation as appropriate
- All AECOM 10/21/10 Values include the 17% Design/CM estimate except as denoted by an asterisk as identified below
- Items shaded in green are not relevant under the Long Beach Option
- Items shaded in gray denote modifications to the original bids/budgets in the Business Plan

\*Excludes 17% Design/CM