

MINUTES
PORT OF SIUSLAW COMMISSION,
SPECIAL MEETING
Monday, 22 November 2010, 10:00am,
Port Office, 1499 Bay St, Florence OR

ATTENDANCE: Commission: Commissioner Joshua Greene (Greene), Commissioner Bud Saulsgiver (Saulsgiver); Commissioner John Scott (Scott); Absent: Commissioner John Buchanan (Buchanan); Commissioner Sally Owens (Owens); Staff: Port Manager Mark Freeman (Freeman), Recording Secretary Susy Lacer; Audience: Ed Millerstrom (ICM owner), Frederic Fouassier (Millerstrom's son-in-law), Ramiro Ramirez (ICM Manager).

Commission President Saulsgiver called the meeting to order at 10:04am. The purpose of the meeting is to discuss the ICM lease.

Millerstrom introduced his son-in-law, Fouassier, and stated Fouassier has been involved in ICM business operations for years and is the executor of Millerstrom's estate. Millerstrom stated Fouassier had prepared an information sheet (presented to the Commission and attached to these minutes) and would be making the presentation to the Board. Fouassier stated he, Millerstrom and Ramirez wanted an opportunity to meet with the Commission, especially new members of the Board, to discuss renewal of the ICM lease. Fouassier reviewed the discussion points on the attached sheets.

Scott asked about the balance owing on the amount used to build the restaurant, bullet #3. Millerstrom explained the 10% repayment amount was deducted from each month's rent to the Port. Greene asked what amount the Port paid for Mo's taxes, repairs, etc. Freeman stated he did not have that figure at hand and would have to research it. Lacer noted Mo's pays state property tax and a partial DSL payment. Greene clarified that the Port did pay for Mo's building. All agreed. Greene stated the Port has a responsibility to maintain the wharf beneath the restaurants, and wondered if the needed wharf repairs would have to be completed before signing a new lease with a tenant for that space. Millerstrom stated the lease could be written to include language that would have ICM hold the Port harmless if the wharf were condemned. Greene noted the Port attorney would need to be consulted on that issue. Scott asked when the existing ICM lease expires. Millerstrom stated it was December 2011. Greene asked when the wharf repairs were scheduled to be completed. Freeman stated that is dependent on permitting for the project.

Fouassier asked if Mo's lease was a public record. Freeman stated he believed it was but would check to make sure before releasing the document. Lacer agreed to notify Millerstrom of the results and share the document if possible. Scott noted that the two businesses, Mo's and ICM, were very different and the leases were not necessarily comparable. Greene pointed out the income from the leases was public record and published with the Port's monthly financial statements.

Fouassier asked if the Port was interested in owning the ICM building, per Scenario 3 in the attached sheets. Scott noted this meeting was a fact finding mission at this point. Greene stated the options could be discussed at this time. Millerstrom asked about the deposit he had given the Port initially and what interest had accumulated. Greene stated he would have to check on that. Freeman noted the Port had recently been awarded a state grant to complete the needed wharf repairs. Greene stated these repairs would help Millerstrom in the future. Millerstrom stated ICM has really been a good tenant, and that they have made repairs in the past without asking the Port to take care of them, and they

Port of Siuslaw Special Meeting 22 November 2010

donated the old ice machine to the SFA, and they have tried to be cooperative with the Port. Discussion of past history of fish receiving at the Port.

Fouassier stated ICM has the desire to continue their operation long-term. Millerstrom asked if the Port and ICM could agree that they are looking at a long-term operation and continuing lease agreement. Greene stated he believes the Port needs to satisfy its tenants and make things work. Greene stated he did not know if the Port wanted to own a restaurant since that was not something the Port had entertained in the past. Greene stated ICM does have a lease and it could end in 2011. Greene stated he did not believe that would be fair to Millerstrom and did not know what the Port's liability would be if they did not renew the lease. Scott stated a contract was in place to cover that eventuality.

Greene asked how the Port could give Millerstrom a new lease: what would be the structure and who would pay what expenses. Greene stated the Port has an opportunity to make a new lease that would be better for both parties. Greene stated the current lease was poorly done. Greene stated the Port's focus should be to give Millerstrom another 20 year lease for the future of his business and to allow Millerstrom to recover his costs in the building. Scott noted depreciation should have been taken over past years on the building's value. Scott stated that as of December 2011, the Port would own the ICM building and could do a Request for Proposal at that point to solicit operators for the space, and that ICM, with its relevant history, could bid on the operation.

Greene stated the matter should be decided before then. Scott agreed, but stated it couldn't be decided here, would have to be in executive session. Greene stated he thought this was an executive session. Greene asked why Millerstrom was brought here if it wasn't an executive session. Scott stated it didn't matter since a decision wasn't going to be made anyway. Greene stated he wanted to have a discussion about it. Scott stated a discussion could occur, just no decision. Saulsgiver stated that before the Commission could make a decision they would have to discuss the issue, consult their attorney and consider the options. Scott stated the Port now has ICM's summary information and their interest in renewing the lease, and that the Commission could now consider the matter.

Millerstrom stated he has made commitments to the Ramirez family, as well as financial commitments for equipment and building repairs, and that he would like to know the future for ICM. Millerstrom stated he wanted to feel secure that the Port would work with them and that the lease would be extended.

Greene stated because Millerstrom requested this meeting and appeared here, the Port had a responsibility to answer Millerstrom's request and that if not, the Port would be subject to legal problems. Greene stated he was extremely angry that this was not an executive session, that he had asked for an executive meeting specifically and that Freeman knew it. Greene stated the Port was jerking ICM around. Scott stated again that a decision could not be made today anyway. Greene stated Millerstrom wanted to know what ICM's future was, and wanted to discuss it, and "we didn't do that".

Millerstrom stated that he also thought they were here to discuss the future of ICM's lease. Greene stated that he expected an executive session, that is what he asked for, and it was in his email. Greene stated this was the kind of game-playing he didn't like, that it gives the Port a bad name, and makes the Port look like a bunch of idiots. Scott noted the meeting was never described as a decision-making meeting. Greene stated he asked for an executive session and described the purpose of the meeting to discuss the future of Millerstrom's lease. Greene stated that as a Port Commissioner he has the right to request the executive session meeting and that if the other Commissioners did not agree, he should have been notified. Saulsgiver and Scott stated they did not know about Greene's request.

Greene stated to Millerstrom: the answer is the Port received your information, can't make any decision, can't discuss it, can't tell you anything, and will get back to you. Greene apologized to Millerstrom. Greene asked that Millerstrom allow the Port to work through this and then request Millerstrom come back and discuss it with the full Commission. Greene stated his hands were tied and this was a complete waste of time. Greene moved to adjourn the meeting.

Saulsgiver adjourned the meeting at 10:42am

President



BY: *SL*

ICM, LLC. Port meeting discussion points 11/22/2010.

- Purpose of the meeting is to introduce ourselves to the new board members and discuss scenarios for renewing lease.
- ICM came into Florence 20 years ago. The fish receiving station was closed. Previous operator owed money to the port. ICM made a proposal to operate the port that was initially turned down because Moe's had an interest in taking over the plant. When deal fell apart, the port contacted ICM and asked them to come back. ICM paid off the debt from the previous operator = \$15k. When the plant was in operation, it provided some great benefit to the port = Not only did ICM refurbished all the equipment we provided the port with a vehicle to get funding for other projects.
- #3 • Furthermore, at that time the port was not in the position to install pilings and the decking for the construction of the restaurant. ICM lent the port over \$60K and charged the port no interest on the money and allow the port to pay us back at a 10% deduction from the yearly rent. As of today, the port still owes ICM over \$20K.
- ICM was built from the ground up 18 years ago.
- Ed Millerstrom borrowed \$600K of hard cash to build the restaurant from his estate.
- Restaurant is major part of our family's portfolio. It has been a very time consuming investment and an underperforming asset. However, ICM's future is brighter than ever.
- Our goal today is for the port to better understand the true operation cost of the current lease to the estate, hear the port's perspective on our position and openly discuss a few scenarios for a new lease.
- The estate understands that the port would like ICM to pay a higher % lease.
- ICM also understands that the port believes that ICM has a better lease than Moe's.
- We would like to demonstrate that we are not comparing apples to apples.
- Estate is still carrying the note. Millerstrom has paid annually 6% interest only to the estate.
- ICM
 - paid for the building
 - Liable for all upkeep on the building
 - Liable for property tax, plant tax & DSL
- Moe's
 - building was paid for by the port
 - Upkeep is port's responsibility. Port pays for property tax, plant tax & DSL
- ICM hard lease cost
 - 2% a year to port = \$21K
 - 6% on \$600K = \$36K a year to the estate
 - Property tax = \$3,681.63
 - Plant: 1,220.64
 - DSL = 4,087.00
 - Overall ICM lease cost is 6.5%
- Moes:
 - We understand that over the years Moe's has been paying 3 to 4% lease
 - The port invested in the building and has either paid off the note or is still paying off the note. The estate position is that Port had an important investment in Moe's building that it does not have with ICM.
 - Port is paying property tax + DSL + upkeep of the building.

- All in all port is getting higher % lease from Moes, however, it has to pay some expenses with Moes that it doesn't have with ICM and ICM has been carrying a \$600K note for over 17 years.
- Key points:
 - ICM is a major part of the landscape of downtown
 - Many tourists make ICM their destination in the summer and stop by Florence every year, supporting local businesses beyond just ICM.
 - Committed management team in place with the Ramirez family.
 - Under the guidance of Millerstrom and thanks to the effort of management team, the Product has drastically improved and local support has been growing nicely since the Ramirez family got involved.
- With all sweat and tears over the last 18 years the Estate is finally in a position where it could start recovering its capital.

Scenario 1:

- Continue under the terms of the current lease and provide another 20 years with unlimited renewal options.

Scenario 2:

- Port assumes DSL and property tax and upkeep on building ICM willing to negotiate a higher lease % or monthly fix rate.

Scenario 3:

- Port and ICM to define a scenario where port could buy back building from ICM over period of time. Port and ICM to define details.