

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	5a
<b>Date of Meeting</b>	November 2, 2010

**DATE:** October 27, 2010

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Scott Pattison, Manager, Industrial Properties, Seaport Cruise & Industrial Properties  
Michael McLaughlin, Sr. Manager, Seaport Cruise & Industrial Properties

**SUBJECT:** Assignment of Lease and Construction Agreement, as amended, and assignment of an Improvement Agreement between the Port of Seattle and Louis Dreyfus Corporation relating to the Terminal 86 Grain Terminal

**Amount of This Request:** \$0.00                      **Source of Funds:** Not applicable (N/A)

**ACTION REQUESTED:**

Request authorization for the Chief Executive Officer to approve and to execute lease assignment documents relating to the Terminal 86 Grain Terminal. This would include assignment of the current Lease and Construction Agreement, as amended, between the Port of Seattle and Louis Dreyfus Corporation, and the assignment of a related Improvement Agreement between the Port of Seattle and Louis Dreyfus Corporation. Both Agreements would be assigned to Louis Dreyfus Commodities Seattle Export Elevator LLC, and would be guaranteed by its new holding company, Louis Dreyfus Commodities LLC. There is no cost associated with this assignment.

**SYNOPSIS:**

The Port of Seattle (Port) entered into a Lease and Construction Agreement (Lease) on March 26, 1968. That lease was assigned to Louis Dreyfus Corporation (Lessee) as part of the Ninth Amendment on March 14, 2000. The parties executed the eleventh amendment on November 11, 2009. The Port and Lessee entered into an Improvement Agreement on May 11, 2010.

Louis Dreyfus Corporation was founded in 1851, trading wheat in Switzerland; it has since expanded its commodities enterprise and diversified into energy, real estate, and other sectors. The Commodities Group, which includes its grain export operations at Terminal 86, conducts business throughout Europe, the Middle East, Africa, Asia and North, Central and South America.

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Lessee is preparing to effect a legal reorganization of its domestic agribusiness operations. As part of this reorganization, it will form a new limited liability company, to be named Louis Dreyfus Commodities LLC that will hold (through a number of subsidiaries) all of the company's domestic agribusiness operations.

As part of the reorganization, the Lease and Improvement Agreement would be assigned from Louis Dreyfus Corporation to Louis Dreyfus Commodities Seattle Export Elevator LLC (LD Seattle), an indirect subsidiary of Louis Dreyfus Commodities, LLC. In addition, Louis Dreyfus Commodities, LLC would guarantee LD Seattle's obligations under both the Lease and the Improvement Agreement.

Louis Dreyfus has indicated that the reorganization will create a legal structure that replicates its business platforms and will provide operating efficiencies. Louis Dreyfus also indicates the reorganization will result in greater accountability for its business units and greater opportunities for business development.

### **PROJECT JUSTIFICATION:**

Approving Lessee's requested assignment will not materially affect the Port's business risk associated with the Lease or Improvement Agreement. Although the Lease and Improvement Agreement will be assigned to a single-asset entity, payment will be unconditionally guaranteed by Louis Dreyfus Commodities LLC. Based on Louis Dreyfus's representations regarding the restructuring, the Louis Dreyfus Commodities LLC will have the same credit profile as our current tenant, Louis Dreyfus Corporation.

### **FINANCIAL IMPLICATIONS:**

#### **Source of Funds**

No funds needed

#### **Financial Analysis Summary:**

<b>CIP Category</b>	N/A
<b>Project Type</b>	N/A
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	Potential default of the new, single purpose LLC to which the lease will be assigned. This risk has been mitigated by the guaranty provided by Louis Dreyfus Commodities LLC (the holding company of the proposed new lessee). Louis Dreyfus Commodities LLC will have a substantially similar credit profile to our current tenant, Louis Dreyfus Corporation

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<b>Project cost for analysis</b>	N/A
<b>Business Unit (BU)</b>	Bulk Terminals
<b>Effect on business performance</b>	This lease assignment has no impact on business performance
<b>IRR/NPV</b>	N/A

### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Approval of this request is expected to assist Lessee in administration of its business affairs.

### **STRATEGIC OBJECTIVES:**

- Ensure our existing tenant is able to competitively administer its business affairs.
- Ensure this change does not adversely affect the credit risk associated with the Lease.

### **ENVIRONMENTAL SUSTAINABILITY AND COMMUNITY BENEFITS:**

- Not applicable to this request.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

- Do not approve Lessee's request to assign Lease and Improvement agreement. If the Port were to deny Lessee's request, it could have adverse implications for the Lessee and Port, alike. For this reason, this alternative is not recommended.
- **Approve assignment of Lease and Improvement Agreement as described herein. The structure of the proposed assignment of the Lease and Improvement Agreement will not materially increase and financial risk to the Port as a result of Louis Dreyfus Corporation reorganization. Terminal 86 is an important piece of Lessee's organization that is best harmonized with its affiliates. For these reasons, this is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

- A copy of the Draft Assignment, Assumption and Consent Agreement, prepared by Lessee, is attached and will undergo revisions by the Port prior to execution.

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### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

- March 1, 2010 – Terminal 86 Facility Modernization Project.
- November 10, 2009 – 11<sup>th</sup> Amendment to Lease between Port of Seattle and Louis Dreyfus Corporation.
- July 28, 2009 – Terminal 86 Staff Briefing on the History of the Grain Terminal and outlook.
- August 28, 2007 – Request to design and install temporary and permanent upgrades and repairs.
- May 22, 2007 – Request for funds to begin preliminary design and alternative repairs.
- May 8, 2007 – Commission briefed in public session on collapse of spouts #1 and #4.
- October 12, 2004 – Tenth Amendment to Lease.
- March 14, 2000 – Ninth Amendment to Lease and Assignment/Assumption.
- April 14, 1998 – Eighth Amendment to Lease.
- February 16, 1996 – Seventh Amendment to Lease.
- November 14, 1989 – Sixth Amendment to Lease.
- November 22, 1988 – Fifth Amendment to Lease.
- March 5, 1971 – Fourth Amendment to Lease.
- June 23, 1970 – Third Amendment to Lease.
- August 6, 1969 – Second Amendment to Lease.
- March 26, 1968 – First Amendment to Lease.
- March 26, 1968 – Lease and Construction Agreement.