



Pasha People
A publication by The Pasha Group

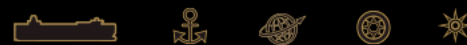
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PASHA PEOPLE



The Pasha Group News and Information Source

Volume 19 Fall 2017

President's Message

This year marks our 70th anniversary of service in the transportation and logistics industry, and it's turning out to be a banner year in terms of growth, dedication to teamwork across all divisions, and a renewed focus on our core competencies and servicing our customers.

For the first half of this year, we concentrated on investing in and developing our organization. We continue to see year-over-year financial success and growth throughout the company, including our shared services and corporate services team.

We achieved a number of successful outcomes, too many to include in this newsletter. A few of our major milestones highlighted in this issue include Hawaii Stevedores, Inc.'s partnership with the State of Hawaii on the planning and development of a \$448 million Harbors Modernization Plan. The plan includes the Kapalama Container Terminal, which will be constructed at the former Kapalama Military Reserve Terminal at Sand Island in Honolulu. This project represents the single largest capital investment the harbor system has ever made. All of this is being done to build a state-of-the-art container terminal that will meet the growing needs of Hawaii's shipping industry.

Pasha Hawaii continues to upgrade its fleet in order to continue providing the best service to our customers. In August, the company announced that Keppel AmFELS in Brownsville, TX signed contracts to construct two new Liquefied Natural Gas (LNG) fueled containerships, which will join the Pasha Hawaii fleet.

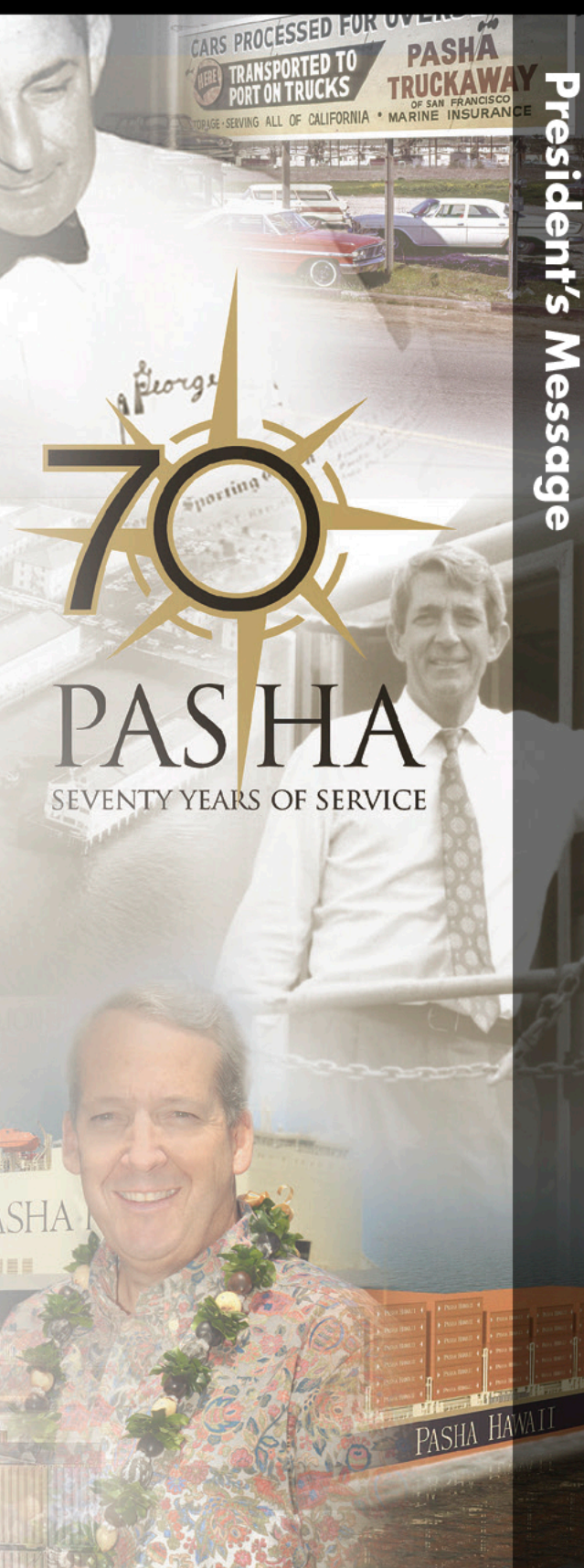
This summer, *Horizon Pacific* underwent scheduled dry dock maintenance to refurbish the ship's infrastructure and expand below-deck 45' container capacity. Capacity was also added on board the *Marjorie C*, and power for an additional 70 refrigerated containers is being added.

In recognition of Pasha Automotive Services' strong relationship with the ports of San Francisco and Virginia, Pasha Hawaii was recently selected by the U.S. Department of Transportation Maritime Administration to provide exclusive, long-term safe layberthing services for three Fast Sealift Support vessels, which are used for rapid worldwide deployment of U.S. military forces.

Lastly, we continue to move forward in making North America's largest port, the Port of Los Angeles, the first with a marine terminal to operate solely on renewable energy. Called the Pasha Green Omni Terminal, this historic project is a collaborative initiative involving Pasha Stevedoring & Terminals, the Port of Los Angeles and California Air Resources Board.

Words alone cannot express how thankful I am for our partnerships with our customers and commitment by our team members to building many future successes of the company together in the years to come.

George W. Pasha, IV



President's Message

The Next Generation of Trucks

Momentum continues at the Pasha Green Omni Terminal, a collaborative initiative by Pasha Stevedoring & Terminals L.P. (PST), the Port of Los Angeles, and California Air Resources Board to help North America's largest port become the first with a marine terminal to operate solely on renewable energy.

In Q4 2016, PST received two BYD all-electric utility tractor rigs (UTRs), with modifications nearing completion and testing slated for this summer. In February, two BYD battery storage systems were added which contain 2.6MWh of storage. In addition to energy utilization, these units will allow PST to capture and store electricity in the event of a widespread power outage.

Following scenario testing, the UTRs are now being modified for the longshore environment. The overall project aims to improve the environmental quality for people living and working in and around the Wilmington Harbor.



Celebrating 30 years of service and innovation, PST is at the forefront of marine terminal sustainability.



Green Terminal Update

Kapalama Container Terminal

More than 80 percent of all goods consumed in Hawaii are imported to the islands, and of this figure, 98-plus percent flows through the Hawaii Port commercial harbor system. For The Pasha Group's Hawaii operating companies, supporting the islands' continued economic growth means actively collaborating with the State of Hawaii on the planning and development of improvements to Hawaii's port infrastructures and piers.

Earlier this year, the Hawaii State Department of Transportation (HDOT) announced the start of a \$448 million Harbors Modernization Plan. The Kapalama Container Terminal (KCT) is a major part of this Modernization Plan and will be constructed at the former Kapalama Military Reserve Terminal at Sand Island in Honolulu.

KCT, a shining example of a public/private investment partnership, represents the single largest capital investment the harbor system has ever made. It is supported by a significant capital outlay by Hawaii Stevedores, Inc. for infrastructure unique to its operation, including facilities and container gantry cranes. This investment delivers critical new capability necessary to efficiently handle the state's current needs, provide long-term infrastructure support for the state's continued robust growth, and optimize the flow of just-in-time goods into and out of the islands.

It includes a new 84-acre, state-of-the-art container terminal and two new berths with connecting barge capability. In partnering with the State of Hawaii on the State's harbor-improvement initiative, Hawaii Stevedores is investing heavily in the design, cranes, buildings, gate, and yard infrastructure.

Hawaii Stevedores' leveraging of The Pasha Group's 70 years of marine terminal management experience, participation and support of KCT demonstrates the group's ability to deliver an ultramodern design. The facility will incorporate the newest technologies available for advanced data exchange. It will also include a highly efficient yard configuration designed to increase throughput capacity while reducing environmental footprints within the facility and the interchange of neighbor island connecting cargoes on-dock vs. over the road truck relays to Young Brothers' barge operations.

In an interview with *Pacific Business News*, Darrell Young, deputy director of the HDOT Harbors Division said, "What we're trying to do with the Harbors Modernization Plan is demolish our inefficient facilities and come up with new cargo containers and piers that can handle this new technology and growth."

In that interview, Young went on to say that the Modernization Plan was needed to keep up with Hawaii's growing economy. "We were not keeping up with our growing economy," added Young. "Up until the mid-90s, we still had small mom-and-pop distributors. We were still shipping in loose pallets, and

containerization was just starting. We were into the 20- to 24-foot containers. Now we're into the 40- to 45-foot containers and we're looking in the very near future to be looking at 53-foot containers."

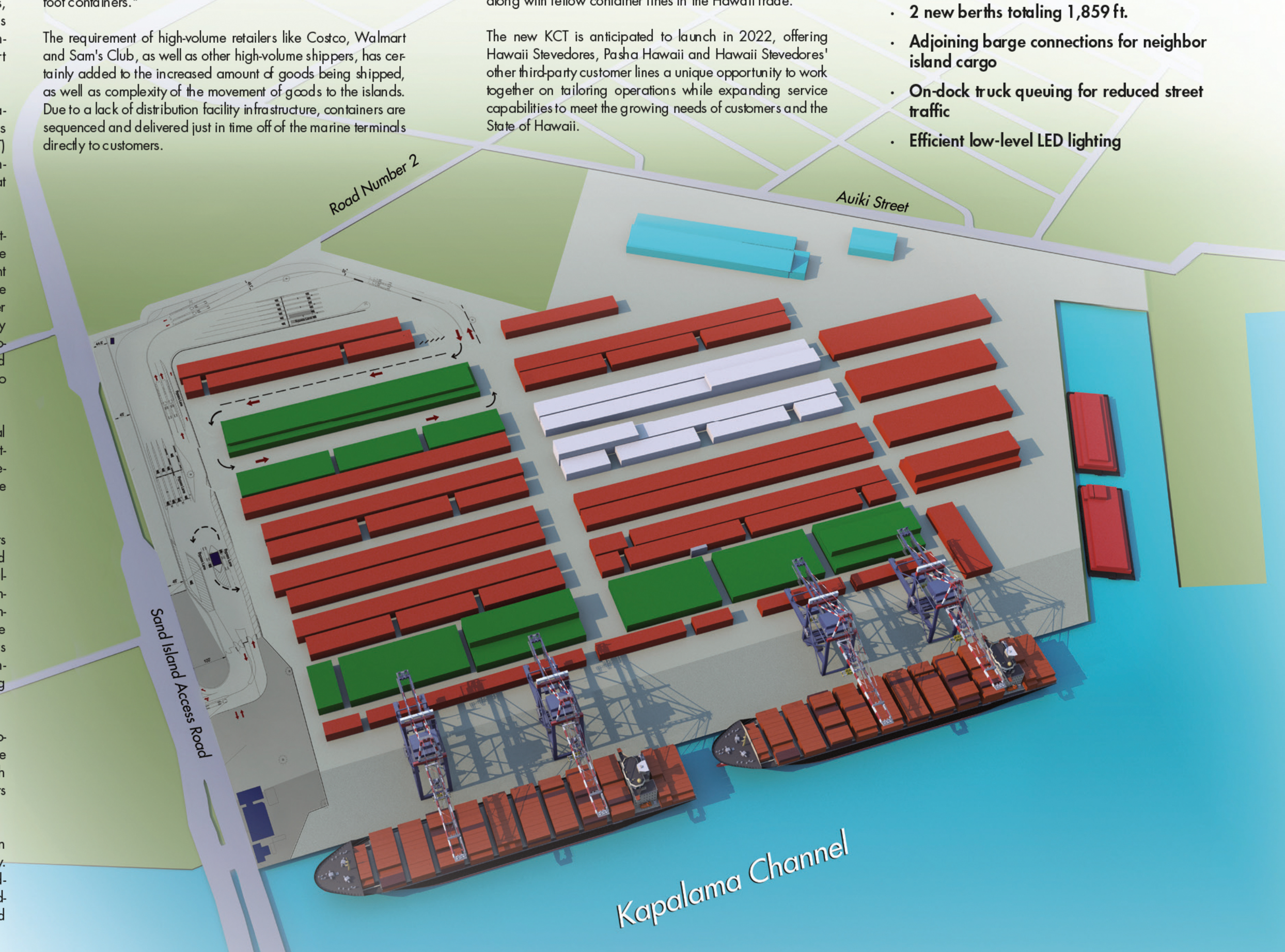
The requirement of high-volume retailers like Costco, Walmart and Sam's Club, as well as other high-volume shippers, has certainly added to the increased amount of goods being shipped, as well as complexity of the movement of goods to the islands. Due to a lack of distribution facility infrastructure, containers are sequenced and delivered just in time off of the marine terminals directly to customers.

Hawaii Stevedores is fully engaged in planning, development, and construction of the new facility, and will provide comprehensive stevedoring services for Pasha Hawaii, along with fellow container lines in the Hawaii trade.

The new KCT is anticipated to launch in 2022, offering Hawaii Stevedores, Pasha Hawaii and Hawaii Stevedores' other third-party customer lines a unique opportunity to work together on tailoring operations while expanding service capabilities to meet the growing needs of customers and the State of Hawaii.

Facility Highlights

- 84-acre, state-of-the-art container terminal
- 2 new berths totaling 1,859 ft.
- Adjoining barge connections for neighbor island cargo
- On-dock truck queuing for reduced street traffic
- Efficient low-level LED lighting



New LNG-Fueled Ships for Pasha Hawaii

Pasha Hawaii will be adding two new Liquefied Natural Gas ("LNG") fueled containerships to its fleet, representing a more than \$400 million investment in the Hawaii/Mainland trade lane. Contracts were signed in August and the construction project is underway.

The ships are being designed and built at Brownsville, TX-based Keppel AmFELS, a subsidiary of Keppel Offshore & Marine ("Keppel O&M"). Delivery of the first vessel is expected in Q1 2020 and the second vessel in Q3 2020.

"Our continued investment in Hawaii is in direct response to our customers' needs and our commitment to provide the best resources and services possible," said George Pasha, IV, president and CEO. "As their needs evolve and continue to grow, alongside a healthy economy, it's important for us to re-invest in our operations to ensure we maintain the quality service and reliable delivery

we're known for. We also remain very mindful of minimizing our environmental footprint."

The 774-foot vessels will carry 2,525 TEUs, including a fully laden capacity of 500 45-foot containers, 400 refrigerated containers, and 300 40-foot dry containers, with a sailing speed of 23.0 knots.

The new vessels will operate fully on LNG from day one in service, dramatically reducing environmental impact and increasing fuel efficiency. Energy savings will also be achieved with a state-of-the-art engine, an optimized hull form, and an underwater propulsion system with a high-efficiency rudder and propeller.

When compared to conventional fuels, LNG is a much cleaner alternative fuel for shipping and offers significant environmental benefits, including the reduction of up to 95 percent sulphur oxides, nearly 100 percent particulate matter, up to 90 percent nitrogen oxides, and up to 25 percent carbon dioxide emissions from engine exhaust emissions.

Pasha Hawaii is making great progress on securing its LNG supply chain. Meanwhile, equipment has been selected for the ships and steel-cutting is expected to begin in March 2018.



Illustration © Rick Helf

Expanding Our Reach

MARAD Vessel Layberthing

Broadening its scope of service offerings, Pasha Hawaii has been selected by the U.S. Department of Transportation Maritime Administration (MARAD) to provide exclusive, long-term safe layberthing services for the *Algol* and *Capella* vessels at Pier 80 at the Port of San Francisco, and for the *Cape May* at Norfolk International Terminals (NIT) at the Port of Virginia.

"This is a result of the relationship Pasha Automotive Services has developed with these two ports," said Ed Washburn, senior vice president of fleet operations. "The team at PAS has done an outstanding job in establishing a strong partnership with the ports of San Francisco and Virginia, based on trust, excellent customer service and meeting the needs of these two great cities. It is also an honor to provide layberthing services to our military, as we are always looking for ways to support the men and women who serve our country."

The *Algol* and *Capella* vessels began layberthing services with Pasha Hawaii at Pier 80 Berths A and B in August. The *Cape May* will begin at NIT Pier 3 in December. All three ships are Fast Sealift Support (FSS) vessels in the Ready Reserve Force (RRF), an element of the National Defense Reserve Fleet, and maintained by MARAD to support the rapid worldwide deployment of U.S. military forces.

The RRF program began with six ships in 1977, peaked at 102 in 1994, and now consists of 46 ships including: 35 roll-on/roll off vessels (with 8 FSS), two heavy-lift or barge carrying ships, six auxiliary craneships, one tanker, and two aviation repair vessels.

"Pier 80 and NIT Pier 3 are ideal locations to keep the ships close to their home-ports and ready for deployment when needed," added Washburn.



Pier 80 San Francisco

Norfolk International Terminals Port of Virginia



Containership Upgrades

Pasha Hawaii continues to prioritize the importance of deploying a well-serviced fleet and delivering dependable shipping services to our customers. In June, the *Horizon Pacific* containership underwent scheduled dry dock maintenance to refurbish the ship's infrastructure and add below-deck 45' container capacity, increasing total 45' capacity by 8.5%.

Vessel improvements included moving to state-of-the-art propulsion boiler automation, upgrading generator controls, retubing boilers, and overhauling turbines. Skilled workers performed steel renewals and tank coatings, and overhauled electric motors, deck machinery, and pumps. In addition, they replaced navigation equipment.

They also performed a full blasting of the underwater hull to white metal, followed by an energy-savings coating system. These investments improve the vessel's overall efficiency and reduce the vessel's impact on the environment.



PASHA HAWAII