GLOBAL REACH. GLOBAL SCALE.

SEABURY PFRA MARITIME

AAPA – Planning for Shifting Trade
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Emerging Trends in Port Financing

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About Seabury Maritime PFRA

Seabury Maritime PFRA's singular solution unites its core competencies: Maritime-centric Investment Banking and Industry Advisory

Investment Banking

OFFERING SENSIBLE TRANSACTION ADVISORY SUPPORT

We are focused on providing best-in-class service and execution excellence on complex transactions to assist our clients in achieving growth

We are a provider of capital-raising services to allow our clients to reach their strategic goals

Global Presence

Core Competency

Industry Expertise

Industry Advisory

PROVIDING GLOBAL CONSULTANCY SERVICES

We have a thorough understanding of the underlying competitive economics that drive decision-making

We find strategic value across operating boundaries that translate to sustained competitive advantage

KNOWLEDGE. ASSOCIATION. RELATIONSHIPS. TRUST. RESULTS. INDEPENDENCE.

The SMPFRA Client Base

With its global footprint, SMPFRA offers a **focused, custom-based service offering to a global industry** undergoing rapid transition

Investment Banking

Industry Advisory

PRIVATE EQUITY	PORT AUTHORITIES	INDUSTRY TECHNOLOGY PROVIDERS
INVESTMENT BANKERS	TERMINAL OPERATORS	INFRASTRUCTURE DEVELOPERS
INFRASTRUCTURE INVESTORS	OCEAN CARRIERS	CONSULTING FIRMS
HOME OFFICES	3PL SERVICE PROVIDERS	ENGINEERING FIRMS
INDUSTRIAL REAL ESTATE	OTHER INDUSTRY SERVICE PROVIDERS	LEGAL FIRMS
GOVERNMENT AGENCIES	LABOR / MANAGEMENT	INDUSTRY ENTREPRENEURS

The Port Business

A changing landscape which has led to a shortage of funding for port operation and maintenance

Beginning with the Global Recession, the port business in the Americas has undergone a fundamental change due to:

- The general scarcity of state and federal funding
- Change in trade patterns with the expansion of the Panama Canal
- Carrier consolidation
- Digitalization of the industry
- Gateway dominance of certain ports
- Secondary port creation

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Current Role of Port Authorities Coming Into Question

While port authorities are coping with a decrease in public funding, they also have had to come to terms with other industry players who have forced them to change their business models

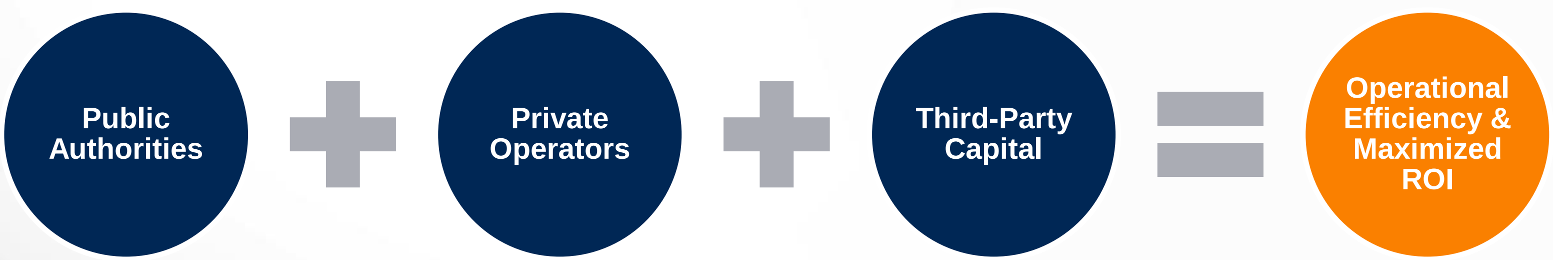
- Industry disruptors with new technology are leading to a changing dynamic between stakeholders
- This puts added pressure on public port authorities who often conduct business under the influence of political decision making
- There is an increased incentive for port authorities to enter into agreements with private operators and transition to a more passive, supervisory role
- From the perspective of landlord ports, this takes the form of establishing private funding arrangements to transfer the operations and beneficial ownership of the port to a private party, which actions stimulate the creation of quality jobs, further development of the port, growth of its service capabilities and directed capital improvement

Creates a tremendous opportunity to redesign port areas, change commercial mix, leverage expertise of private enterprise, solicit labor inputs etc.

Private Operators Help Bridge Funding Gaps

To address the risks associated with financing gaps between federal funding and port infrastructure needs, privatization (or P3 arrangements) has been embraced by many public port authorities (e.g. LA/LB, NY/NJ)

- Engaging terminal operators and other long-term infrastructure investor groups is crucial
  - These participants have long-term operational / investment time horizons that align with the long useful lives of port assets
  - Allows for an efficient landlord / tenant model in the form of a long-term lease concession (anywhere from 20-50 years)
  - Transfers financial and operational risk from public authority to private operator
- Various procurement methodologies exist, including: DBO, DBF, DBFOM, DBFM
- Debt financing can come from tax-exempt municipal bonds, bank loans, private activity bonds and TIFIA loans
- RFQ is our recommended procurement process as it more expeditious, cheaper and allows for respondent bundling



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The Role of the Financial Markets

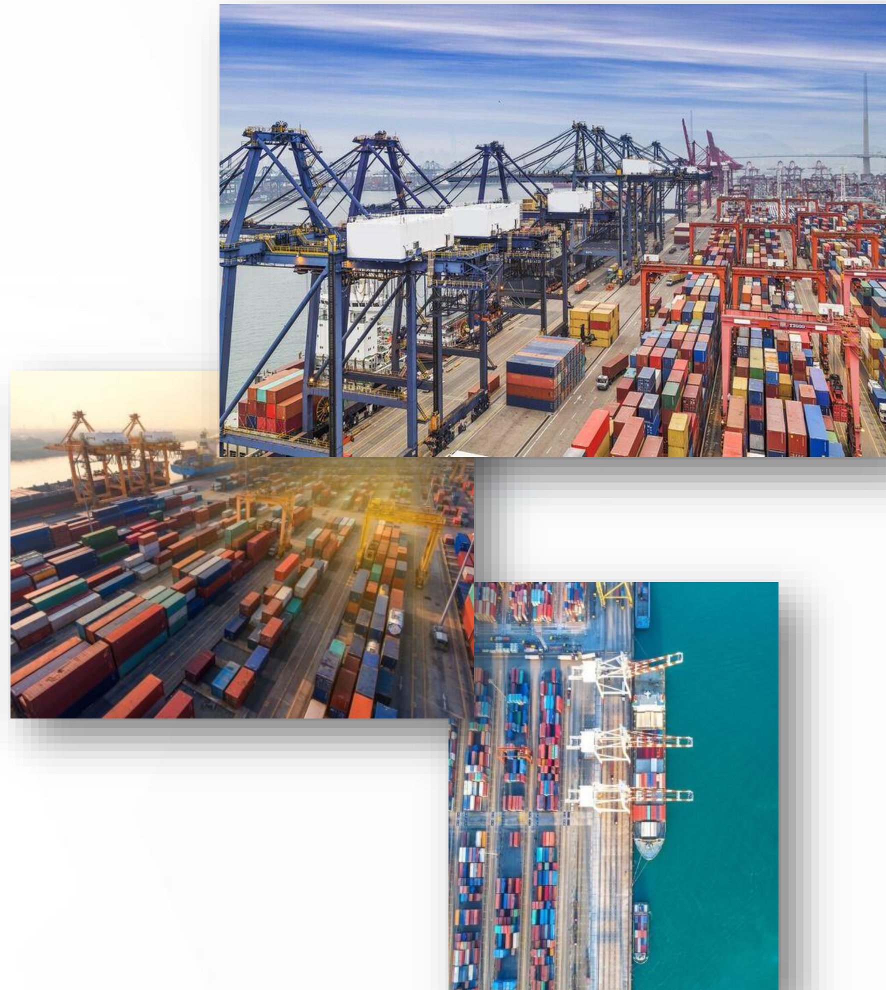
The view of the private markets has evolved has this privatization process has matured

- The traditional private equity strategy has fallen out of favor in the port space
  - Private equity return requirements are often too high to make attractive capital investments
- Infrastructure-focused funds still positive on the space
  - Common for dedicated infrastructure investors to have in-house or adjacent operating capability
  - Prepared to engage with commercial operating partners, if applicable
  - Willing to accept lesser returns
  - Able to deploy new technologies to boost operating margins and cater to evolving liner needs
- Investors looking for investments that match social responsibility goals
  - Increased emphasis on environmental, social and corporate governance initiatives

Elements of a Public-Private Partnership

Public-private partnerships have been found to be win-win arrangements for everyone

- Public authority seeks to transfer financial and operational risk to a private operator
    - Exclusive lease of the terminal to private partner(s) who invest in structures, equipment
    - Provides revenue stream to public authority through land rental and revenue sharing
- Improve efficiency and enhance revenues
- Maximize stakeholder returns
    - Financial profit
    - Positive economic impact on surrounding area
    - Job creation
- Ability to implement vertical partnership with public authority and horizontal partnership with other members of an integrated transport and logistics chain



Different Approaches to Structuring P3 Solicitation

When Structuring a P3, We Recommend the RFQ Over the RFP

Request for Proposals

- Typically more time consuming and expensive
- Less flexibility
  - More rigid transaction structure
  - Involves a smaller pool of stakeholders
  - Not as iterative

Request for Qualifications

- Allows for an efficient, iterative process
  - Fluidity in possible transaction structure
  - More stakeholders able to participate
- Allows respondents to match requirements and can be revised, customized, with bespoke solutions
- Allows for cooperation and incorporation of labor into the eventual enterprise
- Allows for platform to be created which delivers
  - Right capital elements
  - Correct operator component
  - Desired business mix

How Can This Alternative Be Executed

With time and past global experience, SMPFRA has developed a successful methodology