

**American Association of Port Authorities
Port Property Management and Pricing Seminar
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Toronto, Ontario**



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Agenda

Port of Corpus Christi & La Quinta

La Quinta PPP Overview

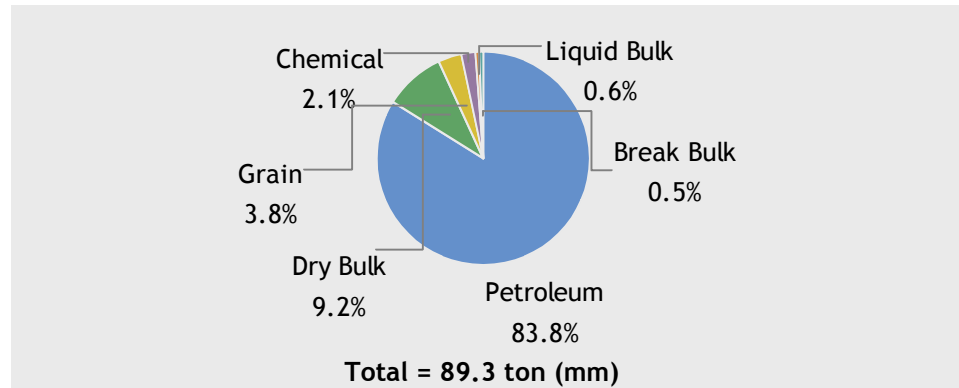
PPP Transaction Considerations

Corpus Christi – One of the Nation’s Largest Sea Ports

Port of Corpus Christi overview

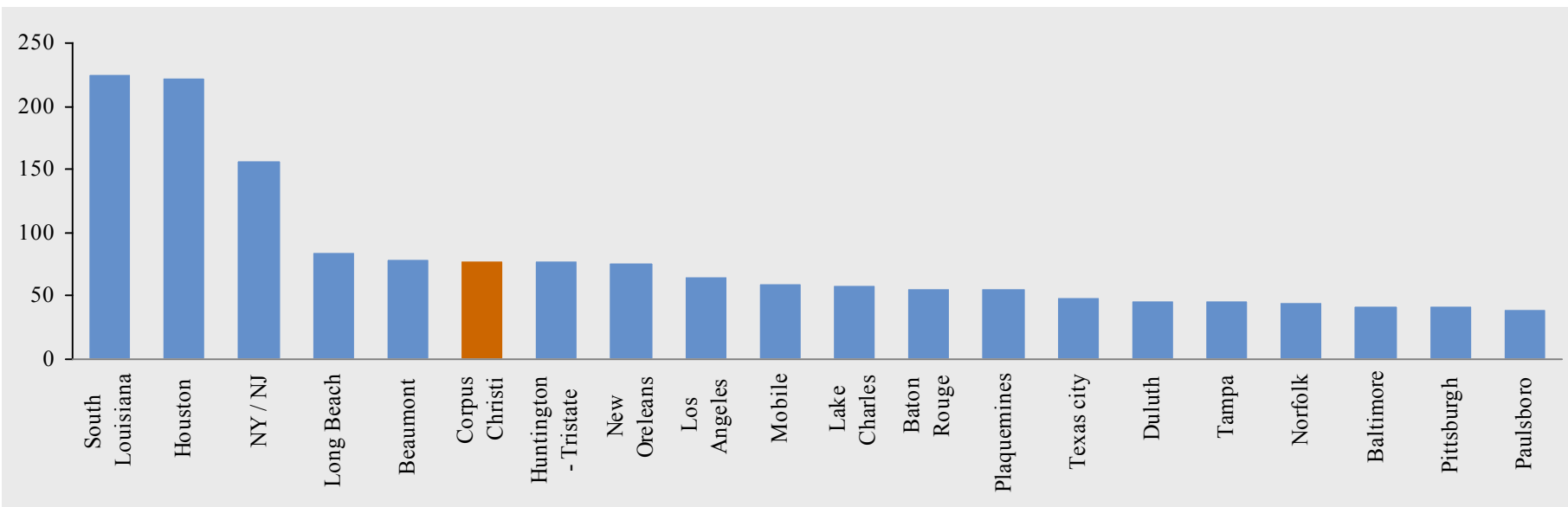
- One of the largest bulk cargo gateways in the nation
- Ranked 7th in gross cargo tonnage per 2007 Port statistics and 6th per 2006 AAPA statistics
- Handles 89 million tons of cargo per year
- Extensive bulk, wheeled and RO-RO facilities
- Advanced intermodal facilities

2007 throughput breakdown



Source: Port of Corpus Christi

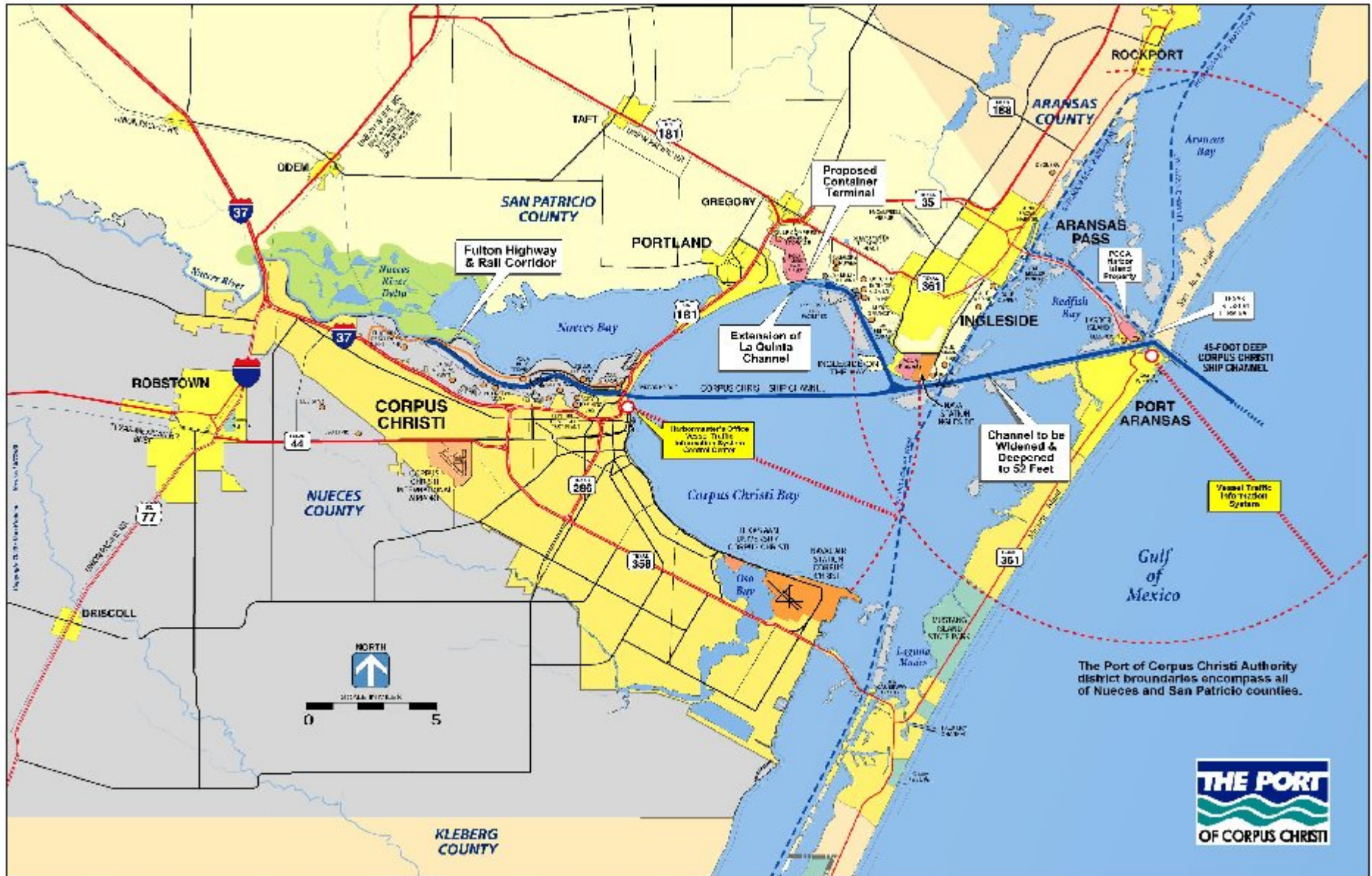
2006 port cargo competitive rank by tonnage (mm)



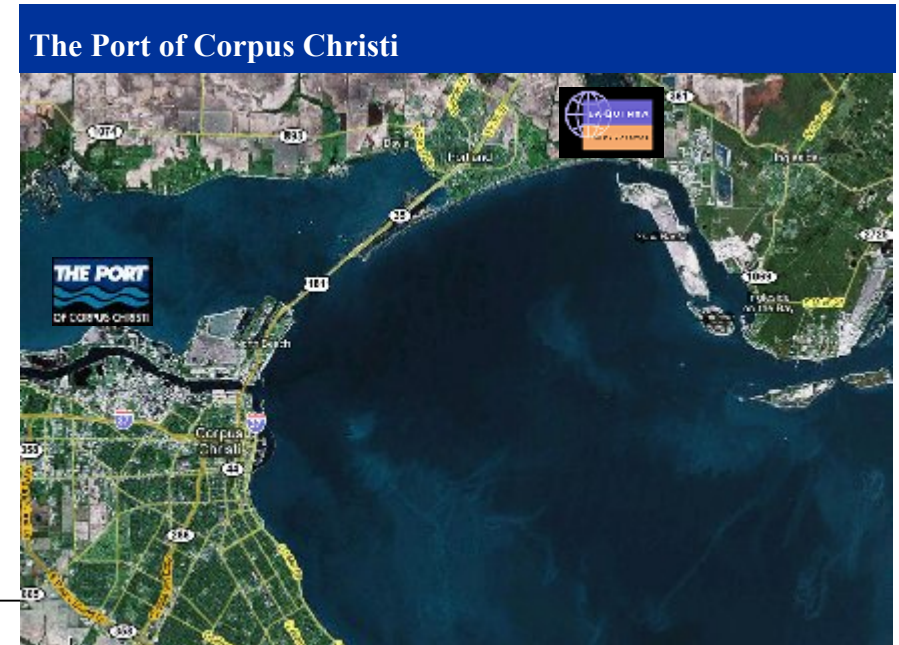
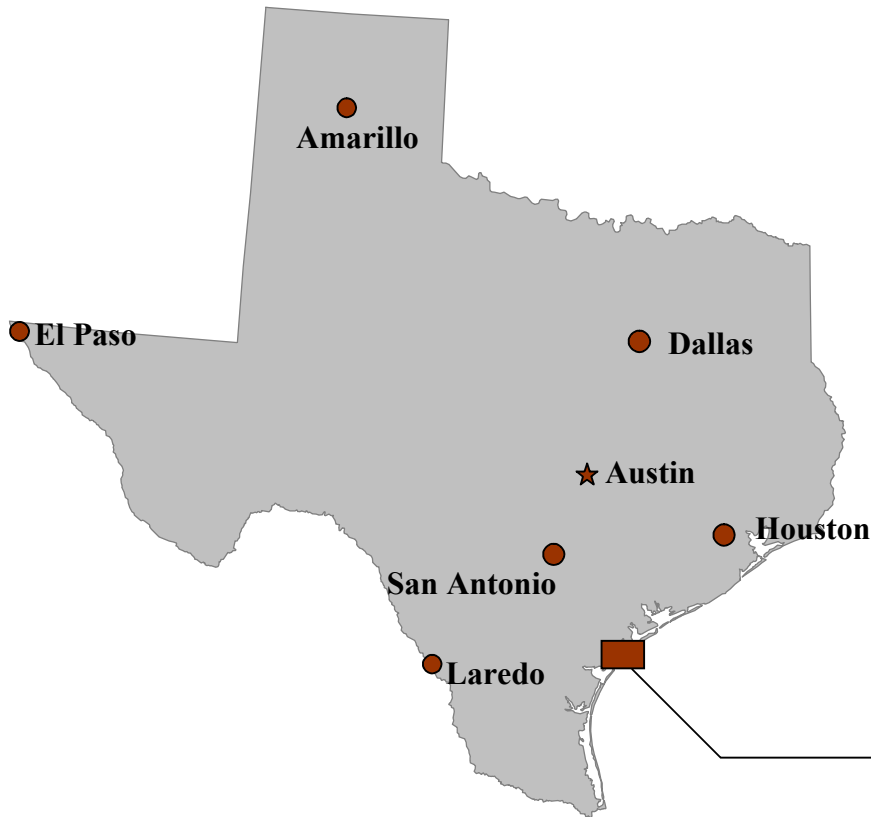
Source: AAPA



Facilities Span Northern and Western Corpus Christi Bay



Corpus Christi is Centrally Located on the Texas Gulf Coast



Texas:

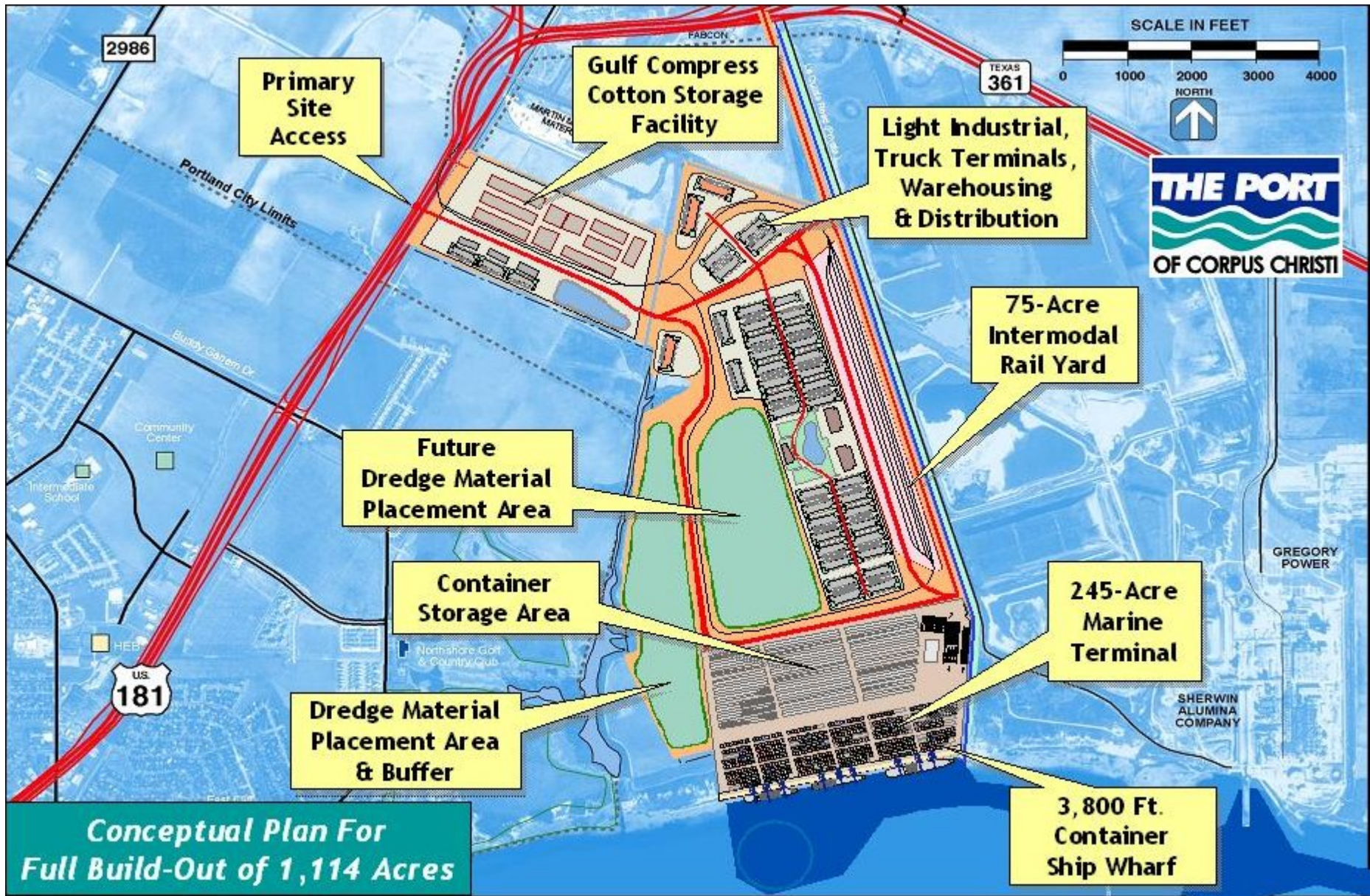
- The 2nd most populous state in the United States
- The 4th fastest growing state in the United States
- Population 33.3 million, with 59.8% growth since 2000
- State GDP: \$1.1 trillion estimated for 2007
- GDP growth rate: 3.5% in 2007



La Quinta – Project Overview

- A strategic location 17 miles from the Gulf of Mexico, with deep water, a protected harbor, room for expansion, no environmental obstacles and links to un-congested highways and three Class I railroads
- Key project attributes:
 - A greenfield design, build, finance, operate, maintain (“DBFOM”) container terminal opportunity
 - 17 nautical miles from the ocean
 - USACE permits in place to extend the channel to the project site, dredge a turning basin and construct a wharf
 - No air draft restrictions, a 3,800 foot linear wharf and 1,056 acres available for development
 - Existing 550,000 square foot cotton warehouse with option for an additional 500,000 on-site
 - Access to major highways – U.S. 181, I-37 and S.H. 35 – no highway congestion
 - Access to Union Pacific, Burlington Northern Santa Fe and Kansas City Southern railroads, adjacent to Union Pacific main line – UP extension currently built on-site
 - Terminal design, size and location allow, in addition to container port and intermodal train operations, the handling of break bulk cargo, military ship deployments, cross-dock, warehousing and distribution facilities as well as chassis pools
 - La Quinta ship channel extension is included in the Water Resources Development Act recently passed and enacted by the United States Congress
 - La Quinta benefits from strong public support

La Quinta Site Overview



La Quinta Site Rendering



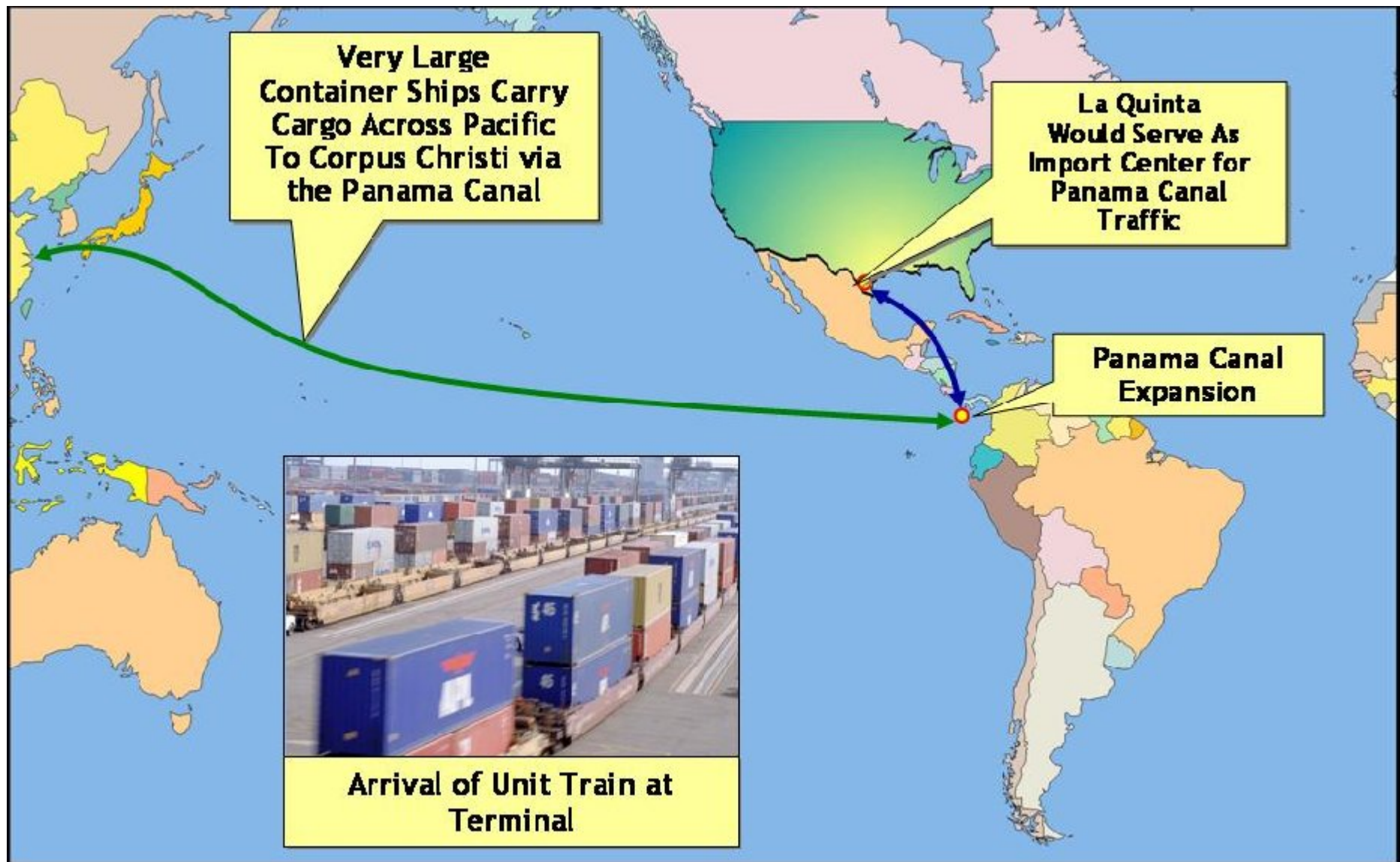
Project Rationale

- Substantial worldwide growth in container trade
- Houston will be at capacity even with new terminal
- Houston has traffic congestion and air quality problems
- West Coast ports are experiencing capacity problems
- Substantial amount of traffic from Mexico comes by our “back door” on its way to Houston
- Corpus Christi is well positioned to take advantage of this growth.

Project Status

- Negotiations with Dragados of Spain have ended
 - Relations still cordial, but unable to agree on financial terms
 - Port needs a customer who is willing to take more risk
- Marketplace has changed significantly since initial negotiations with Dragados
- Port has retained the investment banking firm JPMorgan to manage procurement process
- The PCCA has issued a new Request for Qualifications
- Construction could begin in mid 2009; completion in 2011
- Panama Canal Expansion could be key to development

Expansion of Panama Canal



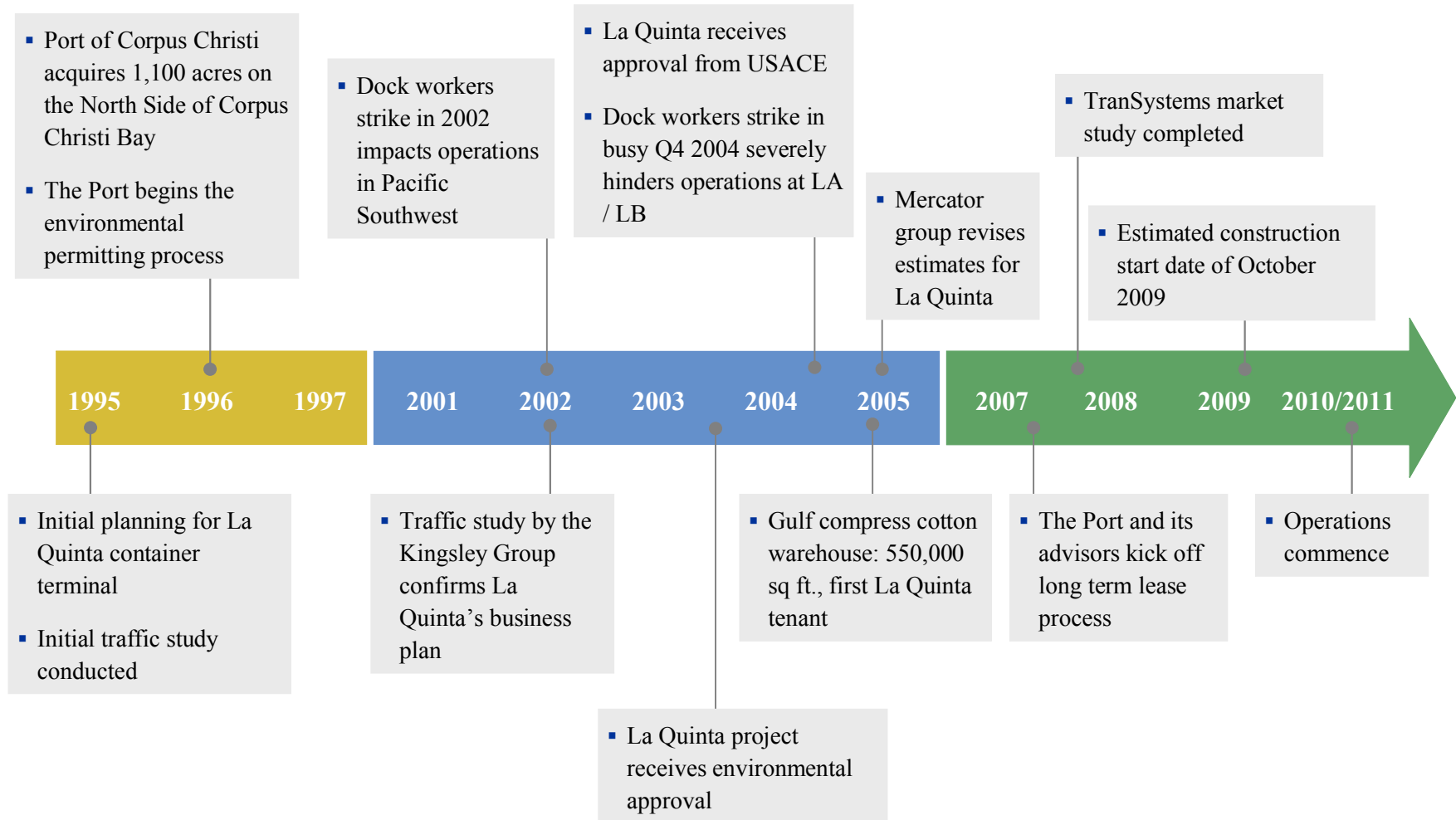
Agenda

Port of Corpus Christi & La Quinta

La Quinta PPP Overview

PPP Transaction Considerations

La Quinta – Project History



Key Investment Highlights

Growing container market

- The global shipping industry has expanded approximately 2.6 times faster than GDP over the past 26 years
- Strong export driven growth in the Asian containerized cargo trades will lead to further increases in volume on the Far East Europe and Far East North America trade lanes

Ideal location

- Well positioned to capture demand on key growing trade routes
- Limited number of locations that offer the same landside access to intermodal infrastructure and ocean side channel characteristics
- Three major railroads (UP, BNSF and KCS/TexMex) serve the Corpus Christi area
- Uncongested access to the state and national highway system via I-37 which connects Corpus Christi to San Antonio
- Existing Foreign Trade Zone

State-of-the-art facility

- Greenfield site will allow design and construction of state-of-the-art security, efficiency generating and environmentally friendly features

Fully authorized and approved

- Port has obtained USACE permits to extend the ship channel, dredge turning basin and build wharf
- La Quinta project enjoys strong local community support, with endorsement letters from local, regional and state politicians as well as project authorization in the Water Resource Development Act of 2007

Container Volumes are Projected to Grow Rapidly

Observations

- Asian imports driving container throughput across the United States
- Growth forecasts show significant volume increases over the next 15 years
- Capacity constraints will worsen in the medium to long term

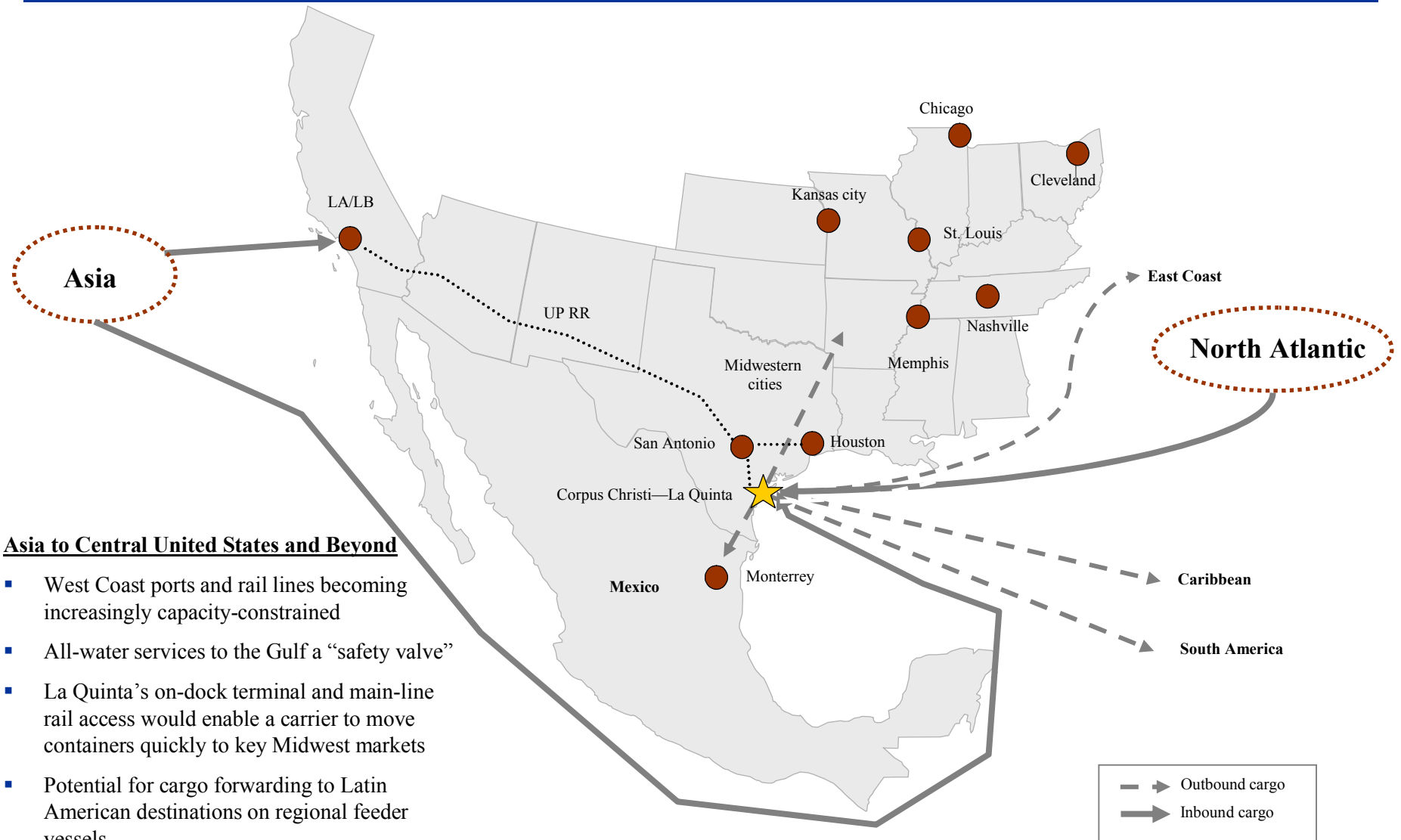
Throughput demand growth – Select US Ports

Container Growth Forecasts 2004 – 2020			
Port	2004 volume (TEU '000)	2020 volume (TEU '000)	% increase 2004 – 2020
LA/LB	13,101	59,420	353.6%
NY/NJ	4,478	15,835	253.6%
Savannah	1,662	9,420	466.8%
Charleston	1,860	6,639	256.9%
Houston	1,437	6,165	329.0%
Virginia	1,809	5,566	207.7%
Tacoma	1,798	4,396	144.5%
Oakland	2,043	3,382	65.5%
Seattle	1,776	2,557	44.0%
Miami	1,010	2,152	113.1%
Total	30,974	115,532	273.0%

Source: TranSystems

La Quinta is Ideally Located to Capture Significant Container Volume

Key trade lanes

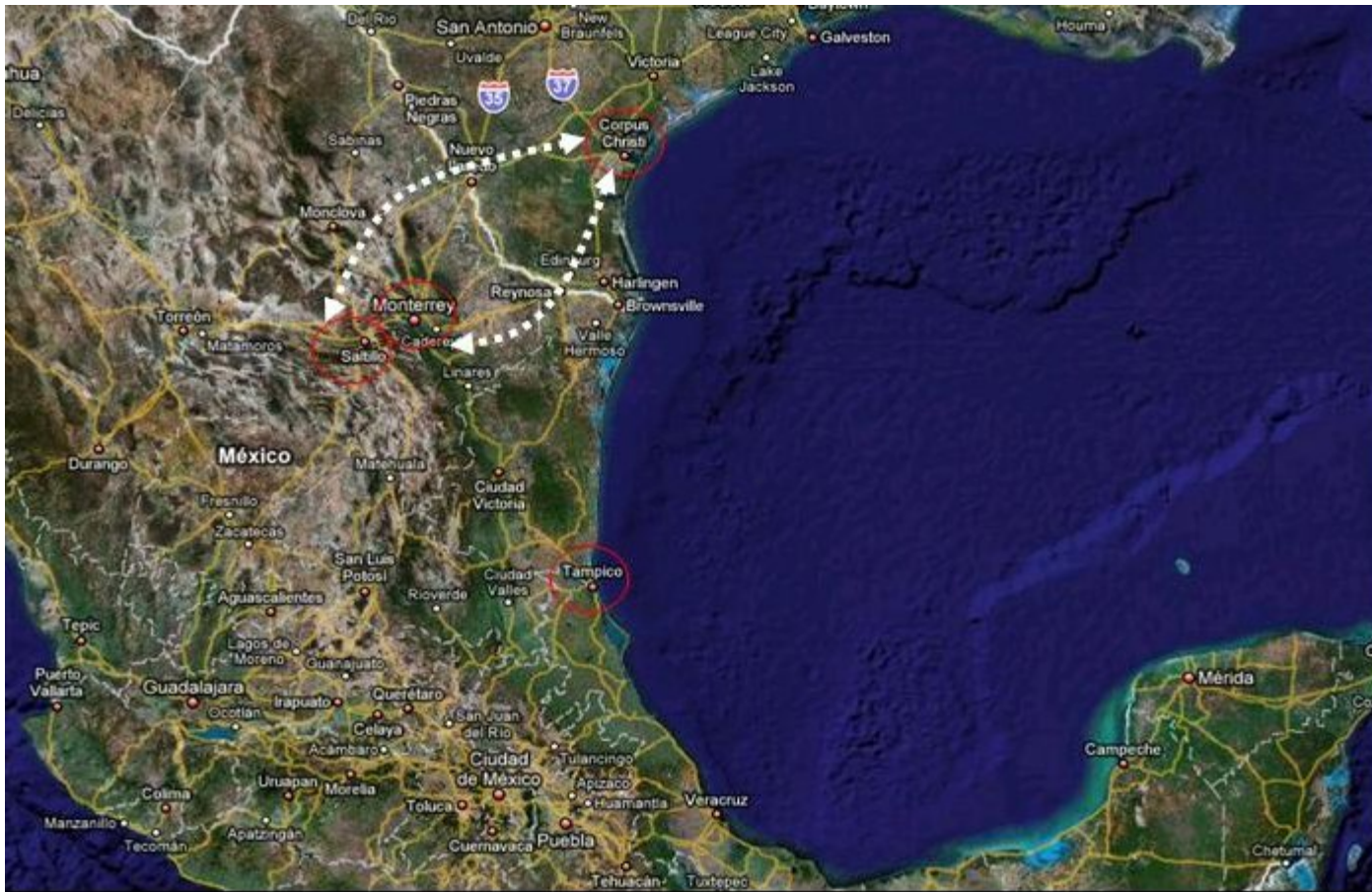


Asia to Central United States and Beyond

- West Coast ports and rail lines becoming increasingly capacity-constrained
- All-water services to the Gulf a “safety valve”
- La Quinta’s on-dock terminal and main-line rail access would enable a carrier to move containers quickly to key Midwest markets
- Potential for cargo forwarding to Latin American destinations on regional feeder vessels

La Quinta is Particularly Well Positioned to Capture Cargo Bound for Northeast Mexico

Easy Access to Saltillo and Monterrey Markets



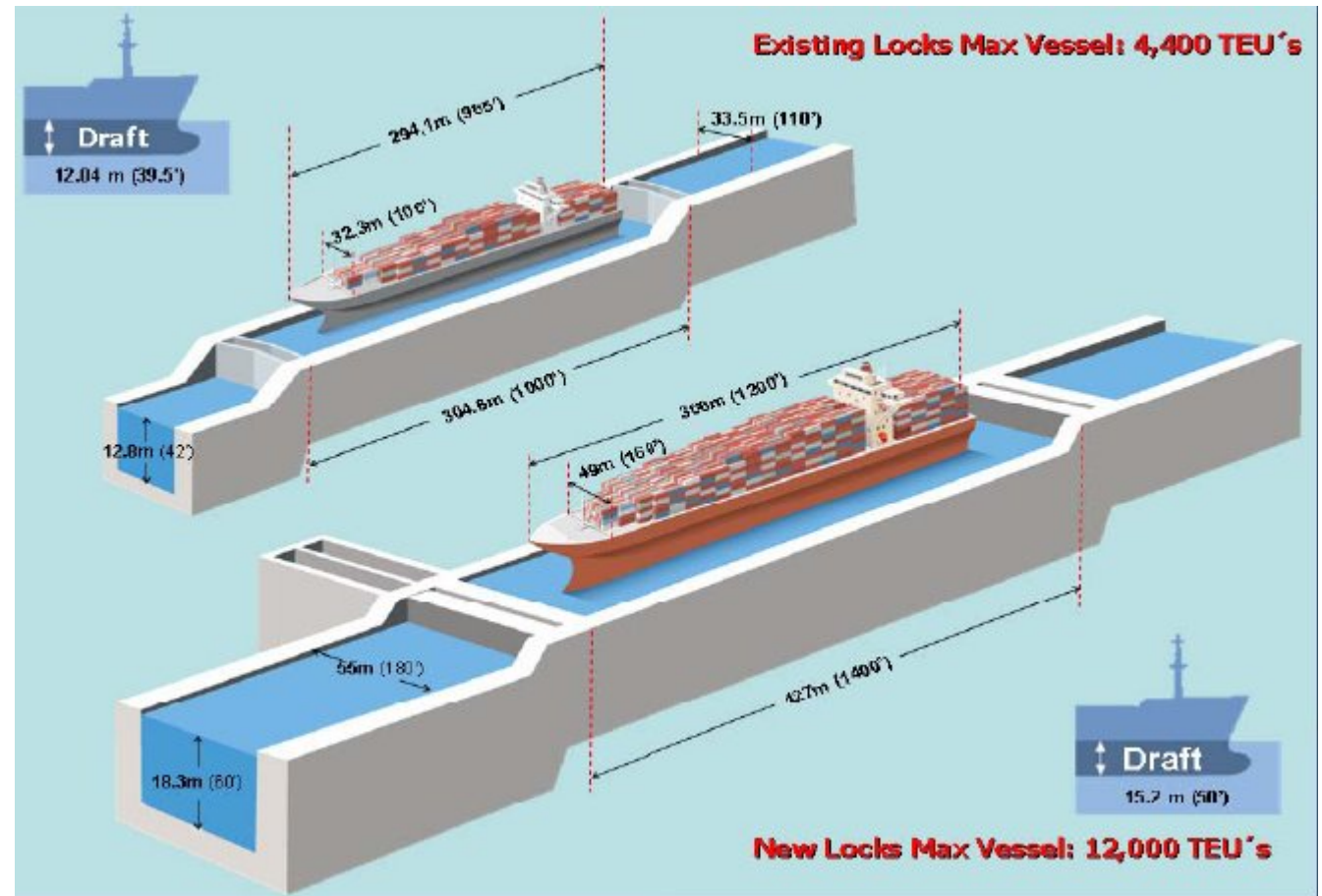
Metro Area	Dist to Corpus	Dist to Tampico
Monterrey, MX	285 mi	364mi
Saltillo, MX	342 mi	419 mi

Key Volume Driver – Panama Canal Expansion

Observations

- With Canal expansion, Panamax ships will nearly triple in capacity, lowering the unit cost of all-water shipments
- Canal expansion includes the deepening and widening of both Atlantic and Pacific Entrances and addition of Post-Panamax locks
- New locks support 12,000 TEU Post-Panamax vessels with 50' of draft, 1,200' in length and 160' wide
- This improves on existing locks that support 4,400 TEU vessels with 39.5' of draft, 965' in length and 106' wide

New canal dimensions



Source: www.panacanal.com

Proximity to Rail Networks

- Three major railroads serve the Corpus Christi / South Texas area



Access to Major Highways

- Access to U.S. 181, I-37 and S.H. 35
- The Texas Transportation Institute rated Corpus Christi as one of the least congested major metropolitan areas in the USA in 2007



U.S. Highway Connections

- La Quinta will benefit from un-congested access to the U.S. highway system



Distribution Center and Cross-dock Opportunities

- Expected 600+ acres of available land for transloading facilities, distribution centers and cross-dock operations on site
 - 550,000 square foot cotton warehouse already in service
 - Approximately 6,000+ TEUs of cotton are presently exported per year from this warehouse principally to Asia and Mexico
- Transfer of containers between distribution and port will be done within port property, thus reducing drayage costs and allowing the distribution center operator to handle all operations with a “yard hostler”
 - Could reflect savings of as much as \$150 / box on drayage costs alone versus Houston
- Distribution center can be in Foreign Trade Zone allowing goods to be stored, modified and re-exported without paying duties
 - Imported goods would also be exempt from the annual ad valorem inventory tax
- Most of the land considered for development of distribution facility is above the 100-year FEMA flood plain and the portions that are not can be either be raised or protected with a drainage system

Agenda

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La Quinta PPP Overview

PPP Transaction Considerations

Key takeaways from precedent U.S. PPP transactions

- 1 Use of proceeds and policy objectives must be clearly identified and well thought through from the perspective of relevant stakeholders**
 - You must set the public policy context for success
 - Multiple privatization initiatives have failed due to a general lack of clarity as to why the transaction is being undertaken, what the compelling need is, the related benefits, the risks and associated mitigants
- 2 Transaction preparation and process is critical**
 - Constraints seen in previous transactions must be eliminated
 - Prevent bidders exclusively retaining (multiple) consultants and financiers
 - Allow sufficient time in process
 - Ensure financial advisor is not conflicted
- 3 Active stakeholder management is essential**
 - Identity key stakeholders and issues
 - Communication process begins immediately
 - Why/benefit, how much, when, risks, mitigants/protection
 - Need to identify potential areas of opposition and gain cooperation
- 4 Transactions may take longer to execute than expected**

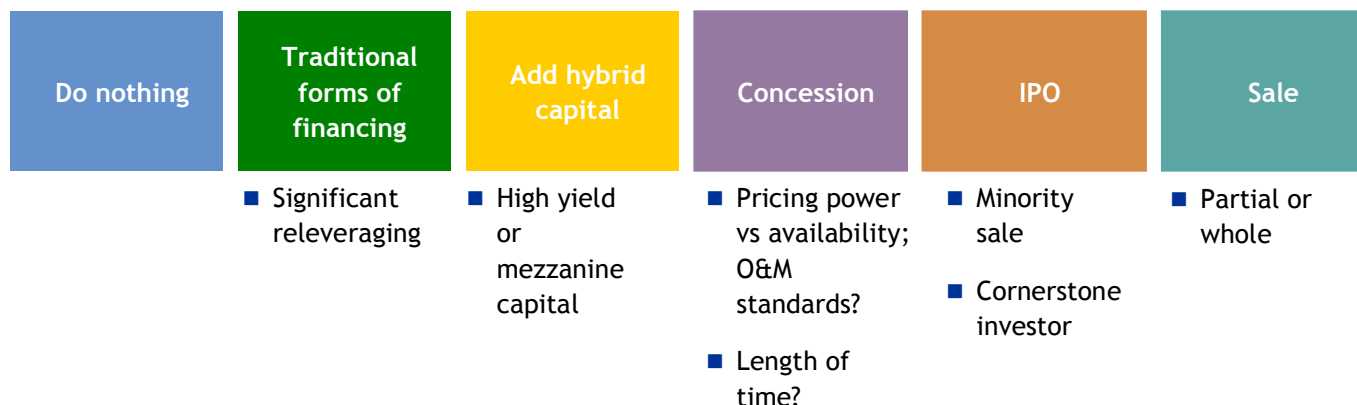
The spectrum of alternatives

•Lower policy risk, lower proceeds

•Medium risk

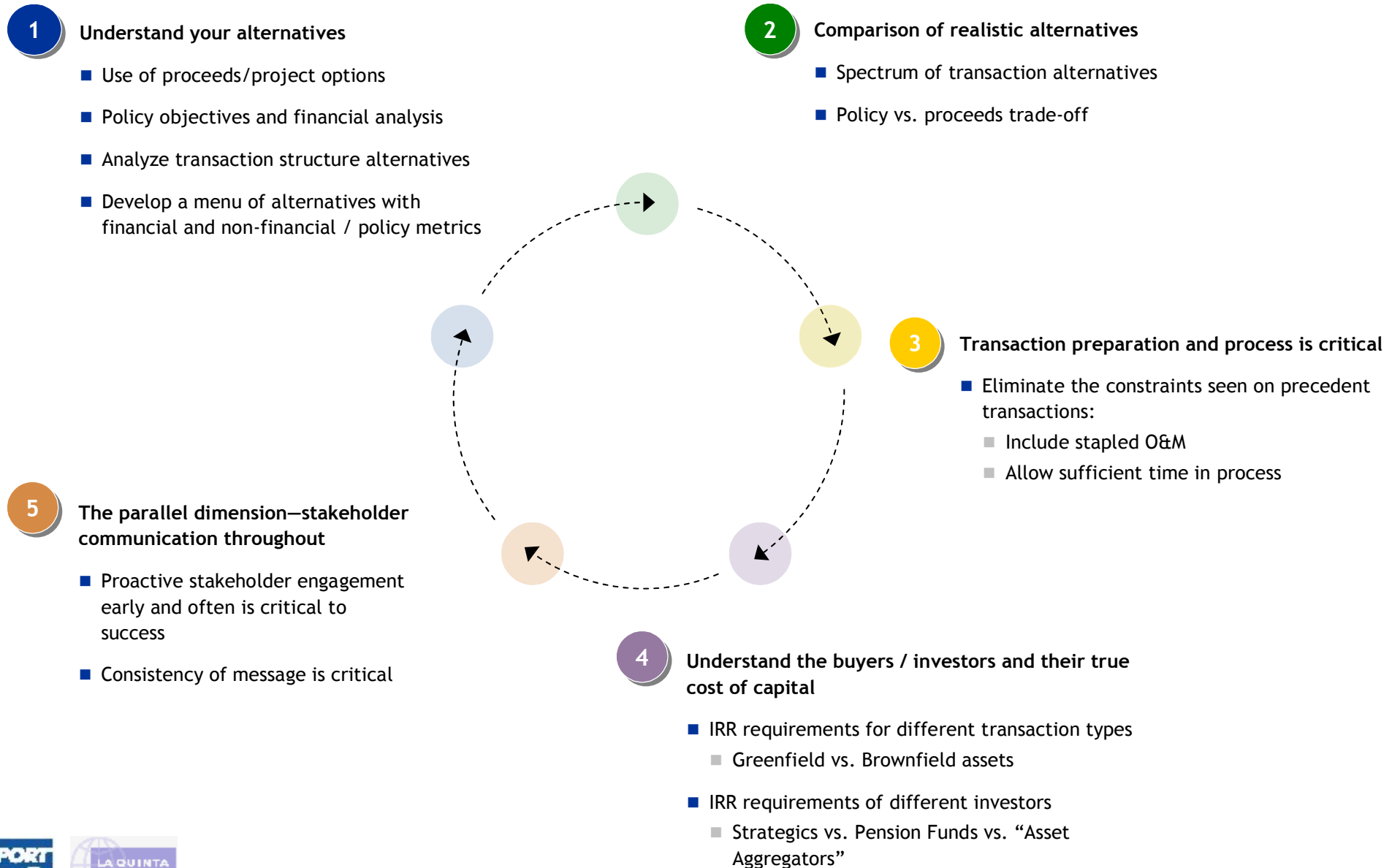
•Medium / high risk

•Highest risk



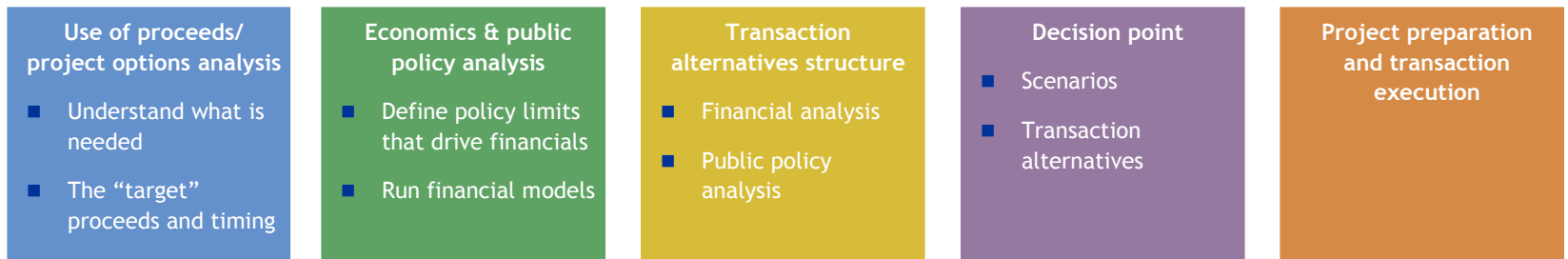
Decision criteria	Do nothing	Traditional forms of financing	Add hybrid capital	Concession	IPO	Sale
Proceeds						
Upfront	N/A	Lowest	Additive	High	Medium	Highest
Ongoing	Yes	Some	Less	Contextual/None	Some	None
State “control” of operations	N/A	High	High	Medium	Medium	Low
O&M standards						
Policy	N/A	No change	No change	Flexible	Flexible	Flexible
Ability to enforce	N/A	High	High	Medium	Low	Low
Precedent transactions	N/A	Many	None	Few	None	None
Process Risk	N/A	Low	Low - Medium	Medium	High	High
Transaction “permanence”	N/A	Market Based	Negotiated	35 - 99 Years	Very High	Very High
Key Risk	N/A	Market capacity	Pricing & Structure	Debt Capacity & Competition	Investor Appetite & Pricing	Debt Capacity & Competition

A process for ensuring a successful PPP transaction



Process management - Transaction preparation and process is critical

High level transaction process



- What**
- 1** Clear understanding of target fund raising and use of proceeds
 - 2** Define policy limits of economics
 - Pricing, what is politically acceptable
 - O&M standards
 - Run scenarios
 - 3** Define which alternative transaction structures will be considered
 - Run scenarios for comparison
 - Address public policy impact of each structure along with price impact
 - 4** Analyze alternatives and compare using financial and non-financial metrics
 - 5** Enter market with transaction that will maximize public value

- Who**
- 1** Government entity, Financial advisors, Legal, Communications
 - 2** Government entity, Financial advisors, Consultants, Economists, Legal, Communications
 - 3** Government entity, Financial advisors, Consultants, Legal, Communication
 - 4** Government entity, Financial advisors, Consultants, Legal, Communications
 - 5** Dependent on transaction type

- Timing**
- 1** Start immediately, 2 weeks
 - 2** Start immediately, 2-3 week preparation and on-boarding consultants, Consultant’s study 6-8 weeks
 - 3** Start immediately, 3 week preparation period, 3-4 week framework development, 2 week “data drop”
 - 4** 1-2 weeks
 - 5** Vary-dependant on transaction type

14-16 weeks

3 - 9 months