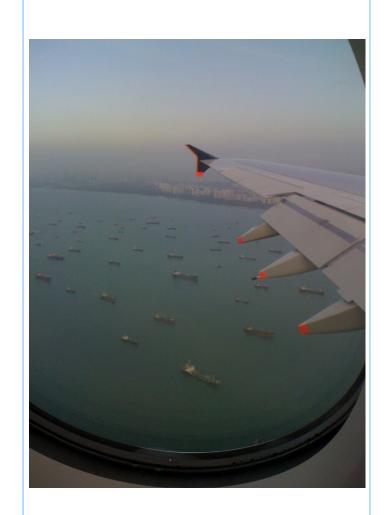
Port Financial Challenges in Tough Economic Times

American Association of Port Authorities

May 6, 2009

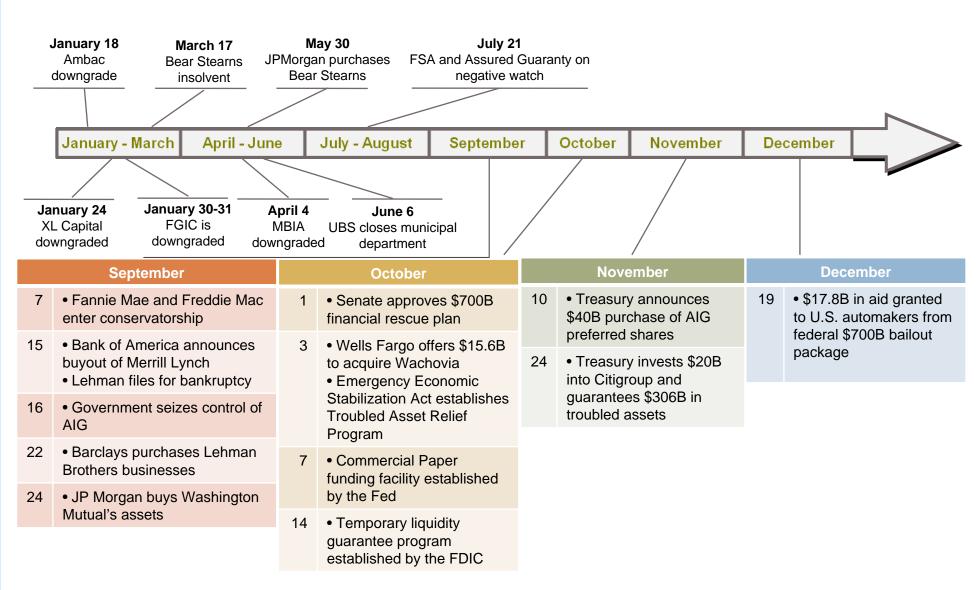
Presented by
Rodney Oliver,
Deputy Executive Director & CFO, VPA





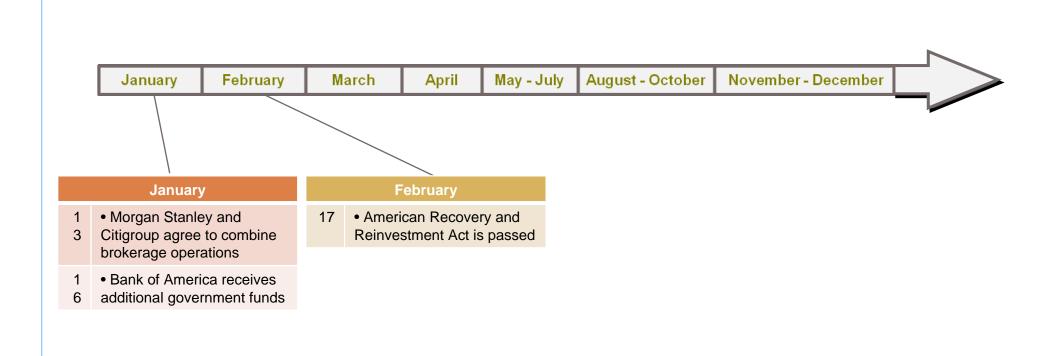
2008: A New Landscape





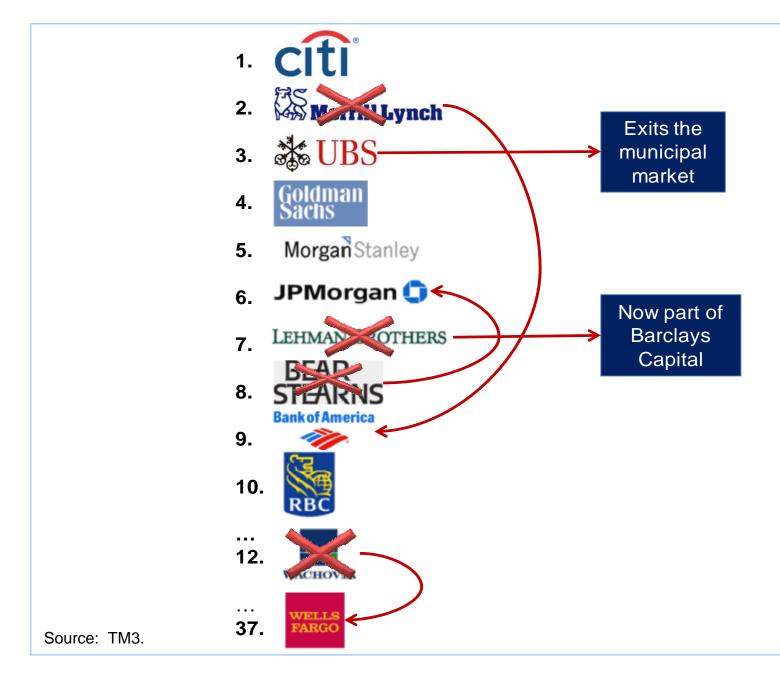
2009: Continued Change





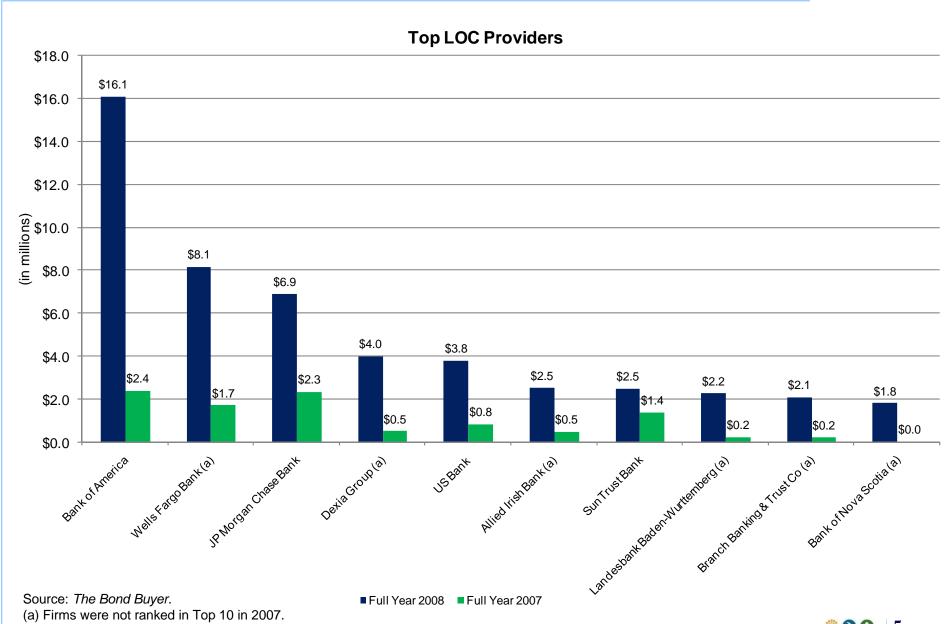
Underwriter Landscape





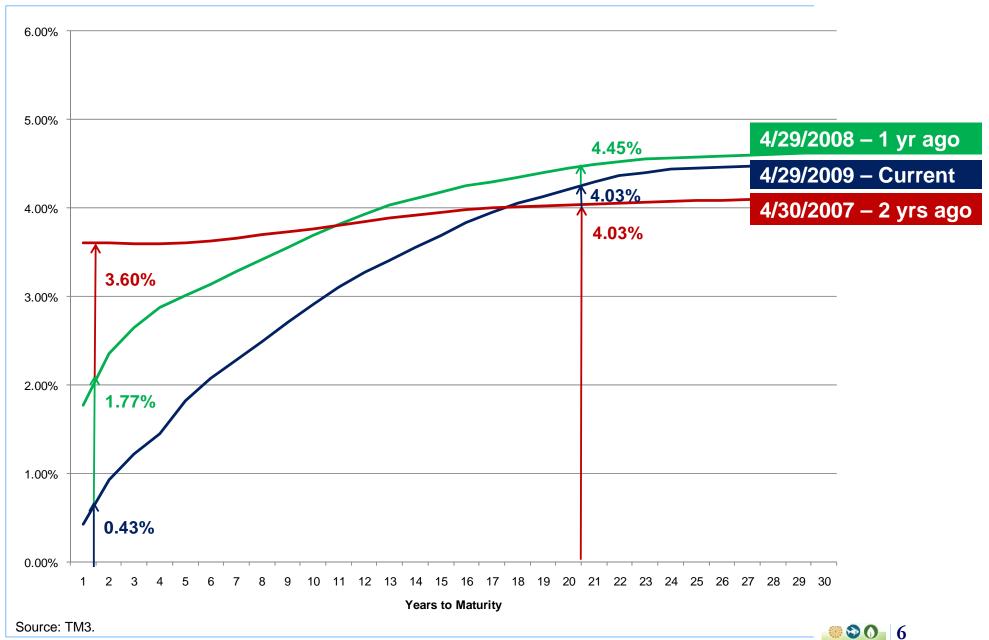
Letter of Credit Activity





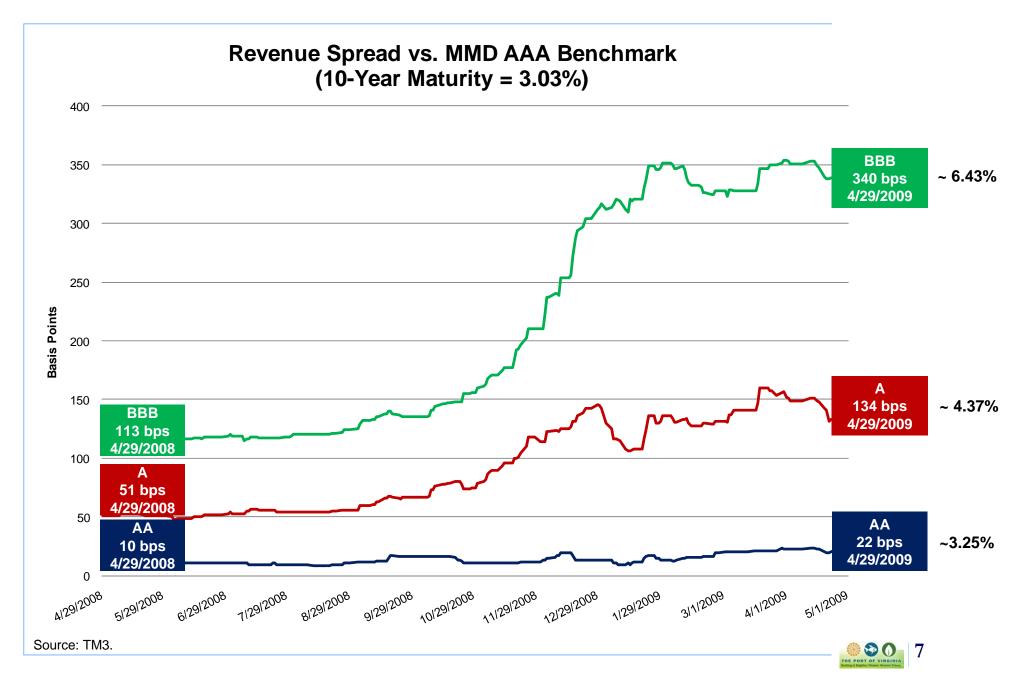
Comparison of Municipal Bond Rates





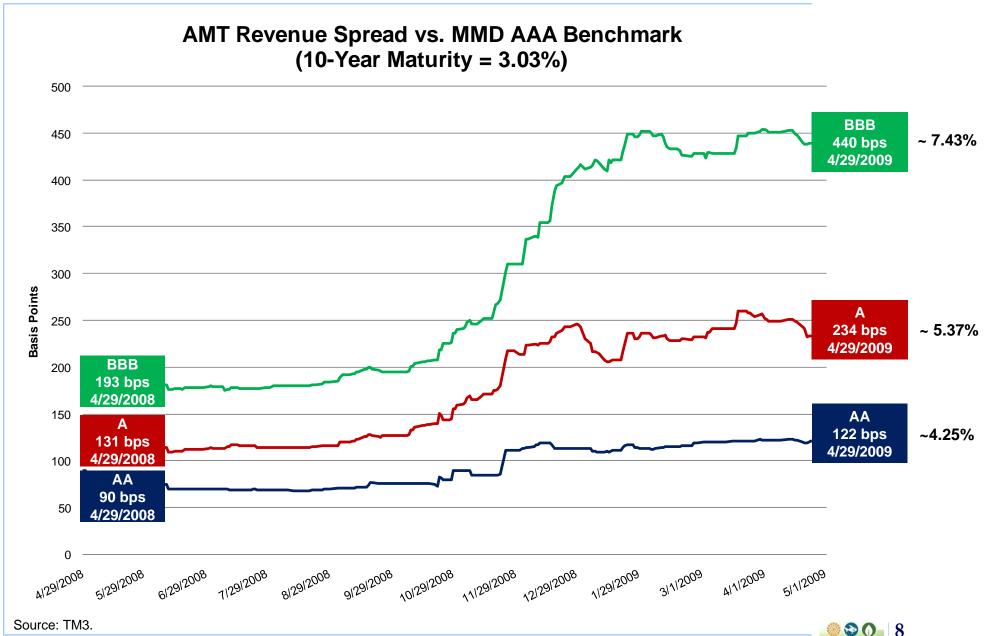
Credit Spreads Have Widened





AMT Spreads Have Widened





Stimulus Legislation Allows Non-AMT Issuance



- On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (the "Recovery Act")
- This legislation provided many new financing techniques to municipal borrowers
- An important provision for ports is a temporary suspension of the AMT as applied to tax-exempt bonds
 - Repeals the AMT for new money private activity bonds issued in 2009 and 2010
 - Allows for AMT bonds issued between January 1, 2004 and December 31, 2008 to be currently refunded with non-AMT bonds in 2009 and 2010, assuming those bonds have a call date in 2009 and 2010

Privatizations Slowed by Financial Conditions and Credit Crunch



- Financial market conditions have made arranging financing much more difficult for privatizations
 - Many fewer P3s have closed over the past year
 - Financing techniques used in the past can not be executed in today's market
 - Bank financing more difficult and terms more onerous
 - In recent years, many P3 financing plans utilized bank loans and assumed rollovers of bank facilities in 3 to 5 years or long-term takeout financings in the future
 - In the current market, bank facilities are often not available for more than one year and pricing is much less favorable
 - Market access problematic for lower rated credits
 - "A" rated credits and below have widened dramatically over the past year when compared to a "AAA" benchmark
 - For A rated bonds, from 51 bps a year ago to 134 bps today
 - For BBB rated bonds, from 113 bps a year ago to 340 bps today

Current Privatization Trends



- Generally lower valuations than earlier in the decade
 - Reduced EBITDA multiples
 - High multiples of 30x to 40x EBITDA paid in recent years likely not duplicated in near to medium term
 - Multiples expected to be in the 10x to 20x EBITDA range
 - Lower upfront payments
 - Credit crisis and global financial difficulties will continue to slow privatization activity in the U.S.
- More reliance on annual rent payments and revenue sharing
 - Port of Oakland structure is closer to what is anticipated
- Shorter concession lengths
 - 50 years rather than 99 years

Stability of Shiplines in Question

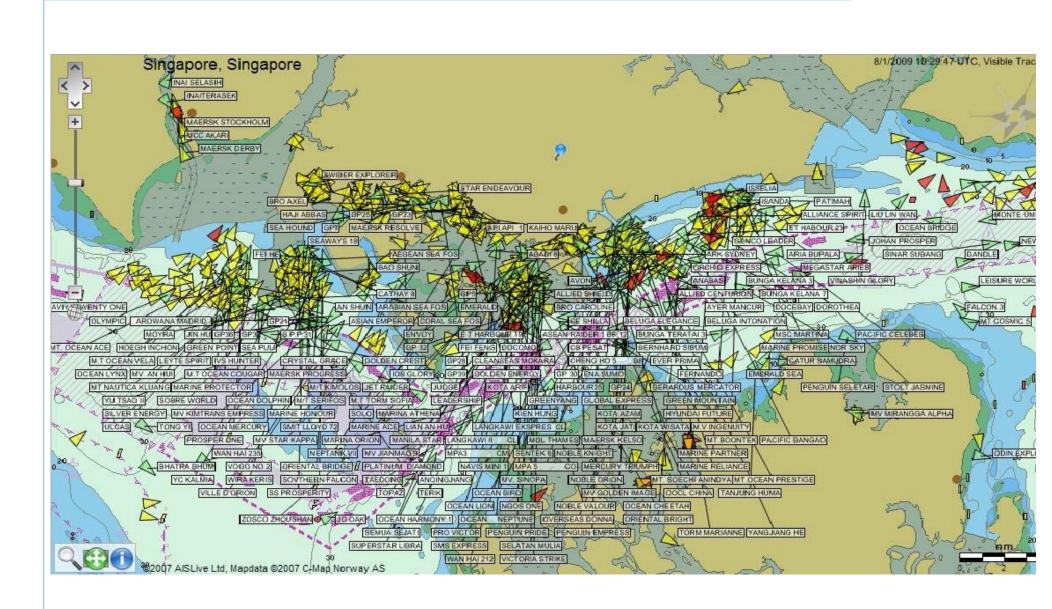


- Shiplines were overly optimistic
- Economic downturn has been particularly hard on international trade
- Throughout the shipping industry, shipping companies' earnings per day were down 48.9% through February 2009, compared to the 10 year average

Shipline	Date Downgraded	Rating Agency	Description	
CMA-CGM	3/23/2009	Moody's	Revised outlook from Ba1 to Ba1 (neg watch)	
	3/17/2009	S&P	Revised outlook from BB+ to BB+ (neg watch)	
	12/16/2008	Fitch	Downgraded from BBB- to BB+ (neg outlook)	
CSAV	4/2/2009	S&P	Downgraded from BB- (neg watch) to B- (neg watch)	
	3/17/2009	Fitch	Downgraded from A (stable) to BBB (neg watch)	
Nippon Yusen KK (A3/BBB+/NR)	4/10/2009	S&P	Revised outlook from BBB+ (stable) to BBB+ (neg watch)	

Ships Anchored in the Singapore Harbor (January, 2009)





Top 20 Containerlines' Capacity on Order



Carrier	Ships	TEUs	Ships Ordered	Ordered TEUs	% Capacity on Order
1. Maersk Line	538	2,027	82	411	20.2%
2. Mediterranean Shipping Co.	427	1,457	54	637	43.7%
3. CMA CGM	380	991	74	597	60.2%
4. Evergreen	174	623	0	0	0.0%
5. Hapag-Lloyd	131	496	14	123	24.7%
6. COSCO	150	489	63	452	92.4%
7. APL	133	483	25	183	37.8%
8. China Shipping	142	447	29	227	50.8%
9. NYK	117	424	31	176	41.5%
10. MOL	111	379	36	205	54.0%
11. Hanjin	88	369	34	288	78.0%
12. OOCL	85	361	20	130	36.0%
13. "K "Line	95	318	36	174	54.7%
14. Hamburg Sud	119	315	29	152	48.2%
15. Yang Ming	81	301	28	175	58.1%
16. CSAV	95	295	25	185	62.7%
17. ZIM	98	262	42	295	112.5%
18. Hyundai	57	249	14	133	53.4%
19. PIL	111	186	21	79	42.4%
20. United Arab Shipping Co.	47	154	18	159	103.2%
Top 20 Totals	3,179	10,626	675	4,781	45.0%

AAPA Finance Committee Work



- Leadership succession and recruitment
- Legislation Exempting Seaports from the AMT
- Strategic Planning session in October 2008 for AAPA Leadership
- Seaports and the Financial Crisis Webinar initiated
- Three webinars so far:
 - Financial Crisis and Potential Impact on Ports (November 2008, 40 ports participated)
 - Macro and Micro Economic Conditions (February 2009, 34 ports participated)
 - American Recovery and Reinvestment Tax Act of 2009 ("Stimulus Act") and Grant Opportunities workshop