North American Port P3 Overview

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What is Port "Privatization"

- United Nations Conference on Trade and Development issued "Guidelines for Port Authorities and Governments on the Privatization of Port Facilities" in 1998.

    - Defined Privatization as "the transfer of ownership assets from the public to the private sector or the application of private capital to fund investments in port facilities, equipment and systems.

What is Port "Privatization"

- Most Common Methods are:
  - Licenses and concessions
  - Leasehold contracts
  - Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and Build-Own-Operate and Transfer (BOOT)
- Forms of Privatization
  - Comprehensive Privatization – private company becomes owner of all land and water areas and assets within that port area
  - Partial Privatization – part of the assets and activities of a public port are transferred (concession granted by a public port to a private company to build and operate a terminal or a specialized port facility)
  - Full Privatization – complete ownership of a facility or service provider is entirely in private hands (e.g. ownership of specific terminal facility)
  - Part Privatization – one facility is owned by the public port and by a private sector entity, e.g., a joint venture agreement

What is Port "Privatization"

- Revenue Backing
  - Specified Contractual payments
  - Lease
  - Tolls and fees
  - Project revenues
  - availability payments based on particular milestones or performance standards

Source: United Nations Conference on Trade and Development; *Guidelines for Port Authorities and Governments on the Privatization of Port Facilities*. September 23, 1998.

Infrastructure Finance Overview

- ❖ Credit Crisis continues to have significant effect on P3 project financing, especially Europe
- ❖ European sovereign crisis driving banks and concessionaires to sell assets in the secondary markets
- ❖ 125 Infrastructure Funds in the market, with roughly $90 billion + Co-investment rights from large pension, SWF, insurance LPs

Infrastructure Finance Overview

- US is dominated by tax-exempt financing and serves as the public sector baselines for all projects costs / risks

- US $3 trillion tax-exempt market mindset is a major challenge in expanding P3 Infrastructure market development

- US tax-exempt culture and public funds (federal, state, local) dominate public sector mindset

- Risk transfer concepts are difficult to penetrate US public sector

Infrastructure Finance Overview

- Higher-rated ports, especially in the Aa1 range, typically have some type of governmental (state, county or local) financial support
- Ratings for large container and container/cruise ports are generally in range from Aa2 to A2
- Smaller ports and niche ports range from A3 to Baa3

Source: Moody's Investors Service

Infrastructure Finance Overview

- Historic sources of non-private funding
- Federal
  - Terminals - Economic Development Administration grants, some Federal Highway funding for cruise, potential for Marine Highway funding)
  - Intermodal - ISTEA and iterations, TIFIA, TIGER
  - Channels – Corps of Engineers (GI, CG, O&M)
- Non-federal
  - Tax exempt bonds
  - State or other local contributions, grants
  - Port operating revenue

North American Port P3s

- Public-private partnerships are clearly an emerging area of interest across the transportation industry, largely driven by lack of capital availability and the need for expedited implementation of transportation projects

- Consideration of P3s for water transportation systems, including ports, navigation locks, inland waterways and related infrastructure, is increasing to improve system performance and respond to constrained public sector funding. Private-sector participation can provide needed capital investment

- As government resources get consumed by other demands, an ever increasing option is innovative funding through public-private partnerships. The past two decades have seen a steady increase in upfront private sector financial participation both for on-port projects and for connecting infrastructure

- With limited government money available for transportation infrastructure development, public-private partnerships increasingly are being implemented to facilitate critical projects throughout the Western Hemisphere. As public funds become tighter and tighter, there's a need to create options

- While the structure of such partnerships varies, PPPs typically are able to bring projects to completion faster than if only the public sector is relied upon

North American Port P3s

- PPPs can be particularly effective in addressing off-port infrastructure needs - often with the port as an advocate rather than formal sponsor.

- PPPs usually deliver benefits faster, but viewed alone, may not necessarily be cheaper for port projects, as port authorities have the advantage of access to tax-exempt financing.

- The PPP structure will transfer substantial risk for construction overruns and the long-term cost of operations and maintenance to the concessionaire.

- Similarly, as port budgets become stretched by the need to meet security mandates and other demands, port authorities are relying upon users to help finance infrastructure.

- PPP-like models more conducive to certain activities with fee/toll/measurable quantity structures

  - Marine terminals

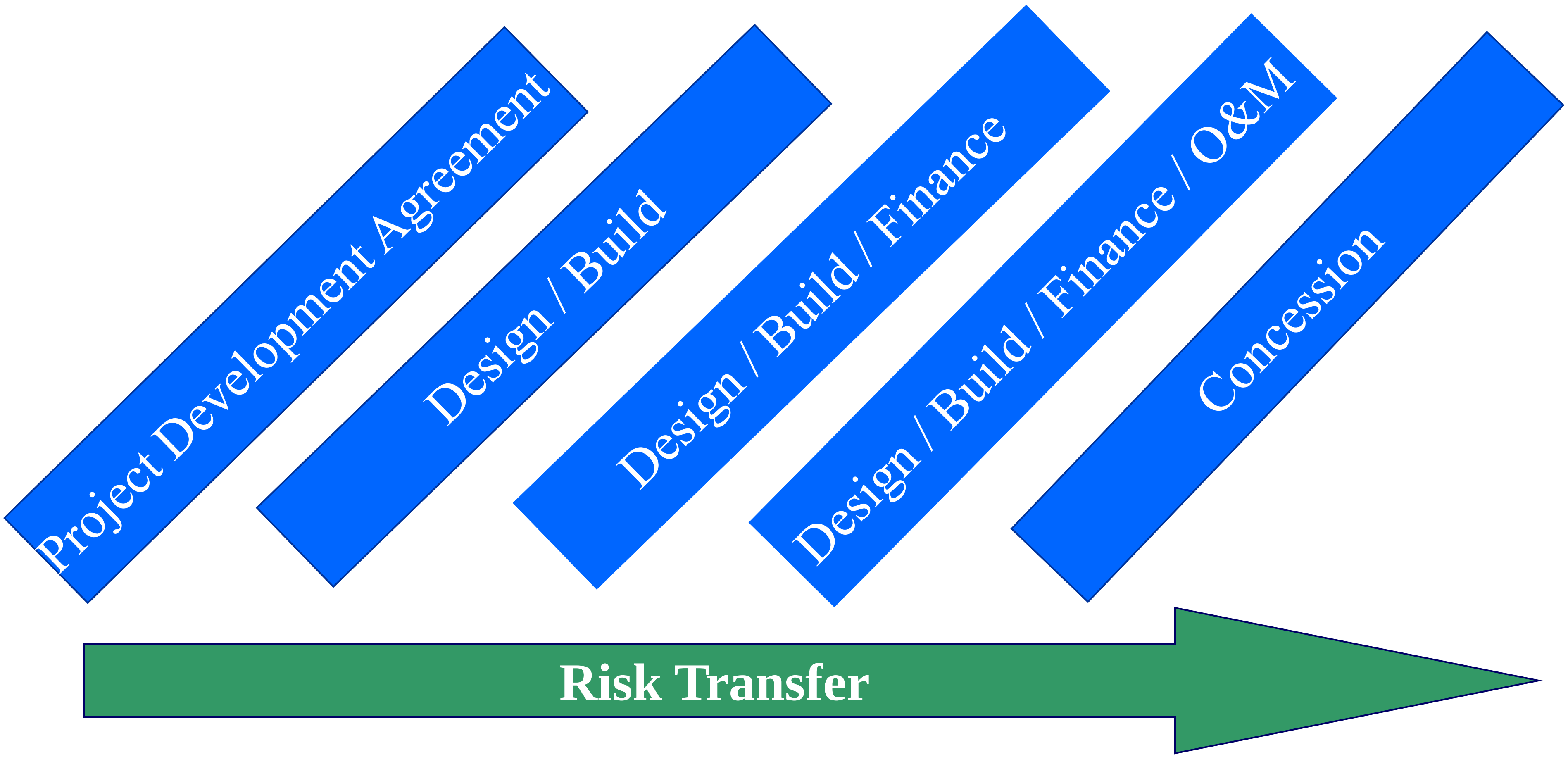
  - Intermodal terminals

- Dredging has been difficult to tackle

Maritime Facility Lease

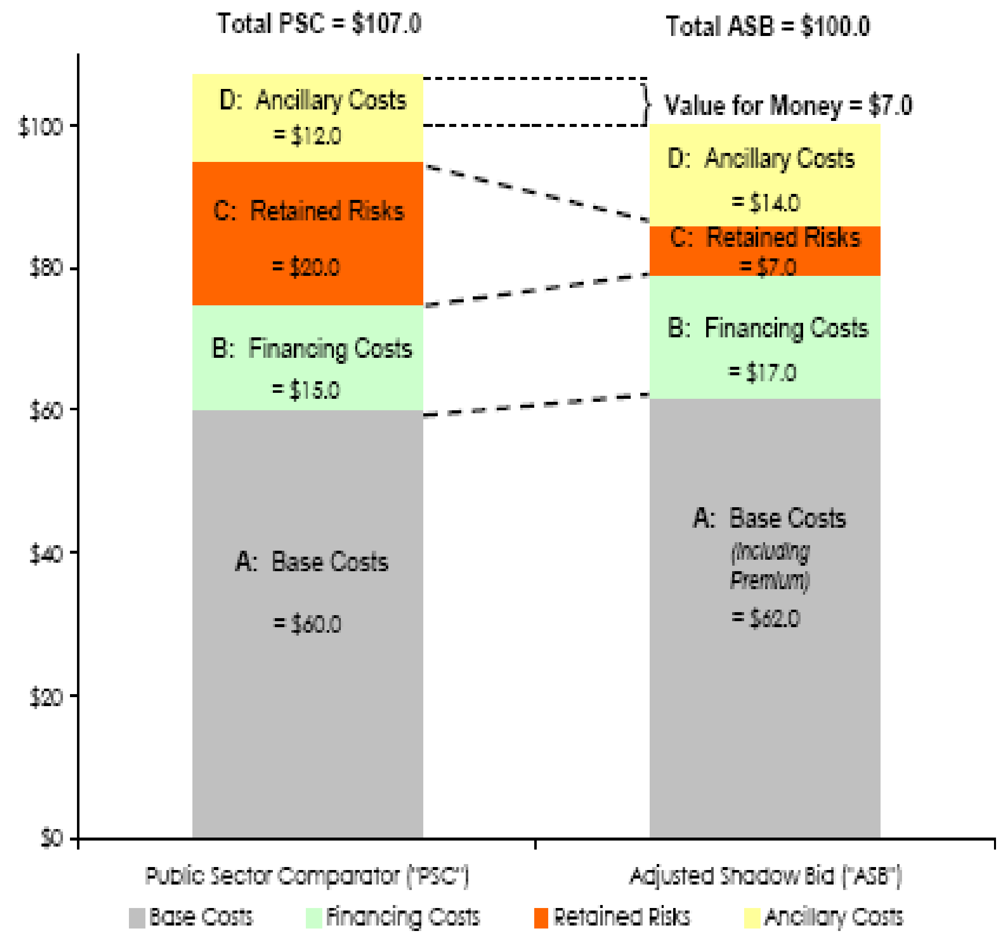
- The ubiquity of credit constraints for all 300 US ports is generating an emerging maritime specific finance product.
- The concept provides a low cost solution, although +100bps higher than tax-exempt offerings, but utilizes a simple structured operating lease, which by construct does not impinge existing credit constraints or encumber debt caps.
- The concept is port sector specific and allows the public sector to retain full control of the asset during and after end of the lease
- The concept is a "*Maritime Facility Lease*".
- This operating lease is credit driven and enables various lifecycle investments for existing operations and related improvements, which often fall out of major capital programs because of the limitations of public finance.

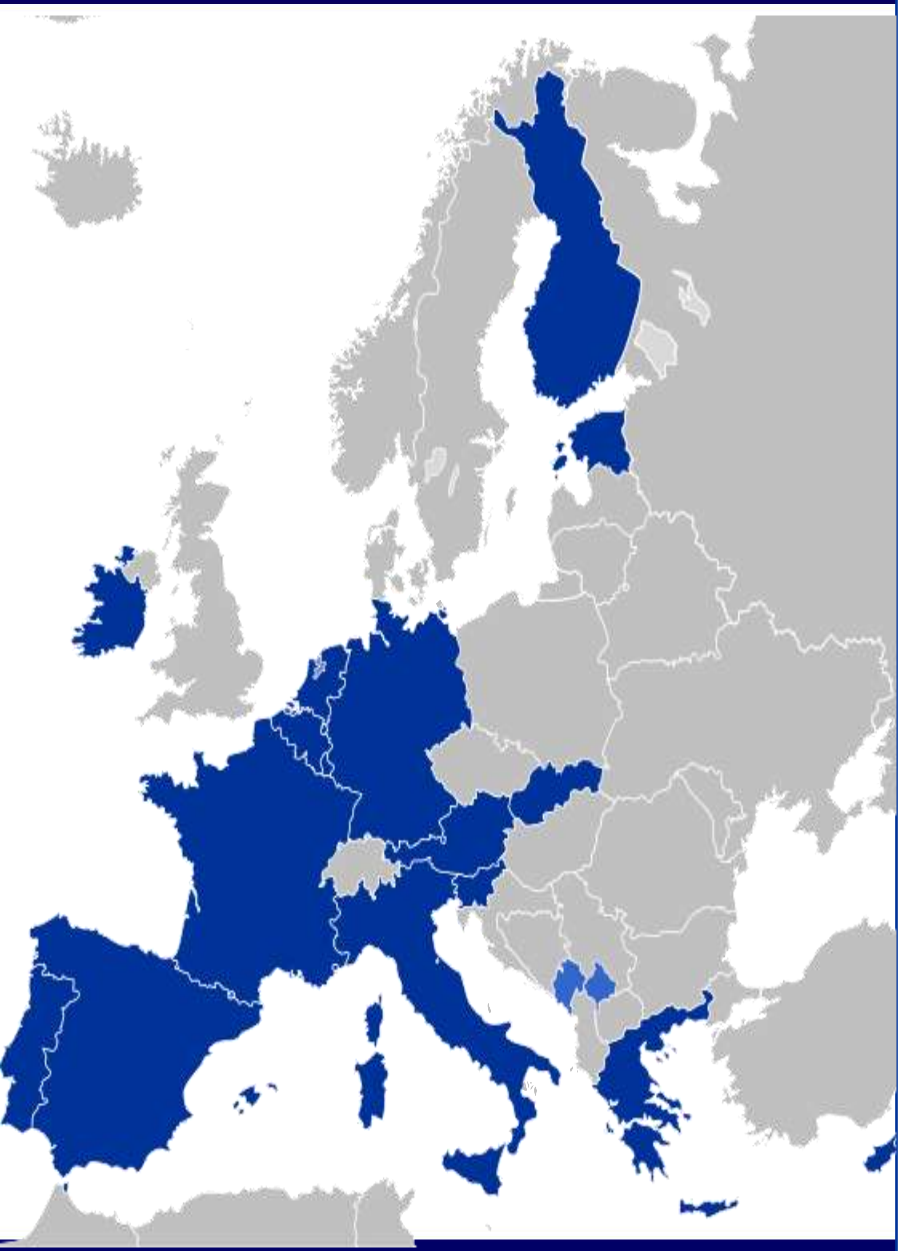
Risk Transfer



Risk Transfer in Value for Money

Model #1 Public Sector Comparator (PSC)	Model #2 Adjusted Shadow Bid (ASB)
Total estimated costs to the public sector of delivering an infrastructure project using traditional procurement processes	Total estimated costs to the public sector of delivering the same project to the identical specifications using AFP





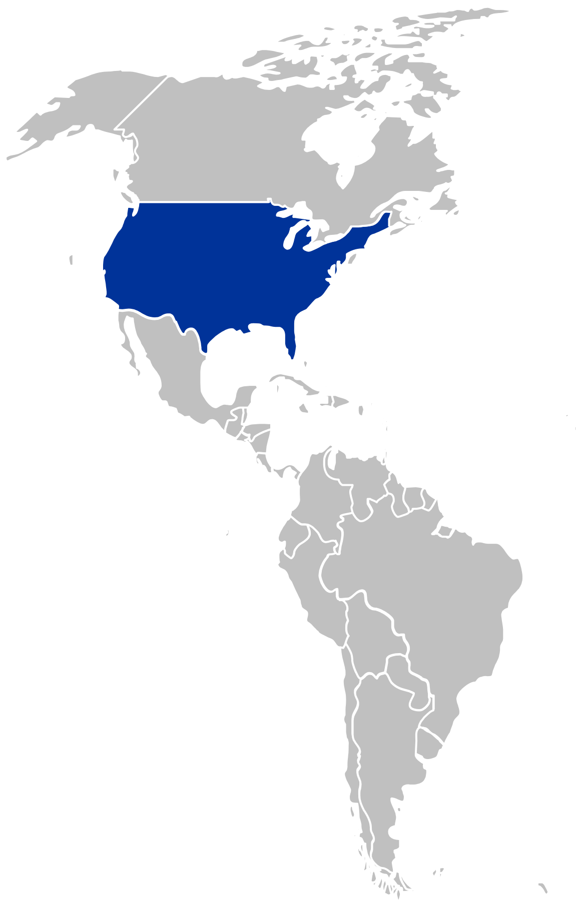
Euro Zone PPP Market (17 Countries)

- ❖ 722 Projects completed since ’07
- ❖ UK completed 277 projects alone
- ❖ 207 P3 projects actively in process
- ❖ Predominant method worldwide
- ❖ Decades of experience /
- ❖ More standardized procedures / transparency / pricing / dominant method
- ❖ Value for Money methodologies
- ❖ 17 member counties plus UK, Sweden, Switzerland, Norway and Hungary, Latvia (EU Zone = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain)

European Infrastructure market

Canadian PPP Market

- ❖ 94 Projects completed since ’07
- ❖ $29.2 billion in value
- ❖ 15 P3 Projects actively in process (+$6.5B)
- ❖ Political transparency in deal process
- ❖ Standardized methods and procedures
- ❖ Stable, well orchestrated tender process
- ❖ Value for Money methodology
- ❖ Resulting in a very competitive market from leading concessionaires

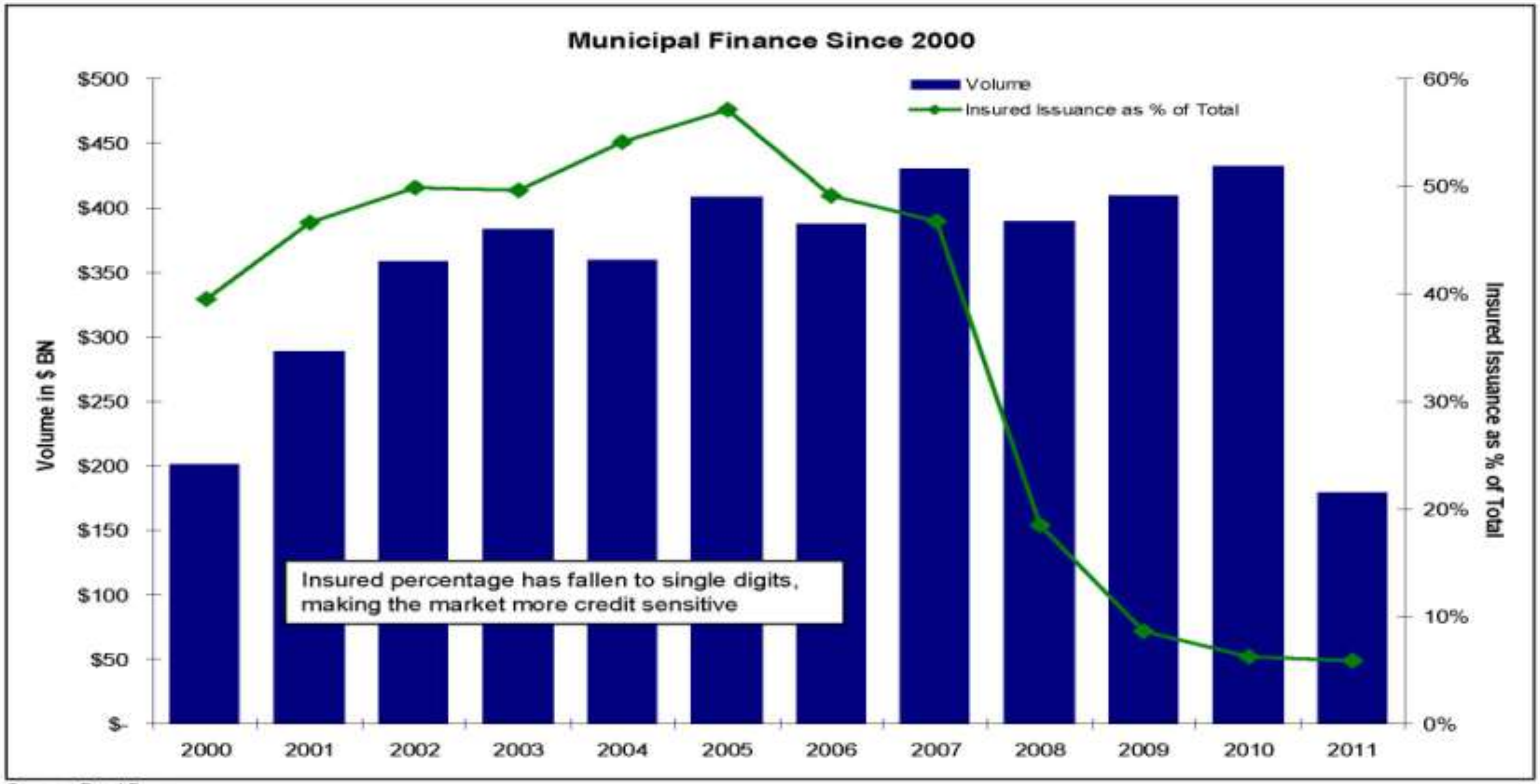


US P3 Market

- ❖ 23 Projects completed since ’07
- ❖ $17.3 billion in value (7 deals = $11.7B)
- ❖ 18 P3 projects actively in process ($18B+)
- ❖ Highly Fragmented / political risk
- ❖ Waning interest from concessionaires
- ❖ Municipal Tax-Exempt mindset from public sector leadership
- ❖ Munis serves as benchmark for Public Sector Comparator – undeveloped VfM
- ❖ Little O&M; Lifecycle, massive deferred maintenance; risks borne by public sector

US Infrastructure Dominated by Munis

Municipal Issuance Volume



Source: Bond Buyer

Record supply in 4Q10 combined with fiscal austerity has lead to a large decrease in 2011 new issuance

States with Projected Fiscal Year 2012 Budget Gaps

	FY12 Projected Shortfall		Shortfall as % of FY11 Budget
Nevada	$1.50	billion	45.20%
New Jersey	$10.50	billion	37.40%
Texas	$13.40	billion	31.50%
California	$25.40	billion	29.30%
Oregon	$1.80	billion	25.00%
Minnesota	$3.80	billion	23.60%
Louisiana	$1.60	billion	20.70%
New York	$10.00	billion	18.70%
Connecticut	$3.20	billion	18.00%
States Total	$111.90	billion	17.60%
South Carolina	$877	million	17.40%
Pennsylvania	$4.20	billion	16.40%
Vermont	$176	million	16.30%
Washington	$2.50	billion	16.20%
Maine	$436	million	16.10%
Florida	$3.60	billion	14.90%
Illinois	$4.90	billion	14.60%
Mississippi	$634	million	14.10%
Alabama	$979	million	13.90%
Colorado	$988	million	13.80%
Virginia	$2.00	billion	13.10%
Wisconsin	$1.80	billion	12.80%
North Carolina	$2.40	billion	12.70%

	FY12 Projected Shortfall		Shortfall as % of FY11 Budget
Arizona	$974	million	11.50%
Rhode Island	$331	million	11.30%
Ohio	$3.00	billion	11.00%
South Dakota	$127	million	10.90%
Maryland	$1.40	billion	10.70%
Oklahoma	$500	million	9.40%
Nebraska	$314	million	9.20%
Kentucky	$780	million	9.10%
Missouri	$704	million	9.10%
Kansas	$492	million	8.80%
New Mexico	$450	million	8.30%
Hawaii	$410	million	8.20%
Utah	$390	million	8.20%
Georgia	$1.30	billion	7.90%
Delaware	$208	million	6.30%
Michigan	$1.30	billion	5.90%
Massachusetts	$1.80	billion	5.70%
DC	$322	million	5.20%
Idaho	$92	million	3.90%
Iowa	$186	million	3.50%
Indiana	$270	million	2.00%
New Hampshire	DK	NA	
Tennessee	DK	NA	

Source: Center on Budget and Policy Priorities

Global Project Finance Review

Scorecard: Global Project Finance

Region	1/1/2011-12/31/2011 Proceeds US$m	No. Issues	1/1/2010-12/31/2010 Proceeds US$m	No. Issues	% Chge in Proceeds	
Global	214,506.6	613	207,433.2	602	3.4	▲
Americas	38,305.2	117	25,604.6	102	49.6	▲
Central America	1,879.2	9	2,163.6	8	-13.1	▼
South America	11,680.6	27	4,031.7	12	189.7	▲
Caribbean	1,156.0	3	561.0	3	106.1	▲
North America	23,589.4	78	18,848.3	79	25.2	▲
EMEA	84,884.3	242	83,838.0	263	1.2	▲
Africa/Middle East/Central Asia	17,440.5	31	19,302.8	28	-9.6	▼
North Africa	-	-	1,012.5	1	-	-
Sub-Saharan Africa	5,786.0	15	3,678.2	15	57.3	▲
Middle East	11,084.5	14	14,612.1	12	-24.1	▼
Central Asia	570.0	2	-	-	-	-
Europe	67,443.8	211	64,535.2	235	4.5	▲
Eastern Europe	15,302.0	21	5,787.2	26	164.4	▲
Western Europe	52,141.8	190	58,748.0	209	-11.2	▼
Asia-Pacific	89,793.2	238	97,309.0	226	-7.7	▼
Australasia	23,382.0	52	15,401.4	33	51.8	▲
Southeast Asia	14,035.9	41	10,665.4	25	31.6	▲
North Asia	6,449.6	21	17,947.7	38	-64.1	▼
South Asia	45,925.7	124	53,294.5	130	-13.8	▼
Japan	1,524.1	16	681.7	11	123.6	▲

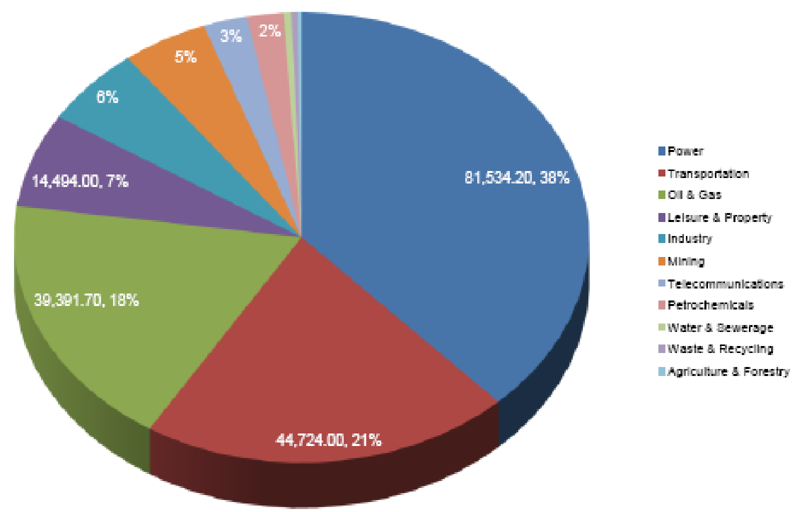
Sector Analysis

Project Finance Sector	1/1/2011-12/31/2011 Proceeds US$m	Mkt. Sh %	No. Issues	1/1/2010-12/31/2010 Proceeds US$m	Mkt. Sh %	No. Issues	Chg. in Mkt. Sh	
Power	81,534.2	38.0	299	75,385.2	36.3	275	1.7	▲
Transportation	44,724.0	20.9	110	50,033.3	24.1	107	-3.2	▼
Oil & Gas	39,391.7	18.4	63	25,393.8	12.2	43	6.2	▲
Leisure & Property	14,494.0	6.8	57	13,790.8	6.7	76	0.1	▲
Industry	12,154.9	5.7	17	6,453.0	3.1	17	2.6	▲
Mining	10,328.6	4.8	27	8,757.7	4.2	23	0.6	▲
Telecommunications	5,314.0	2.5	10	13.382.7	6.5	25	-4.0	▼
Petrochemicals	4,364.8	2.0	11	11,306.4	5.5	9	-3.5	▼
Water & Sewerage	997.2	0.5	8	1,577.5	0.8	17	-0.3	▼
Waste & Recycling	724.1	0.3	8	1,266.6	0.6	10	-0.3	▼
Agriculture & Forestry	479.0	0.2	3	86.3	-	1	0.2	▲
Industry Total	**214,506.6**	**100.0**	**613**	**207,433.2**	**100.0**	**602**		

Top Global Project Finance Deals — Jan 1 - Dec 31

Closing Date	Borrower	Package Amt US$m	Domicile Nation	Sector
10/26/2011	Nord Stream Gas Pipeline	5,419.7	Russian Fed	Oil & Gas
12/13/2011	Barzan Gas Plant	4,183.8	Qatar	Oil & Gas
7/22/2011	Vedanta Aluminium Ltd	3,642.3	India	Industry
3/4/2011	Nord Stream Phase 2	3,496.5	Russian Fed	Oil & Gas
3/29/2011	Aircel Ltd	3,424.3	India	Telecommunications
6/14/2011	LGV Sud Europe Atlantique	3,397.8	France	Transportation
2/1/2011	Resorts World at Sentosa	3,298.6	Singapore	Leisure & Property
9/9/2011	WICET	3,002.3	Australia	Mining
12/22/2011	Jubilee Oil Field Offshore	3,000.0	Ghana	Oil & Gas
8/31/2011	Newcastle Coal Infr Grp	2,944.7	Australia	Mining

Global Project Finance By Sector (US$m)



Note: 2011 League Tables are based on fully syndicated project finance volume unless otherwise noted. Previously, all League Tables were based on financial close or underwritten loan volume.

Americas Infrastructure

Americas Project Finance

Americas Project Finance Proceeds Jump 52% YoY | Power Industry Accounts for nearly 60% of Market

Scorecard: Americas Project Finance

	1/1/2011-12/31/2011		1/1/2010-12/31/2010		
	Proceeds US$m	*No. Issues*	*Proceeds US$m*	*No. Issues*	*% Chge in Proceeds*
Americas	38,305.2	117	25,604.6	102	49.6 ▲
North America	23,589.4	78	18,848.3	79	25.2 ▲
United States of America	18,455.0	61	13,537.2	53	36.3 ▲
Canada	5,134.4	17	5,311.1	26	-3.3 ▼
South America	11,680.6	27	4,031.7	12	189.7 ▲
Brazil	8,278.4	17	3,058.7	7	170.7 ▲
Chile	1,118.2	4	120.0	1	831.8 ▲
Central America	1,879.2	9	2,163.6	8	-13.1 ▼
Mexico	1,350.7	6	1,608.1	6	-16.0 ▼
Panama	528.5	3	205.5	1	157.2 ▲

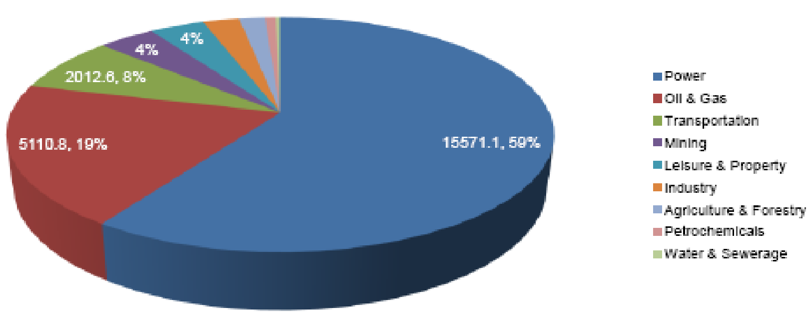
Top Americas Deals — Jan 1 - Dec 31

Close Date	Domicile Nation	Borrower	Package Amt US$(m)	Sector
6/29/2011	Brazil	Linhas de Xingu Transmissora	1,263.4	Power
11/1/2011	United States	Astoria II Power Plant	1,103.5	Power
7/13/2011	Brazil	Cidade de Paraty FPSO	1,000.0	Oil & Gas
9/29/2011	United States	Desert Sunlight	993.2	Power
10/25/2011	Brazil	OSX-2 FPSO	850.0	Oil & Gas
12/30/2011	Colombia	Refineria de Cartagena SA	850.0	Oil & Gas
6/24/2011	United States	Russell City Energy Center LLC	844.5	Power
9/22/2011	Puerto Rico	Metropistas	825.0	Transportation
5/20/2011	United States	Sentinel Energy Project	795.5	Power
4/27/2011	Canada	Cordova Gas Resources Ltd	788.8	Oil & Gas

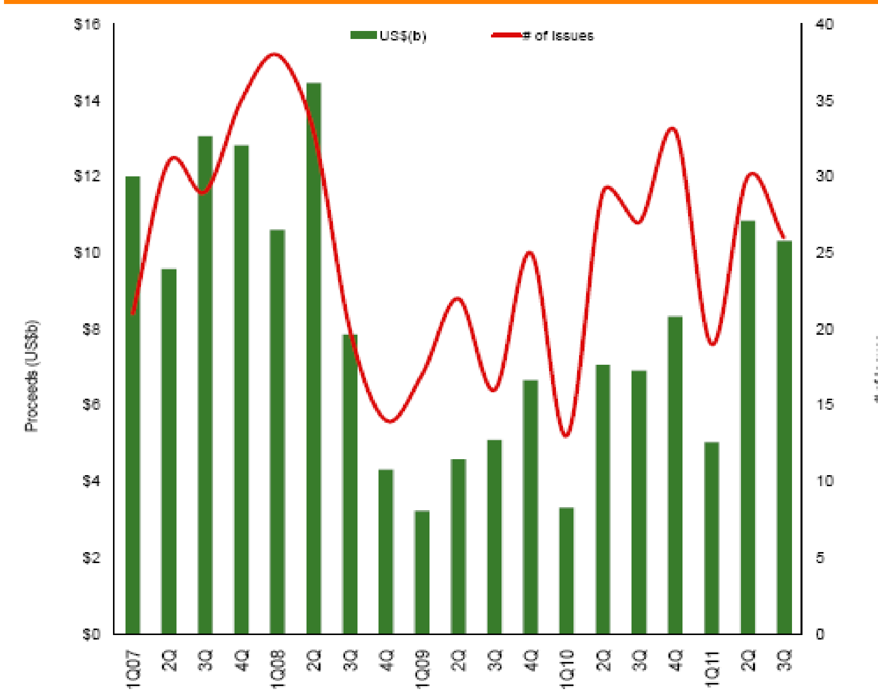
Sector Analysis — Jan 1 - Dec 31

	1/1/2011-12/31/2011			1/1/2010-12/31/2010			
Borrower Industry	*Proceeds US$m*	*Mkt. Sh %*	*No. Issues*	*Proceeds US$m*	*Mkt. Sh %*	*No. Issues*	*Chg. in Mkt. Sh*
Power	22,875.1	59.7	75	15,906.7	62.1	73	-2.4 ▼
Oil & Gas	8,459.8	22.1	20	4,717.0	18.4	8	3.7 ▲
Transportation	2,663.8	7.0	6	1,650.4	6.5	5	0.5 ▲
Leisure & Property	1,560.4	4.1	5	1,679.7	6.6	7	-2.5 ▼
Mining	1,308.6	3.4	5	1,108.8	4.3	6	-0.9 ▼
Industry	677.0	1.8	1	90.7	0.4	1	1.4 ▲
Agriculture & Forestry	479.0	1.3	3	86.3	0.3	1	1.0 ▲
Petrochemicals	200.0	0.5	1	365.0	1.4	1	-0.9 ▼
Industry Total	**38,223.7**	**100.0**	**116**	**25,604.6**	**100.0**	**102**	

Americas Project Finance By Sector (US$m)



Americas Project Finance Volume



2011 Infrastructure Transactions

- Despite the apparent match of public infrastructure needs and private infrastructure interest, only one transportation PPP closed in the US in 2011. It was the first P3 toll road brownfield project to close in the US since 2006.

Project	**Size**	**Sector**	**Description**	**Competing Teams**
Puerto Rico Highway Package Phase One (PR-22,PR-5) (closed Sept 2011)	$1.2B upfront fee + commitment to spend at least $56M on road safety in the first 3 years and $300m over the 40-year.	Brownfield Toll Road- 40 year concession	Goldman Sachs Infrastructure Partners II (GSIP II) (55%) and Abertis (45%) won the bid. $750M of total debt from 12 banks (Banco Popular, Bankia, Crédit Agricole, ING, Intesa Sanpaolo, La Caixa, RBC, Santander, Scotiabank, SG, Siemens Financial Services and WestLB	The 3 other shortlisted teams were: 1. CCR (Compahnia de Concessoes Rodoviarias) 2. Itinere and Citi Infrastructure Investors 3. OHL and Morgan Stanley Other teams to respond: -JP Morgan Infrastructure -Road Development of Puerto Rico (ICEIN/ CONCAY); -Interplan-Grodco-Consorcio Remix Development Group: -Grupo ODINSA.

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