Fitch Ratings

Enhancing Development Success Through Partnerships

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Agenda

I. Fitch Ratings Overview

II. Fitch's Approach To Ports

III. Financing Port Development

Fitch: A Global Presence

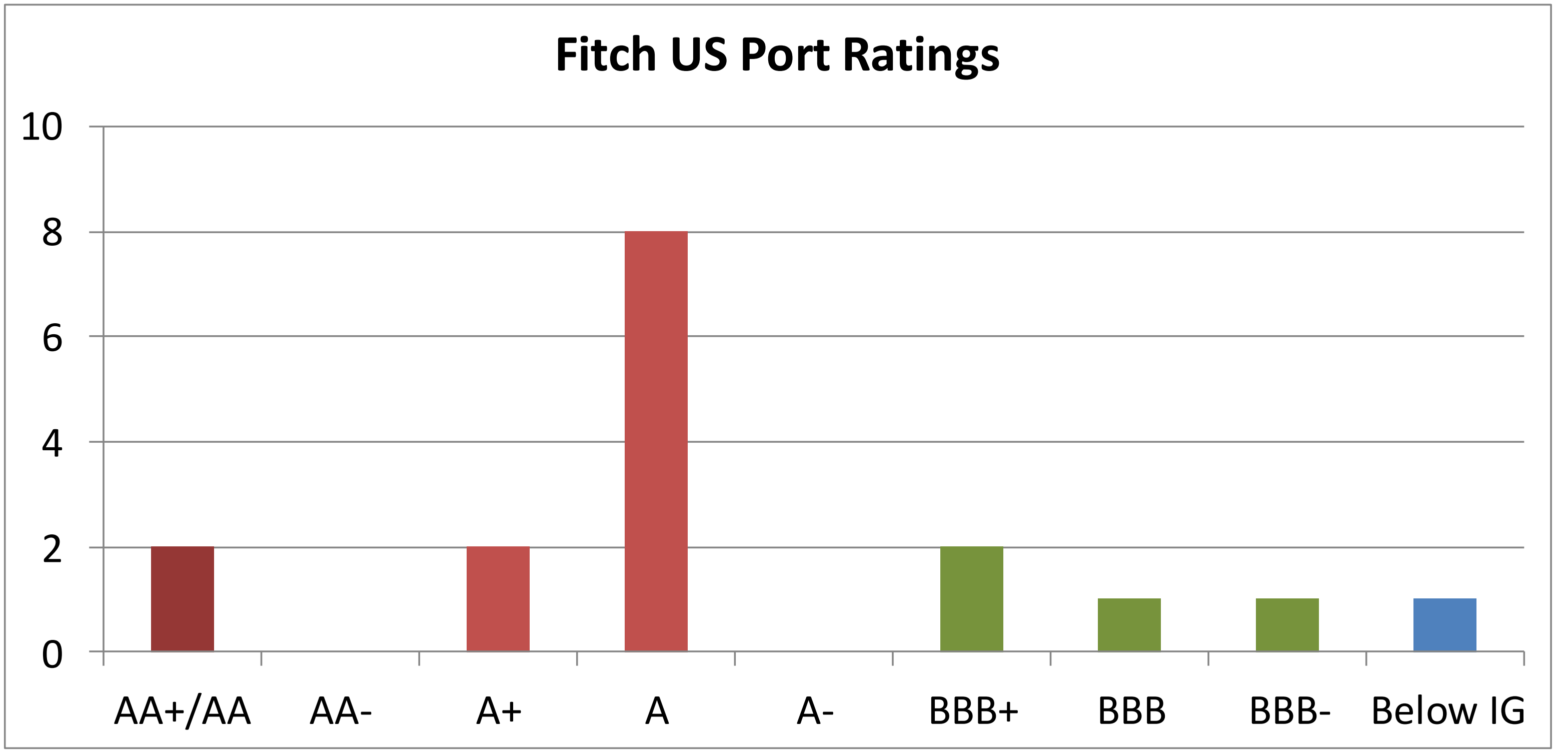
2,100 Employees in 50 Offices Worldwide

Ratings:

- 46,000 U.S. Municipal Transactions
- 2,700+ Public Finance Credits
- 8,700 Structured Transactions
- 6,000 Financial Institutions
- 2,000 Corporations
- 104 Sovereigns/207 Sub-Sovereigns
- 355 Global Infrastructure/Project Finance

Fitch U.S. Port Rating Distribution

Majority Of Ports Rated By Fitch Are In The 'A' Category Or Higher

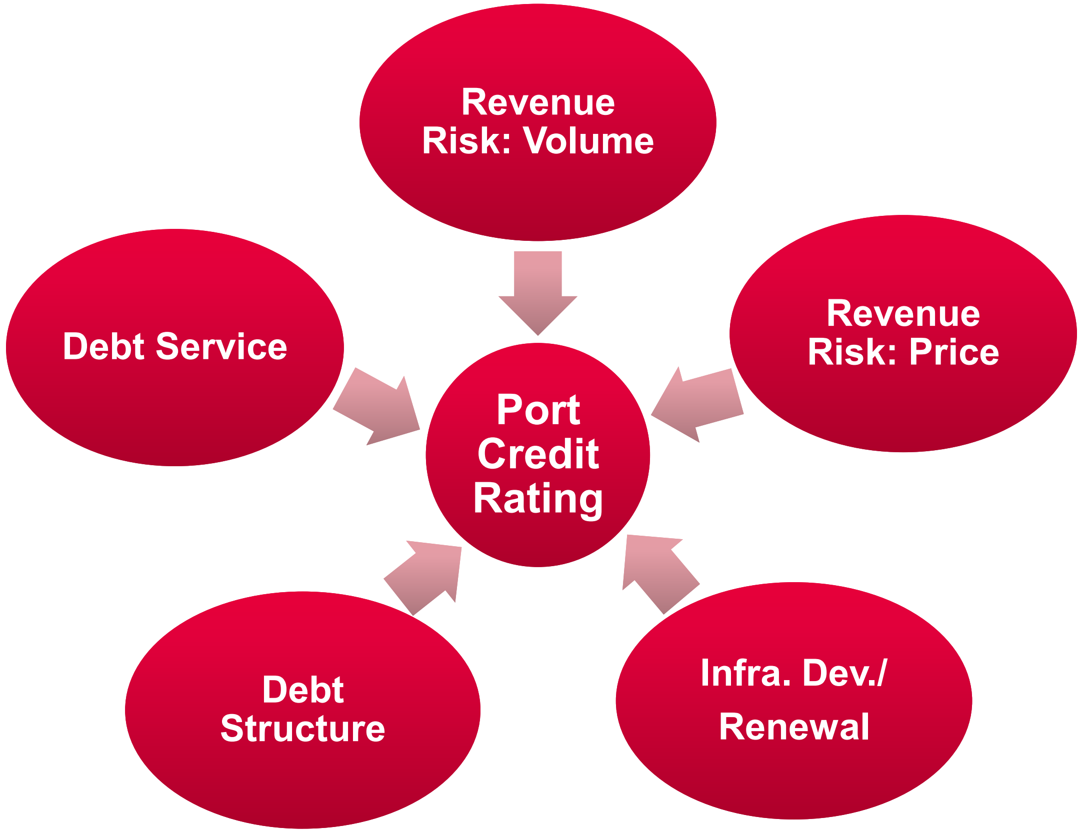


Port Ratings Are Resilient

Fitch Ratings' Rated Portfolio Through The Downturn:

- No Defaults on Rated Debt
- Downgrades/Negative Outlooks Occurred but Sector Rating Migration Minimal
- Very Few Credits Transitioned from Investment Grade to Below Investment Grade
- Ratings Consider Conservative Scenarios – Low/Flat Growth, Downturns

Ports Rating Rationale – 5 Key Drivers



Attribute Assessments:

Typical Rating Ranges

‘AA’ Category

- Primary ports, major markets, limited competition & low volatility, strong rating drivers

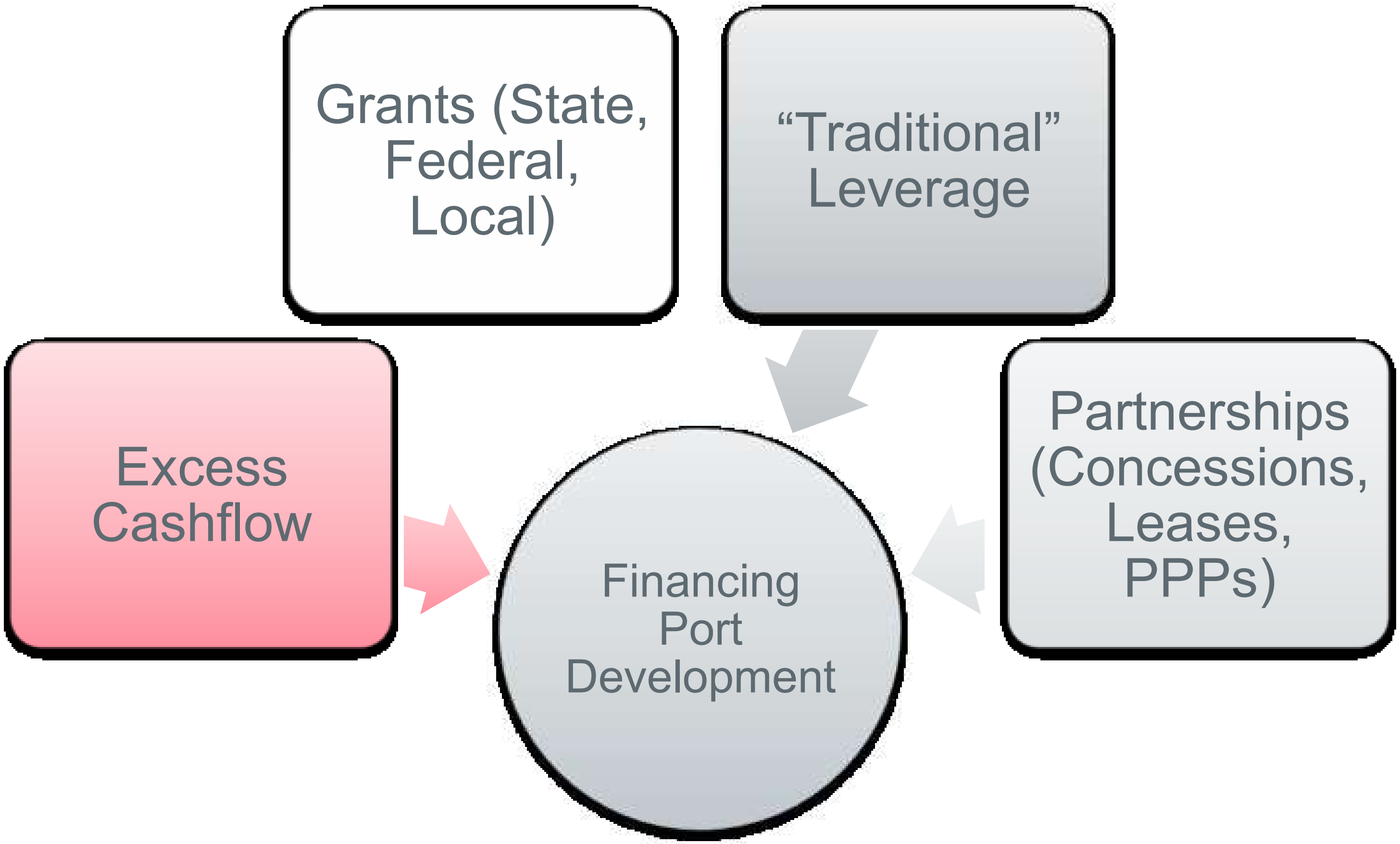
‘A’ Category

- Midsize / large markets, some competition & volatility, midrange rating drivers

‘BBB’ Category and Lower

- Smaller / midsize markets, concentrated, meaningful competition, midrange / weaker rating drivers including debt structures and security features

Financing Port Development



Every Source Has Benefits and Drawbacks…

Excess Cashflow:
"Pay As You Go" Development

- Pay for projects with excess unrestricted cashflow
- Allows ports flexibility - Avoids financing costs associated with leveraging, reporting requirements of grants, complexity of partnerships…
- …but limited to excess cash available
- Well suited for smaller scale capital projects, often paired with grants

Grants:
Federal, State, Local Sources

- Government awarded funds for specifically approved projects
- "Free" Money – Allows port to advance plans that fall within the mandate of a given program (security, rail development, air quality, etc)
- …but competitive, limited scope, "strings" attached

Large Projects = More Partners

<u>"Traditional" Leverage:</u>
Municipal Bonds

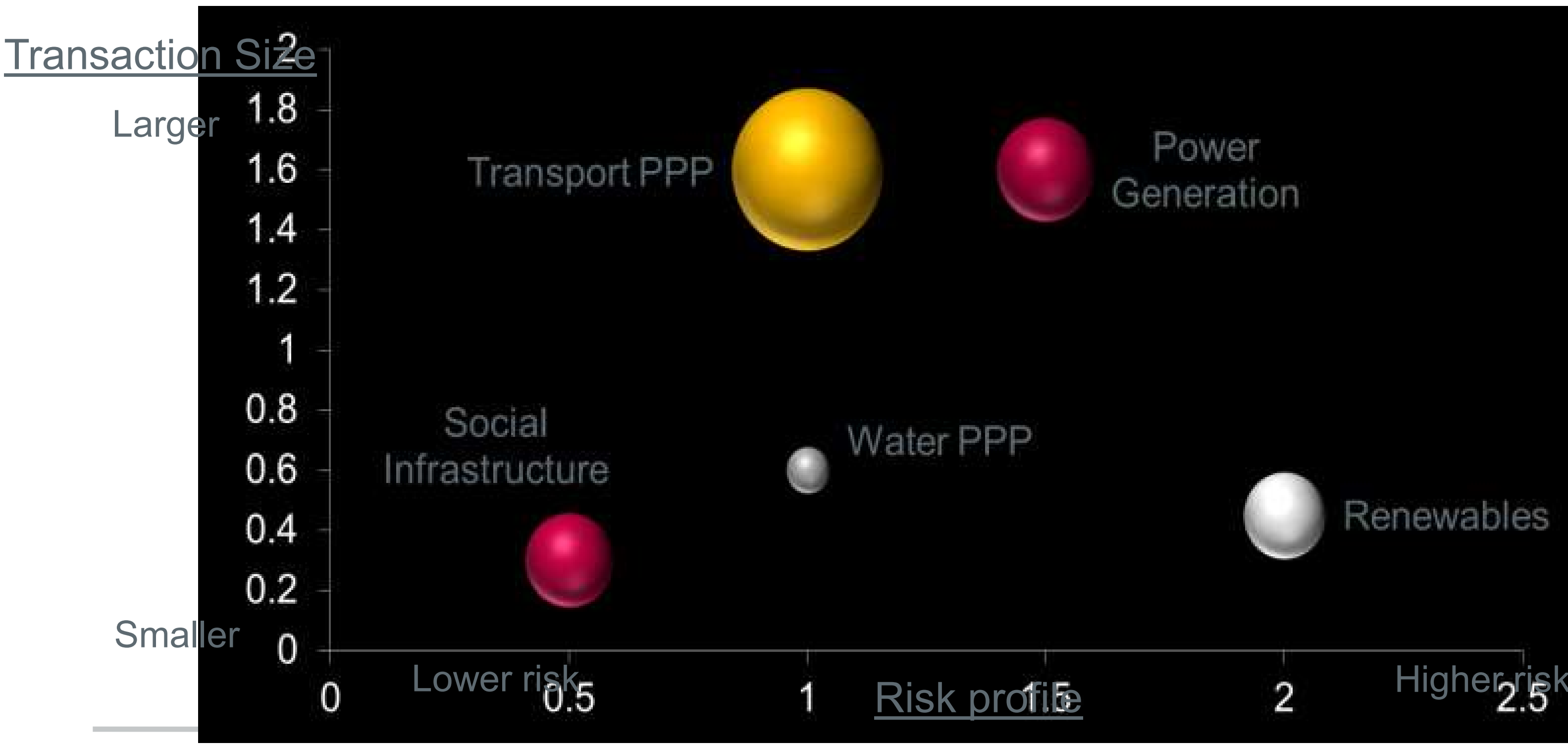
- Leveraging port revenues or tax revenues to pay for development projects
- Facilitates projects too large to fund with cash on hand
- Established market, relatively deep pockets/good appetite for bonds…
- …but access dependent on credit quality, long amortization periods
- Development, operating, maintenance responsibility remains with Port

<u>Private Partnerships:</u>
Leases, Concessions, Availability

- Various models that can give access to sizable funds for big projects
- Can mean risks are transferred (construction, operation, maintenance)…
- …but Port also relinquishes varying degrees of control
- Outside challenges can limit access (political etc)
- Not all models suitable for all projects

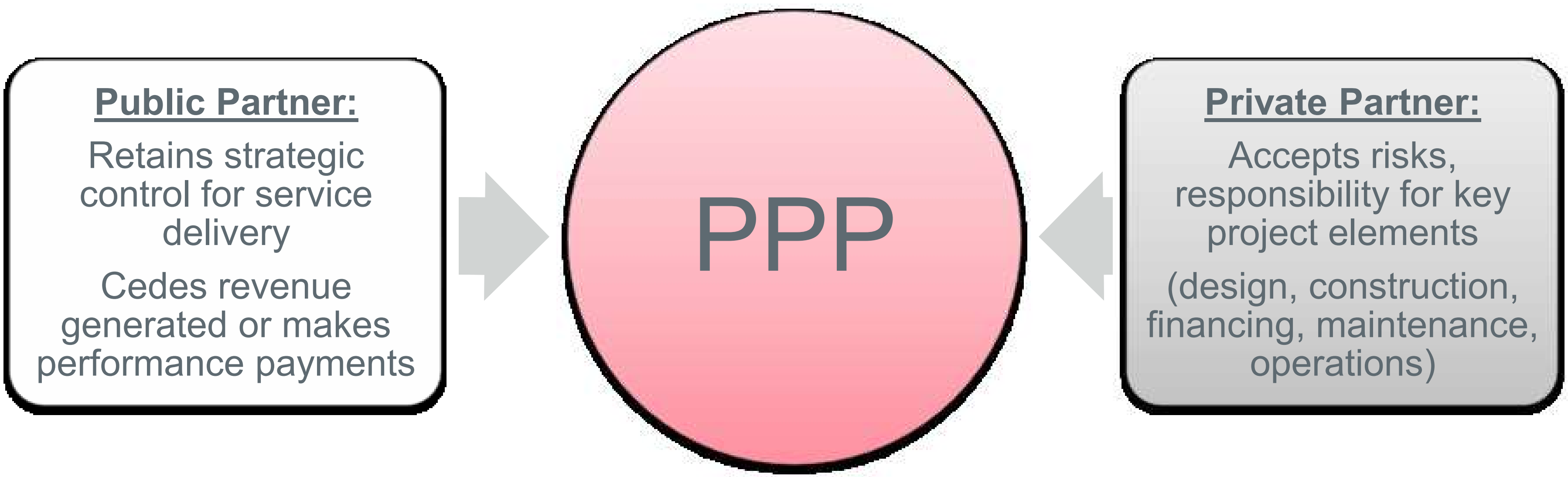
A Growing Pipeline for Private Partnerships

- Increasingly attractive due to limited/uncertain Federal, State and local level funding sources
- May be used to construct new or expand existing projects
- 66% of U.S. States have P3 enabling legislation



Common Characteristics of PPP Structures

- Long-term contractual arrangement to provide a service
- Designed to ensure value or control costs for the public sector while preserving ownership of the asset
- Transfer risks to the party best suited to handle that risk



Partnership Models

Long Leases	Concessions	Availability
• 20-30 year contracts for use of terminal, generally with minimum guarantees • At end of contract, possession of land reverts to port • Cranes, buildings, equipment may be financed and owned by lessor/operator • <u>*Examples*</u>*: LA, Long Beach, Landlord Ports*	• Multi-year concession for terminal(s) • Upfront payments with revenue sharing • CIP requirements and expansion provisions may be included • Ideal for terminals, revenue generating areas of the port • <u>*Examples*</u>*: Baltimore, Oakland, Virginia*	• Port retains control of asset • Improved certainty on project delivery, integrated construction and maintenance over term • Ideal for non-revenue generating "general use" areas • <u>*Examples*</u>*: Port of Miami Tunnel, Goethals Bridge*

How Do PPPs Perform?

- Success is mixed world-wide
- Mixed performance is more a reflection of complexity rather than of the structure/idea itself
- Long-term success a function of both parties ability and willingness to adjust to changing conditions and public expectations

Ratings Perspective: Factors to Consider

- Quality of revenue management
- Operating and maintenance efficiency
- Level of asset preservation
- Leverage and efficiency of debt management
- Project complexity and scale
- Contractor expertise and implementation plan
- Ability to replace contractor
- Core contractual terms
- Contractor rating and credit enhancement

Conclusion

- Both private and public partnerships can provide opportunities to address infrastructure needs
- Success dependent upon equitable sharing of benefits and risks
- Self supporting and non-self-supporting assets can be candidates
- Accelerating infrastructure development depends on a balanced environment with viable private and public sector options

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