



P3s for Port-Controlled Energy Cargo Facilities: An Equity Investor Perspective

- What We Look For
- Alternative Deal Structures
- Investment Criteria
- Getting to Win-Win

presented by

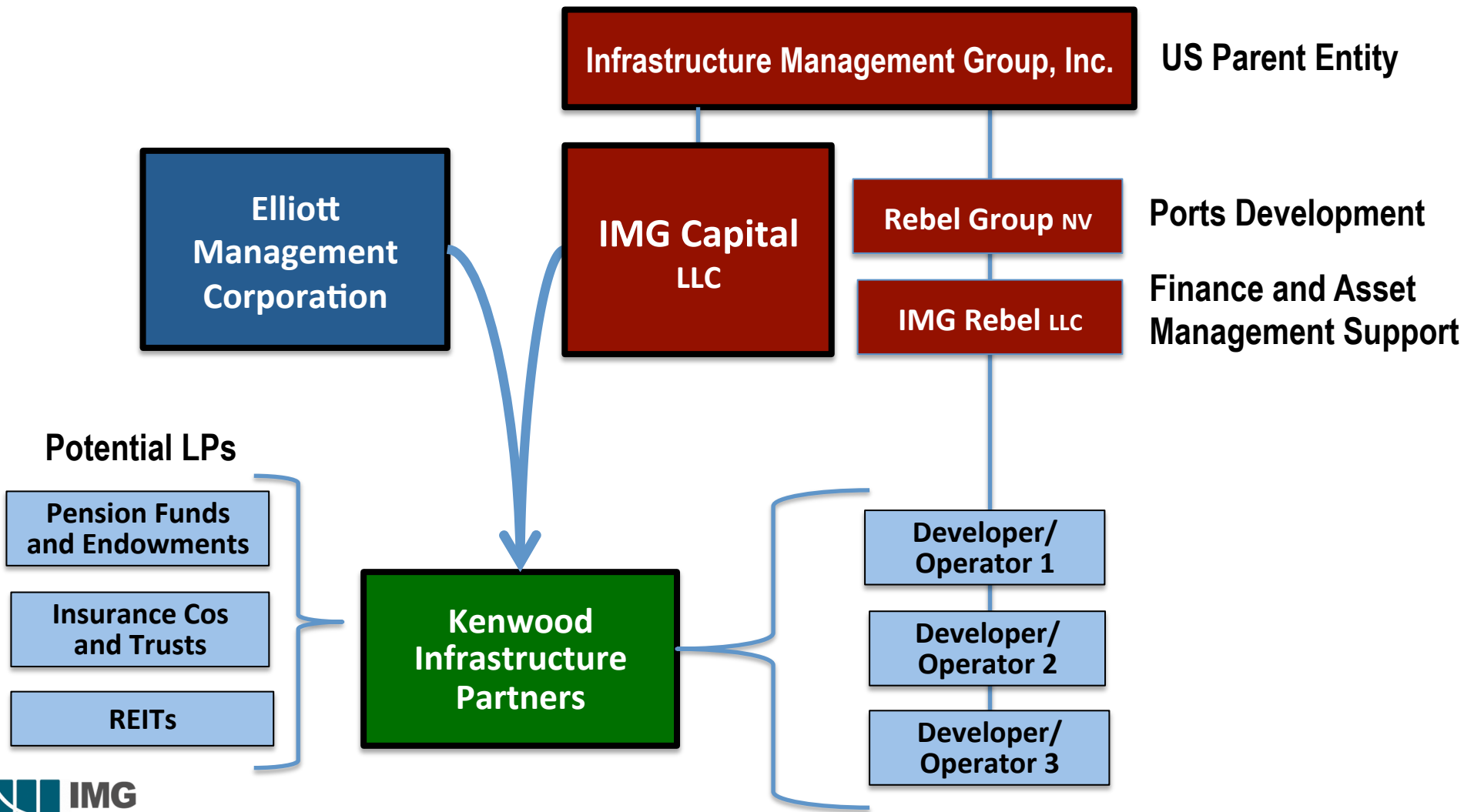
Steve Steckler, Chairman
Infrastructure Management Group and IMG Capital



Who We Are: IMG+EMC

- **Elliott Management Corporation (EMC)** is a New York-based investment firm with over \$23 billion under management
- **IMG Capital** is the investment arm of Infrastructure Management Group, Inc., which invests jointly with EMC through Kenwood Infrastructure Partners
- **Rebel Group NV**, headquartered in Rotterdam, has managed many of the largest port P3 transactions in the world
- **IMG Rebel** is the US financial advisory unit jointly owned by Infrastructure Management Group, Inc. and Rebel Group, NV. IMG has managed many of the ***largest infrastructure P3 transactions in US history***. Together IMG and Rebel have assisted nearly ***\$300 billion*** in global project financings

Our Investment and Value-Add Structure



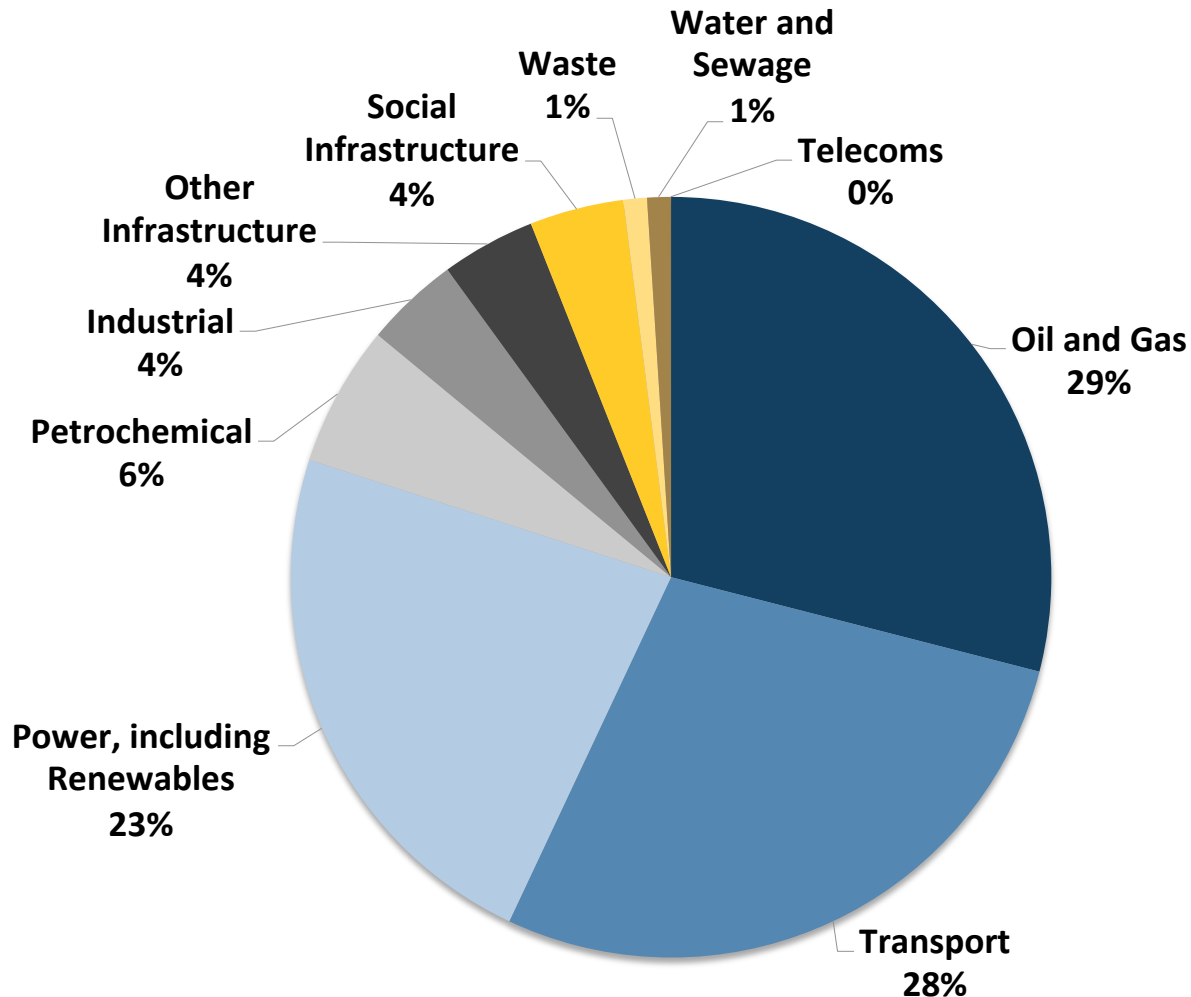
Why We're Comfortable With P3 Investments

1. **We've been on both sides of the table:** as direct investor, as the investor's advisor, and the government agent in negotiating P3 deals
2. **We have conducted P3 due diligence on our own account,** as well as and on behalf of investors, lenders and owners
3. **We've seen P3s die at every step in the process,** so we've learned how to get the deals done and how to make them last
4. **We've learned how to work with each constituency,** from regulators, the media and environmentalists, to organized labor, elected officials and the public
5. We believe there is such a thing as **profit in the public interest,** and we can prove that it exists

What We Typically Look For

1. **Low-profile projects sized \$30 - \$200 million or higher**, with clear need, supportive agency management and stable political environment
2. **Quality developer/operator** in need of equity capital, or agency in need of a specific new asset or upgrade
3. **Fee title or long-term P3 land lease**, in place or readily available
4. **Investment entry point** between early and middle of development cycle
5. **Real estate-like cash flows** with tenants and/or users with long-term put/pay or take/pay agreements
6. **Opportunities to add significant value** through technology, asset management and/or operational enhancements

Why Ports and Energy Cargo Stand Out



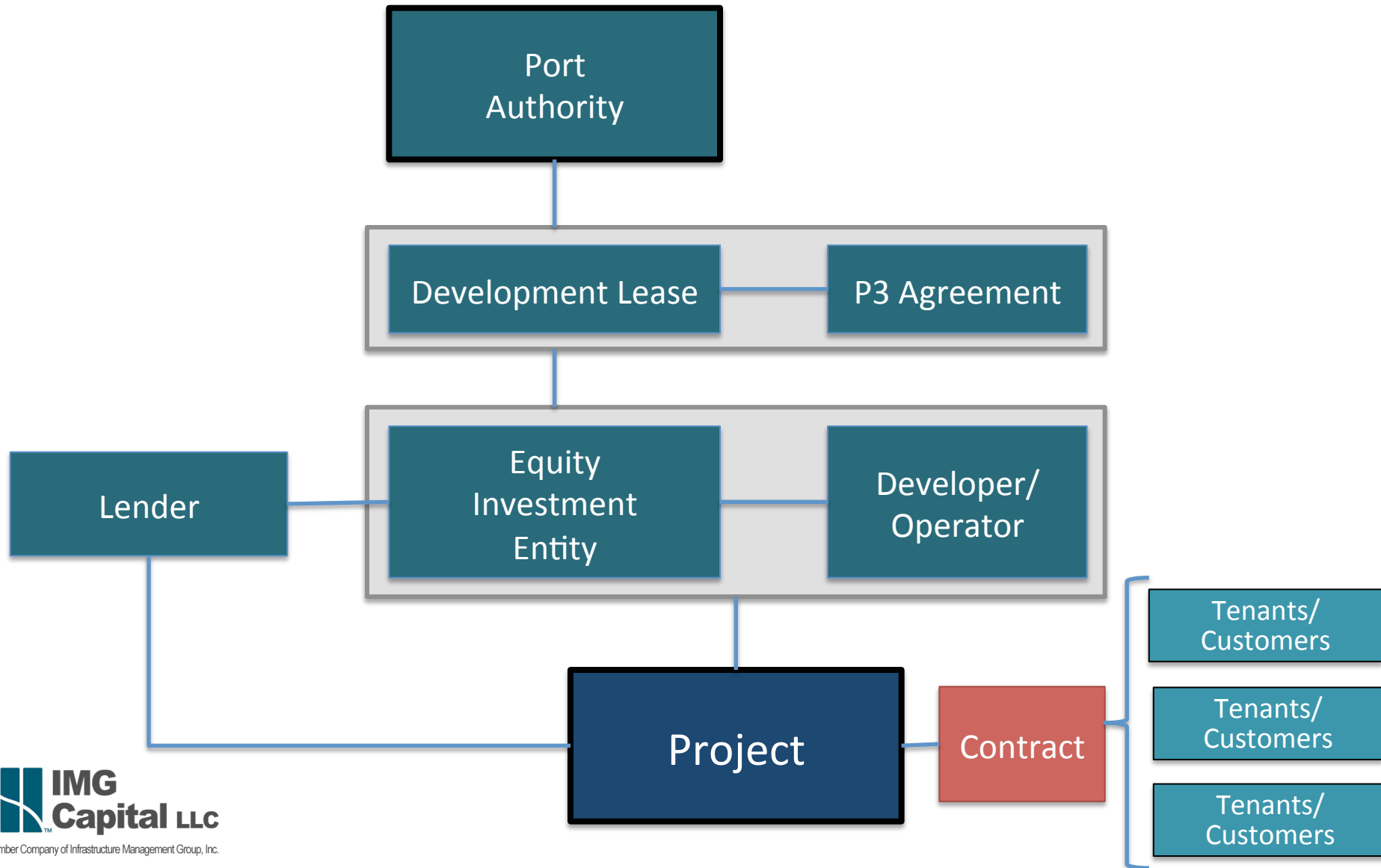
Why We Like Ports and Port Energy Projects (2)

1. **We're know them:** Rebel, based in Rotterdam with offices in every world region, has managed many of the largest port P3 projects in the world
2. Port agencies are demonstrably among the **most stable and reliable** public partners among all infrastructure modes. **Often with unusual powers.**
3. **Long-term** take/pay and/or put/pay contracts on energy cargo
4. Private partners in the arena have generally **good finances and credit**
5. While the global energy/chemical market is increasingly dynamic, the development agreements typically offer **modest market risk**, or risk that can be shouldered by buyer, shipper or supplier
6. There are usually multiple **opportunities for value added** via design, technology, management or volume growth

How We Drive the “V-f-M” Decision

- Target assets for which the **port cannot or does not want to** shoulder the market, operating, repair, replacement and technology risk
- Target assets that are **peripheral to the port’s core** landlord business
- **Add new value to the port:** risk transfer(!), faster development, design innovation, firm-fixed construction pricing, tenant management, operational innovations and superior asset management can *demonstrably overcome a 100% tax-exempt debt financing alternative*
- **Ask us how much value we are providing** to you and the community, NOT how much money we might make (or lose)

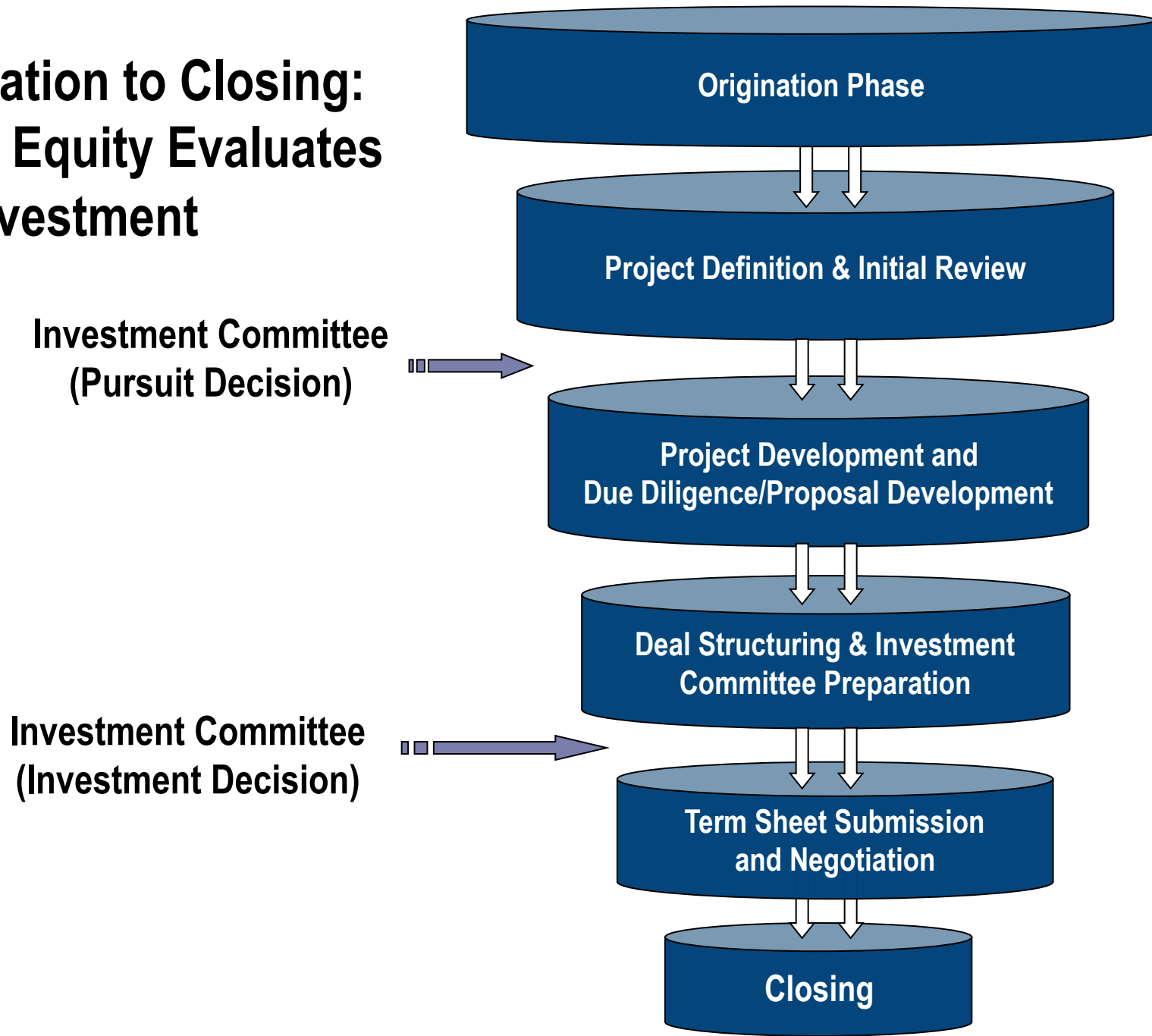
A Basic P3 Structure



Preferred Project Types (though we can't get everything)

- **Storage, transfer and blending** (crude, petroleum distillates, LNG, natural gas products, petrochemical, biofuels)
- Projects that can **include production/processing** in addition to storage and transfer (on-site or nearby)
- Projects that **do not rely upon subsidies** from US or foreign governments
- Projects that do not rely heavily upon possibly-temporary **regulatory relief, tax abatements** or other government incentives
- Projects where the assets, land or support infrastructure (for which we are responsible) has a related **alternative use**

From Origination to Closing: How Private Equity Evaluates A Port P3 Investment

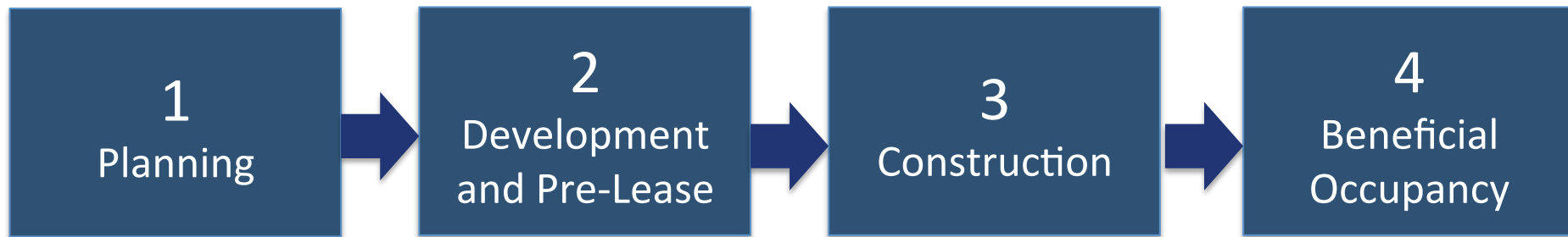


Investment Criteria (in approximate ranked order)

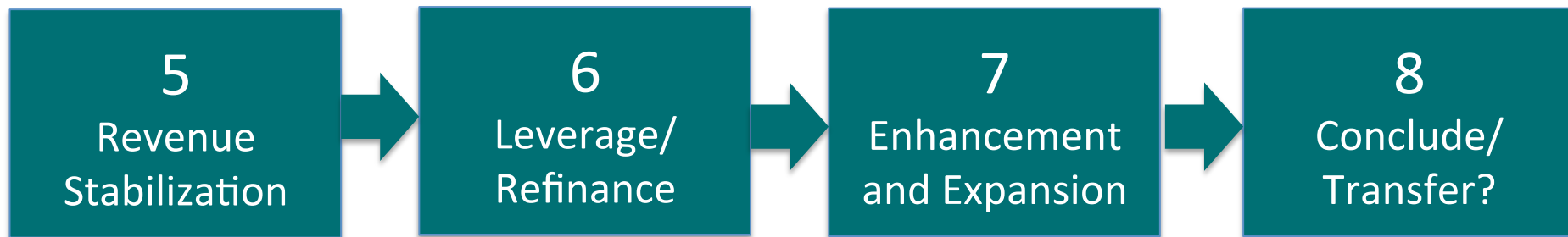
1. **Un-leveraged** rate of return on investment
2. **Leverage** percentage and likely cost of debt (debt service coverage under downside scenarios)
3. **Stability and predictability** of cash flows (this matters more than cost)
4. **Certainty** of construction and operating costs
5. **Market risk**, political risk, regulatory risk, “late kill” and other risks
6. Opportunities for **value add** (and impact on IRR of that value)
7. Potential attractiveness of project **post-stabilization** to other funds and institutional investors with lower risk appetites

How We Participate in Each Project Phase

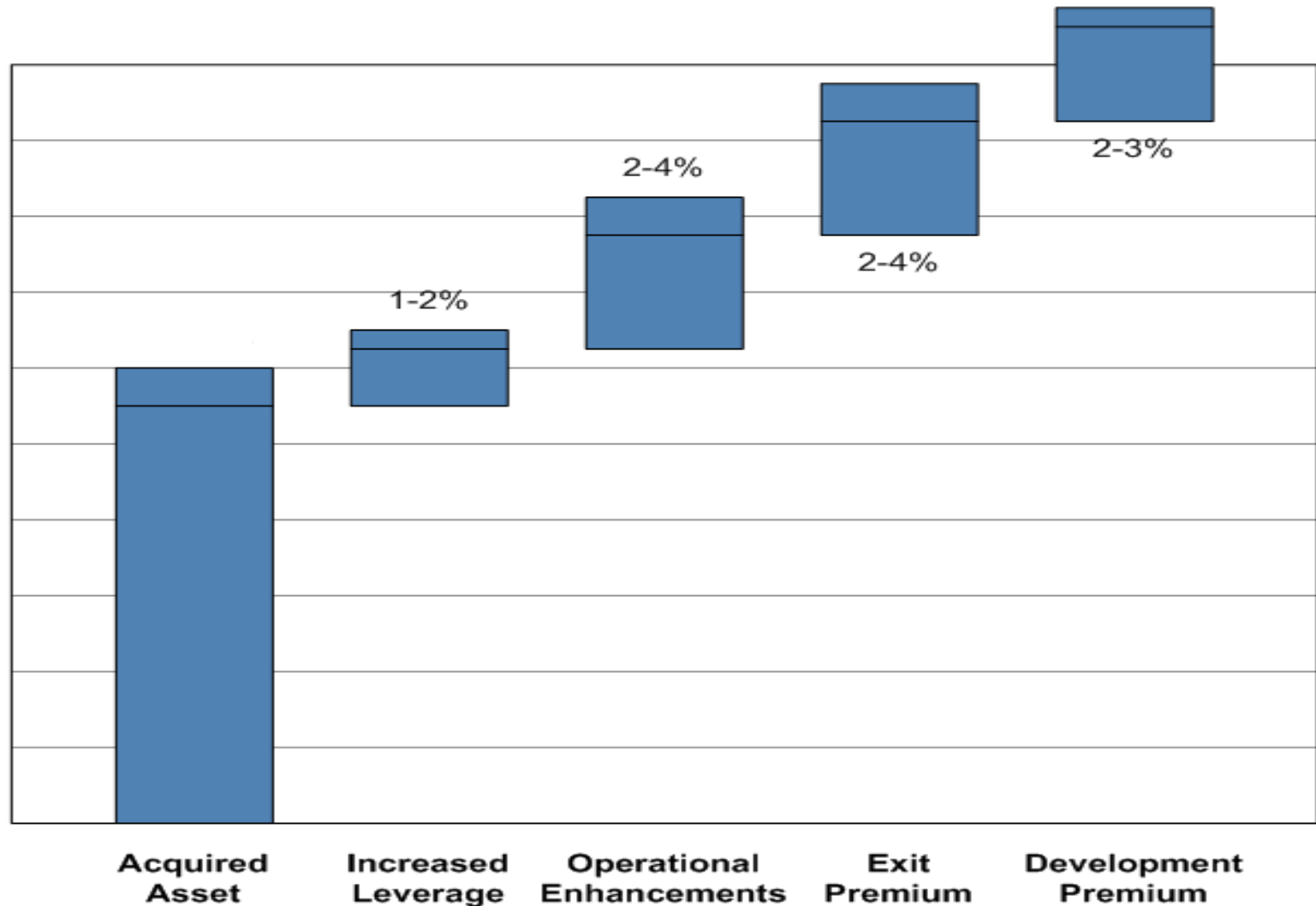
Development Phase



Operational Phase



The Port Investor Value Equation for ROI



Conclusions

1. Port facilities -- especially port-controlled energy cargo infrastructure projects -- if properly structured, can be **very attractive investments** for equity funds
2. Reaching equity fund IRR targets requires **an investment entry point *before* revenue stabilization** (i.e., *some* development risk) and some value-add avenues
3. Port staff and their patrons need to **know what equity needs** in order to identify what can and can't be done as a P3 and how to structure the opportunity
4. Large equity entities really **care strongly** about developer/operator quality and value added; they ensure that a quality operator will always be in place
5. A sophisticated, experienced P3 investor can be **a great partner for helping sell** your project to your mayor, legislators, unions and -- most of all -- ***the public!***