Bringing Business to Government™

Port-Controlled Energy Cargo Facilities: An Investor Perspective

- Target Opportunities
- Alternative Deal Structures
- Investment Criteria
- Getting to Win-Win

presented by

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Who We Are

- **Rebel Group BV**, headquartered in Rotterdam, has managed many of the **largest port P3 transactions** in the world, as well as assisting public and private port managers to improve their performance and marketing. Rebel Group also houses a large international energy consulting practice.
- **Infrastructure Management Group, Inc.**, headquartered in Washington, DC, has managed **many of the largest North American infrastructure P3 transactions** in the surface transportation and aviation sectors. It has also led many of the largest US infrastructure agency organizational transformations.
- **IMG Rebel LLC** is the US financial advisory unit jointly owned by Infrastructure Management Group, Inc. and Rebel Group, NV. Together IMG and Rebel have assisted billions of dollars of global project financings

Why We're Comfortable With Port Energy Investing (1)

1. **We've been on <u>both sides of the table</u>:** as direct investor, as the investor's advisor, and the government agent in negotiating P3 deals

2. **We have conducted P3 due diligence <u>on our own account</u>**, as well as and on behalf of investors, lenders and owners

3. **<u>We've seen P3s die</u> at every step in the process**, so we've learned how to get the deals done and how to make them last

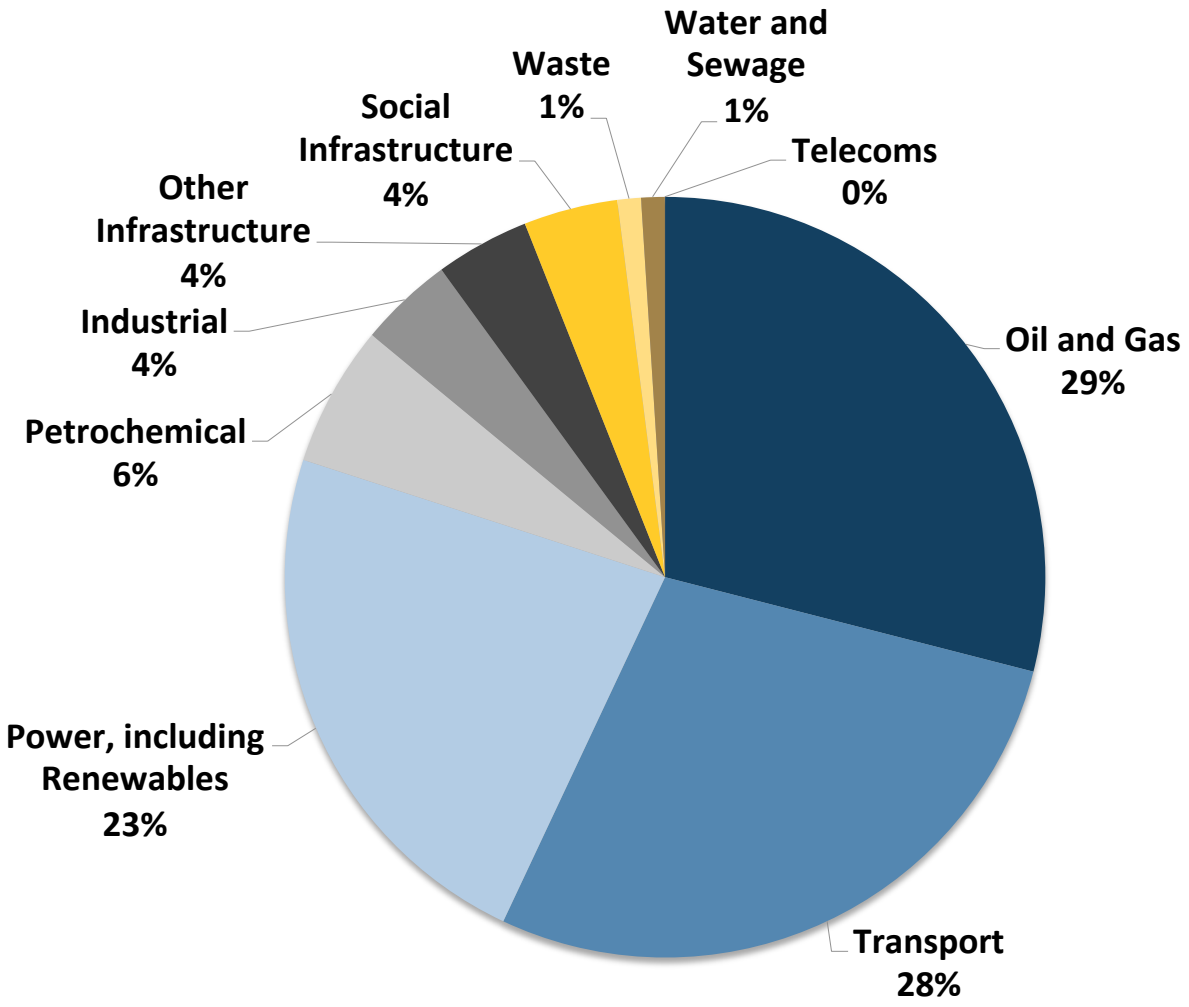
4. **We've learned how to <u>work with each constituency</u>**, from regulators, the media and environmentalists, to organized labor, elected officials and the public

5. We believe there is such a thing as **<u>profit in the public interest</u>,** and we can prove that it exits

Some Targeted Opportunities

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



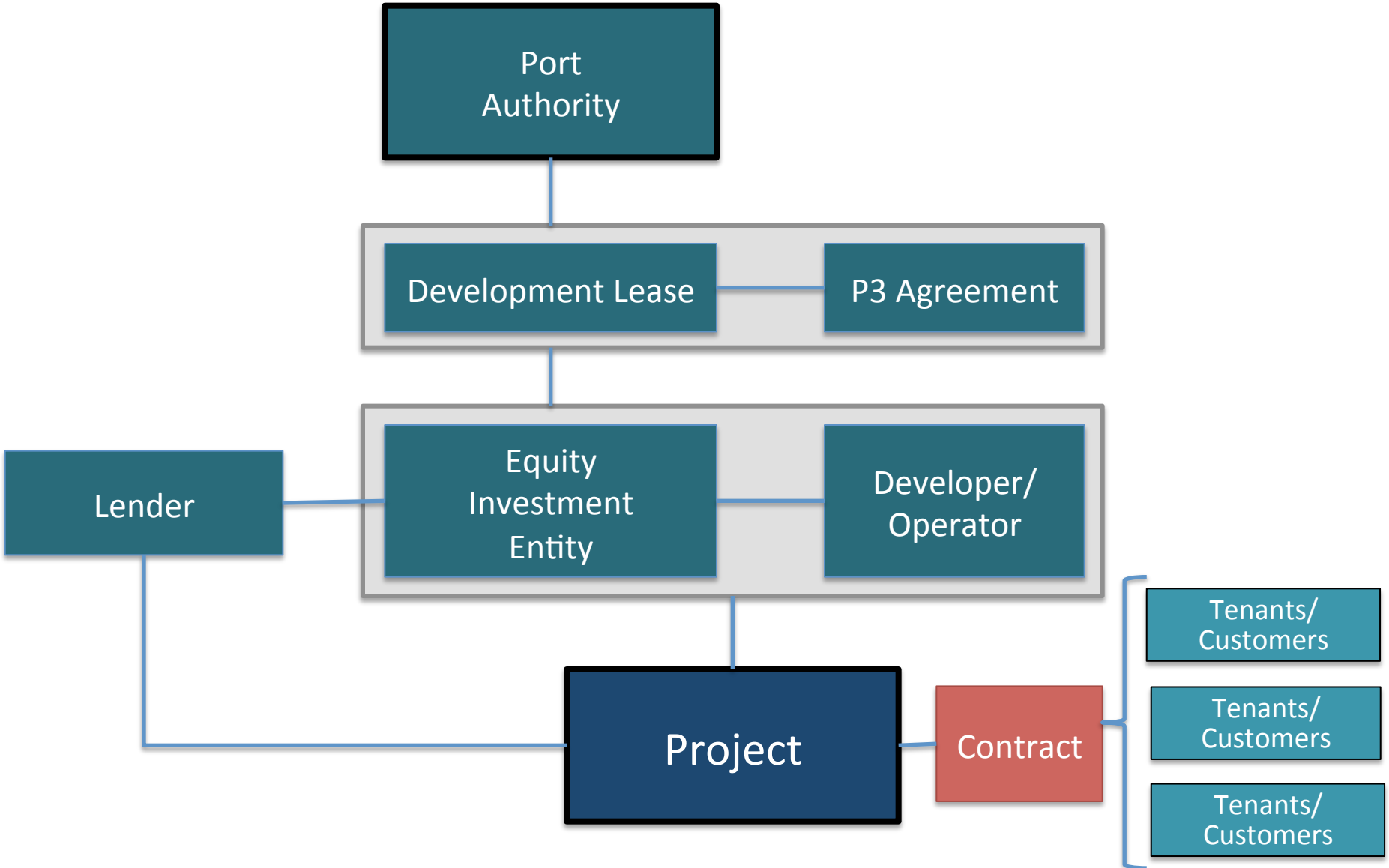
Why We're Comfortable With Port Energy Investing (2)

1. **We're know them**: Rebel, based in Rotterdam with offices in every world region, has managed many of the largest port energy 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

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)

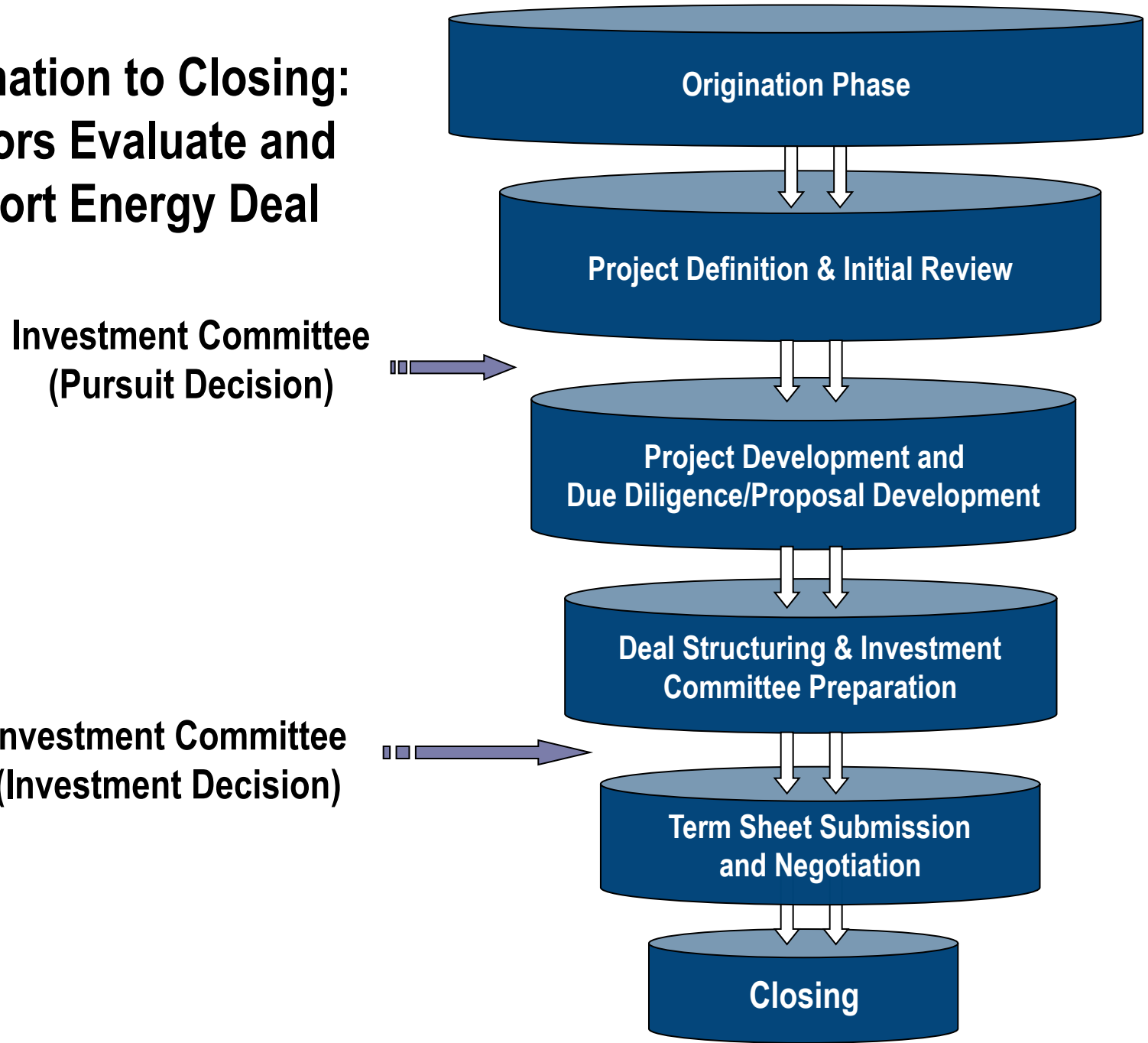
A Basic P3 Energy Project Structure



Preferred Project Types

- **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 Investors Evaluate and Manage a Port Energy Deal



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

Project Financing Phases

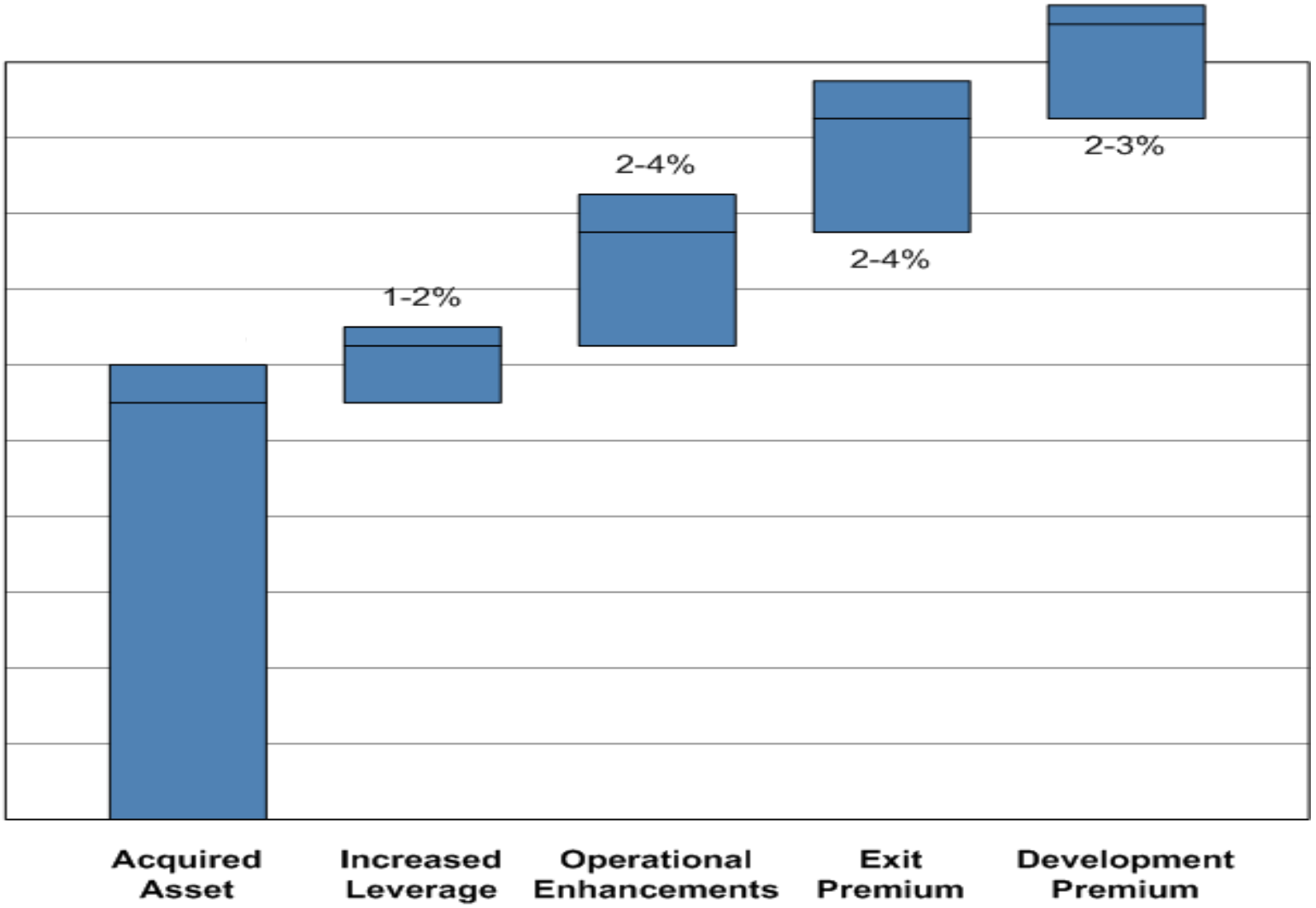
Development Phase

1 Planning → 2 Development and Pre-Lease → 3 Construction → 4 Beneficial Occupancy

Operational Phase

5 Revenue Stabilization → 6 Leverage/ Refinance → 7 Enhancement and Expansion → 8 Conclude/ Transfer?

Hypothetical Investor Value Equation for Acquisition of an Existing Port Asset



What to Expect to in an Energy Cargo P3 Project Proposal to Your Port (an example)

Proposal Document Contents

1. Presentation of **lead firm** and consortium Experience in designing, building and operating energy cargo facilities
2. Presentation of market and volume **assumptions**
3. Presentation of preliminary **design** of the facility and layout
4. Detail of planned **investments and benefits** to the port
5. Basic **operating parameters** numbers and revenue elements
6. **Financing letters** of interest and/or commitment
7. Guarantees and letters of commitment from **future customers**

Corporate Qualifications (Example: Odfjell)

- Global provider of seaborne transportation and storage of chemicals
- Odfjell – a global brand with a long standing local presence in Le Havre, > 45 calls in 2011 up-to-date.
- Turnover 2010: US$ 1,239 million – EUR 1 billion
- Total Assets end 2010: US$ 2,580 million – EUR 2 billion

- About 3800 employees working in offices / terminals in 20 countries worldwide

Corporate Projects Profiles (example)

Odfjell Terminal Rotterdam

- 1.63m cubic meters – one of the largest tank storage terminals in Europe
- Focused on mineral oils and chemicals
- Includes four distillation columns that provides toll distilling services for third parties

Odfjell Terminal Houston

- 330,000 cubic meters
- Focused on specialty chemicals
- Contains the largest stainless steel storage capacity amongst independent terminal operators

Odfjell Terminal Charleston

- Greenfield project in South Carolina
- Total capacity projected to be 150,000 cubic meters, constructed in two phases
- Phase I expected to be completed by mid-2013

(artist rendition of proposed layout)

Proposed Design and Layout (example)

Project Services To Be Provided (example)

1. Main activity: receive, store and deliver energy cargoes
2. Market, operate and maintain the marine facilities
3. Operate or oversee the rail, truck and drumming facilities
4. Establish secure pipeline connectivity
5. Provide product blending to customer specifications
6. Ensure petrochemical industrial distillation in Rotterdam

Planned Customers, Products and Volumes (example)

Client	Tank capacity	Product
BASE VOLUME		
[redacted]	32,400	Variety of chemicals / lube oil components
	10,000	Base oil
Total Lube	40,000	Lube oil
Total Petrochemical	20,000	Xylenes, ethyl-benzenes
Total Fluids	20,000	ULSD
	3,600	High viscosity oils
	10,000	ULSK
[redacted]	2,800	Lube oil
[redacted]	12,000	Lube oil
FLEXIBLE / SPOT VOLUME		
[redacted]	7,200	Lube oil
Total Petrochemical	20,000	C7
Potential for Total Lubes	10,000	Flexible storage demand
Varying: spot storage	17,200	Incidental & new (non refined) chemical

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 seasoned and reputable investor can be **a great partner for helping sell** your project to your board, mayor, legislators, unions and -- most of all -- ***the public!***