## North American Operating Ports

- Houston
- Savannah
- Charleston
- Virginia (partial)

## North American Landlord Ports

- Prince Rupert
- Vancouver
- Seattle
- Portland
- Oakland
- Hueneme
- Los Angeles
- Long Beach
- San Diego
- Galveston
- Mobile
- Tampa
- Miami
- Everglades
- Jacksonville
- Baltimore
- New York
- Halifax
- Montreal
- Tacoma

### The value of the location is in the business enterprise

- Who owns the business?
- Who owns the revenues?
- Operating ports are valued much higher than landlord ports
Credit vs. Revenue

- If a Port has the revenue (historic), it has credit
- Port can borrow at very low rates - tax exempt in the U.S.
- The downturn has affected landlord credit everywhere
- Project financing is all about reducing uncertainties
  - Firm contracts
  - Carrier commitments

Going Concern Credit vs. Project Finance
Private Sector Participation

- Interest in Having the Private Sector Participate in the Project or Terminal
  - Authority may not want to take the risk with their existing revenues
  - Authority may not have the existing revenue, nor the credit
  - The revenues may be too uncertain, and therefore the risk may be too great to get additional credit

- Private Sector Resources
  - The private sector has credit
  - The revenue case must be compelling and should cover debt service plus a decent return on their equity

- There is Private Sector demand for Port Exposure
  - Infrastructure funds
  - Operators
  - Carriers

### Interested Infrastructure Funds, Operators, and Carriers

<table>
<thead>
<tr>
<th></th>
<th>Infrastructure Funds</th>
<th>Operators</th>
<th>Carriers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potential Partners</strong></td>
<td>Highstar/ Ports America, GSIP/ Carrix, Carlyle, Brookfield, Ontario Teachers/ GCT, Fortress</td>
<td>Highstar/ Ports America, GSIP/ Carrix, Ontario Teachers/ GCT, Maher Terminals, DPW</td>
<td></td>
</tr>
<tr>
<td><strong>Source of assets</strong></td>
<td>Pension funds</td>
<td>Family-owned platforms acquired by infrastructure funds</td>
<td></td>
</tr>
<tr>
<td><strong>Preferred Investment Level</strong></td>
<td>Minimum of $100mm, preferred $300mm+</td>
<td>Minimum of $100mm, preferred $300mm+</td>
<td></td>
</tr>
<tr>
<td><strong>Interest in Sector</strong></td>
<td>Interest is high</td>
<td>Interest is high</td>
<td>Low appetite for contractual commitments Maersk made an attempt</td>
</tr>
<tr>
<td><strong>Preferences</strong></td>
<td>Prefers negotiated transactions; term of investment varies</td>
<td>Prefers negotiated transactions; term of investment varies</td>
<td></td>
</tr>
</tbody>
</table>
Greenfield vs. Existing Business

- Greenfield Container Terminals bear many high risks
  - Without contracted volume, market risk is too high
  - With contracted volume, credit risk is carrier-driven
  - Funds have not stepped up to Greenfield opportunities

- Expanding existing facilities in proven gateways does work
  - Oakland, Baltimore proved well the premise
    - Lower available (going concern) credit in most ports
    - Expansion only creates increased competition for other terminal operators in the gateway
  - For operating Ports any partial concession cannibalizes the business
    - VPA
Government Subsidies are Decreasing

**Federal US Subsidies have Changed to Loans**

- Other than RRIF for rail elements, TIFIA has not been available to the Port Sector
- States and counties are putting pressure on ports to take away existing tax subsidies
  - VPA – Gas Tax
  - Seattle – Prop Tax
  - Houston, probably no more bond elections

**Canadian Government subsidies center around Gateway developments and Plan Nord**

- Oil, gas, and minerals rule the day
- Plan Nord - $500 mm

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Projects are less likely to receive Gov’t support going forward
There is Higher Risk in Container Terminals Recently

- Carriers are hurting
  - NOL stated last week that 5% of the world’s fleet has been “parked”
  - Carriers will move containers for a price
    - Grand Alliance to Tacoma
    - COSCO to Prince Rupert before that
  - T-18’s credit premise was that containers will continue to move through the Seattle gateway and that a certain amount of terminal capacity was always necessary in Seattle
    - No longer the premise
    - When Seattle volumes are down SSA / GS also competing against other Seattle terminals

- Funds are very concerned about risks in container ports
  - Volumes down 40% in some gateways during the recession
  - Carriers and BCO’s have assessed alternative gateways
    - Costs and distance – LA / LB issues
    - Prince Rupert Worked
    - Rail Consolidation worked – RRs can guarantee delivery times

Historical Port Volume (million TEUs)

Source: AAPA and Port News
Many Government Sponsors are looking at their Port Gateway Assets

- North American Model is individual Silos
  - All compete on price
  - All compete for Gov’t subsidies
  - All eventually gets passed on to Terminal Operators and Carriers as lower operating cost

- Ports Going Concern Credit has narrowed considerably in recent years
  - Many ports cannot meet the capital needs of their tenants
  - Many Ports are facing deteriorating infrastructure

- Governments are reviewing alternatives
  - Galveston
  - Chicago – scarce waterfront land
  - Delaware
    - Ability to “harvest” the asset’s value
    - Shift of 100% of Cap Ex and Facility condition risk to private sector going forward
    - Opportunity to dramatically increase investment in the gateway immediately
      - Jobs & Economic development

The Private Sector can change a Landlord Gateway Dramatically
Other Changes are Affecting North American Shipping Preferences

- Panama Canal will have some impact
  - No one can say until it happens
  - Pricing of the Canal
  - Larger Ships need to come online

- Railroad Consolidation has been very successful
  - Efficiencies and speed improvements
  - Service improvements
  - Prices have come down
  - Railroads have forced changes in shipping
    - Shipping on the Great Lakes is down
      - Seasonal
      - High Costs
    - Barge traffic down Mississippi is still competitive
    - Barge quantities are no longer necessary

Source: Radicalcartography, Bill Rankin, 2005

The Industry is constantly changing as competitive pressures within modes and between modes changes – Which does and will affect credit available to various physical assets
Players are Changing

- Platforms are strapped and are still unburying from high value days
  - PortsAmerica
  - SSA/GS
  - Maher/Deutsche Bank
- Strategics are few and not interested in containers
- Many new funds still searching for operating arms
  - VPA interest (VIT)

### Review of Notable Transactions | EV to EBITDA Multiples

#### 2006 - Private to Private Transactions

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Acquirer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-06</td>
<td>40% in 6 Hanjin Term.</td>
<td>Macquarie</td>
</tr>
<tr>
<td>Nov-06</td>
<td>P&amp;O No. America</td>
<td>Highstar</td>
</tr>
<tr>
<td>Nov-06</td>
<td>Halterm</td>
<td>Macquarie</td>
</tr>
<tr>
<td>Nov-06</td>
<td>4 OOIL Terminals</td>
<td>OPP</td>
</tr>
<tr>
<td>Feb-07</td>
<td>80% Montreal Gateway</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>Mar-07</td>
<td>Maher</td>
<td>RREEF</td>
</tr>
<tr>
<td>Apr-07</td>
<td>Amports</td>
<td>Highstar</td>
</tr>
<tr>
<td>May-07</td>
<td>MTC</td>
<td>Highstar</td>
</tr>
<tr>
<td>Jul-07</td>
<td>49% Carrix</td>
<td>Goldman IP</td>
</tr>
<tr>
<td>Feb-09</td>
<td>Oakland B20-24</td>
<td>Highstar / PA</td>
</tr>
<tr>
<td>Jan-10</td>
<td>Baltimore's Seagirt</td>
<td>Highstar / PA</td>
</tr>
</tbody>
</table>

**Notes:**
- Private to Private Transactions
- Multiples range from 5x to 45x EV / EBITDA
Are there Global Sources for Hemispheric Port Funding?

Part I – Container Ports

- Landlord Container Ports
  - Demand is still high in certain operating platforms
  - Values/Price of the assets has changed given shift
  - Many Ports still undervalue their assets given their desire to trade market value for market share, favoring negotiated transactions with carriers

- Operating Ports are still the highest on the list
  - Face the cannibalization issue
  - VPA – Maersk

Container Terminals are still considered valuable assets by the private sector
Are there Global Sources for Hemispheric Port Funding?

Part II – Single Purpose Resource Ports

- Emerging Demand for Energy is driving high values and improved credit for such terminals / developments
  - Mostly in Canada and energy resource driven
    - Kitimat
    - Coal terminals (demand in US NW but great environmental opposition)
    - Jobs vs environmental
    - First Nations Issues in Canada
  - New Developments possible with throughput guarantees
    - Adriana
    - Arch Coal

These developments could possibly be the largest movers in the space over the next decade
Are there Global Sources for Hemispheric Port Funding?

Part III – Bulk Ports

- Funds are focused on bulk terminals
- Strategics are focused on bulk terminals
  - Less volatility than containers
  - Rollups possible (to get size exposure to sector)

Source: Alabama State Port Authority

There is more demand than ever for port assets in all sectors – depending on price!
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