

Executive Summary

A Strategic Partnership

CenterPoint Properties Trust (“CenterPoint”) is pleased to propose a strategic partnership with the Virginia Port Authority (the “VPA”) for the operation of Newport News Marine Terminal (“NNMT”), Norfolk International Terminal (“NIT”), Portsmouth Marine Terminal (“PMT”) and the Virginia Inland Port (“VIP”) and for the development of a Craney Island terminal (“Craney Island”). The goal of this partnership is to join CenterPoint’s capital and development experience with the Port of Virginia’s operational expertise and global marketing platform to establish Virginia as the premier East Coast port of call. This will benefit the maritime community and the municipalities hosting the Port facilities, and provide employment and commerce throughout the Commonwealth of Virginia (the “Commonwealth”).

The proposed partnership would aim to sustain and grow, not interfere with, existing port operations and relationships. The Port of Virginia (the “Port”) would remain a sovereign asset of the Commonwealth under the oversight of the VPA. A comprehensive concession agreement would partner the experience of CenterPoint and the VPA, permitting CenterPoint to operate the Port facilities in exchange for payments and other undertakings to the VPA, the Commonwealth and local municipalities having a total dollar value of \$8.9 billion, and a present value of \$3.5 billion.

The proposed strategic partnership would:

- Provide significant upfront and ongoing capital which would be available to support pressing off-port infrastructure or other financial needs;
- Maintain the competitiveness of the Port of Virginia by assuring capital for necessary on-port improvements and for expansion;
- Exploit CenterPoint’s ability to attract additional customers to Virginia, including importers, exporters and manufacturers that want to locate in the Company’s existing and prospective intermodal distribution parks complementing the Port of Virginia; and
- Enhance efficient operation of the Port of Virginia by appropriately incentivizing Virginia International Terminals, Inc. (“VIT”) which would remain the Port operator under CenterPoint’s direction and in collaboration with the VPA.

This proposal is intended to comply with the requirements of the Virginia Public Private Transportation Act of 1995 (the “PPTA”).

CenterPoint Properties Trust

Established in 1984, CenterPoint (www.CenterPoint-Prop.com) is focused on the development, ownership and intensive management of industrial real estate and related rail, road and port infrastructure. The firm, with its affiliates, manages an industrial portfolio which has in the last five years averaged more than 40 million square feet. It currently holds more than 9,000 acres for future industrial development. CenterPoint’s value proposition is to provide forward-thinking solutions aimed at enhancing supply chain and operating efficiencies for its customers.

CenterPoint was acquired by parent CalEast Global Logistics (“CalEast”) in a \$3.4 billion acquisition in 2006. CalEast is a wholly owned subsidiary of the California Public Employee Retirement System (“CalPERS”) and is a leading investor in logistics warehouse and related real estate. CenterPoint is a self-funded, independent operating company. Through its institutional relationships, CenterPoint has extraordinary financial capacity to fund large-scale investments and developments and has the ability to execute and close complex transactions quickly.



CenterPoint remains the dominant industrial real estate company in the Chicago region, the nation's transportation hub and pre-eminent industrial market. Since its acquisition by CalEast, CenterPoint is undertaking an expansion of its investment, development and infrastructure businesses into other, gateway cities in the United States. CenterPoint typically completes in excess of \$1 billion of transactions annually.

See Section 1A for more on CenterPoint's background and history. See Section 1B for more on CenterPoint's experience, including case studies on some of CenterPoint's higher profile projects.

CenterPoint Is Uniquely Qualified To Be A Strategic Partner

CenterPoint is uniquely positioned as a candidate for a public-private partnership with the VPA due to the depth and nature of its capital, its experience and expertise, and its strategic strengths. CenterPoint's proposal offers the following:

- ***Capital for Port Expansion, Improvement, and Supporting Infrastructure***

To sustain and increase its market position, CenterPoint's Proposal provides partnership with a major U.S. based capital source that is committed to investment in domestic infrastructure. CenterPoint's capital is long term, patient, and domestic. This capital will be increasingly valuable in an era of likely budget shortfalls due to the current economic realities. Without capital Virginia can not modernize the existing facilities or develop Craney Island. To keep pace with its competitors will be a great challenge. The VPA and the Commonwealth must invest in needed infrastructure improvements. This expenditure will benefit the entire Commonwealth, leverage the Port's growth and allow it to better serve the citizens and businesses of Virginia.

- ***Development Experience That Can Attract and Grow Port Activity***

CenterPoint has expertise in large scale intermodal infrastructure and companion distribution parks. The ability to package port service with distribution facilities and inland rail service would differentiate the Port from its competitors. CenterPoint has intermodal parks in Chicago that could directly serve the Port's customers with goods destined for the Midwest. Similarly, the Company is developing an intermodal park in Suffolk, Virginia, that will provide distribution and other space for goods to be distributed regionally. CenterPoint will focus the same efforts to develop the VIP. Finally, CenterPoint has the experience to develop on dock or near dock facilities that are increasingly necessary for efficient port operation.

- ***Relationships That Can Build Port Volumes and Enhance Port Operations***

In its traditional business, CenterPoint has formed strong relationships with major importers and exporters and understands their logistical needs, destination to destination. Likewise, the company has completed or is working to develop major intermodal yard developments for many of the nation's Class I railroads. Employed in the service of Virginia, these relationships and rail and shipper experience will boost VIT's marketing and operation of the Port.

- ***Improved Port Operations***

A key element of our Proposal is that VIT, the existing operator, would become a CenterPoint subsidiary. CenterPoint would negotiate with management to provide incentives for efficient port operations, allowing VIT to continue to become a fully private entity, incentivizing its management team with long term goals and compensation, and minimizing any disruption to the local maritime community.



This proposed structure will encourage management to innovate wherever possible and to pursue efficient work rules and yard operations. It will also align the interests of CenterPoint and the VPA. As port operations and earnings strengthen, the Commonwealth will also benefit through increased profit sharing payments, and an increasingly efficient port boosting the Commonwealth's businesses. The partnership's incentive structure will ensure that all parties work cooperatively to promote efficient port operations. *See Section 3B for details on CenterPoint's plan for port operations.*

- ***Capital And Experience For The Prospective Development of Craney Island***

In exchange for the value provided by CenterPoint's strategic partnership in the Port, and in protection of its investment, CenterPoint would expect to be granted a first right to develop Craney Island when pre-development is complete and there is proven market demand for the facility. CenterPoint ultimately expects to invest \$1.3 billion in vertical development at Craney Island. *See Section 3B for a description of the proposed development of Craney Island.*

- ***A Good Neighbor***

CenterPoint would also partner with local communities. Although the PPTA does not require tax payments by a private concessionaire, CenterPoint would commit to making payments to each of the host communities, in amounts greater than current payments of the VPA. Also, CenterPoint's proposed continued use of VIT's existing management, and the continued involvement of VPA in an oversight and incentive-sharing role, demonstrate CenterPoint's commitment to working with government to make the project a success. Finally, CenterPoint proposes continued use of the existing security structure to maintain the integrity of the Port. *See Section 1A for a description of management's approach to the project. See Section 4A for more on the benefits to local communities.*

The Partners

CenterPoint's proposed strategic partnership would consist of three key partners, whose interests would be fully aligned to maximize the productivity of the ports, and the resulting employment and economic benefits to Virginia. The roles of the partners are summarized below:

- ***Virginia Port Authority***

As public partner, the VPA will continue to advance the interest of the Port and the Commonwealth through a monitoring, security, economic development and advocacy role. This would include interfacing with the Commonwealth, the Army Corps, the local maritime community, and the Federal government.

The VPA will be funded by the security fees it currently charges as well as annual base and incentive payments from CenterPoint through port operations. This annual payment from CenterPoint will ensure that the VPA will be able to maintain its staff, including its nearly 100-person security force.

The VPA would also receive and administer an annual payment to be distributed to the municipalities hosting port facilities. This payment recognizes the services rendered by, and the impacts on, these communities.



- ***Virginia International Terminals***

As operating partner, VIT would become a subsidiary of CenterPoint and would continue to perform its duties as port operator under a newly created concession agreement. CenterPoint would keep the existing VIT staff in place, minimizing disruption to current operations and employment. Through an agreement with VIT management, CenterPoint would incentivize the growth of port volumes, productivity, and financial results, which under the partnership will be shared with VPA.

- ***CenterPoint Properties Trust***

As overall manager, CenterPoint would contribute its capital, development and logistics expertise, port-related Virginia logistics assets, and customer relationships to maintain and enhance the competitiveness of the Port and drive port volumes.

CenterPoint will establish a subsidiary for the purpose of operating the Port. All financial and other commitments of CenterPoint under this Proposal will be backed by this subsidiary and the earnings of the Port facilities.

The Partnership

The upfront payment, on-going payments, capital expenditure and other expected investment of CenterPoint would be documented in a binding concession agreement with the VPA, under which CenterPoint would be granted the exclusive right to operate and collect revenues from the Port assets for sixty years. The agreement would contain negotiated operating, maintenance, and reporting standards, and would provide VPA the right to terminate the concession if CenterPoint defaults in its undertakings, as defined in the agreement. Below is a summary of the economic consideration to Virginia. *See Table 1 of the Executive Summary and Section 3B of the Proposal for more information.*

- ***\$8.9 Billion in Economic Consideration To Virginia***

The total dollar value of capital provided under this Proposal is \$8.9 billion over the term of the concession, with a present value of \$3.5 billion. The proposal includes an initial cash payment, an annual payment and profit share to the VPA, an annual payment to local communities, and a transfer back to the Commonwealth of VPA's allocation of the transportation trust fund. It also provides ongoing capital to modernize the existing port facilities, and to invest in Craney Island.

This unique structure will enable Virginia to raise capital and generate significant new bonding capacity. This will also relieve Virginia from further on-port capital expenditures, while preserving a claim on future profits from the successful growth and operation of the Port. Furthermore, Virginia maintains its ownership and control of the ports.

Each item of CenterPoint's proposal is explained below and summarized in Table 1 to the Executive Summary. *See Section 3B and Section 3E for details of the proposed financial plan.*

- ***\$500 Million Initial Cash Payment***

The initial payment reflects the inherent value of the operating earnings from the Port without any subsidy or future capital from the Commonwealth of Virginia given CenterPoint's commitments to ongoing payments.



- ***\$4.0 Billion Value From Return of Commonwealth Transportation Trust Fund***

CenterPoint would release any claim to the 4.2% share of the transportation trust fund currently paid by the Commonwealth to the VPA (\$36.0 million in 2008) and would not assume the approximately \$160 million in bonds it secures. The total amount of subsidy given up by CenterPoint over the term, assuming a 2% growth rate, is \$4.0 billion. CenterPoint estimates the present value of this to be \$962 million. CenterPoint estimates that a significant amount of the remaining present value could be borrowed against to fund regional transportation infrastructure.

- ***\$987 Million to the VPA in Annual Payments***

CenterPoint will make a minimum annual payment to the VPA of \$7 million, growing at 2.6% per year, from the earnings of the Port. This payment is designed to enable the VPA to cover the overhead and staff it will need to fulfill its role as port security provider and monitor of CenterPoint's operations. No staff reductions are required as a result of the proposed transaction. This represents a present value of \$219 million.

- ***\$615 Million To Host Municipalities In Annual Payments***

While the proposal is based on the Port continuing to be exempt from real estate taxes, CenterPoint's proposal will result in substantially increased payments to host communities for the VPA to administer and distribute. The proposal includes an initial annual payment of \$5 million, growing at 2.6% per year. This represents an annual increase of approximately \$3.5 million compared to current payments by the VPA, and a present value of \$128 million. See *Section 4A for more on the benefits to local communities.*

- ***\$440 Million Of Profit Sharing***

In addition to the payments outlined above, the Commonwealth will continue to have an interest in the net profits of the ports, after expenses and a minimum return to CenterPoint. Our base case expected profit-sharing is reflected in the economic benefits summarized below, which has a present value of \$60 million. An upside case is also presented, with a total value of \$1.3 billion and a present value of \$191 million. The VPA's share in profits gets larger with better port results. Virginia captures a significant share of the value the partnership creates, without bearing any on-port costs. CenterPoint believes this profit sharing contrasts sharply with the "monetization" scheme typically seen in a public-private partnership, and that it demonstrates a good faith effort to establish a true partnership, in which all parties are incentivized to work toward common goals. See *table 2, attached.*

- ***\$1.02 Billion of On-Port Capital Expenditures Assumed By CenterPoint***

CenterPoint has provided for funding of future capital improvements for the Port facilities based on the recent Moffat & Nichols engineering report dated June 2008. CenterPoint's proposal will relieve the Commonwealth of these obligations and the corresponding debt that it would otherwise require. During negotiation of the concession agreement, CenterPoint with VIT management will undertake an evaluation of the recommended expenditures. CenterPoint will commit to a mutually agreed program of improvements to assure the competitiveness and efficiency of the Port. If any facilities are unnecessary to maximize port container volume and cannot be redeployed in a port related use, the parties will negotiate to sell the properties, terminate the concession for that facility, and share the proceeds, returning the properties to the local tax rolls. This capital expenditure commitment has a present value of \$344 million.



- ***Funding for Craney Island Marine Terminal***

In recognition of the value provided in this Proposal, and to protect its investment in the Port, CenterPoint would have a right to develop Craney Island. We currently estimate CenterPoint would invest \$1.3 billion of private capital to fund vertical development. This would be invested after pre-development costs, including levee construction and dredging, are funded by the Commonwealth and federal government, and when market demand for the facility makes it appropriate.

- ***Valuation Metrics***

Our proposal provides a competitive pricing for the Port facilities based on traditional valuation metrics, including the EBITDA and TEU multiples. Despite the current economic recession and slow down in international container flows, these metrics demonstrate that CenterPoint is aggressively pricing the opportunity for this concession. *See Table 3, attached.* This conceptual proposal is based on currently available public information, and is necessarily subject to a multi-staged negotiation and review process, as established by the implementation guidelines under the PPTA. CenterPoint anticipates that fiscal year end numbers as of June 30, 2009 will firm the final basis of our negotiated pricing.

Conclusion

The above outlined Proposal represents the best way to ensure and enhance the economic benefits of the Port of Virginia to the Commonwealth of Virginia. CenterPoint has structured this Proposal to anticipate the needs and address the concerns of the Commonwealth and of the local community. This proposal would provide the Commonwealth significant new capital/bonding capacity to fund major infrastructure projects that would benefit the local communities as well as the Port, without the resulting deficits or tax increases that would otherwise be required.

Should this Proposal be accepted by Virginia, and the parties develop a comprehensive agreement, the beneficiaries would include the VPA and the Virginia Department of Transportation, the maritime industry in Virginia, the customers of the Port (including shippers and beneficial users), and Virginia communities. The broader Virginia economy will benefit from the growth and continued vibrancy of the Virginia maritime industry that this proposal would help guarantee. CenterPoint's development and logistics experience will help retain and attract customers as CenterPoint's relationships and synergistic intermodal assets are linked with the Port of Virginia.

We hope you agree that this Proposal merits further consideration under the PPTA statute and look forward to working with all stakeholders to effect this proposed transaction.



Table 1: Summary of Port Valuation

<u>Valuation Components</u>	<i>Present Value (Millions)</i>	<i>Total Payments (Millions)</i>
Up-Front Cash Concession Payment	\$500	\$500
NPV of Revenue from Transportation Trust Fund (\$35.0 million growing at 2.0% *	\$962	\$3,992
Annual Payment to VPA	\$219	\$987
Annual Payment to Host Communities	\$128	\$615
Commonwealth Share of Future Profits**	\$60 - \$191	\$440 - \$1,312
Forecasted Capital Expenditures Funded By CenterPoint	\$344	\$1,018
Valuation for Existing Terminals	\$2,213 - \$2,344	\$7,552-\$8,424
Anticipated Funding for Craney Island Marine Terminal ***	\$1,300	\$1,300
Grand Total Valuation	\$3,513-\$3,644	\$8,852-\$9,724

Notes:

* The annual Transportation Trust Fund allocation, which totaled \$36.0 million for year ended June 30, 2008, is estimated to be \$35.0 million for 2009, growing at 2.0% thereafter. The Net Present Value is calculated by discounting the newly available income stream at an assumed 5.0% discount rate and after deducting \$160.0 million in outstanding bonds secured by the Transportation Trust Fund allocation.

** First estimate is under a "Base Case" scenario and second under an "Upside Scenario".

*** Present Value and Total Payments amount reflects the estimated portion of the construction budget that CenterPoint would fund. The actual timing will be subject to market and feasibility analysis.



Table 2: Summary of Partnership Profit Sharing

Profit Sharing: The Incentive Sharing Payments System	
<i>CenterPoint's Cumulative Equity Internal Rate of Return ("IRR")</i>	<i>VPA Share of Profits</i>
13.0% - 16.0%	5.0%
16.0% - 20.0%	10.0%
20.0% - 30.0%	20.0%
> 30.0%	30.0%

Table 3: Valuation Metrics Analysis

Valuation Metrics Analysis					
Value Provided	Dollars in Millions	2008 EBITDA Multiple	2009 * EBITDA MULTIPLE	2008 TEU Multiple	2009 * TEU MULTIPLE
Cash Concession Payment	\$500	11.1x	13.8x	233x	263x
Cash Payment + NPV of Trust Fund	\$1,462	32.4X	40.5X	682x	768x
Total Capital for Existing Facilities	\$2,213	49.0x	61.2x	1,032x	1,163x

* Estimated based on most recently available earnings reports. Please see Attachment F for a more detailed earnings projection



Table 4: Valuation Metrics Analysis

<u>Initial "Up-Front" Capital</u>	<i>Present Value (Millions)</i>	<i>Total Payments (Millions)</i>
Up-Front Cash Concession Payment	\$500	\$500
Less: Repayment of Port Revenue Bonds	<\$325>	<\$325>
VPA Cash Retained by Virginia	\$217	\$217
NPV of Revenue from Transportation Trust Fund (\$35.0 million growing at 2.0%) *	\$962	\$3,992
Less: Repayment of Commonwealth Port Revenue Bonds	<\$160>	<\$160>
Net Up-Front Capital Provided to Commonwealth	\$1,194	\$4,224
<u>Plus: Ongoing & Future Payments</u>		
Annual Payment to VPA	\$219	\$987
Annual Payment to Host Communities	\$128	\$615
Commonwealth Share of Future Profits **	\$60 - \$191	\$440 - \$1,312
Forecasted Capital Expenditures Funded by CenterPoint	\$344	\$1,018
Total Net Capital Provided to Commonwealth for Terminal	\$1,945-\$2,076	\$7,284-\$8,156
Anticipated Funding for Craney Island Marine Terminal ***	\$1,300	\$1,300
Grand Total Capital Provided to Commonwealth	\$3,245-\$3,376	\$8,584-\$9,456

Notes:

* The annual Transportation Trust Fund allocation, which totaled \$36.0 million for year ended June 30, 2008, is estimated to be \$35.0 million for 2009, growing at 2.0% thereafter. The Net Present Value is calculated by discounting the newly available income stream at an assumed 5.0% discount rate and after deducting \$160.0 million in outstanding bonds secured by the Transportation Trust Fund allocation.

** First estimate is under a "Base Case" scenario and second under an "Upside Scenario".

*** Present Value and Total Payments amount reflects the estimated portion of the construction budget that CenterPoint would fund. The actual timing will be subject to market and feasibility analysis.

