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Mr. Jerry A. Bridges
Executive Director
Virginia Port Authority
Commonwealth of Virginia
600 World Trade Center
Norfolk, VA 23510

PROPOSAL FOR A STRATEGIC PARTNERSHIP

Dear Mr. Bridges:

CenterPoint Properties Trust appreciates the opportunity to present our Phase One Conceptual Proposal under Virginia's Public Private Transportation Act of 1995 to partner with the Virginia Port Authority to operate and enhance the facilities you oversee. *The base case present value of the cash elements of our proposal is \$2.2 billion for the existing facilities.* This newly available capital could fund pressing regional infrastructure or other needs of the Commonwealth. CenterPoint also expects to invest \$1.3 billion in Craney Island when it is ready.

Importantly, CenterPoint's proposal is *not for a sale* of the Port of Virginia. Rather, we desire a true strategic partnership. We are proposing a concession that would fully align CenterPoint's interests with the Authority and employ and incentivize your operating affiliate, Virginia International Terminal, Inc. A partnership with our firm can serve the interests of the host communities, the region and the Commonwealth. CenterPoint does not simply bring capital. Our firm's experience, skill, and relationships will benefit the Port of Virginia and assure its competitive position and growth.

The Port of Virginia is Centrally Important to the Virginia Economy But Faces Challenges

Our proposal is timely because of the challenges presented by the current economic crisis. A recent study by the College of William & Mary estimates that the Port operations annually contribute \$41 billion to the Virginia economy, while employing over 340,000 Virginians for \$13.5 billion in wages. Government is estimated to draw \$1.2 billion in taxes and fees from port activity. However, this historic engine for prosperity is in jeopardy. A slowing economy is reducing the availability of public financing while hurting port revenues at the same time. The dramatic recent crisis in global financial markets and the concurrent downturn in world trade demonstrate that ports cannot rely on the recent past's double digit growth rates.

The strategic partnership we propose would harness our respective strengths to make the Port the most competitive on the eastern seaboard. In order to secure and increase the benefits of the Port, Virginia will need to offer the most efficient and cost-effective service to the greatest number of customers by:

- Investing in modernization and efficient on-port infrastructure;
- Investing in regionally supportive transportation infrastructure; and
- Working creatively with the railroads, ocean carriers, and beneficial cargo owners to maximize volumes.

Joining forces with CenterPoint under our proposal will accomplish all three tasks. Based outside of Chicago, Illinois, CenterPoint is a \$3.4 billion subsidiary of the nation's largest pension fund, the California Public Employees Retirement System. Over the past five years, CenterPoint has owned and managed, on average, more than 40 million square feet in industrial and transportation-related real estate and has served hundreds of industrial and distribution customers. It also controls more than 9,000 acres which are being developed into industrial and infrastructure facilities across strategic trade lanes in the United States.

The Port Needs CenterPoint, a True “Partner” That Can Fund and Drive Success

CenterPoint proposes more than just a sale or lease of the Port facilities; it proposes a strategic relationship with the following characteristics:

- Capital – CenterPoint’s proposal would provide \$1.2 billion in net up-front capital to the Commonwealth including \$500 million in cash and \$962 million in NPV from the return of the transportation trust fund (accounting for distribution of retained cash and repayment of debt). We believe that the total value of CenterPoint’s proposal is \$8.9 billion, with a present value of \$3.5 billion and a present value for the existing facilities of \$2.2 billion. Moreover, our capital is friendly. CenterPoint is a self-funded, independent operating subsidiary of CalEast Global Logistics, a leading domestic real estate investor wholly-owned by CalPERS.
- Profit Sharing – Like a true partner, CenterPoint will share profits with the Authority as the Port succeeds. The concession agreement would include continued VPA oversight and involvement. With future success of the Port, the Authority will have the opportunity to use this share to generate additional capital.
- Payments to Municipalities – CenterPoint will make payments to host municipalities, which will be our partners too. If facilities become surplus, we intend to return them to the tax rolls for other uses.
- Experienced Management - CenterPoint would operate the ports through Virginia International Terminals, the Commonwealth’s current operator, which would become a subsidiary of CenterPoint. We want to benefit from the deep management experience of VIT and will craft management incentives to maximize port volumes and revenues. The

operation of the Port by an independent, properly incentivized operator, will maintain the port's attractiveness to diverse steamship lines and customers.

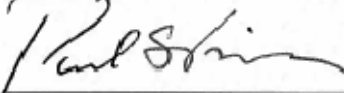
- Development Expertise – CenterPoint intends to develop distribution and other facilities that will serve and attract port customers. Seamlessly combining this service with port operations will be a key Virginia advantage. CenterPoint is already invested in Virginia, developing a 900 acres inland port in Suffolk for port users. This park is expected to create thousands of jobs and provide millions of dollars of annual economic benefit to the region. We intend to acquire and develop similar parks. Our industrial development experience will also be a means to attract manufacturers to Virginia. Working with state and local governments, we have attracted and developed facilities for some of the biggest employers in the nation. Finally, we have successfully undertaken massive transportation infrastructure projects. We have the depth of experience to tackle improvements to the existing facilities and to develop Craney Island, when it is both ready and necessary for the Port to compete. In recognition of the value of CenterPoint's strategic partnership, and in protection of its investment, CenterPoint would expect to be granted a first right to develop Craney Island.
- Customers and Other Relationships – We have long experience with both the beneficial owners that can use the Port and the railroads that serve it. Our Chicago intermodal rail logistics parks will provide an integrated logistics channel for the Port to lure Midwest-destined business currently going through other ports.

Partnership With CenterPoint Would Secure the Future of the Port

We believe CenterPoint proposes a unique opportunity for the Authority to secure the right partner in the right partnership relationship. Shoulder to shoulder, strategically investing our capital and experience at the Port, we will assure the success of the Port for Virginians by offering a package of modern port facilities, efficient port operations, and synergistic development and inland logistics services. Through the collaboration we offer – one with shared vision and shared rewards – the Authority, CenterPoint and the Virginia maritime community can make Virginia the dominant East Coast port for the 21st century.

Thank you for your thoughtful consideration of our proposal. We look forward to discussing it with you in greater detail. We're committed to making it happen.

Sincerely,



Paul S. Fisher
President