
THE CARLYLE GROUP

Conceptual Proposal under the Public-Private Transportation Act of 1995



July 24, 2009

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THE CARLYLE GROUP

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July 24, 2009

Mr. David M. James
Director of Contracts and Real Estate
The Virginia Port Authority ("VPA")
600 World Trade Center
Norfolk, Virginia 23510

Re: Conceptual proposal for the long-term operation of certain facilities now owned and proposed to be owned by the VPA

Dear Mr. James,

In accordance with the Public Private Transportation Act of 1995 ("PPTA") and in relationship to the unsolicited conceptual proposal submitted by CenterPoint Properties Trust ("CenterPoint"), The Carlyle Group ("Carlyle") is pleased to submit this competing conceptual proposal for the operation of the following facilities now owned and proposed to be owned by VPA (collectively, the "Port Facilities"):

- Norfolk International Terminals in Norfolk, Virginia ("NIT")
- Portsmouth Marine Terminal in Portsmouth, Virginia ("PMT")
- Newport News Marine Terminal in Newport News Virginia ("NNMT")
- The Virginia Inland Port in Front Royal, Virginia ("VIP") and
- A proposed new facility, the Craney Island Marine Terminal, in Portsmouth, Virginia ("Craney Island")

Headquartered in Washington, D.C., Carlyle is a global private equity firm situated locally. Over 150 Carlyle employees and their families live in the Commonwealth of Virginia (the "Commonwealth"), including two of its three founders, Bill Conway and Dan D'Aniello. Glenn Youngkin, a member of Carlyle's operating committee, grew up in Richmond, Virginia and currently resides with his family in northern Virginia. As such, Carlyle has a direct and strong constituent interest in the economic development of Virginia.

In addition, Carlyle's portfolio of companies includes Virginia companies such as Booz Allen, which has over 12,600 employees at its headquarters in McLean, Virginia. In the mid-Atlantic region, Carlyle portfolio companies have over 25,000 employees in businesses that are among the leaders in the industrial, aerospace, and consumer sectors. Our proposal is therefore

submitted with Carlyle's strong commitment to the continued economic growth and development of the mid-Atlantic region.

Recognizing the interrelatedness of the North American freight transportation system, Carlyle has made infrastructure assets in this area a priority in its infrastructure fund. Carlyle Infrastructure Partners was established in 2006 to focus on private equity investments in infrastructure primarily in the U.S. and Canada. One of its first acquisitions was ITS Technologies & Logistics, LLC, one of the nation's leading intermodal terminal operating companies in the U.S. Carlyle intends that the Port Facilities would be a key part of an operating base or platform for a network of critical freight transportation assets.

CenterPoint's unsolicited conceptual proposal is a good starting point; however we are confident the proposal can be improved. Carlyle's approach towards public-private-partnerships places significant emphasis on a genuine "partnership" with the public sector. Our conceptual proposal calls for much greater participation by VPA in future profit sharing, allowing the Commonwealth to benefit directly from the success of the Port Facilities. In addition, a greater VPA participation in the upside potential ensures a better alignment of our mutual interests.

Carlyle's Conceptual Proposal

1. 60-year concession and lease agreement

Carlyle is interested in entering a long-term (60 years +) concession of VPA's Port Facilities including Craney Island. Longer terms are needed for tax (depreciation) purposes and to be able to justify investment in a greenfield terminal such as Craney Island in the future. See our proposal regarding Craney Island under Section 4 below.

Carlyle would form a de novo entity which would be the concessionaire responsible for the operation, maintenance, financing, and capital improvement of the Port Facilities (the "Concessionaire"). The Concessionaire, with the support of Carlyle, would provide capital for improvement of the port operation and supporting infrastructure during the concession and lease term.

2. The role of Virginia International Terminals, Inc. ("VIT")

As part of a comprehensive concession and lease agreement, we envision that VIT would become the operator for the Carlyle-controlled Concessionaire. Given VIT's long operating history of the Port Facilities and its familiarity with the shippers and the contracts, we believe VIT is best positioned to continue to operate the Port Facilities with no disruption to the operations of the local maritime community.

While we considered the possibility of contractually retaining VIT as the operator, Carlyle believes that the most efficient way would be for VIT to become a wholly-owned subsidiary of the Concessionaire as part of this proposed strategic partnership as we believe it would be much easier for Carlyle to (a) provide necessary and reasonable incentives for VIT management team to continue to strive for operating efficiency and increased throughput, and (b) introduce other best practices to augment VIT's existing operating expertise. In addition, as a Carlyle-owned operating company, VIT could be used as the operating face of Carlyle in other strategic port locations around North America and possibly the world.

3. *The role of VPA*

Carlyle's strategy is partner with companies which are leaders in their industries, support their management teams, and invest in their growth. Under Carlyle's conceptual proposal, VPA would continue to be a public sector entity with the primary role of monitoring, providing security, and promoting general economic development. VPA would be an important strategic partnership and would continue to have a strategic interest in the Port Facilities as it would be the key liaison between Carlyle and the Commonwealth. We envision that, under a comprehensive concession and lease agreement, there would be various reporting requirements on behalf of the Concessionaire and that VPA would be the agency responsible for monitoring on behalf of the Commonwealth.

We assume that VPA can consolidate much of its staff into VIT for this process and that very little staff will necessarily remain at VPA. However, to maintain the necessary staff for the remaining functions, we intend to provide the VPA with an annual, inflation indexed cash flow stream.

At the end of the concession period, VPA would get the terminal assets back, but not the VIT operating company. The Commonwealth and VPA would need to either contract for continuing operations at that time, or enter into another concession for the Port Facilities at that time.

4. *Craney Island*

We believe Craney Island is key to the future of the Norfolk Gateway and the growth in container handling capacity. While other sites may also be expanded to achieve greater capacity, we believe that the Concessionaire will have to control Craney Island to maintain and to grow the existing gateway market share. We understand the level of non-revenue producing infrastructure that will be required to be built and the amount of lead time that will be necessary to bring that property online. As such we believe that the Commonwealth and the Federal Government will need to provide much of the capital required to prepare

the site for a terminal. While the Craney Island development opportunity would be included as part of the concession going forward, we would commit to work with and for the Commonwealth to obtain funding and to forge a partnership and risk-sharing arrangement for the development of this key property.

5. *Carlyle's long-term strategy*

Together, the VPA's Port Facilities and related road and rail infrastructure form one of the most successful networks of cargo handling marine terminals on the East Coast. Carlyle is committed to maintain this status and provide the necessary resources to increase the Port Facilities' competitiveness and national market share. Carlyle is prepared to deploy its resources and utilize its worldwide network to attract additional customers to the Commonwealth, including importers, exporters, manufacturers and distribution centers. In cooperation with state, federal and private enterprises, the current leadership has made an outstanding effort to leverage the port's naturally deep shipping channel with port, road and rail infrastructure. We expect to continue to support the current strategic direction and efforts and provide our expertise and resources to help grow the port and the local economies that depend on it.

Carlyle recognizes that the enhancements of the Heartland Corridor, the Crescent Corridor initiative and the widening and deepening of the Panama Canal will provide the Port Facilities with incremental competitive advantages over the medium to long term. Part of our strategy would be to fully exploit all these infrastructure enhancements by expending the necessary capital to grow and enhance the Port Facilities and take full advantage of each opportunity. Together with VIT management we expect to attract additional shipping customers and volume as well as create a compelling environment for interested third parties to build manufacturing facilities and distribution centers.

When discussing long term strategy of the Port Facilities, it is essential to mention Carlyle's commitment to a continuing partnership with the U.S. Navy, the U.S. Coast Guard, the Department of Defense, and other critical federal agencies that have operations in and around the area. The Carlyle team has direct experience working with Naval Station Norfolk, many of the type commanders, and the Coast Guard's Atlantic Command (LANTAREA). We intend to collaborate closely with these critical national security and homeland security assets and we understand not only their national importance, but the critical role these government installations play in the regional economy.

6. *Summary of Carlyle's conceptual economic proposal*

We expect that we will make a traditional bid which includes a substantial upfront payment, balanced and combined with sharing of profits and risks over time. This bid will take into consideration the following, among others:

- A forecast of projected container volumes, market share, operating efficiency and margin, etc.;
- Some reorganization of VPA and VIT to streamline the functions that will be required to operate the assets and oversee the operations pursuant to the concession agreement and pursuant to Federal and Commonwealth statutes;
- Security and environmental requirements and negotiations;
- Certain annual, indexed payment to the VPA;
- Certain annual, indexed payment to the local communities, in the form of either property tax or payment in lieu of taxes;
- An assumed (permanent) return of the tax revenues to the Transportation Trust Fund; and
- Some defeasance or assumption of the outstanding Port Revenue and Commonwealth Port Fund Debt.

Our initial valuation, based on preliminary modeling and without the benefit of speaking to VPA and VIT staff or their consultants and advisors, indicates that the following combination of upfront payment and profit sharing could be achievable:

- Upfront cash payment – between \$500 million and \$700 million;
- Profit sharing

Carlyle's Cumulative Equity Internal Rate of Return ("IRR")	VPA Share of Profits
13.0% - 16.0%	15.0%
16.0% - 20.0%	20.0%
20.0% - 30.0%	30.0%
> 30.0%	40.0%

Many assumptions remain undecided, and many arrangements remain un-assumed in this calculation. Certainly, when combined with all required future capital expenditures and when the return of the tax revenues is added and valued, the previously described value range could grow by several multiples. At this point, however, we prefer to keep the indicative valuations and denominations clear, simplified and compartmentalized. As a normal practice, submission

of a “detailed proposal” as contemplated under the PPTA guidelines is subject to completion of due diligence and prior approval of our investment committee.

Thoughts and Suggestions on Process

To achieve the maximum benefit for the Commonwealth, we suggest a short, fair process with specific valuation metrics provided by the Commonwealth. In our experience, the more information to which bidders have access, the higher the quality of the bid. We would welcome a confidentiality agreement to precede such data sharing. During the “detailed proposal” stage of the process, it would be helpful to get clarification as to what the Commonwealth’s goals and objectives are as far as a concession is concerned. We would think that the Commonwealth would want to make some inquiries as to values that might be achieved with differing configurations of the bid, and we would hope that the Commonwealth would select and formulate a desired concession structure and then look for the highest total value from the bid process based on that final configuration.

Carlyle may also choose to expand the strength and breadth of its bidding group and the ultimate bid by adding other financial and/or strategic partners over the period of the process. We would hope that such additions could be evaluated and accommodated by the Commonwealth in order to tailor our proposal to meet the desires of the Commonwealth (when so stated), and to maximize the value of the assets and ultimately maximize the bid.

Carlyle’s Qualifications

Carlyle is one of the world’s largest private equity firms, with more than \$84.5 billion under management as of June 30, 2009. Formed in 1987, Carlyle is a global private equity firm based in Washington, D.C., which originates, structures and acts as lead equity investor in management-led buyouts, strategic minority investments, joint ventures, and venture capital and real estate investments. Our successful track record and history of delivering upon our commitments has earned us a solid reputation within the investment community. Given the relative size of our organization, we view our reputation of fair and consistent dealings with partners, managers, our investors and sellers as being one of our most important assets. This has proven to be a key differentiating quality in past transactions. For more information on Carlyle and its annual report please refer to www.carlyle.com.

Carlyle invests on behalf of public and private institutional investors and high net worth individuals. In many cases, our institutional investors are pension funds that represent state and city employees and workers at large corporations. Indirectly, millions of people are investors in Carlyle funds. We are proud of the fact that millions of people are able to benefit from the success of Carlyle’s investment activities.

Since 1987, Carlyle has invested \$55.7 billion of equity in 909 transactions for a total purchase price of approximately \$227.5 billion as of June 30, 2009. Carlyle employs more than 890 people in 20 countries. In the aggregate, Carlyle portfolio companies have more than \$109 billion in revenue and employ more than 415,000 people around the world. Carlyle's current portfolio companies include such household names as Hertz, Dunkin' Donuts, Kinder Morgan, Booz Allen Hamilton, etc.

Carlyle is particularly committed to the infrastructure sector and in 2006 established a dedicated team to focus on investments in infrastructure companies and assets. The team is composed of eleven investment professionals with over 100 years of collective experience with infrastructure investing. The team has a combination of investment, development, structuring, and asset management capabilities that are critical for success in the infrastructure sector.

Carlyle's philosophy is to invest behind solid management teams in businesses that are leaders in their markets. The group does not serve as day-to-day managers; rather, Carlyle provides its expertise through active participation on the board of directors. As directors, the group incentivizes senior management appropriately and encourages senior management to do the same for other key contributors. Carlyle believes that its understanding of the infrastructure sector and its global network of relationships will be valuable resources to the Concessionaire's management team. In addition, the group would typically provide the support and capital to take advantage of expansion and growth opportunities associated with the investments.

Carlyle considers maritime ports and inland intermodal container transfer facilities ("ICTFs") as core infrastructure assets. Carlyle's infrastructure team has explored and has performed detailed due diligence on several maritime port assets, ICTFs and stevedoring companies with operations along the U.S. East Coast, Gulf Coast and West Coast, United Kingdom, Mexico, South America and Southeast Asia. In May 2009, Carlyle acquired a majority interest in ITS Technologies & Logistics, LLC, one of the largest independent operators of intermodal facilities in North America. In addition, prior to setting up a dedicated infrastructure team, in 2003, Carlyle invested in Horizon Lines, LLC the nation's largest container shipping company, which at the time accounted for over 35% of total U.S. marine container shipments from the U.S. mainland to Alaska, Hawaii / Guam and Puerto Rico.

Other General Matters

This letter, together with the attached response prepared in accordance with the requirements of PPTA guidelines, is a statement of our intentions, is not a legally binding agreement on Carlyle and shall not give rise to any legal consequences in any respect. It is our intension to answer to the fullest extent all questions as required pursuant to the PPTA guidelines. We intend to promptly provide additional response and/or explanation upon notice, if necessary. Carlyle is responding to this invitation for competitive proposals in good faith and with the

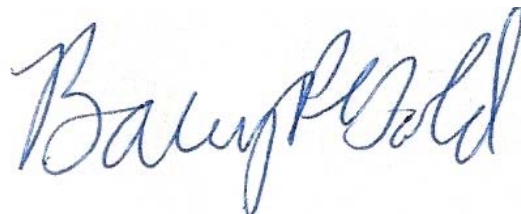
intent to answer all questions fully and provide any and all information necessary to comply with this opportunity to respond. We have interpreted the PPTA questions and requested information to the best of our abilities. Knowing that the Commonwealth's checklist for unsolicited proposals was crafted to apply to a broad range of projects, we would request that if the Commonwealth, for whatever reason, perceives that our competing proposal does not answer some section or question in a fulsome and complete manner, we be allowed to clarify or elaborate to the satisfaction of the Commonwealth. We will respond to any request in a timely fashion.

Thank you for the opportunity to submit this conceptual proposal. We would like to reiterate our interest in the Port Facilities and our firm belief that Carlyle is uniquely qualified to enter into a strategic partnership with the Commonwealth with respect to the long-term operation of Port Facilities and to promote job creation and economic development in the region.

Yours sincerely,



Robert W. Dove
Managing Director



Barry P. Gold
Managing Director

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I. QUALIFICATIONS AND EXPERIENCE

I - A. Legal Structure of the Firm

Formed in 1987, The Carlyle Group (“Carlyle”) is a global private equity firm based in Washington, D.C., which originates, structures and acts as lead equity investor in management-led buyouts, strategic minority investments, joint ventures, and venture capital and real estate investments. Our successful track record and history of delivering upon our commitments has earned us a solid reputation within the investment community. Given the relative size of our organization, we view our reputation of fair and consistent dealings with partners, managers, our investors and sellers as being one of our most important assets. This has proven to be a key differentiating quality in past transactions. For more information on Carlyle and its annual report please refer to www.carlyle.com.

Carlyle is a private partnership, which means that it is owned by a group of individuals, most of whom are Managing Directors at Carlyle, and two institutional investors. The California Public Employees Retirement Systems (“CalPERS”) owns approximately 5%, and Mubadala Development Company, a strategic investment and development company headquartered in Abu Dhabi, owns 7.5 percent. The companies and real estate in which Carlyle invests are owned by the funds that made the investments.

The Carlyle entity submitting this proposal is Carlyle Infrastructure Partners, L.P. (“CIP”). CIP is a Delaware limited partnership and Carlyle’s infrastructure fund focuses on the transportation (surface and air) and water/waste water sectors in North America. CIP’s is owned by its general partner, an affiliate of Carlyle, and limited partners, which are various institutions and individual investors.

Headquartered in Washington, D.C., Carlyle is an international firm situated locally. Over 150 Carlyle employees and their families live in the Commonwealth of Virginia (the “Commonwealth”), including two of its three founders, Bill Conway and Dan D’Aniello. Glenn Youngkin, a member of Carlyle’s operating committee, grew up in Richmond, Virginia and currently resides with his family in northern Virginia. As such, Carlyle has a direct and strong constituent interest in the economic development of Virginia.

Additionally, Carlyle’s portfolio of companies include Virginia companies such as Booz Allen located in McLean and which has over 12,600 employees in its headquarter there. In the mid-Atlantic region, companies owned by Carlyle have over 25,000 employees in businesses that are among the leaders in the industrial, aerospace, and consumer sectors. Our proposal is therefore submitted with Carlyle’s strong commitment to the continued economic development of the mid-Atlantic region.

I - B. Experience of Each Firm and Key Principals

Carlyle has invested \$55.7 billion of equity in 909 transactions and currently has in excess of \$84.5 billion of capital under management as of June 30, 2009. Carlyle combines global vision with local insight, relying on a top flight team of 495 investment professionals operating out of offices in 20 countries to uncover superior opportunities in North America, Europe, Asia, Australia, the Middle East/North Africa and Latin America. Carlyle's philosophy is to invest behind solid management teams in businesses that are leaders in their markets. We do not serve as day-to-day managers; rather, we provide expertise through active participation on the board of directors. As directors, we incentivize senior management appropriately and encourage senior management to do the same for other key contributors. We believe that our understanding of the infrastructure sector and its global network of relationships will be valuable resources to the management team. In addition, we would typically provide the support and capital to take advantage of expansion and growth opportunities associated with our investments.

CIP's investment strategy focuses on infrastructure assets which deliver long-term, predictable and sustainable returns. The team is composed of eleven investment professionals with over 100 years of collective experience with infrastructure investing. The team has a combination of investment, development, structuring, and asset management capabilities that are critical for success in the infrastructure sector.

Carlyle considers maritime ports and inland intermodal container transfer facilities ("ICTFs") as core infrastructure assets. Carlyle's infrastructure team has explored and has performed detailed due diligence on several maritime port assets, ICTFs and stevedoring companies with operations along the U.S. East Coast, Gulf Coast and West Coast, United Kingdom, Mexico, South America and Southeast Asia. In May 2009, Carlyle acquired a majority interest in ITS Technologies & Logistics, LLC, one of the largest independent operators of intermodal facilities in North America. In addition, prior to setting up a dedicated infrastructure team, in 2003, Carlyle invested in Horizon Lines, LLC the nation's largest container shipping company, which at the time accounted for over 35% of total U.S. marine container shipments from the U.S. mainland to Alaska, Hawaii / Guam and Puerto Rico.

Finally, as Carlyle's advisor with respect to this investment opportunity, the professionals at BMO Capital Markets have provided investment banking and advisory services to the majority of the North American ports, including the Ports of Los Angeles, Long Beach, Seattle, Oakland, Savannah, New York / New Jersey and Alabama in addition to having served as acquisition advisor in the acquisition of a minority stake in Carrix / SSA Marine and on several transactions for Ports America.

In compliance with section 6.1.2.2 of the PPTA Implementation Guidelines, please note that Carlyle is neither the developer nor the operator of container terminals and as such the disclosure requirements of that section are generally not applicable. Additional information

I - B. Experience of Each Firm and Key Principals (Continued)

regarding any legal claims, judgments, or contract disputes may be furnished upon a specific request of the

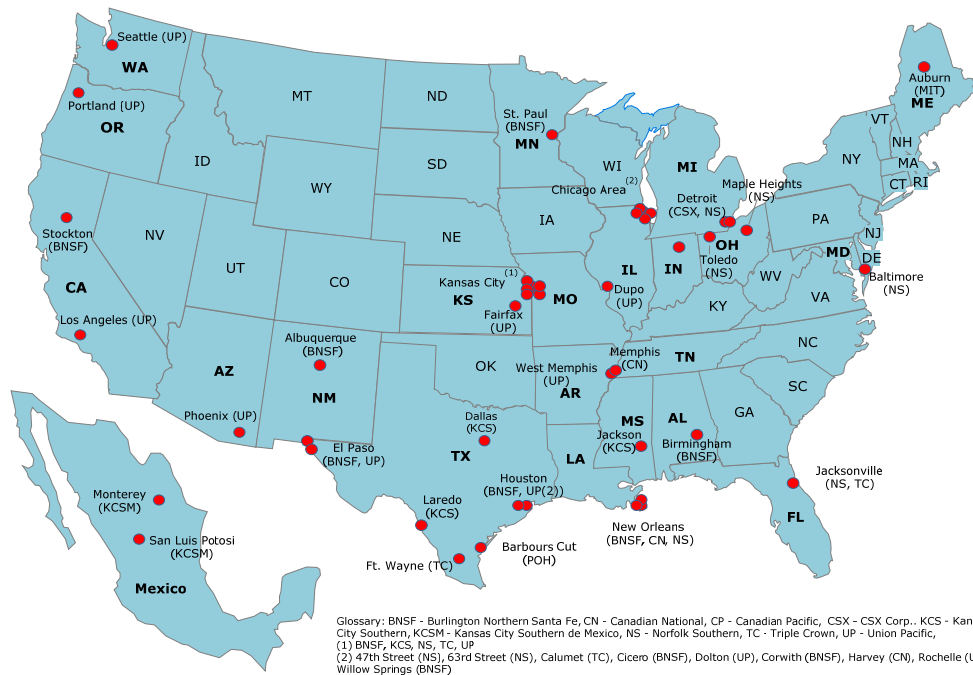
Commonwealth. We assume the Commonwealth is aware of any claims against VIT which would require disclosure pursuant to this section.

The following sections detail infrastructure-related entities that have been acquired by Carlyle.

1. ITS Technologies & Logistics, LLC

ITS Technologies & Logistics, LLC (“ITS”) is a leading intermodal services company, which generates over 90% of its revenue from a) lift-on / lift-off of containers from trains and trucks b) the maintenance and repair of transport and lift equipment and c) checkpoint administration. Other services include drayage, rail switching, auto unloading, near-dock port operations, and chassis pool services. ITS operates over 50 facilities in the US and Mexico performing approximately 5 million lifts annually.

ITS Technologies & Logistics, LLC Terminal Locations



ITS serves Class I railroads, shippers and port authorities across and has long standing customer relationships with all its customers. ITS has over 1,500 employees and its operating management team has an average industry experience of nearly 30 years.

I - B. Experience of Each Firm and Key Principals (Continued)

2. Synagro Technologies, Inc.

Synagro Technologies, Inc. (“Synagro”) is the national leader in water and wastewater residuals management and serves approximately 600 municipal and industrial water and wastewater treatment accounts with operations in 32 states. Headquartered in Houston, Texas, the Company employs approximately 900 people.

Synagro provides its customers with services and capabilities that focus on the beneficial reuse and disposal of organic non-hazardous residuals, including biosolids, resulting primarily from the wastewater treatment process. Biosolids and other organic residuals are solid or liquid material generated by municipal wastewater treatment facilities or residual management facilities.

The Company’s existing customer base is comprised of municipal customers and industrial and commercial waste generators. It also markets to buyers who purchase the Company’s fertilizers, soil amendments and other marketed products. Municipal customers accounted for approximately 90 percent of the Company’s revenue in 2008.

Synagro’s business is organized into three operating segments, which include: Residuals Management Operations, Rail Transportation and EFD:

- Residuals Management Operations include facilities operations, product marketing, land application, dewatering, clean-out and disposal services
- Rail Transportation includes the inter-modal transfer and rail haul of materials across several states where the material is typically either land applied or disposed at a landfill
- EFD includes construction management activities and startup operations for certain new processing facilities, primarily for Synagro itself and occasionally for the Company’s long-term customers

I - C. Project Manager

Carlyle’s team includes a deep bench of industry professionals well versed in public-private partnerships and acquisitions. The following individuals will be the firm’s primary contacts with the Commonwealth.

Carlyle Team - Project Managers

Robert Dove, Managing Director

Mr. Dove joined Carlyle from Bechtel Enterprises, the finance, development and investment arm of Bechtel Group. At Bechtel Enterprises, Mr. Dove was an executive vice president and

also an equity partner of Bechtel Group. Mr. Dove led infrastructure development activities and managed a portfolio of infrastructure investments, including investments in mass transit, airport and wastewater treatment assets. Mr. Dove has extensive M&A, financing and investing experience, having participated in all stages of infrastructure project investment, from initial equity investment through operational enhancement and financial recapitalization and ending with exit. Mr. Dove is a member of the board of directors at ITS Technologies and Logistics, LLC where he serves as Chairman, and Synagro Technologies, Inc.

Barry Gold, Managing Director

Mr. Gold joined Carlyle from Citigroup where he was co-head of the Structured Finance group within Fixed Income Capital Markets. Mr. Gold developed extensive experience by providing equity investment advisory, capital structuring and financial recapitalization services for clients in various infrastructure sub-sectors including airports, maritime ports, toll roads etc. Mr. Gold received his M.B.A. from New York University. Mr. Gold is a member of the board of directors at ITS Technologies and Logistics, LLC and Synagro Technologies, Inc. where he serves as Chairman.

Bryan Lin, Principal

Prior to joining Carlyle, Mr. Lin was a Director at Citigroup where he focused on advising and structuring project finance transactions in infrastructure, power and energy sectors for nine years. A Chartered Financial Analyst, Mr. Lin received his M.B.A. from the University of Chicago, Graduate School of Business. Mr. Lin is also a member of the board of directors at Synagro Technologies, Inc.

John Flaherty, Principal

Prior to joining Carlyle, Mr. Flaherty was Chief of Staff of the US Department of Transportation where he provided policy, program, operational and staff management for all operations at the Department including the development of the Secretary's Congestion Management Initiative, the Committee on Maritime Transportation System, and the Office of Freight and Logistics and the national maritime security plan. Prior to the USDOT, Mr. Flaherty served as staff director for US Rep. Norman Y. Mineta and US Rep. Anna G. Eshoo. In the private sector, Mr. Flaherty was a government affairs principal with clients in the transportation sector.

BMO Capital Markets Team - Project Managers

Jeff Holt, Managing Director

Mr. Holt has 29 years of experience in investment banking working with large maritime ports and infrastructure clients having structured over \$24 billion in debt obligations and other securities. Jeff has served as a senior investment banker on projects for the Ports of Long Beach, Los Angeles, Oakland, Portland, Seattle, San Diego, Charleston and the Port Authority of New York/New Jersey. Rail and intermodal experience includes the Alameda Corridor and Reno ReTRAC. Advisory services associated with acquisitions include the purchase of a minority stake in Carrix Inc., an international terminal operator, and assisting Highstar Capital and its

I - C. Project Manager (Continued)

Ports America team on several terminal acquisitions. Mr. Holt is also a member of the US Transportation Research Board.

Eric Zampol, Vice President

Mr. Zampol has over 7 years experience in infrastructure investment banking. His experience includes advising on the acquisition of a minority stake in Carrix Inc. and several terminal acquisitions for Highstar Capital's Ports America subsidiary. Within the capital markets space, Mr. Zampol has helped structure over \$20 billion of securities for infrastructure entities including the Ports of Seattle, San Diego and Oakland in addition to experience with rail projects such as the Alameda Corridor and the Reno ReTRAC project.

I - D. Contact Person / References

Having completed over 900 transactions over the last 20+ years, Carlyle can offer the Commonwealth several references. The below contact would be pleased to comment on the dedication of the professionals of Carlyle to successful public-private partnerships:

Thomas J. Stangl
President and CEO
ITS Technologies & Logistics, LLC
8200 West 185th Street, Suite A
Tinley Park, IL 60487
(708) 225-2392
TStangl@in-termserv.com

I - E. Proposed Ownership Arrangements for each Phase

Carlyle is a long-term investor in infrastructure assets. Carlyle intends to own and hold a controlling interest in the concession assets and VIT and does not anticipate any change in the future ownership, although we reserve the right to transfer or sell the concession rights or assets.

I - F. Commitment to Good Business Practices

As a founding member of the Private Equity Council, Carlyle has committed to:

- 1) Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well assuring the period of ownership.
- 2) Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.

- 3) Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues. To that end, Private Equity Council members will work through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
- 4) Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
- 5) Remain committed to compliance with applicable national, state, and local labor laws in the countries in which they invest; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.
- 6) Maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
- 7) Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
- 8) Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about their activities.
- 9) Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

I - G. Safety Record

VIT's exceptional safety record is known to the Commonwealth. Additionally, Carlyle's ownership record in industries such as ITS chronicled above demonstrates that we place an emphasis on ensuring that our acquisitions continue to develop first-in-class safety standards. Please note that no major construction projects are immediately anticipated but any expansion efforts in the future including, but not limited to the Craney Island development, will be undertaken with a focus on safety.

I - H. Liability Structure

Please see our response in I.A. and the Cover Letter. Carlyle has the financial capability to ensure a successful execution independent of the use of any additional limited partners although we reserve the right to add such partners.

II. PROJECT CHARACTERISTICS

II - A. Project Description

Please see our cover letter. Generally, we are seeking to acquire ownership of VIT and the right to operate the assets of VPA for a period of at least 60 years.

II - B. State and Federal Standards

We understand that VIT is currently in compliance with State and Federal Standards. Carlyle is prepared to covenant that VIT post acquisition will remain in compliance.

II - C. Department or Other Work

Generally, we expect VIT to continue to operate in a substantially similar fashion to its current operations. VPA and other governmental entities may be contracted to provide security, utilities, or to act as an issuing authority for tax-exempt debt. We look forward to discussing this issue in more detail as due diligence is conducted.

II - D. Permits and Approvals

No known approvals or permits are required to acquire a lease of the existing operating assets and VIT. While federal regulatory review and CFIUS standards will apply to the process, Carlyle does not expect any concerns will be raised in its potential acquisition given that Carlyle is a US domiciled entity with no competing subsidiaries that when combined with VIT would constitute a potentially anti-competitive entity. Permits and approvals for Craney Island or for other capacity expansion projects will be determined at the appropriate time in the future.

II - E. Social, Economic and Environmental Impacts

The current economic importance of VIT is known to the Commonwealth. Specifically, according to the research conducted at the Mason School of Business at the College of William and Mary, the economic impact to Virginia from the port was \$4.5 billion in revenues and over 35,000 jobs. Additional expansion projects, whether it be Craney or other capital expenditures, are anticipated to bring additional economic benefits and jobs, although the quantification of such impacts is difficult at this time. In addition, as noted in the Cover Letter, the conceptual proposal includes the possibility of including annual payments to VPA and local entities as well as the return of the tax revenues to the Transportation Trust Fund; while no guarantee can be made as to how such revenues will be spent, we anticipate a significant benefit to the Commonwealth and its citizens. Finally, please refer to our response regarding good business practices in section I.F above as it relates to our professional commitments.

II - F. Critical Factors for Success

Critical factors for the success of the gateway include continued interest from beneficial cargo owners, carriers, and the rail providers. As it relates to the concession process, successful completion of due diligence is the most critical factor for success in the concession and sale process. Additionally, the use of a transparent and fair process with clearly established evaluation criteria will assist Carlyle in delivering the maximum value to the Commonwealth. These factors are also discussed in the Cover Letter.

II - G. State and Federal Environmental Standards

We understand that VIT is currently in compliance with all Commonwealth and Federal environmental standards. Major expansionary projects, including Craney Island, will be developed in accord with all environmental standards.

II - H. Allocation of Risk and Liability for Post Agreement Work

Generally, Carlyle proposes assumption of all operational risks and liabilities of VIT as described above and in the Cover Letter. As it relates to pre-existing environmental and other potential liabilities, we presume the concession or sale agreements will delineate a reasonable risk sharing agreement.

II - I. Key Assumptions

As discussed previously, Carlyle is generally prepared to accept operational liability as the owner of VIT and the Concessionaire of VPA's assets. Certain law enforcement services may be provided by the Coast Guard, INS, VPA, local jurisdictions, or by private security sources to the extent permitted by law and deemed to be appropriate.

II - J. Phased Openings

Carlyle does not anticipate any interruption in current VIT operations due to the acquisition. Our team's extensive experience in the acquisition of infrastructure assets and entities should provide the Commonwealth with confidence that the transaction can be executed with no disruption in operations. The right to develop and operate Craney Island, and future expansionary possibilities at the current terminals are the only anticipated actions which may require any phased opening.

II - K. Maintenance Plan

Carlyle is prepared to covenant to return the VPA assets in a similar condition to those that currently exist. In addition, as Carlyle anticipates undertaking substantial capital expenditures to improve the properties and plant, including the possibility of developing Craney Island and

II - K. Maintenance Plan (Continued)

enhancing the throughput of current assets, the expectation is that the assets will be returned in a superior condition.

III. FINANCING PLAN

III - A. Preliminary Estimate of Costs

Carlyle proposes to provide the Commonwealth, VPA and local entities with a combination of a substantial up-front payment, on-going lease payments and sizable profit sharing as discussed in the Cover Letter. Moreover, with significant capital expenditures expected to expand the capacity of the current operations and possibly to develop Craney Island, we fully anticipate that Carlyle's subsidiary will invest significantly in the VPA assets alongside of the Commonwealth and the Federal government.

III - B. Plan for Developing, Financing, and Operating

No grants or loans are requested from the Commonwealth or VPA. The "sources" of the acquisition financing will likely include both debt and equity although the exact ratio is to be determined. In terms of "uses," we propose to provide a substantial up-front payment to the Commonwealth, on-going lease payments to VPA, certain local payments and expanded profit sharing as discussed in the Cover Letter. Additionally, the return of the tax revenues to the Transportation Trust Fund will have a substantial value to the Commonwealth as will the expected capital expenditures to expand throughput.

III - C. Assumptions

Carlyle has extensive experience with acquiring assets and companies in the infrastructure asset class. Our assumptions regarding the financing plan are consistent with our past experience and the limitations of the current market environment. Presently, we anticipate utilizing a combination of debt and equity to provide for the initial payment. On-going payments and commitments will be funded through operations. As more refined views are developed on the valuation through due diligence, Carlyle will provide an update to the Commonwealth on the financing plan.

III - D. Proposed Risk Factors

Please see our responses to II.G. and II.H.

III - E. Life Cycle Costs

Carlyle expects significant capital will be invested in the project as described elsewhere in this proposal. Additionally, we are prepared to covenant that Carlyle will return the asset in an equivalent or superior condition. No operational or maintenance costs are to be absorbed by the Commonwealth other than for pre-existing conditions.

III - F. Local, State, or Federal Resources

No local, Commonwealth or Federal resources are anticipated to be required beyond those typically associated with a private terminal operation. For instance, certain security services may be contracted through a governmental entity and a local agency may act as a conduit for the issuance of tax-exempt bonds. Moreover, we anticipate continuing to work with governmental entities on joint projects such as channel dredging and the potential development of Craney Island and any expansion of the current VPA facilities. Overall, we look forward to a public-private partnership that is beneficial to the nation, the Commonwealth, and the operator.

III - G. Financial Statements

For more information on Carlyle and its annual report please refer to www.carlyle.com.

IV. PUBLIC SUPPORT**IV - A. Economic Benefits**

Please see our response to II.E.

IV - B. Known Support or Opposition

No known significant opposition has been voiced thus far. As a “local” firm, Carlyle is committed to working with the Commonwealth and its constituents to develop a comprehensive agreement with significant community benefits.

IV - C. Information Dissemination

Carlyle expects to have a complete and honest discussion with all stakeholders and interested parties. As a firm with extensive experience acquiring assets and entities throughout the US, we believe we offer the Commonwealth and its constituents significant valuable experience in ensuring effective transitions of currently operating assets. Carlyle will provide copies of this Conceptual Proposal to parties who request the document and will in addition hold meetings with stakeholders. Furthermore, certain locally available communication management consultants may be retained if deemed necessary.

V. PROJECT BENEFIT / COMPATIBILITY**V - A. Project Benefits**

Please see our response to II.E. Specifically, through various capital expenditures, including the potential expansion of Craney Island, we anticipate the throughput of the VPA assets will be significantly expanded. Additionally, the return of the tax revenues to the Transportation Trust Fund is expected to have significant transportation related benefits for the Commonwealth as are the potential annual payments and profit-sharing components of the conceptual proposal.

V - B. Economic Condition

Maintaining the competitiveness of the VPA assets will be an essential aspect of the VIT business plan post-acquisition. As detailed above, we anticipate significant capital investments that will expand the capacity of the VPA assets, including but not limited to the possible development of Craney Island. We are fully prepared to covenant a return of the assets in a substantially similar condition.

V - C. Coordination with Local Land Use and Other Plans

As no change in land use is anticipated, we have not yet had any discussions of this type with local or other agencies. To the extent future projects require land use alterations or other forms of local impacts, we anticipate significant coordination with local agencies.