DRAFT

Virginia Port Authority

Executive Director's Compensation Plan Fiscal Year-2006

	Effective through November 24, 2005	Effective as of November 25, 2005[1]
Base Salary[2]	$121,491	$126,837
Salary Supplement	73,409	76,639
Total Base Salary	$194,900	$203,476

Executive Supplement	$12,500
Severance Program	One month's compensation per year of service to a maximum of 24 months
Incentive Supplement	Up to a maximum of 35% of base salary
Life Insurance, Health Insurance, Retirement	As provided under State law

<u>INCENTIVE SUPPLEMENT</u>

- The maximum incentive supplement opportunity for the Executive Director is 35% of the Executive Director’s total base salary. The Executive Director's total base salary for FY-2006 is $203,476. Thus, the maximum incentive supplement opportunity is $71,217.

- Performance Measures. There are three criteria, or goals, in connection with the Executive Director's incentive supplement. They are weighted as follows:

Increase in TEU’s	20%
Financial Management	50%
Project Management	30%

[1] 4.4% increase
[2] As noted in the Virginia Acts of Assembly

GOAL 1: INCREASE IN TEU's[3] (20%)

Annual Growth	% of Achievement
9.5% or more[4]	100.0%
8.0%	87.5%
7.0%	75.0%
6.0%	62.5%
5.0%	50.0%
4.0%	25.0%
<3.0%	0%

Example

TEU's increase by 9.5%. Thus, 100% of the goal was achieved.

Total possible supplement = $203,476 x 35% = $71,217
Full achievement of the goal is worth 20% of incentive supplement
Thus, $71,217 x 20% = $14,243

$14,243 x100% = $14,243 earned supplement for this goal.

The Compensation Committee retains the discretion to incorporate a "market context" to the "increase in TEUs" goal. Thus, this goal shall be reviewed by the Compensation Committee in absolute terms and relative to both the Atlantic Coast port industry in general and the VPA's major competitor ports (New York, Baltimore, Wilmington, N.C., Charleston, and Savannah) in particular. In those instances where the results obtained fall short of the goal, the Compensation Committee shall retain the right to award additional compensation, up to a maximum of the weighted value of the goal's criterion, if the VPA has outperformed the Atlantic Coast port industry and/or its major competing ports (even in declining markets) and/or the VPA has made significant progress toward attaining one of its strategic initiatives. This discretionary authority is intended to enable the Compensation Committee to fairly evaluate and reward the Executive Director's performance within the context of the factors that senior management of the VPA can control and influence within the markets in which VPA competes.

[3] Because of an unavoidable lag in the reporting of throughput, in order to have the figures available by July 1, the reporting year is May 1, 2005, through April 30, 2006. For the sake of consistency, the reporting year for the other two goals is also May 1, 2005, through April 30, 2006.

[4] Although the port has seen 10% growth in the first 3 months of 2005, the concern over steadily increasing fuel costs and vessel capacity constraints lead us to a more conservative forecast of 9.5% annual growth for 2006. The price of oil is staying above $50 per barrel and is forecasted to grow dramatically in the next few months. Also, many ship lines have vessels on order and they will not be in service until 2006-2007. An outside consultant, R.K. Johns & Associates, has prepared the attached report relating to projected growth.

GOAL 2: FINANCIAL MANAGEMENT (50%)

- Ratio of current VPA cash operating expenses to current VPA cash operating revenues and current year beginning cash balances. Represents VPA's ability to manage expenses to ensure that operating revenue and accumulated cash exceeds operating expenses such that VPA may remain self-funded.

Current Cash Operating Expense as a % of Current Cash Operating Revenues and Current Year Beginning Cash Balances	*% of Achievement*
.70	100%
.75	90%
.80	70%
.90	50%
More than 1.0	0%

Example

FY-2006: Expenses = $31,578,719; Operating Revenues plus current year beginning cash balances = $45,901.018

$31,578,719/$45,901,018 = .69
Because this ratio is less than .70, there is 100% achievement in connection with this goal.

Total possible incentive supplement = $203,476 x 35% = $71,217
Full achievement of this goal is worth 50% of incentive supplement
Thus, $71,217 x 50% = $35,609

$35,609 x 100% = $35,609 earned supplement for this goal.

GOAL 3: PROJECT MANAGEMENT (30%)

- Complete Stages 1 and 2 of the backlands consisting of 48 acres by October 2005. Start construction on Stage 3a consisting of 12 acres by July 2005 and Stage 3b consisting of 13 acres by November 2005. Finally, complete 75% of Stage 3a backlands construction consisting of 12 acres by April 30, 2006.

Percentage of Stage 3a Completed by April 30, 2006	*% of Achievement*
75%+	100%
60%	80%
50%	60%
Less than 50%	0%

Example

75% of Stage 3a is completed by April 30, 2006, as determined by engineers' certifications upon which progress payments to the contractor will be made.

Total possible incentive supplement = $203,476 x 35% = $71,217
Full achievement of this goal is worth 30% of incentive supplement
Thus, $71,217 x 30% = $21,365

$21,365 x 100% = $21,365 earned supplement for this goal.

Consideration of Other Management Issues by the Compensation Committee

The foregoing objective criteria are clearly important and valid measures of performance. Nevertheless, there are invariably other important measures that are outside of the ambit of the purely objective ones identified herein. Examples might include items such as attention to matters of Port security, ongoing bond covenant compliance, long-term plan development, and implementation, staff development, and management succession. Thus, in keeping with its responsibility both to the Commonwealth and to the Executive Director, the Committee will, when determining the amount of the incentive supplemental to be awarded, consider other management issues when it appears reasonable to do so in the best interests of the Authority.

The Executive Director's compensation plan for FY 2006 is approved on behalf of the Compensation Committee.[5]

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John G. Milliken, Chairman

[5] Commissioners Milliken, Valentine, Massie