Midstream MLP Sector:

Value Creation 2003 - 2013

University of Houston, C.T. Bauer College of Business

Student Research Project

This report is developed solely for the purpose of class discussion. Cases and reports do not represent endorsements by the faculty or the C.T. Bauer College of Business on effective or ineffective management.

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1. Introduction

1.1 Research Objectives

This report documents the findings of a research project undertaken by students in the C.T. Bauer College of Business MBA program at the University of Houston.

The purpose of the project was to understand how Midstream Master Limited Partnership (MLP) Companies have created value for their shareholders and other stakeholders in the past, and the strategic lessons that can be learned from their successes and failures.

The intent has been to create a vehicle that will complement the capabilities within the C.T. Bauer School of top tier academic research with experience-based knowledge of the challenges facing energy companies. Through this integration and our long time frame looking back and forward at least five years, we hope to provide a set of analyses and commentaries that will supplement existing reports available from financial institutions and will be useful both to financial institutions and to the companies studied.

Prior reports have covered the Super-majors, National Oil Companies, Independent Producers, Independent Refiners and Oilfield Service Companies. We hope that these reports will deepen the relationship between the University of Houston and energy companies in Houston and beyond, creating opportunities for mutually beneficial dialogue.

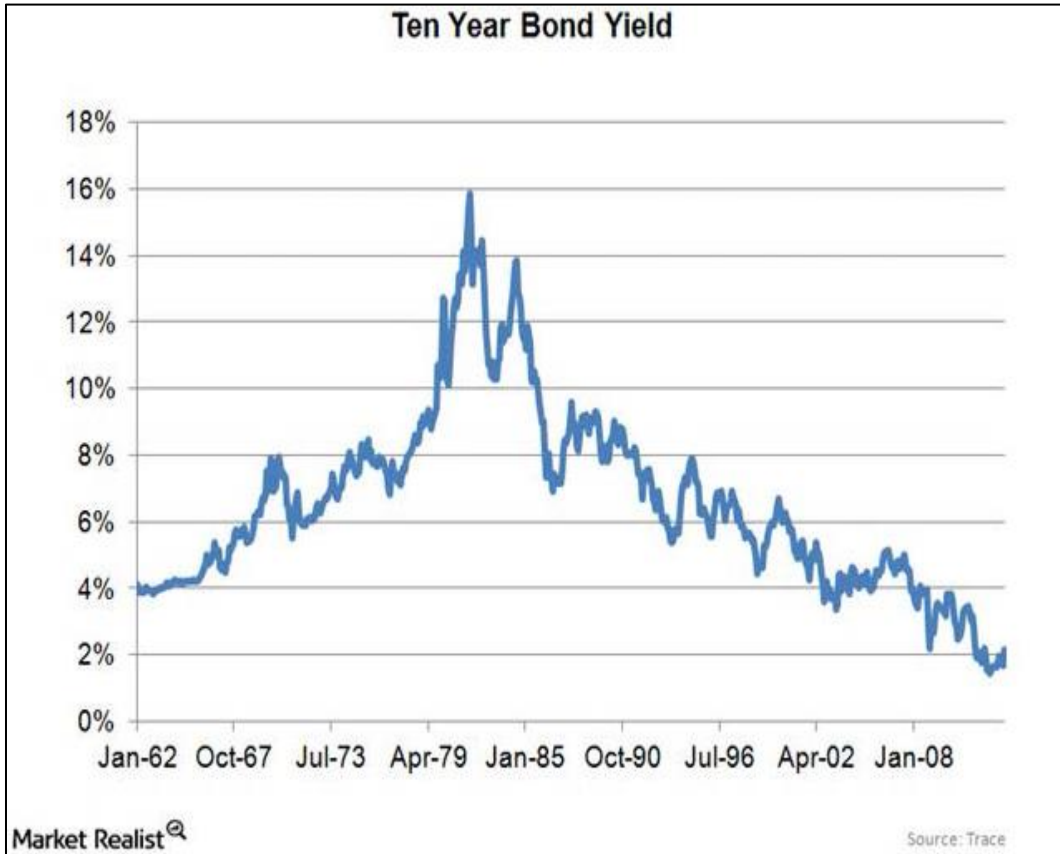
1.2 The Midstream MLP Sector

The Midstream MLP sector has prospered over the past 20 years due to five important trends in the oil and gas industry and beyond:

1. The ability of MLPs under the tax code to distribute the bulk of their cash flow to partners without incurring the double taxation of investors at the corporate and again at the personal revenue level.
2. The innovation pioneered by Richard Kinder of Kinder Morgan, that MLPs could combine distributions of the bulk of their cash flow with investments in acquisitions and capital projects, to provide unit holders with increasing distributions per unit.
3. The further innovation pioneered by the late Dan Duncan of Enterprise Products to deconstruct the entire oil and gas value chain and identify opportunities that were amenable to a fee-based (tolling) service.
4. The desire in the 1990s of major integrated oil companies to improve returns on capital and shed assets that were intrinsically low return such as pipelines and terminals, providing a source of assets for MLP growth.
5. The need to “replumb” the North American midstream system to move growing supplies of oil and natural gas from areas with inadequate infrastructure to established and new market centers.

These trends combined with falling interest rates (Figure 1.1) to present a unique opportunity for MLPs to provide investors with a low risk, tax efficient, high yield security with growth potential. As risk-free interest rates declined, the demand increased for securities providing higher rates at moderate risk, and MLPs were able to attract capital to fund their growth, enabling acquisitions of assets from major oil companies and construction of major midstream projects. As a result, unit holders drove up the value of MLP units steadily from 2003-13.

Figure 1.1



The Midstream MLP sector operates largely fee-based assets, many of which have benefited, but some have suffered from changes in the natural regional flows of oil and natural gas following the huge expansion of oil and gas production from shales (Figure 1.2). The primary asset types which MLPs operate include:

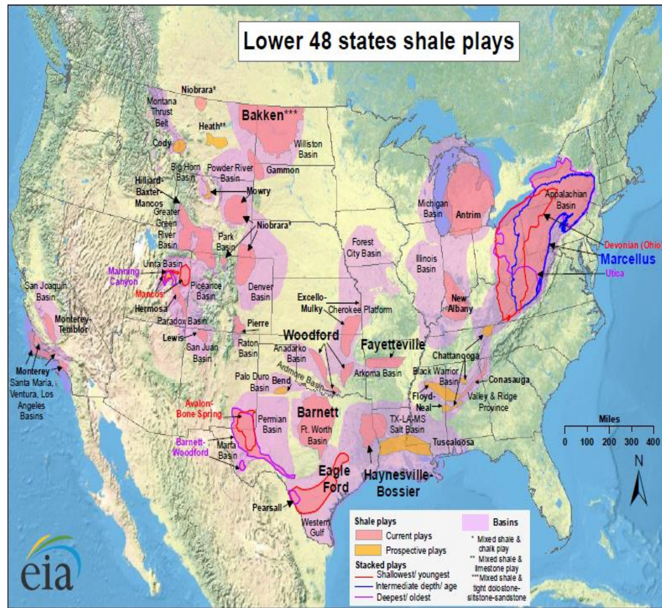


Figure 1.2: Major Shale Plays

- Enhanced oil recovery
- Offshore production platforms
- Crude oil and natural gas gathering systems
- Natural gas processing and fractionating
- Natural gas pipelines
- Natural gas storage
- Liquids pipelines
- Terminals
- Marine and rail transport

The information disclosed in annual reports and investor presentation is not sufficiently granular to allow a fact based differentiation of the portfolios of assets on an internally consistent basis across the companies. However, as will be explored later, there are differences among the companies in the extent to which they are exposed to commodity price variations. There are also differences among the companies studied in their geographical coverage (Table 1.1).

Table 1.1: Geographical Coverage of the Studied Companies

Divisions	West		Midwest		Northeast		South			Total Segments
Company	Pacific	Mountain	West North Central	East North Central	Middle Atlantic	New England	West South Central	East South Central	South Atlantic	
Energy Transfer Partners	x	x	x	x			x	x	x	7
Kinder Morgan Energy	x	x	x	x	x	x	x	x	x	9
Enterprise Products	x	x	x	x	x		x	x	x	8
MarkWest				x	x	x	x	x	x	6
Magellan Midstream			x	x			x		x	4
Sunoco Logistics		x		x	x	x	x	x		6
Regency Energy Partners			x	x	x		x	x	x	6
Boardwalk Pipeline Partners				x		x	x	x		4
Williams Partners	x	x	x	x	x		x	x	x	8
Plains All American Pipeline	x	x	x	x	x	x	x	x	x	9
ONEOK Partners		x	x	x			x			4
Enbridge Energy Partners			x	x			x			3
Western Gas Partners		x	x		x		x			4
Targa Resources Partners	x	x	x	x		x	x	x	x	8
DCP Midstream Partners			x	x			x			3
Genesis Energy		x			x		x	x		4

Six companies have broad geographical coverage (Kinder Morgan, Enterprise Products, Plains All American, Williams Partners and Targa Resources); five companies have moderate geographical coverage (Energy Transfer, MarkWest, Sunoco Logistics and Regency Energy) and six are geographically focused (Magellan Midstream, Boardwalk, ONEOK, Enbridge, Western Gas, DCP Midstream and Genesis Energy)

2. Conclusions

The conclusions drawn from our research on Midstream MLP value creation are:

- The stars have been perfectly aligned over the past ten years for exceptional value to be created for unit holders by Midstream MLPs:
    - Falling interest rates on low risk securities created strong demand for a low risk, tax advantaged securities with growth potential like MLPs;
    - Innovations by Kinder Morgan and Enterprise Products opened up new forms of fee-based investments and demonstrated that MLPs could at the same time increase distributions and embark on significant acquisition and capital investment programs, which grew distributable cash flow and allowed increasing distributions per limited partner unit.
    - The surge in domestic production of crude oil, natural gas liquids and natural gas made economic by advances in horizontal drilling and hydraulic fracturing, which required new transportation infrastructure to connect to markets.
- The primary driver of value growth in MLP units has been growth in distributions per unit. Past value growth is closely correlated to growth in distributions per unit, and the market value at end 2013 of each company studied is well explained by the net present value of expected future distributions.
- We found that some MLPs chose an aggressive growth strategy, with capital expenditures in excess of cash flow from operations, requiring continuous recourse to financial markets to fund their projects and grow distributions. We found no evidence of investor bias against this deficit funding strategy, suggesting that the aggressive growth companies successfully made the case that their projects would create future value and support further growth in distributions per unit even after dilution from sale of more units.
- However, end 2013 value is not well explained for several companies by the intrinsic value of each corporation calculated as the net present value of the firm's expected future free cash flows discounted by the weighted average cost of capital. This mismatch between the value of the free cash flow and the value of the limited partnership results from Incentive Distribution Rights (IDR) awarded to the General Partner (GP), which allow the GP to claim up to 50% of the MLP's distributable cash flow.
- Five (MarkWest, Genesis, Magellan, Enterprise and Buckeye) of the seventeen companies reviewed merged GP and LP structures before 2013 with a payment made from the LP to the GP as compensation for relinquishing the IDRs. Kinder Morgan and Williams have gone further in 2014-15 by abandoning the MLP structure in favor of a conventional C-Corporation, citing the IDRs as an impediment to growth.

Thus, we concluded that MLP investors would have been wise to look for consistency between a reasonable estimate of the intrinsic value of the firm and the market value of the partnership units and to pay attention to the signal provided by beta. Both of these metrics provided advance warning of vulnerability of the securities to abrupt commodity price changes. MLP leaders and investors should monitor these metrics to gauge the sustainability of market values.

Looking forward, it seems likely that well managed MLPs will continue to provide good returns to investors. Notwithstanding a slowdown in upstream activity in the current low oil price environment, most observers expect drilling activity levels and production to return to a growth path within the next year or two. Also, there is a substantial backlog of good projects being developed that are necessary to clear existing midstream bottlenecks. There remain many future profitable growth opportunities available by “replumbing” oil and gas infrastructure and the MLP tax advantage should continue.

The two shadows on the horizon would be an increase in interest rates and public resistance to pipeline and other infrastructure projects:

- MLPs will need to increase distributions to keep pace with any increases in risk free rates and that would reduce the internal cash available for growth projects, requiring recourse to financial markets. Higher interest rates will require higher returns on capital projects, potentially pricing some projects out of the market. In turn, this will increase pressure on MLP cost structures and potentially lead to consolidation in the sector. Investors in the losers in this consolidation should benefit from acquisition premia, while investors in the winners should enjoy higher shareholder returns in the larger combined entities.
- Public opposition to infrastructure projects will require MLP companies to up their games on social performance management. They need to spend the time and money necessary to make the case that the infrastructure investments are necessary for national security, will contribute to local, state and national economic prosperity and will pose minimal long term environmental risks. Pipeline projects in particular provide safer and cleaner alternatives to rail or road transportation. Project leaders must communicate clearly with all stakeholders and be prepared to respond to legitimate concerns. Where possible, they should try to engage local thought leaders and politicians to help persuade communities to accept their projects.

Finally, recent actions by Kinder Morgan and Williams to fold their MLPS back into the C-Corp is interesting. The stated grounds have been to remove the load of the incentive distributions and to reduce complexity. Nevertheless, unit holders have lost a source of distributions that are practically tax free and in exchange have received stocks with taxable dividends. An unstated reason for the change is that MLPs are not the ideal framework for growth, since they must continually be in the market for debt and partnership unit sales in order to fund growth investments, acquisitions and distributions. There will continue to be a demand from investors for MLP investment opportunities, but it may be that the companies that choose to retain the MLP structure must settle for less aggressive growth.

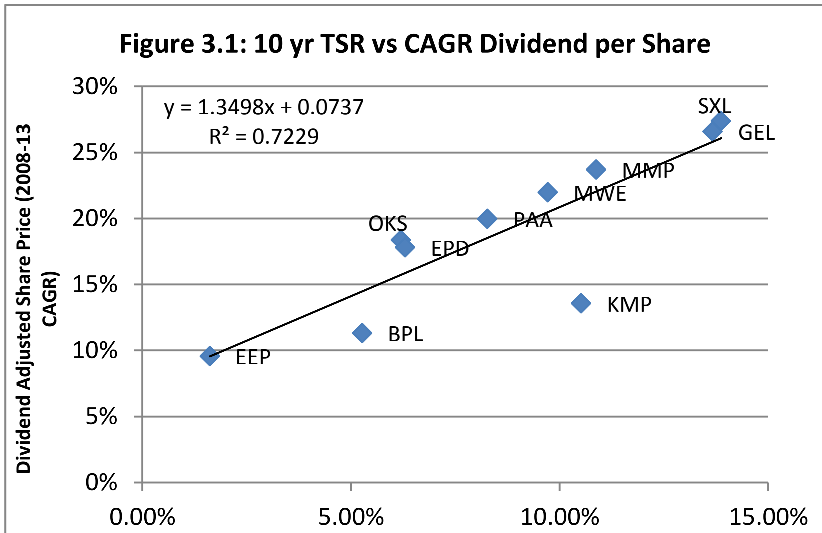
3. Primary Value Driver

Over the period 2003-13, the studied MLPs delivered superior value to their investors by consistently increasing their distributions per partnership unit. All the companies studied provided higher returns than the S&P 500 index and most delivered higher returns than the Alerian index of MLPs (Table 3.1), implying that the Alerian Index includes a number of companies that performed worse than those studied.

Table 3.1: MLP Total Shareholder Returns (TSR) CAGR (2001-13)

CAGR	2003-13 CAGR	2008-13 CAGR	Jan 1 2014 –May 1 2015
DPM	X	59.4%	(20.1%)
NGLS	X	57.4%	(12.0%)
MWE	22.0%	54.4%	1.7%
GEL	26.6%	50.9%	(6.4%)
WES	X	46.1%	16.7%
SXL	27.4%	44.9%	21.8%
WPZ	X	42.1%	X
MMP	23.7%	41.4%	35.4%
RGP	X	36.4%	X
PAA	20.0%	34.4%	(2.8%)
EPD	17.8%	32.7%	4.9%
EEP	9.6%	27.2%	28.2%
OKS	18.4%	26.0%	(19.1%)
BPL[1]	11.3%	23.0%	16.2%
ETP	X	20.6%	5.7%
KMP	13.6%	19.6%	X
BWP	X	15.0%	(30.2%)
Alerian	14.85%	29.13%	(1.0%)

[1] Buckeye (BPL) has been included in the comparative analysis, but not in the detailed company reviews



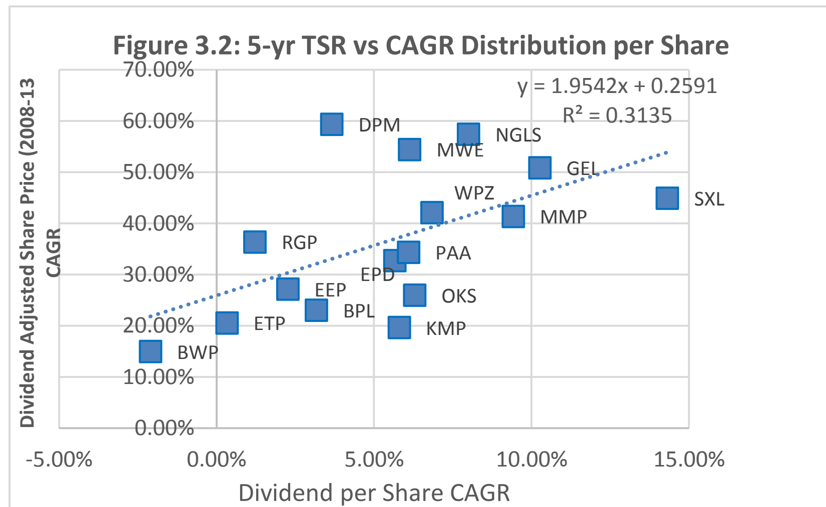
S&P 500	4.97%	14.86%	15.1%

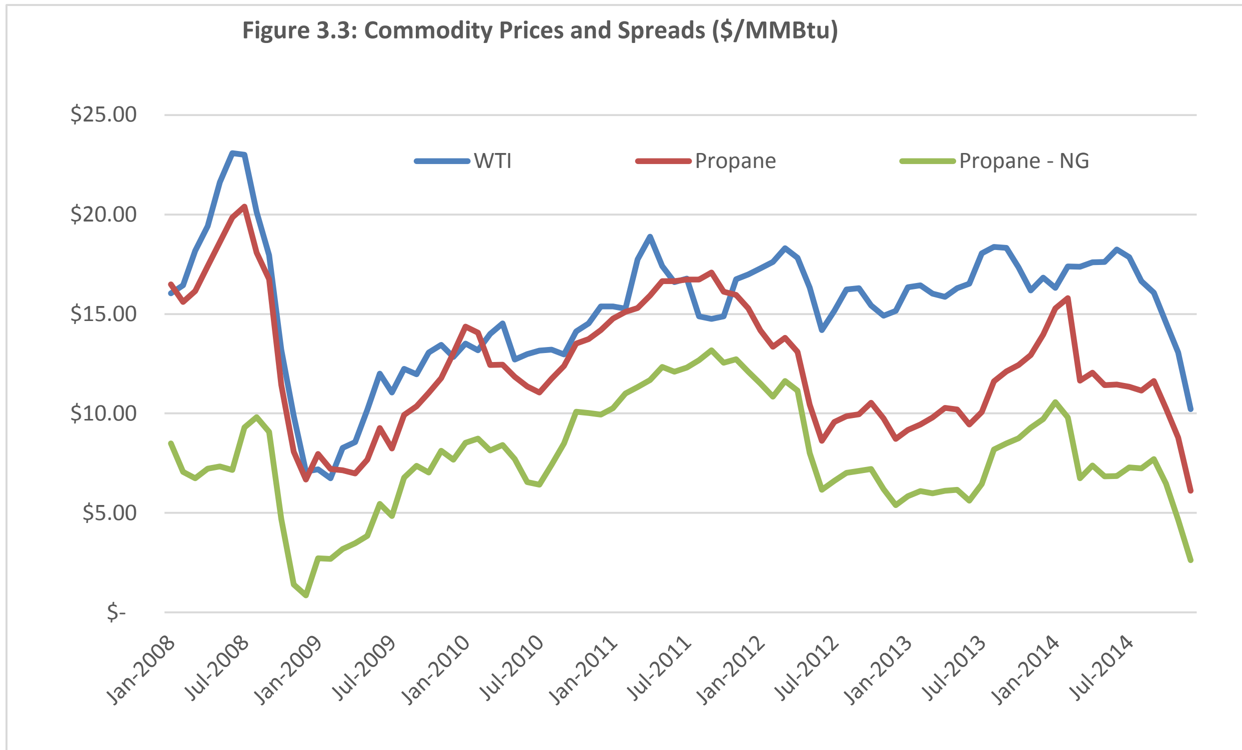
Our research concluded that the main driver of TSR has been growth in distributions per share. The relationship was particularly strong for the companies with financial histories for the ten years 2003-13 (Figure 3.1), and less strong for the five year period 2008-13 (Figure 3.2[2]).

[2] Western Gas has been excluded from Figure 3.2. Anadarko formed Western Gas in June 2008 so there was not a full year of distributions to serve as a base line.

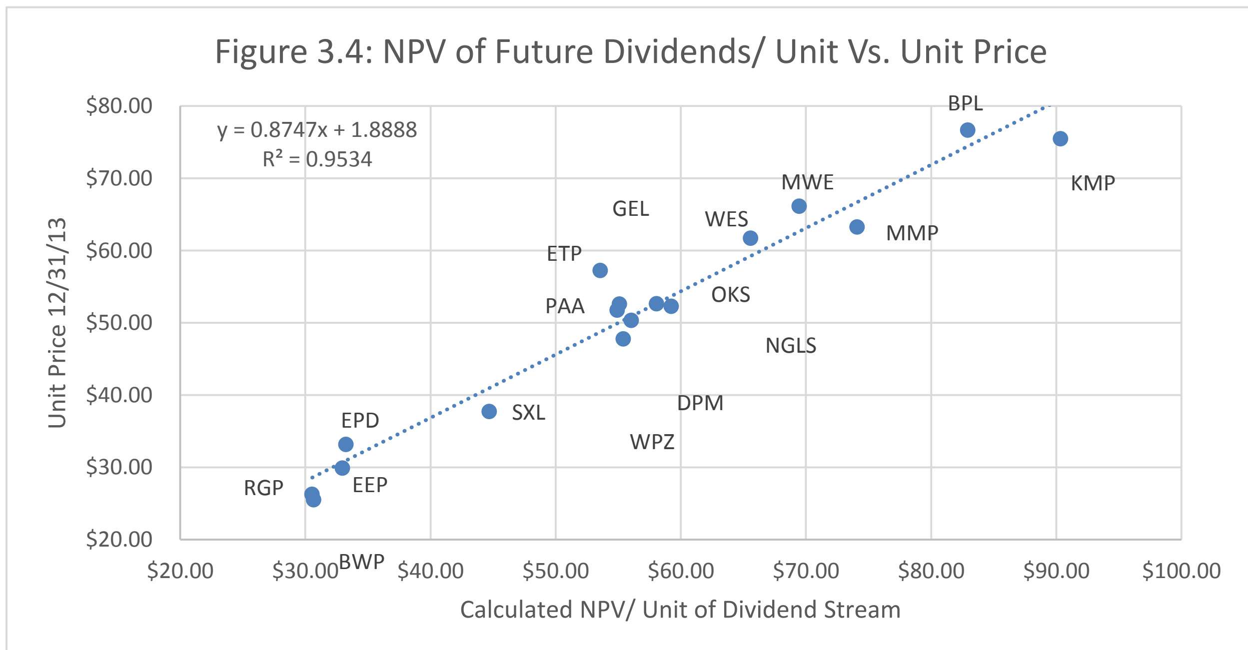
he strong relationship between TSR and growth in distributions per unit over ten years and the weaker relationship over five years from end 2008 to end 2013 is intriguing. It suggests that the prices of partnership units of some companies may have been more affected than others by the collapse in oil prices at the end of 2008 (Figure 3.3). Thus, the TSR value growth of those companies most exposed to commodity prices were high (from a low starting point) relative to those with less commodity price exposure.

More recently, in the 4th quarter of 1914 and 1st quarter of 2015 a second commodity price collapse also affected some companies' shareholder values more than others.





A set of financial models were constructed to value each company from the point of view of a limited partner. Each model estimated the net present value of the expected future stream of distributions by the firm, discounted at each company's cost of equity. This model was quite accurate in predicting the end 2013 share price (Figure 3.4) based on the following assumptions:



- Past dividend growth continues for a further five years
- Partnership units are sold after five years at the end-2013 distribution multiple, with 20% capital gains tax on the full sale value (assumes the basis has been reduced to zero)
- Distribution stream discounted at the corporate cost of equity.

The slope of 0.95 suggests that the model assumptions are slightly optimistic and the market may be valuing the partnership units with the expectation of slightly lower than historical distribution/unit growth. Again, KMP's end 2013 partnership unit price appears undervalued compared to its peers perhaps due to the complexity of inter-company relations.

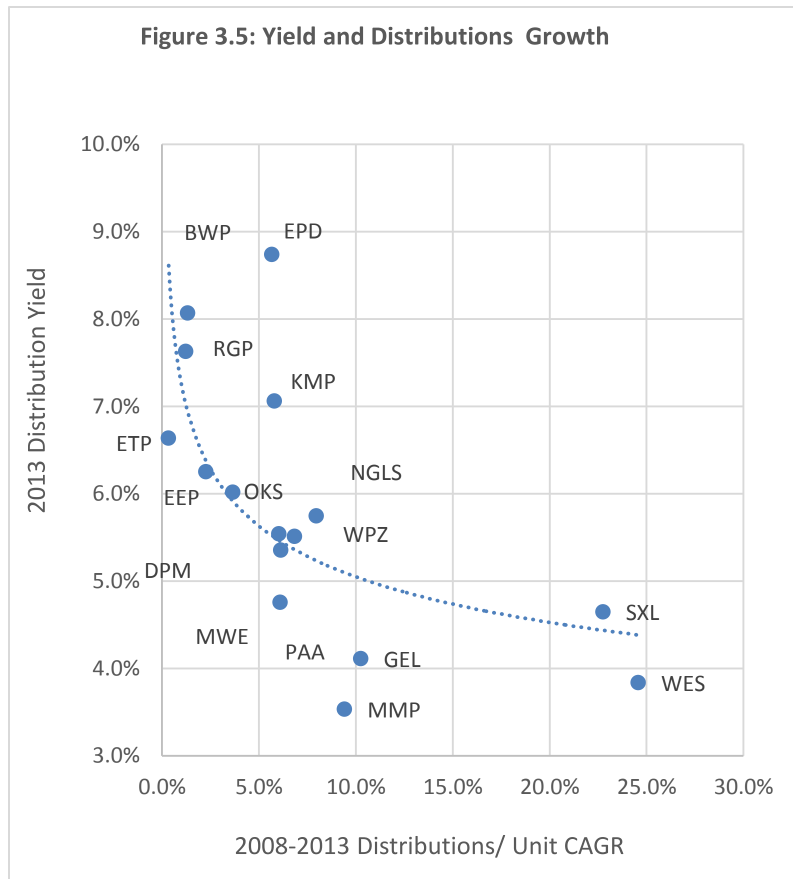


Figure 3.5: Yield and Distributions Growth

The yield of distributions/ market price of a partnership unit varies between 4-8% (Figure 3.5). Companies with the highest rate of growth in distributions per partnership unit provide a lower yield:

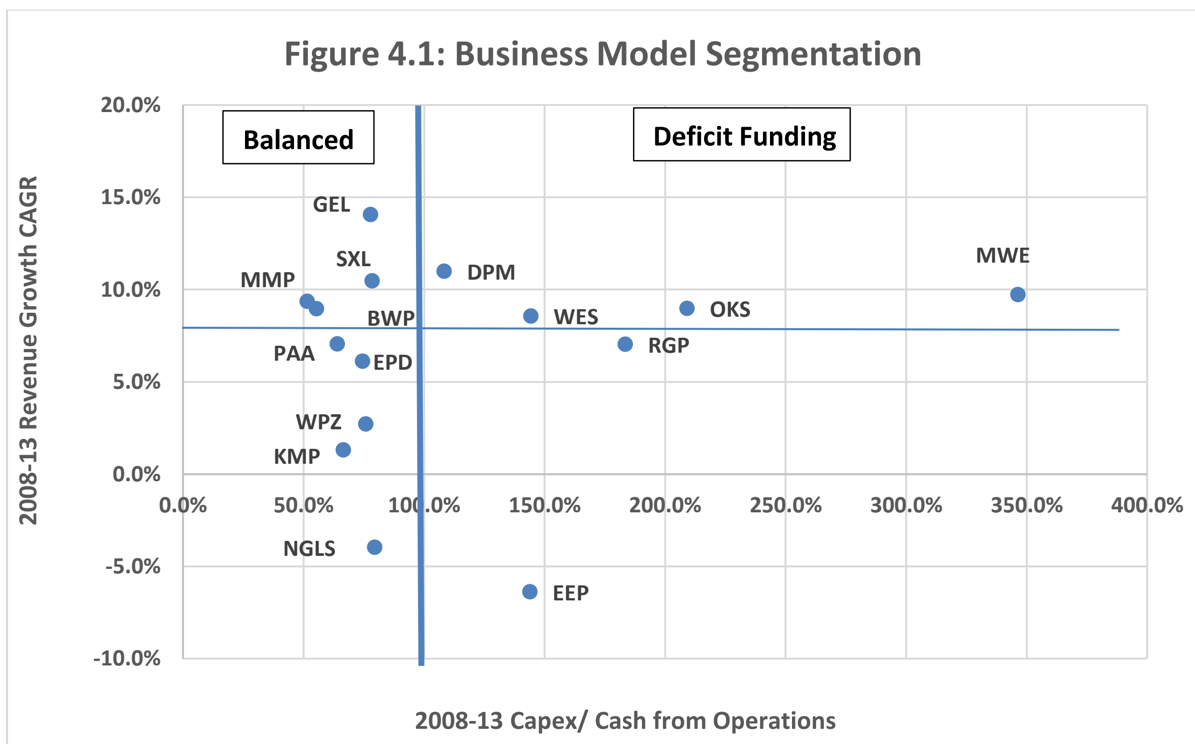
- Companies that grew 2008-13 distributions per share at less than 5% p.a. were priced with a distribution yield (2013 Distributions per unit/ end 2013 unit price) above 6%.
- Companies with growth in 2008-13 distributions per unit above 5% p.a. were priced with a distribution yield of less than 6%, except for Kinder Morgan and Enterprise Products.

4. Corporate Performance Value Drivers

As with previous studies, our research studies the intrinsic value of MLP firms first through a historical analysis of whether shareholder returns could be related to internal metrics representing growth, profitability and risk and then through financial models estimating the value of the firm. The financial models investigated whether there was a need different approaches for companies with different financing philosophies:

- Balanced Funding Companies held capital expenditure below cash flow from operations, requiring limited recourse to capital markets to fund distributions
- Deficit Funding Companies invested in capital projects more than their cash flow from operations, and required continuing sales of limited partner units and debt offerings to finance the high capex and growing distributions.

High growth in revenues was achieved both by companies with balanced and with deficit funding (Figure 4.1)

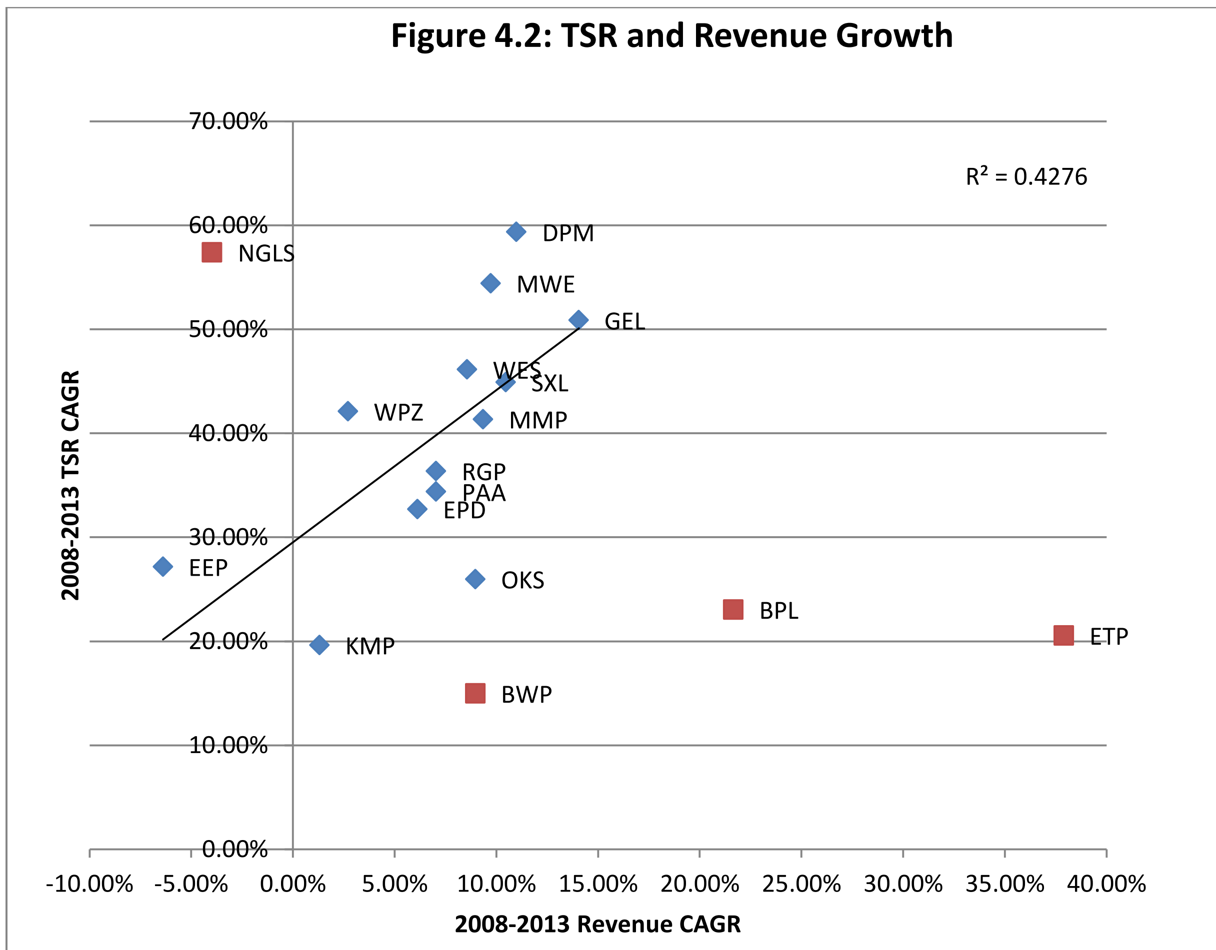


- ETP is an outlier, achieving 37.9 % p.a. revenue growth through acquisitions but maintained capital expenditures within cash from operations
- NGLS and EEP revenues actually shrank over the period 2008-13

Growth

As might be expected, revenue growth is necessary in order to support growth in distributions, though some exceptions are excluded as outliers:

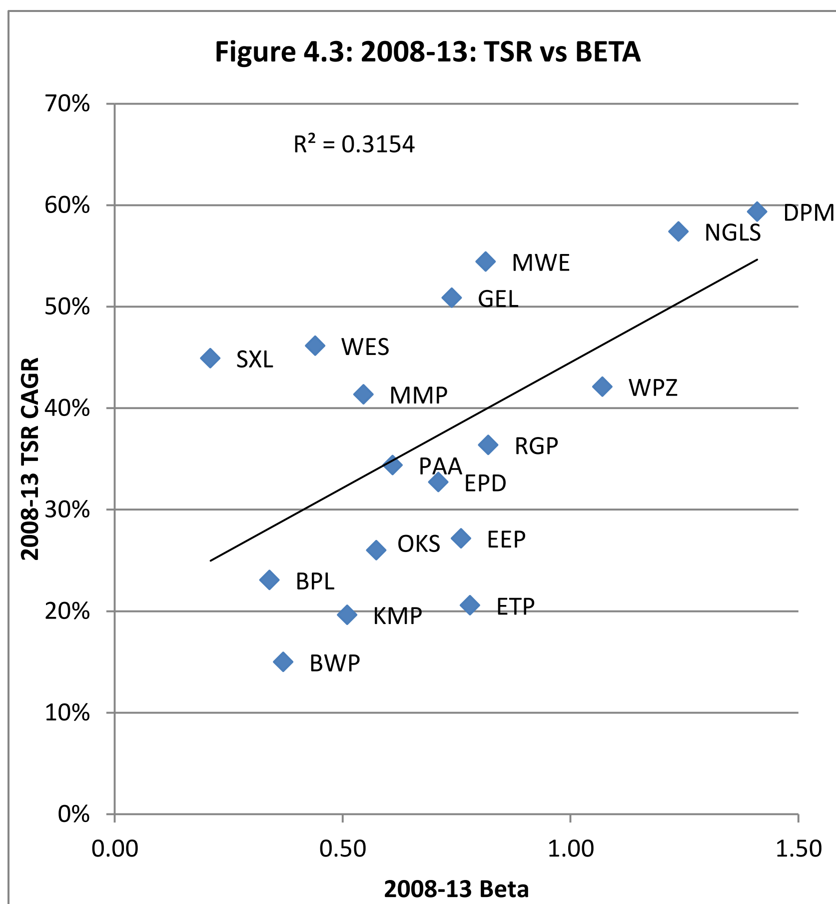
- BPL revenue growth includes the merger of BPL with BGH
- ETP growth includes major acquisitions of Southern Union, Sunoco and RegencyBWP lowered its distribution substantially, and partnership units were sharply devalued
- NGLS had negative revenue growth from 2008-13 due to exceptional revenues in 2008, which then fell 44% in 2009.



Return on Assets

We found no evidence that investors were discriminating among MLPs in favor of those generating a higher EBITDA/ Total Assets returns. This may be due to inconsistencies in the data. Some MLPs contain

assets that are largely depreciated, while others have acquired assets into MLPs at market value. Thus, similar assets are valued quite differently on the balance sheets of different companies and calculated EBITDA/ Total Assets performing at similar levels will in turn be different.



Risk

There is also a relationship between TSR and risk (beta) over the period 2008-13, reflecting a willingness by investors to accept higher risk in exchange for higher returns.

More recently, there has been a sharp decline in value for most MLPs from August 2014 through the end of January 2015. The companies with most exposure to falling commodity prices appear to have been hardest hit in this recent period of falling commodity prices, echoing their experience in the prior collapse in commodity prices between August 2008 and February 2009 (Table 4.1).

Table 4.1: TSR Downturns

Balanced Funding	TSR Change 8/08 – 2/09	TSR Change 8/14 – 2/15	Deficit Funding	TSR Change 8/08 – 2/09	TSR Change 8/14 – 2/15
Genesis	(29%)	(15%)	DCP Midstream	(51%)	(29%)
Sunoco	+18%	(7%)	Western Gas	+7%	(5%)
Magellan	(3%)	(2%)	Regency	(51%)	(22%)
Boardwalk	(4%)	(14%)	MarkWest	(62%)	(20%)
Plains All-American	(12%)	(11%)	Enbridge	(33%)	+11%
Enterprise Products	(17%)	(13%)	ONEOK	(18%)	(20%)
Targa	(57%)	(36%)			
Energy Transfer	(16%)	+8%			
Williams Partners	(38%)	(24%)			

It is notable that the TSR declines in 2014-15 were echoes of similar declines in 2008-09; both coincided with sharp drops in crude oil and NGL prices and NGL-Natural Gas price spreads (Figure 3.3).

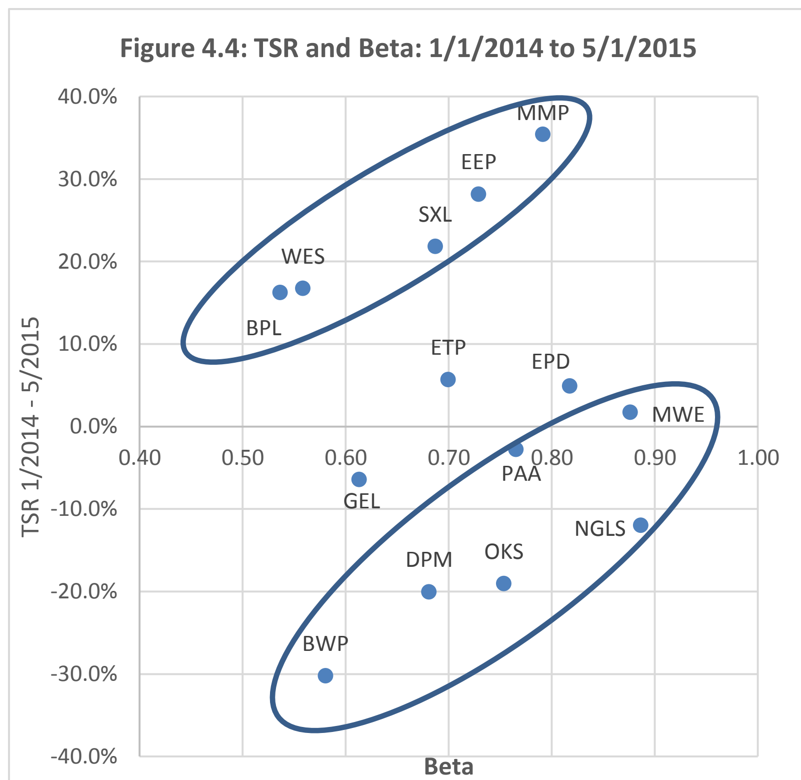
- Targa, Williams, MarkWest, Regency and DCP all suffered TSR declines greater than 20% in each period; these companies are apparently most exposed to commodity prices and the spread between natural gas and gas liquids prices that determine the profitability of gas processing plants.
- Sunoco, Magellan, and Western Gas TSRs declined less than 10% in each period; Sunoco and Magellan are both anchored by large petroleum products pipeline systems providing fee-based income, while Anadarko has agreed to take most of the price risk associated with Western Gas assets.
- Energy Transfer and Enbridge saw deep declines in the earlier period and increases in the later period; possibly lessons learned during the first period influenced their choice of assets as they grew.
- ONEOK, Plains All-American, Enterprise Products, Boardwalk and Genesis showed moderate declines in each period and represent the middle ground of MLPs.

We tested whether investors might be able to uncover a leading indicator of corporate vulnerability to a sudden drop in commodity prices and spreads by analyzing the variability of operating cash flow. We found that the potential for a sudden drop in value was not signaled by a company's variability of operating cash flow about its trend, nor by a calculated correlation between quarterly operating cash flow with crude oil prices or NGL-Natural Gas price spreads. Hedging strategies may have successfully disguised companies' vulnerability to a major shift in commodity price levels that endures beyond the liquid hedging window.

Since 1/1/2014, there seems to have been separation between relatively high unitholder returns for companies that are less exposed to commodity prices and lower returns for those that are more exposed.

Many of the high performers from 2008-13 have performed poorly in the face of declining commodity prices and appear to have been re-priced for lower oil prices and NGL spreads.

Boardwalk provides a cautionary tale of the consequences of lowering distributions.

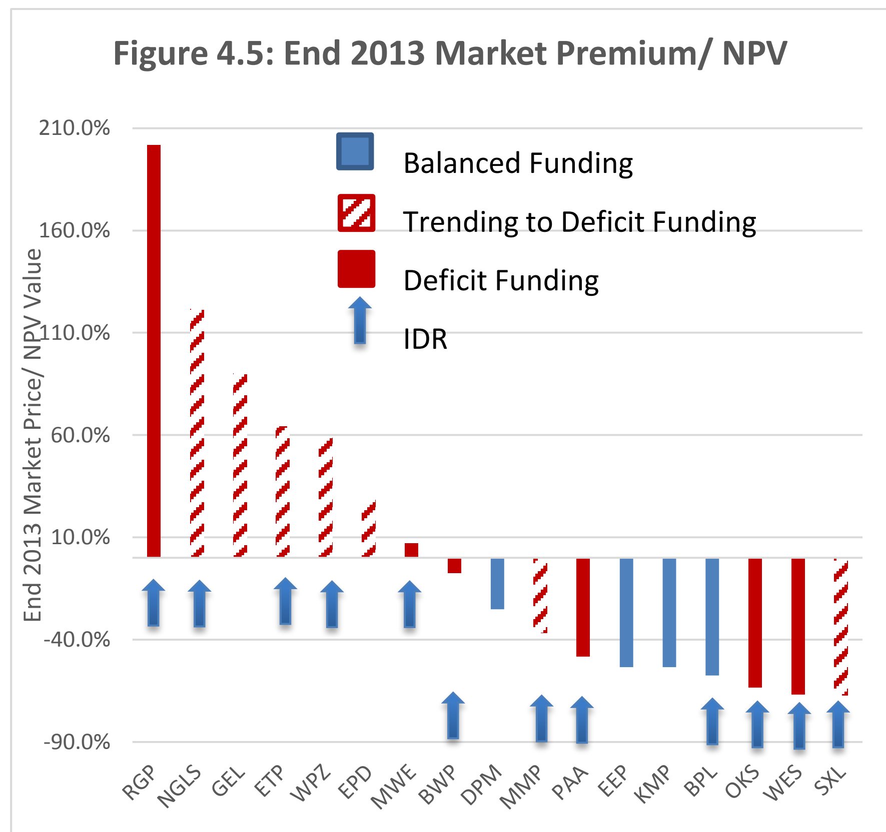


5. Corporate Financial Valuation

A simple cash flow model was developed to project future cash flows:

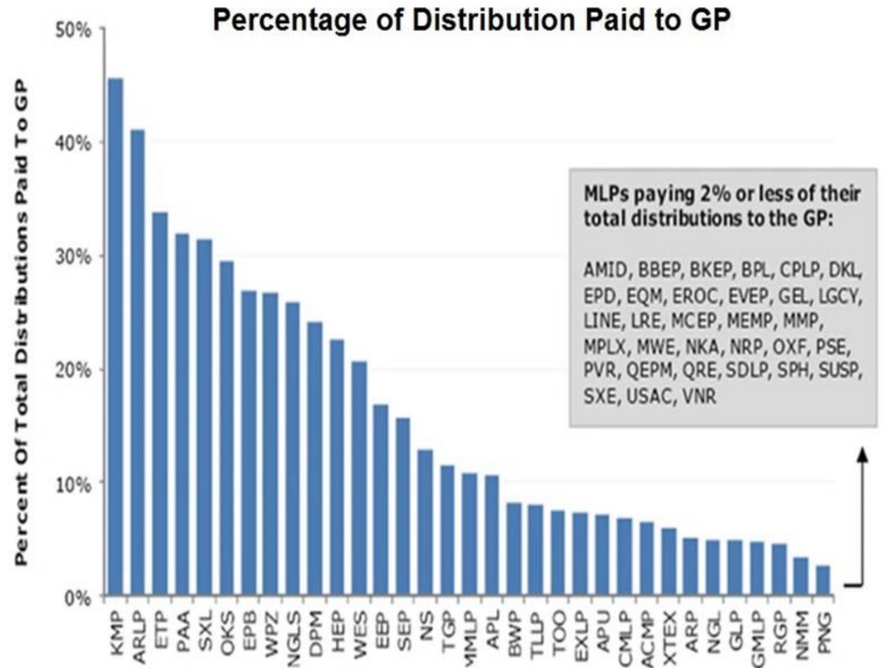
- 2009-13 linear trends in capital expenditures were extrapolated into the future.
- Three year trailing average Capex was assumed to earn a 10% DCF return over 20 years, and each year's annual payments were added to the previous year's operating cash flow.
- Terminal value was calculated as the final year operating cash flow less 55% of Operating Cash Flow for future capex, divided by the WACC less assumed forward growth rate (perpetuity growth model).
- The resulting cash flow was discounted at the calculated WACC using 2009-2013 betas for the cost of equity and the actual weighted average debt rate.

One of the interesting consequences of the model assumptions was that most on the companies that had been able to cover capital expenditures from operating cash flow, were trending towards the deficit funding model. Their trend of rising capital spending outpaced the growth in operating cash flow. While the end 2013 Market Value of MLPs is well explained by the Net Present Value of future limited partner distributions discounted at the cost of equity, Market Value is not explained by this simple corporate cash flow model (Figure 4.5).



- Balanced funding companies show a market premium over calculated NPV ranging from over 100% (Targa) to a discount of over 60% (Sunoco)
- Deficit funding companies except for Regency and MarkWest all show a market discount

Figure 4.6: MLP Distributions to their General Partner



Part of the explanation for the discounted MLPs relates to General Partner Incentive Distribution Rights, which reduce the cash available for ordinary distributions to Limited Partners. Of the seventeen MLPs studied, five purchased BetaIncentive Distribution Rights from the General Partner prior to 2013. Kinder Morgan and Williams Partners have since 2013 converted into conventional C-Corporations, citing the cash flow burden of IDRs as a reason for the change. In 2013, over 40% of KMP distributions were paid to its General Partner, and over 25% of WPZ distributions were paid to its GP (Figure 4.6).

It is likely that the need to pay IDRs to their GPs is a primary reason for the lower value attributed by the market than by our model to MLPs with significant IDR obligations to their GP.

The need to raise distributions to Limited Partners **and** General Partners drives MLPs with IDR obligations towards aggressive growth strategies, which likely will lead to higher risk and more volatile cash flow, the antithesis of what is needed to fulfill the MLP promise to Limited Partners of dependable moderate growth in distributions.

Further, the spending on capital projects added to increasing distributions result in deficit funding that is pushing most of the MLPs to continuous recourse to capital markets for new partnership units and debt instruments as illustrated in Figure 4.5. MLPs are attractive tax advantaged investments, but there is a question on whether the aggregate demand by investors for new partnership units can match the aggregate need of MLPs for new funding. It is noteworthy that all the MLPs that have been re-priced recently (Figure 4.4) have IDR obligations (except MarkWest, which has the most extreme deficit funding), as well as or perhaps because of their exposure to commodity price swings.

Student papers on each of the studies MLPs follow: first the ten Balanced Funding companies; then the six Deficit Funding companies.

6. Company Profiles

Balanced Funding

1. Genesis Energy L.P.

Company Overview

Genesis Energy L.P. is a Delaware registered, Houston-based limited partnership. The company through its subsidiaries is focused on the midstream segment of the oil and gas industry in the Gulf Coast region of the United States.

Genesis is a growth-oriented partnership that mainly focuses on supplying services for refinery complexes. On the upstream side of the business, this company gathers and transports crude oil. On the midstream segment, the firm is engaged in sulfur balancing requirements. Furthermore, the firm also provides transportation services and markets finished refined products. Most of Genesis Energy's revenues are from services provided to oil and gas companies, industrial and commercial firms, and refinery companies.

History

1996	Genesis Energy, L.P., was formed to acquire the crude oil gathering, marketing and transportation assets of Basis Petroleum, Inc., and of Howell Corporation
2003	Genesis Energy, L.P. sold its Texas Gulf Coast Operation to Teppco Crude Pipeline, L.P for $21.3 million.
2005	L.P. Genesis Energy acquired an interest in 80.0 Bcf of CO2 under a volumetric production payment as well as some marketing rights from Denbury Onshore, LLC, a wholly-owned subsidiary of Denbury Resources, Inc. for $14.69 million.
2006	Genesis Energy, L.P. completed the acquisition of 50% partnership interest in Sandhill Group, LLC from Magna Carta for $9.36 million
2006	Grant E. Sims, former CEO of Leviathan Gas Pipeline Partners, L.P. was appointed as the new Chief Executive Officer and a member of the Board of Directors. Joseph A. Blount, Jr., former President and Chief Operating Officer of Unocal Midstream & Trade, was appointed as President and Chief Operating Officer. And Brad N. Graves, former Vice President of Enterprise Products Partners, L.P., was appointed as Executive Vice President of Business Development.
2007	L.P. Genesis purchased docking facilities and other related assets in East Baton Rouge Parish, Louisiana from BP Pipelines (North America) Inc. for $8.1 million.

2007	GEL acquired five energy-related businesses from the Davison family for approximately $570 million. This transaction includes: Sunshine Oil & Storage, Inc., Refinery Services Business and Fuel Procurement Business, Fargo Petroleum, L.L.C. wholesales petroleum products, Davison Terminal Service Inc., and Davison Transport Services, Inc. These businesses are focused on transportation, marketing and procurement of petroleum products and refinery services.
2008	Genesis Energy LP purchased the Free State Pipeline in Eastern Mississippi from Denbury Onshore LLC for approximately $75 million. Genesis also entered into a pipeline financing lease agreement for the NEJD Pipeline. This agreement is a twenty-year transportation services contract to deliver CO2 on NEJD pipeline for Denbury's use.
2008	International Oil Crisis
2008	Genesis Energy LP and TD Marine, LLC entered into contribution and sale agreement to acquire all of the assets of Grifco Transportation, Ltd. for approximately $120 million in cash and stock. TD Marine purchased 51% of Grifco while Genesis purchased the remaining 49%.
2010	L.P. Genesis acquired the remaining 51% ownership of Grifco Transportation, Ltd. That was previously purchased by DG Marine Transportation, LLC. This transaction was for $69.9 million in cash.
2010	Genesis Energy LP acquired 50% stake in Cameron Highway Oil Pipeline Company from Valero Energy Corp. (NYSE: VLO).
2011	Genesis Energy, L.P. acquired the Black Oil Barge Transportation Business of Florida Marine Transporters Inc. and its affiliates (FMT). The purchase price was for $143.5 million.
2011	Genesis Energy joined forces with Enterprise Products Partners through a joint venture to create "Southeast Keathley Canyon Pipeline Company LLC or SEKCO". SEKCO was formed to build a deep water pipeline that will serve the Lucius development area in southern Keathley Canyon of the Gulf of Mexico.
2011	Genesis Energy acquired a 90% interest in a 3,500 barrel per day refinery located in Converse County, Wyoming, including 300 miles of abandoned 3"6" pipeline. The purchase price was $20 million
2012	Genesis Energy, L.P. acquired from Marathon Oil Company interests in several Gulf of Mexico crude oil pipeline systems, including its 28% interest in the Poseidon pipeline system, its 29% interest in the Odyssey pipeline system, and its 23% interest in the Eugene Island pipeline system.
2012	Genesis Energy increased their credit agreement to a total of 1 billion of secured revolving credit facility, with the ability to increase to 1.5 billion.

2013	Genesis Energy completed the acquisition of substantially all of the assets of the downstream transportation business of Hornbeck Offshore Services, Inc. for approximately $230.9 million, which will be integrated to Genesis' offshore marine transportation business and assets.

Current Scope of Operations

Business Segments

Genesis Energy L.P operates through three segments: Pipeline Transportation, Refinery Services, and Supply and Logistics.

Supply and Logistics

Genesis Energy provides supply and logistics services primarily to Gulf Coast oil and gas producers and refineries through a combination of purchasing, transporting, storing, blending and marketing of crude oil and refined products (primarily fuel oil, asphalt, and other heavy refined products). In connection with these services, GEL utilizes a portfolio of logistical assets consisting of trucks, terminals, pipelines, railcars, rail loading and unloading facilities, and barges. This company also has access to a set of more than 300 trucks, 400 trailers, 580 railcars, and terminals and tankage with 2.4 million barrels of storage capacity in multiple locations along the Gulf Coast as well as capacity associated with its three common carrier crude oil pipelines.

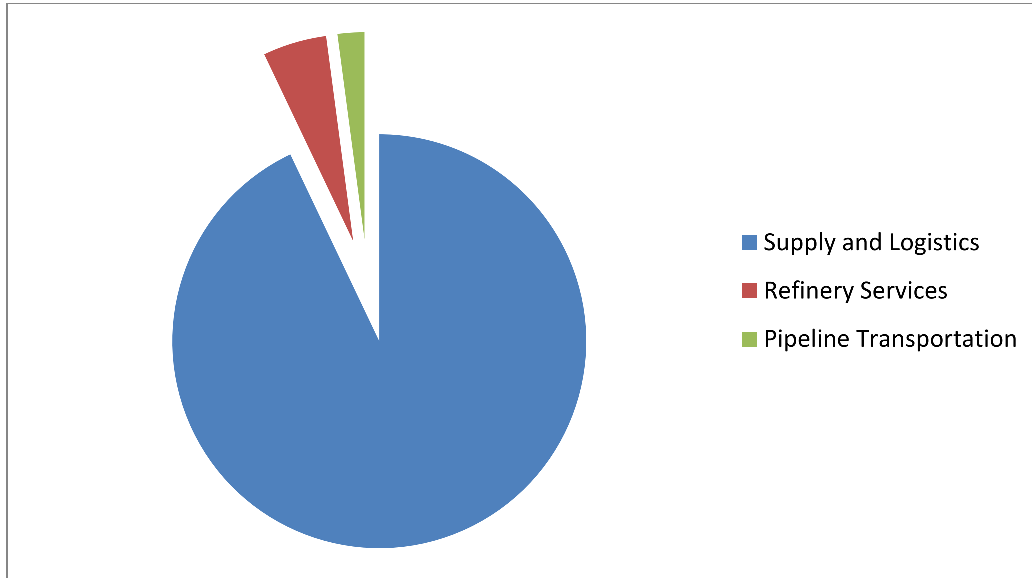
Refinery Services

Genesis Energy provides services to nine refining operations located primarily in Texas, Louisiana, Arkansas and Utah. Refinery services primarily involve processing refiners' high sulfur (or "sour") gas streams to remove the sulfur. In addition, the refinery services segment also includes terminals, and utilizes railcars, ships, barges and trucks to transport sodium hydrosulfide (NaHS). Genesis Energy L.P. sells NaHS to customers in a variety of industries, with the largest customers involved in mining of base metals, primarily copper and molybdenum, and the production of pulp and paper. Genesis Energy L.P states; "We believe we are one of the largest marketers of NaHS in North and South America".

Pipeline Transportation

Genesis Energy owns interests in approximately 1,530miles of crude oil pipelines located in the Gulf Coast region of the United States. The company also owns two CO2 pipelines. The pipelines generate cash flows from fees charged to customers or substantially similar arrangements that otherwise limit their exposure to changes in commodity prices.

Figure 1 - Revenue by Segment

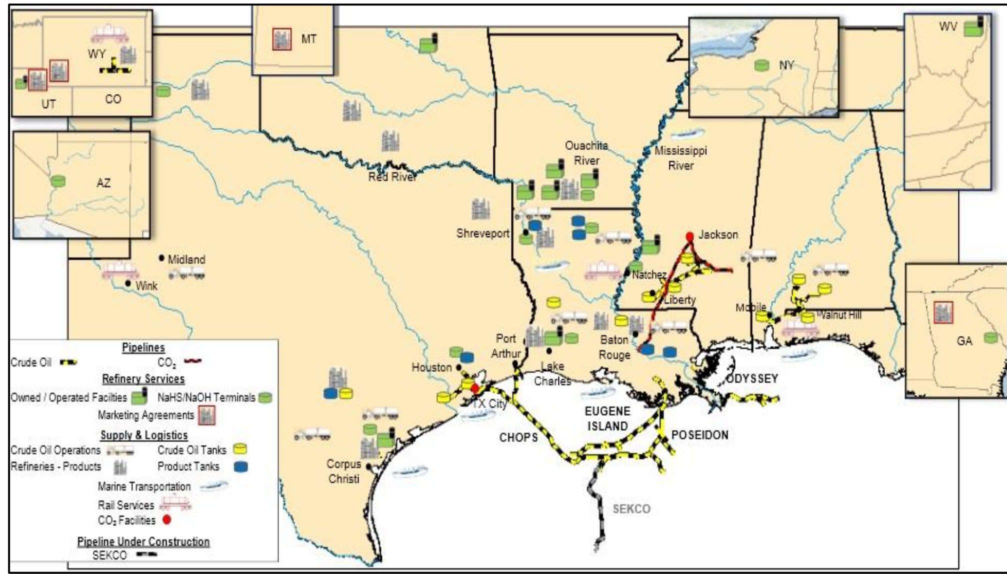


Supply and Logistics 92.93% Refinery Services 4.98% Pipeline Transportation 2.09%

Geographic Segment

Genesis Energy L.P. assets are located primarily in in the Gulf Coast region of the United States, primarily Texas, Louisiana, Arkansas, Mississippi, Alabama, Florida and in the Gulf of Mexico.

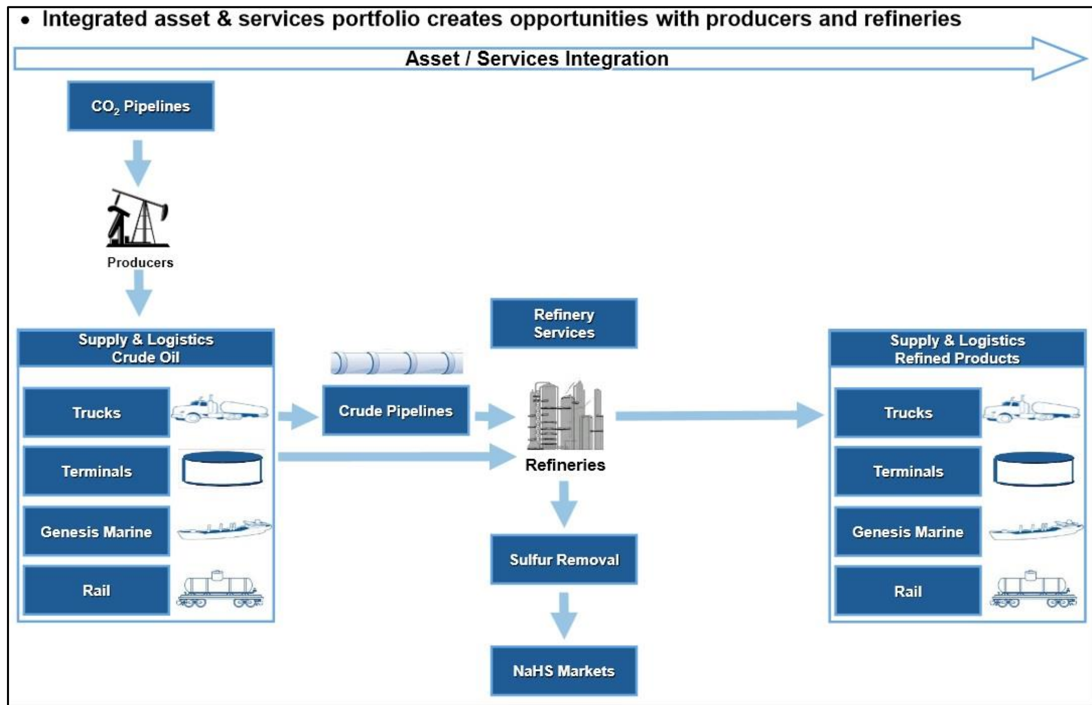
Figure 2 Geographic Locations



Besides the United States, Genesis Energy transports and sells NaHS to customers in South America and Canada. Revenues from customers in foreign countries totaled approximately $17 million, $19.3 million

and $19.7 million in 2013, 2012 and 2011, respectively. The remainder of Genesis revenues was generated from sales to customers in the United States.

Figure 3 Genesis Energy L.P. assets and services



Shareholder Value Creation

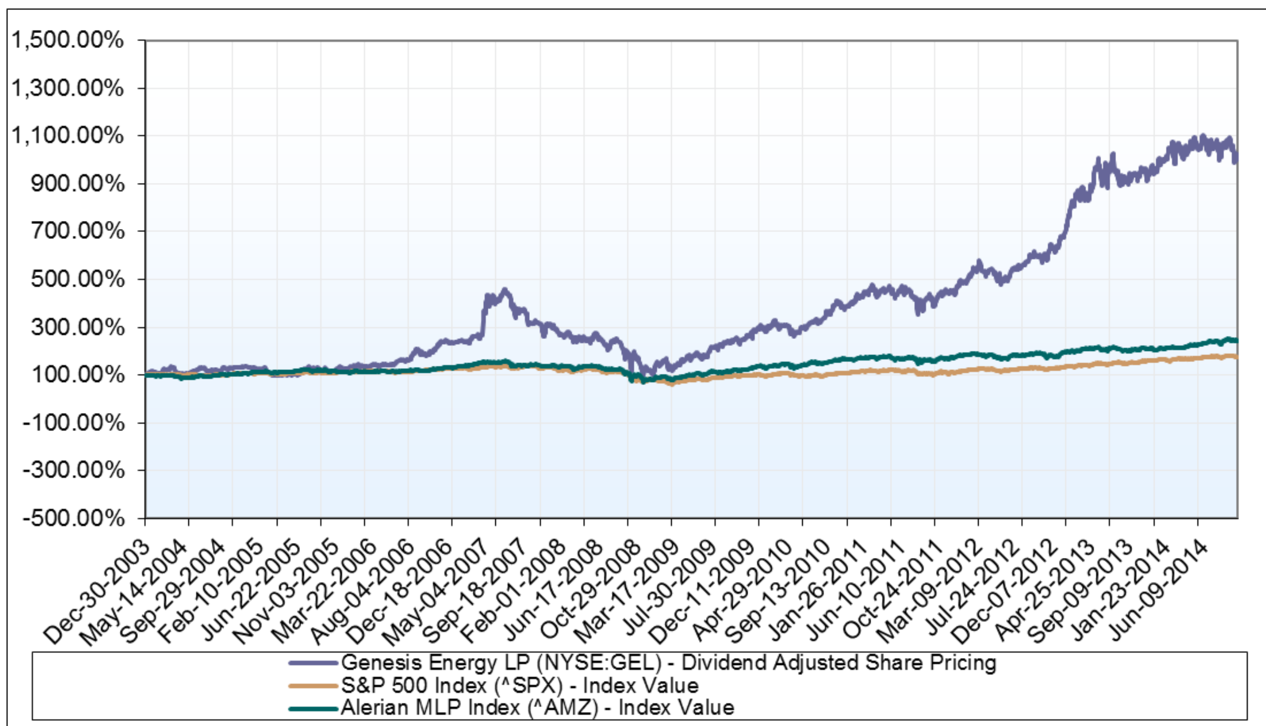
Figure 4 Genesis Energy L.P. Dividend Adjusted Share Pricing from 2004 to 2014

- During 2007 Genesis Energy L.P. experienced a significant increase of 96.15 % in their stock price. Genesis' share price increased from $18.95 in March 5 to $37.17 in July 11. The main

cause of this price spike was due the acquisition of five energy-related businesses from the Davison family. “This transaction will more than triple our existing enterprise value” said Genesis Energy L.P’s CEO Grant E. Sims. Besides the Davison purchase, the rising oil prices and a bullish momentum of the stock market also contributed to the 96.15% stock price increase.

- The downward trend of GEL stock price from mid-2007 until the end of 2009 was primarily caused by the so called Great Recession which was triggered by the Sub-Prime Mortgage Crisis. In addition, the commodities market crash which reduced oil prices by 38% was also a factor for this stock price decline. In the United States the Great Recession approximately began in December 2007 and ended in June 2009. We can observe from the graphs below that the S&P 500 Index, the Alerian MLP Index, and the GEL Share Price suffered from the Great Recession and did not recover until 2009.

Figure 5 Genesis Energy L.P. Dividend Adjusted Share Price, S&P 500 Index, and Alerian MLP Index from 2004 to 2014



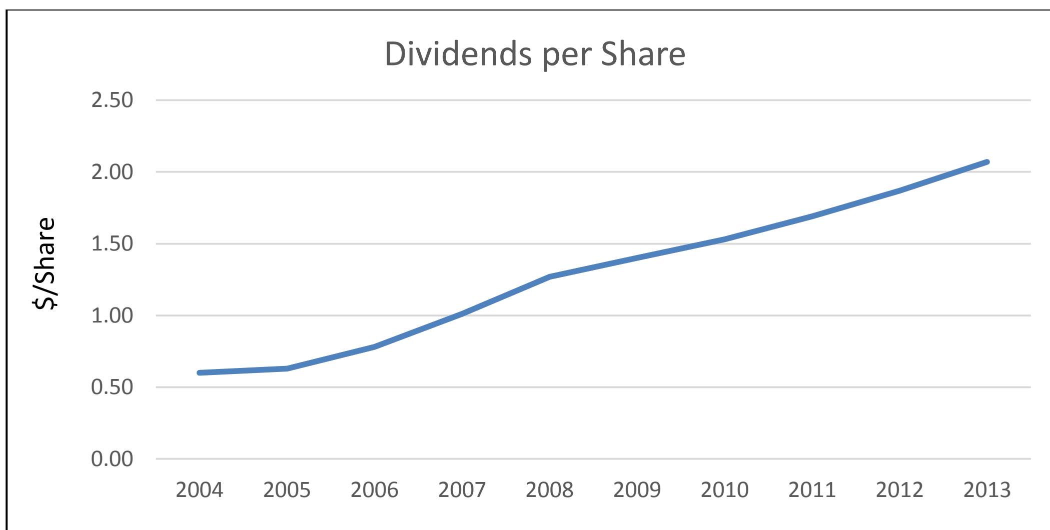
- July 28, 2010 → L.P. Genesis acquired the remaining 51% ownership of Grifco Transportation, Ltd. That was previously purchased by DG Marine Transportation, LLC.
- Nov 23, 2010 → Genesis Energy LP acquired a 50% stake in Cameron Highway Oil Pipeline Company from Valero Energy Corp. (NYSE: VLO)
- Oct. 10, 2012 → James E. Davison and Davison Junior picking up 733,019 and 540,547 shares, respectively. In addition, Grant E. Sims, CEO of Genesis Energy, purchased 216,334 shares of the company at $30 per share for a total of approximately $6.5 million.

- Aug 28, 2013 → Genesis Energy LP acquired most of the assets of the downstream transportation business of Hornbeck Offshore Services, Inc.

Figure 6 Share Price and Dividend Adjusted Share Price from 2004 to 2014

In an 11 year period cash dividends distributions have increased by $2.02 per share (from $0.2 in 2003 to $2.26 in 2014). As we can see from the graph above, since 2009, the Dividend Adjusted Share Price has grown faster relative to the share price due to the continuous increase of dividends distributions.

Figure 7 Genesis Energy Dividends per Share from 2004 to 2013



Genesis has been active in capital markets, raising new equity and debt in most years (Figure8). In addition to paying increasing dividends, Genesis has deployed the funds into acquisitions (Figure 9), and more recently into capital projects to create organic growth.

Figure 8 Genesis Energy L.P. Sources of Funds

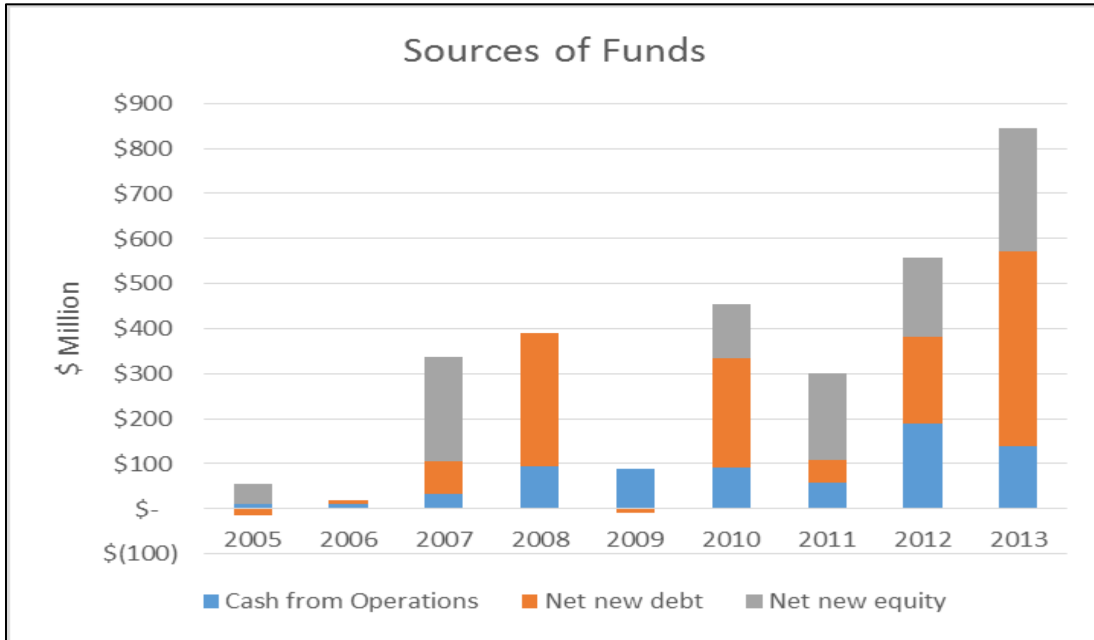
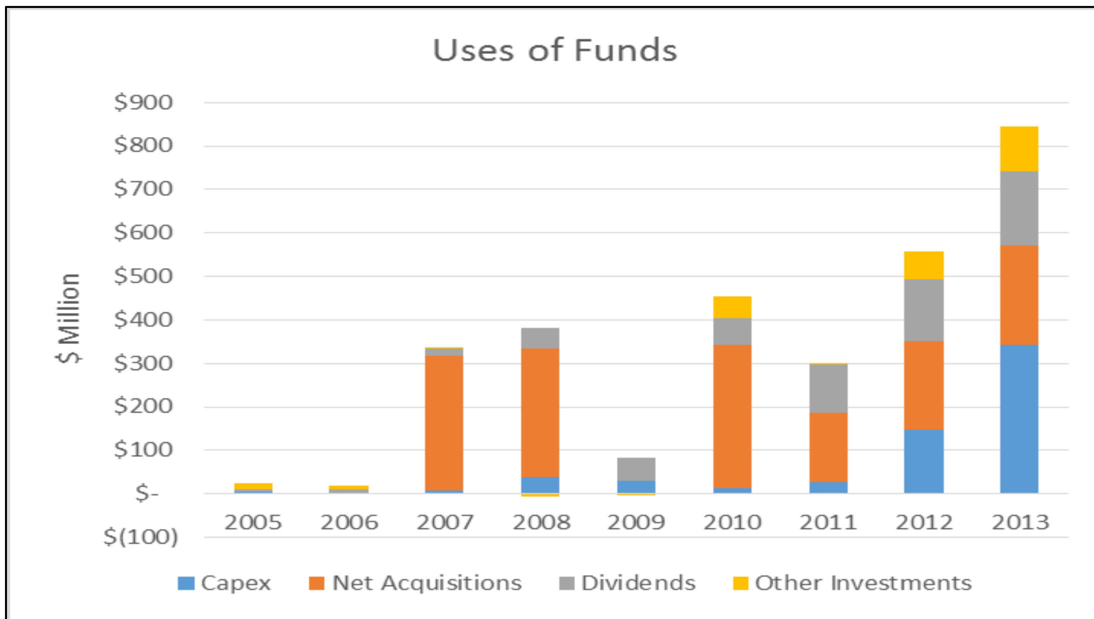


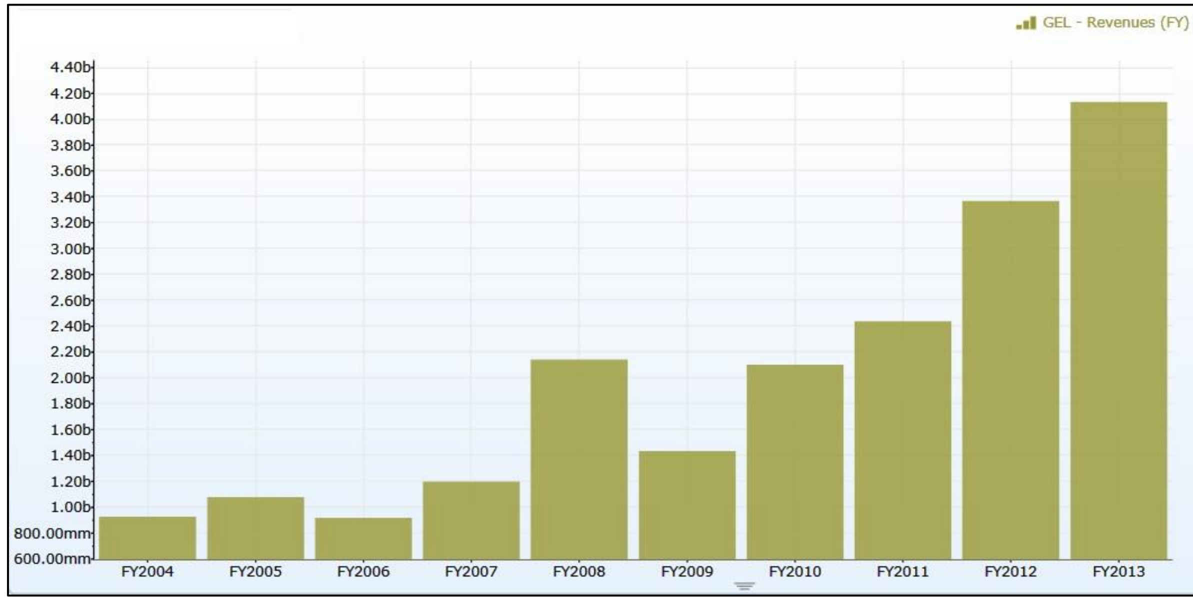
Figure 9 Genesis Energy L.P. Uses of Funds



Financial and Operating Results

Growth

Figure 10 Genesis Energy LP'S Revenues from 2004 to 2013



Year	Revenues
2013	4,134,830
2012	3,367,361
2011	2,437,797
2010	2,101,324
2009	1,435,360

Year	Revenues
2007	1,199,653
2006	918,369
2005	1,078,739
2004	927,143

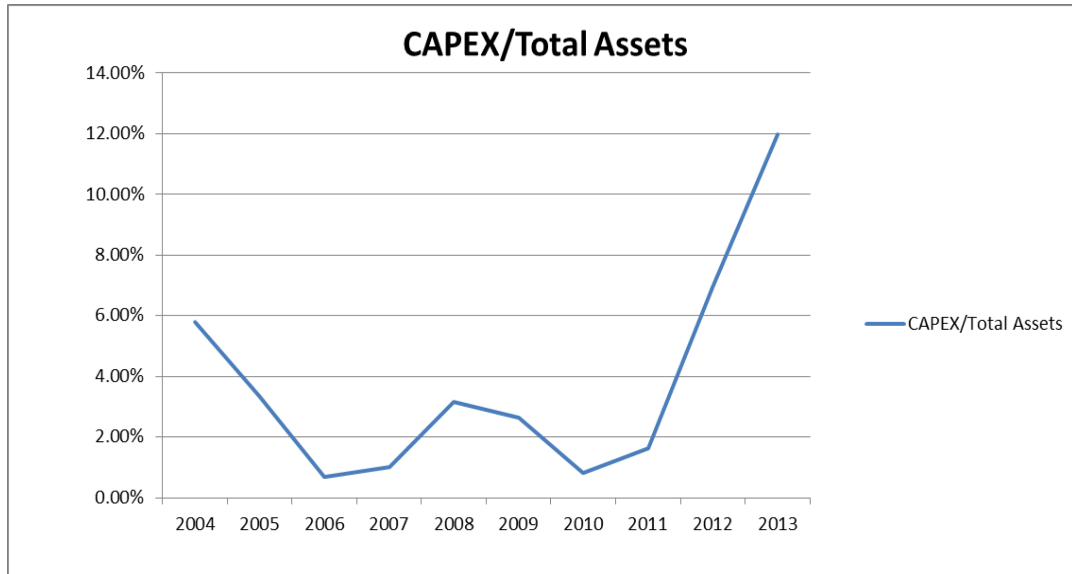
* Amounts in thousands (m)

Revenues:

- The decline in 2006 revenues compared to 2005 revenues was caused by a decrease in the crude oil gathering and marketing business segment. The reduction in revenue for this segment was $165,281 million (from $1,038,549 in 2005 to $ 873,268 in 2006). This decrease was mainly attributed to revenues from buy/sell arrangements with unrelated parties.
- Revenues substantially increased in 2008 as compared to 2007 principally due to a 38% increase in market prices for crude oil and the effects of a full-year of ownership of the Davison family businesses acquired in July 2007. During 2008 Genesis Energy's main source of revenue was generated through the supply and logistics segment. The supply and logistics segment was responsible for the purchasing and transportation of crude oil from the wellhead to markets for use in refining. Also, the S&L segment purchased products from refiners that did not meet the

specifications they desired, transported the products to one of Genesis Energy's terminals for blending the products to a quality that met the requirements of their customers.

Figure 11 CAPEX/Total Assets from 2004 to 2013



The substantial increase in Capital Expenditures from 2011-2013 was due to expenditures from the following projects (most of these projects were completed in 2013):

Genesis Energy entered into a joint venture with Enterprise Products Partners, L.P. to create Southeast Keathley Canyon Pipeline Company LLC, or **SEKCO**. This new company was formed in order to construct a deep water pipeline serving the Lucius development area in southern Keathley Canyon of the Gulf of Mexico.

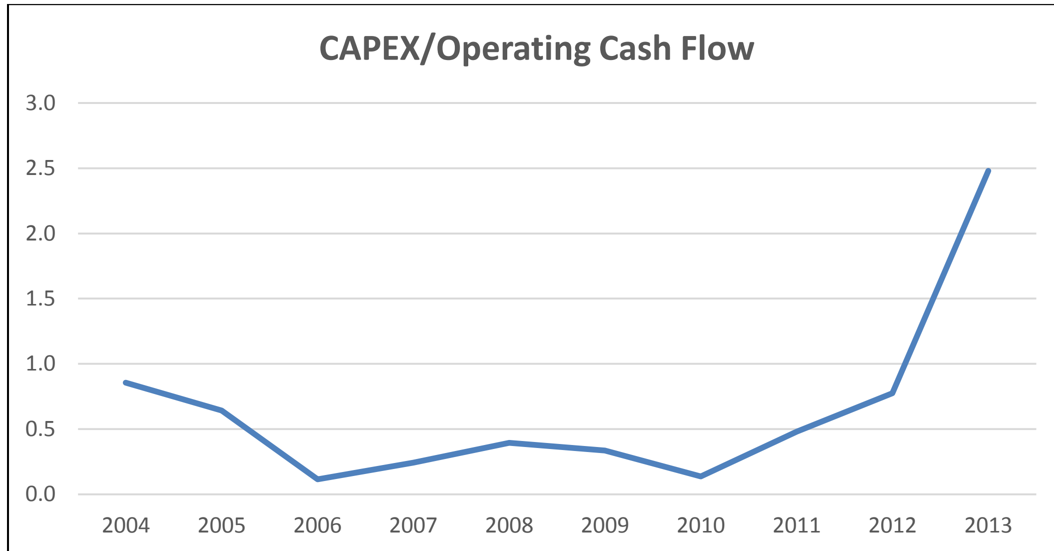
Genesis began construction on a new sour gas processing facility that it's to be installed at a refining complex in Tulsa, Oklahoma. The new facility is expected to result in potential additional capacity of 24,000 DST per year of NaHS.

The ExxonMobil Baton Rouge Project purpose is to improve existing assets and develop new infrastructure in Louisiana, including connecting to Exxon Mobil Corporation's Baton Rouge refinery (one of the largest refinery complexes in North America. I addition, this project will improve Genesis' existing terminal at Port Hudson, Louisiana, constructing a new 18-mile 20-inch diameter crude oil pipeline connecting Port Hudson to the Baton Rouge Maryland Terminal and continuing downstream to the Anchorage Tank Farm and building a new crude oil unit train facility at the Maryland Terminal.

Genesis' Rail Projects: Wink Rail Facility, Natchez Expansion, Walnut Hill and Second Tank, and Raceland Rail Facility

Genesis's Wyoming Projects: Pranghorn Rail Facility, Gathering Pipeline Segments, Pipeline Connection to Casper.

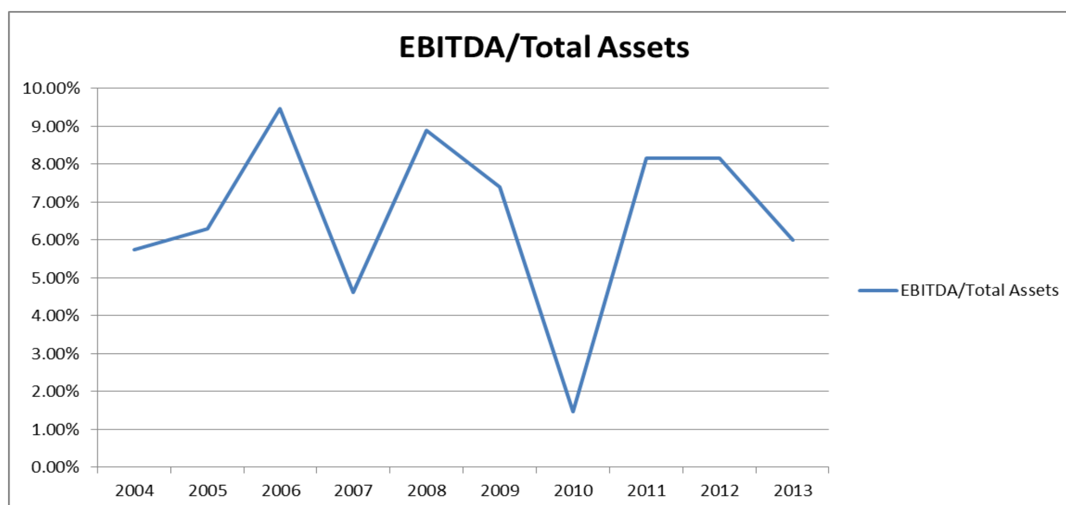
Figure 12 Genesis Energy's Capex/Operating Cash Flow from 2004 to 2013



Since 2010, Genesis Energy continues to increase their capital expenditures at a faster rate than their operating cash flow. As a result, Genesis' financial risk and the company's current and future growth have been continuously increasing.

Returns

Figure 13 EBITDA/Total Assets for Genesis



In 2010, EBITDA/ Total Assets ratio substantially decreased due to a $73 million increase in Selling, General and Administrative Expenses. Out of the $73 million of SG&A Expenses, $62.8 million were

related to General and Administrative non-cash expenses in the form of executive and equity-based compensation. In addition, as we see from the graph below (figure 14), the low EBITDA from 2010 also negatively affected the Total Debt/ EBITDA ratio, raising the ratio to approximately 27.5.

Risks

Figure 14: Total Debt/ EBITDA from 2004-2013 for Genesis

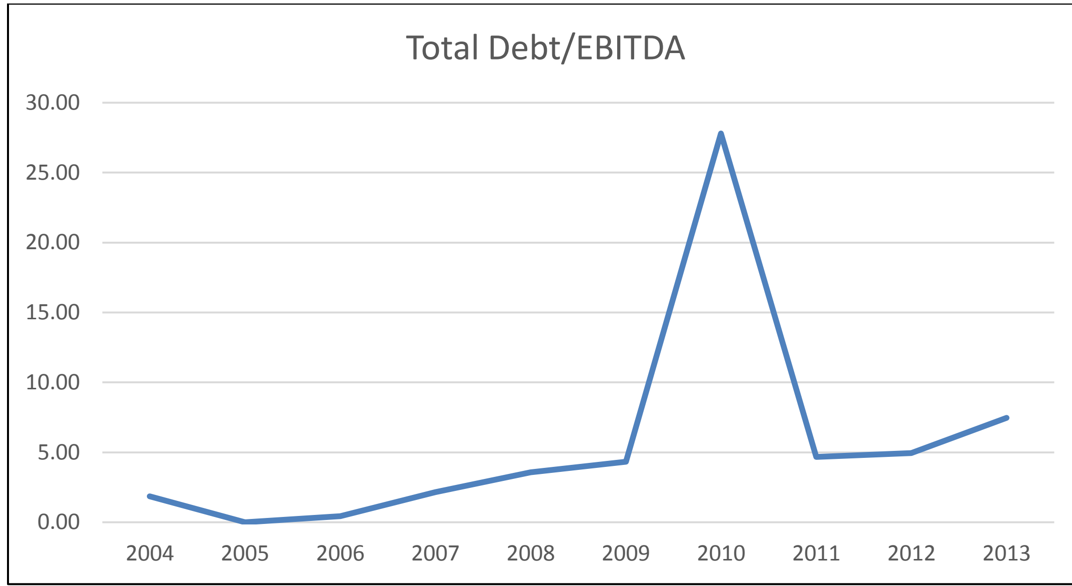
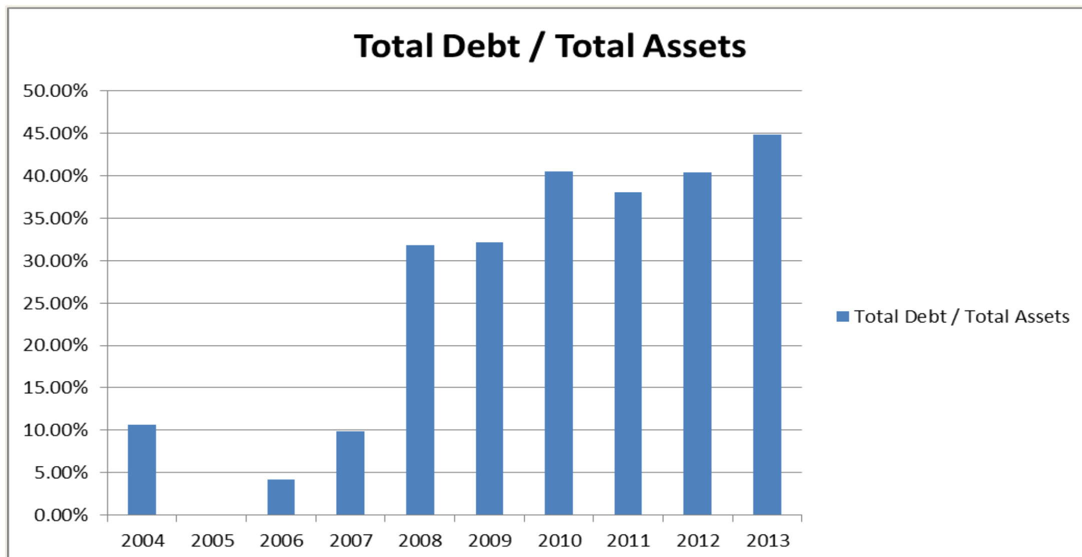
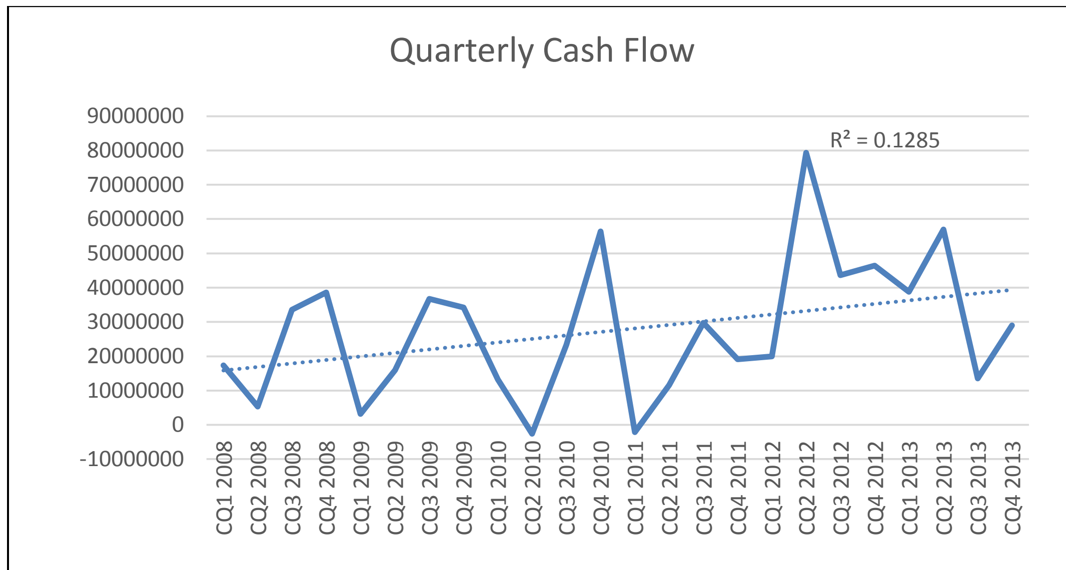


Figure 15 Total Debt/ Total Assets from 2004 to 2013 for Genesis



As we can see from the graph above (figure 15), total debt has on average increased faster than total assets. The increase in the total debt/ total assets ratio in 2008 was mainly attributed to an increase of more than a 450% in total debt.

Figure 16: Variability of Quarterly Cash Flow ($K)



Genesis has highly variable operating cash flow suggesting seasonality in demand for its services and dependence on revenues that fluctuate with commodity prices (Figure 16).

Related Risks:

- L.P Genesis Energy may not be able to fully execute its growth strategy if they are unable to raise debt and equity capital at an affordable price. Genesis strategy contemplates substantial growth through the development and acquisition of a wide range of midstream and other energy infrastructure assets while maintaining a strong balance sheet. This strategy includes constructing and acquiring additional assets and businesses to enhance the ability to compete effectively, diversify the asset portfolio and, thereby, provide more stable cash flow.

  Expensive capital will limit Genesis' ability to develop or acquire accretive assets. Although Genesis intends to continue to expand their business, this strategy may require substantial capital, and the company may not be able to raise the necessary funds on satisfactory terms, if at all.

- Fluctuations in commodity prices could adversely affect Genesis Energy business

  Natural gas, other petroleum products, and CO2 prices are volatile and could have an adverse effect on Genesis Energy L.P. profits and cash flow. The company operations are affected by price reductions in those commodities. Prices for commodities can fluctuate in response to changes in supply, market uncertainty and a variety of additional factors that are beyond the company's control.

- Genesis Energy L.P.'s pipeline transportation operations are dependent upon demand for crude oil by refiners in the Midwest and on the Gulf Coast.

  Any decrease in this demand for crude oil by those refineries or connecting carriers to which the company delivers could adversely affect Genesis' pipeline transportation business. Those refineries' need for crude oil also is dependent on the competition from other refineries, the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, government regulation or technological advances in fuel economy and energy generation devices, all of which could reduce demand for the firm's pipeline transportation services.

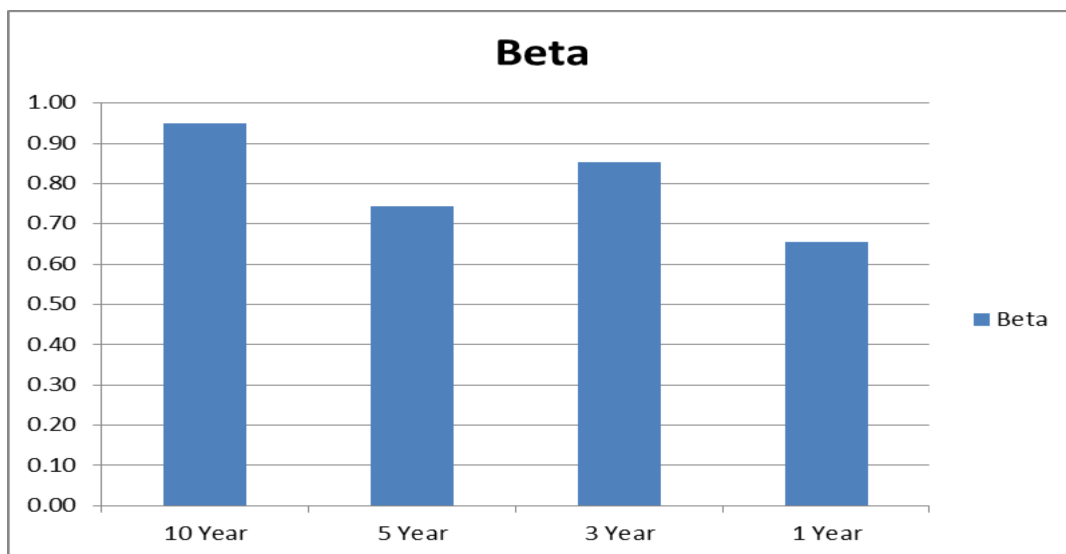
- A natural disaster, accident, terrorist attack or other interruption event involving L.P. Genesis Energy could result in severe personal injury, property damage and/or environmental damage, which could curtail operations and otherwise adversely affect assets and cash flow.

- L.P Genesis Energy's growth strategy may be adversely affected if they do not successfully integrate the businesses they have acquired or if the company substantially increases indebtedness and contingent liabilities to make acquisitions.

- The use of derivative financial instruments could result in financial losses.

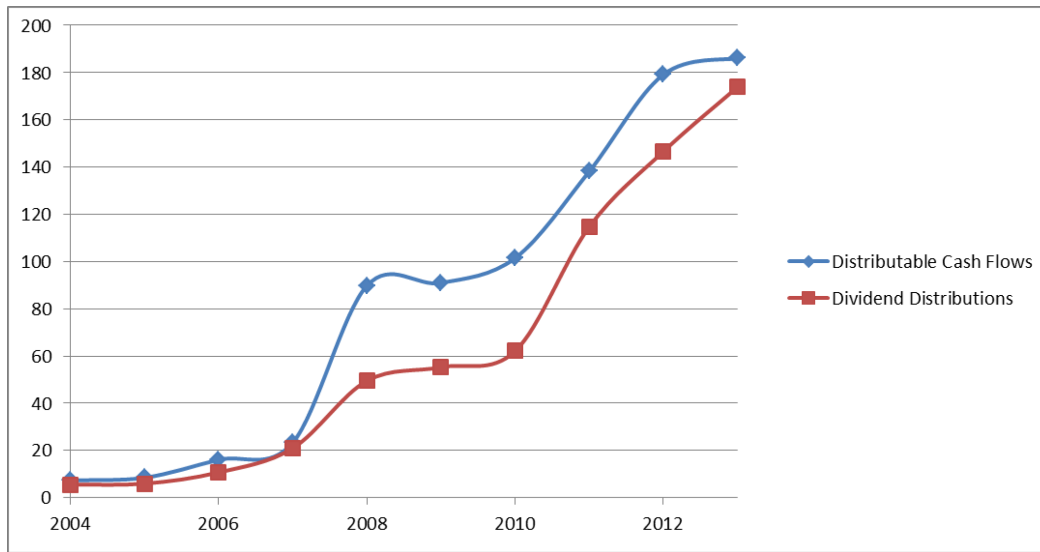
- Genesis' business could be negatively impacted by security threats, including cybersecurity threats, and related disruptions.

Figure 17 Ten year, five year and one year betas for Genesis



Genesis beta indicates a relatively low risk compared to the S&P 500.

Figure 18 Genesis Energy Dividends Distributions vs Distributable Cash Flows from 2004 to 2013



From 2007 until 2010, distributable cash flows grew faster than the dividend distribution. However, as we can see from the graph above (figure 17); since mid-2010, dividends distributions have been increasing more rapidly than distributable cash flows, bringing both items amounts closer to each other. GEL quarterly cash flow from operations has been highly variable relative to its trend, suggesting a lower proportion than rivals of steady fee-based income.

Future Strategies

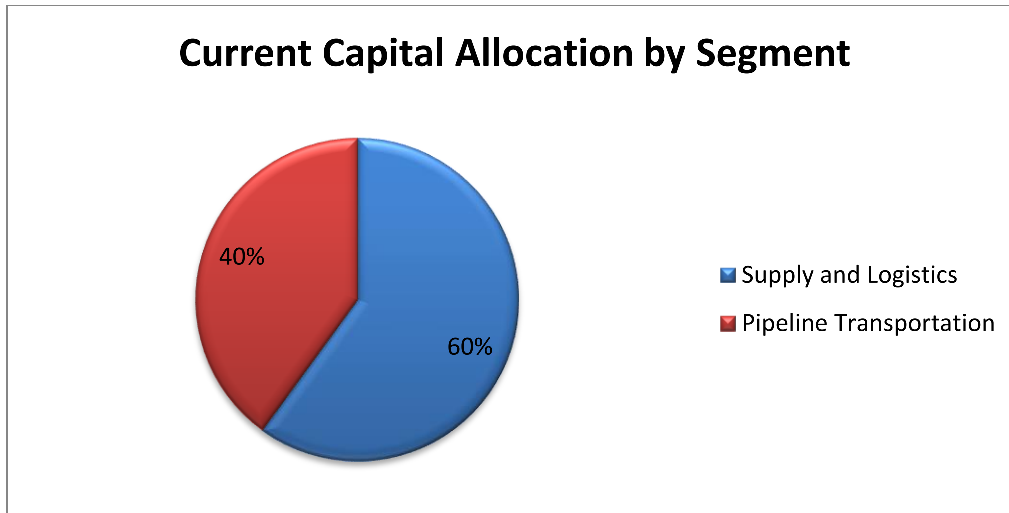
Expenditures for capital assets to grow the partnership distribution will depend on Genesis access to debt and equity capital. Genesis Energy will look for opportunities to acquire assets from other parties that meet their criteria for stable cash flows.

Capital Expenditures

Genesis continues to pursue a growth strategy that requires significant capital. Total capital expenditures on projects currently under construction, are estimated to be approximately $500 million inclusive of capital expenditures incurred in prior quarters. Genesis anticipates that approximately $260 million of that total will be spent in 2014.

Current and Future Projects:

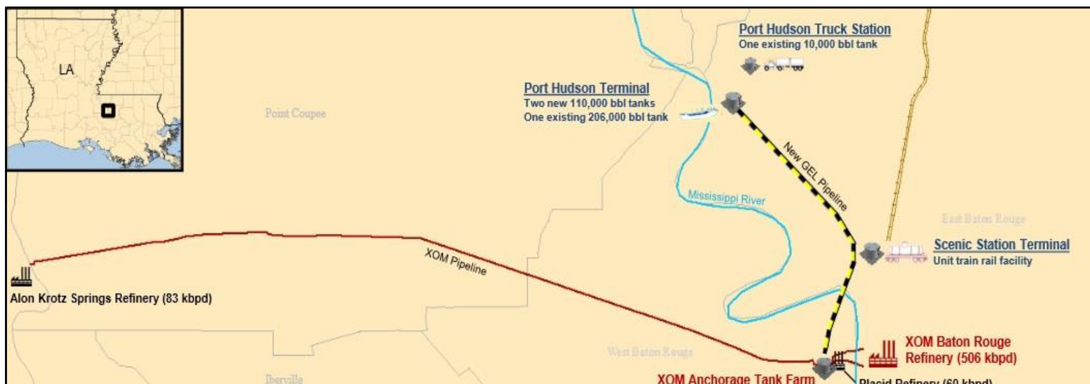
Figure 19 Genesis Energy current organic capital projects



ExxonMobil Baton Rouge Project - Genesis has entered into definitive agreements with ExxonMobil ("XOM") in which Genesis improved existing assets and developed new infrastructure in Louisiana to connect into XOM's Anchorage Tank Farm which supplies its Baton Rouge refinery, one of the largest refinery complexes in North America

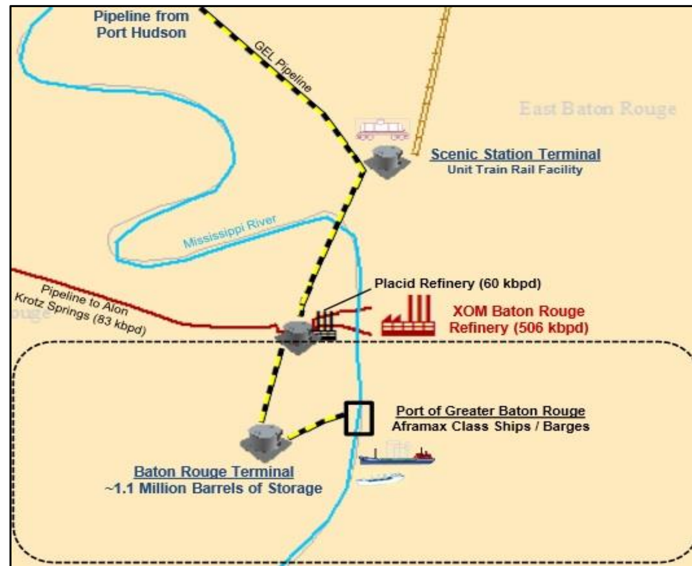
Genesis is constructing the following infrastructure:–Barge dock improvements and ~200,000 barrels of storage at Port Hudson, Louisiana (existing 216,000 barrels of tank capacity)–Crude oil unit train facility at the Scenic Station Terminal–New 18 mile, 24" diameter crude oil pipeline connecting Port Hudson to the Scenic Station Terminal and downstream to the XOM Anchorage Tank Farm (ultimate capacity of ~350,000 bpd).

Figure 20 ExxonMobil Baton Rouge Project Map



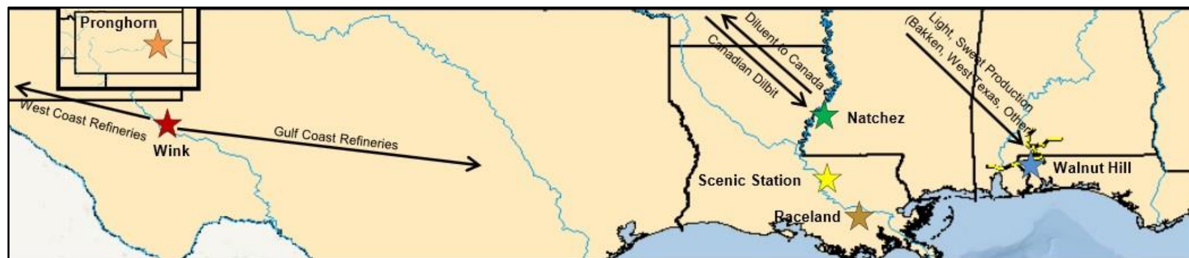
Baton Rouge Terminal – Genesis Energy is constructing a new crude oil, intermediates and refined products import / export terminal in Baton Rouge, Louisiana.

Figure 21 Baton Rouge Terminal Map



Rail Projects: Walnut Hill, Wink, Natchez, and Raceland.

Figure 22 Rail Projects Map



Board Leadership and Structure

Genesis Energy is a Delaware limited partnership. Operations and operating assets are conducted through Genesis 'subsidiaries and joint ventures. Genesis Energy's general partner, Genesis Energy, LLC, a wholly-owned subsidiary has sole responsibility for conducting business and managing Genesis' operations. It also employs most of Genesis Energy's personnel, including executive officers.

Presently, the board of directors believes that, because Mr. Sims is the director most familiar with Genesis' business and industry and the most capable of leading the discussion of, and executing on, Genesis' business strategy, he is best situated to serve as Chairman, regardless of the fact that he is the Chief Executive Officer of Genesis' general partner. As a result, Mr. Sims serves as Chairman and Chief Executive Officer. The board of directors also believes that the appointment of a lead independent director, who will preside over executive sessions of non-management directors of the board of directors, will facilitate teamwork and communication between the non-management directors and

management. The board of directors appointed Mr. Jastrow as lead independent director because of his executive experience and service as a director of other companies. Genesis' board of directors believes that the combined role of Chairman and Chief Executive Officer working with the lead independent director is currently in the best interest of unit holders, providing the appropriate balance between developing Genesis' strategy and overseeing management.

Genesis Energy is committed to sound principles of governance. Such principles are critical for the company to achieve its performance goals and maintain the trust and confidence of investors, personnel, suppliers, business partners and stakeholders. Genesis believes independent directors are a key element for strong governance, although the company reserves its right as a limited partnership under the listing standards of the NYSE.

The board of directors currently consists of Sharilyn S. Gasaway, James E. Davison, James E. Davison, Jr., Donald L. Evans, Corbin J. Robertson III, Kenneth M. Jastrow II, Conrad P. Albert, Jack T. Taylor and Mr. Sims.

Experience

Dr. Grant E. Sims has been the Chief Executive Officer of Genesis Energy LLC, the General Partner of Genesis Energy LP since August 2006 and has been its Chairman of the Board since October 2012. Dr. Sims serves as the *Chief Executive Officer of Genesis Marine, LLC*. Dr. Sims served as Chief Executive Officer of Enterprise GTM Holdings L.P. until September 30, 1999. Dr. Sims served as a Senior Vice President of DeepTech International Inc. since December 1992. Dr. Sims served as the Chief Executive Officer of Leviathan Gas Pipeline Company (Also known as El Paso Energy Partners, L.P. and then GulfTerra Energy Partners, L.P.), a subsidiary of DeepTech since June 1995. Dr. Sims served as the President of Leviathan from March 1994 to June 1995. Dr. Sims served as an Independent Consultant with clients ranging from United Gas Pipe Line Company to Donaldson, Lufkin & Jenrette Securities Corporation following a ten year career at Transco Energy Company, where he directed Transco's non-jurisdictional gas activities. He served with Leviathan Gas Pipeline Partners, L.P. from 1992 to 1999. Dr. Sims has been Director of Texas Capital BancShares Inc. since May 2012. He has been a Director of Genesis Energy LLC, the General Partner of Genesis Energy LP since August 2006. Dr. Sims served as a Director of DeepTech International Inc. since July 1993. Dr. Sims served as a Director of Leviathan since July 1994. Dr. Sims received a B.A. and Ph.D. in Economics from Texas A&M University.

Ms. Sharilyn S. Gasaway -" *Director of Genesis Energy LLC, Chairman of Audit Committee, Member of Governance, Compensation & Business Development Committee and Member of Conflicts Committee*; served as an Executive Vice President and Chief Financial Officer of ALLTEL Communications, LLC. Ms. Gasaway served as the Chief Financial Officer of ALLTEL Corporation since January 20, 2006 until 2009, Controller from 2002 to 2006, Executive Vice President from 2006 to 2009 and also served as its Principal Accounting Officer. Ms. Gasaway was part of the Executive team of ALLTEL that spearheaded publicly traded its transition through the largest private equity buyout in the telecom sector. She joined Alltel in 1999 as Director of General Accounting and served in various roles, including Vice President of

Accounting and Finance. Prior to joined ALLTEL in April 1999, she served as a Manager of Arthur Andersen LLP and worked there for eight years. She has been Director of JB Hunt Transport Services Inc. since February 5, 2009. She has been a Director of Genesis Energy, LLC (Also known as Genesis Energy, Inc.), the General Partner of Genesis Energy LP since March 1, 2010. She has been an Independent Director of Waddell & Reed Financial Inc. since July 2010. She serves on the Louisiana Tech University College of Business Advisory Board. She is a Board Member of the American Red Cross of Greater Arkansas. She is a Private Investor. She is a Certified Public Accountant. Ms. Gasaway has a Bachelor of Science in Accounting from Louisiana Tech University."

Mr. Kenneth M. Jastrow, II - "*Director of Genesis Energy Llc, Chairman of Governance, Compensation & Business Development Committee, Member of Conflicts Committee and Member of Audit Committee*; served as the Chief Executive Officer of Temple-Inland Inc., from January 2000 to January 2008 and served as its President and Chief Operating Officer from 1998 to 2000, Chief Financial Officer from November 1991 to 1999 and its Group Vice President from 1995 to 1998. Mr. Jastrow serves as the Non-Executive Chairman of Guaranty Financial Services. He has been the Non-Executive Chairman of Forestar Group Inc. since 2007. He served as the Chairman of the Board of Guaranty Financial Group Inc., until August 25, 2008. He served as the Chairman of Temple-Inland Inc., January 2000 to January 2008. He has been an Independent Director of KB Home since December 2001 and serves as its Lead Director. He has been an Independent Director of MGIC Investment Corp. since 1994 and has been its Lead Director since October 2009. He has been a Director of Forestar Group Inc. since October 2007. He has been an Independent Director of Genesis Energy LLC (Also known as Genesis Energy, Inc)., the general partner of Genesis Energy LP since March 1, 2010. He served as the Lead Independent Director and a Director of Guaranty Financial Group Inc. from 2007 to August 25, 2008. He served as a Director of Temple-Inland Inc., since 1998. He serves as a Member of Advisory Council at Red McCombs School of Business. Mr. Jastrow serves as a Member of Advisory Board at Mccombs School of Business of The University of Texas At Austin."

Mr. Conrad P. Albert – "*Director of Genesis Energy LLC*; served as Executive Vice President at Manufacturers Hanover Trust Company from 1983 to 1991. From 1969 to 1991, Mr. Albert served in various positions with Manufacturers Hanover Trust Company. He has been engaged in private investments since 1991. He has been Director of Genesis Energy LLC since July 15, 2013. Mr. Albert served as a Director of Anadarko Petroleum Corporation from 1986 to May 11, 2006. He served as a Director of DeepTech International Inc., from February 1992 to August 1998. Mr. Albert holds a B.A. from the University of North Carolina at Chapel Hill."

Mr. James Ellis Davison, Sr. - "*Director of Genesis Energy Llc and Member of Governance, Compensation & Business Development Committee. Mr. Davison Sr. serves as the President of Sunshine Oil & Storage, Inc*. Mr. Davison served as the Chairman of the board of Davison Transport, Inc. for over 30 years. Mr. Davison has over forty years of experience in the energy-related transportation and refinery services businesses. He has been a Director of Genesis Energy, LLC, the general partner of Genesis Energy LP since July 2007."

Mr. James Ellis Davison, Jr. *– "Director of Genesis Energy Llc and Member of Governance, Compensation & Business Development Committee. Mr. Davison Jr* serves as the *Chairman of Fargo Petroleum, L.L.C.* Mr. Davison serves as also a Director of Community Trust Bank. Mr. Davison serves as a Director of Community Trust Financial Corporation. He has been Director of Genesis Energy, LLC, the general partner of Genesis Energy LP since July 2007."

Mr. Corbin J. Robertson III – "*Director of Genesis Energy Llc, Member of Governance, Compensation & Business Development Committee and Member of Audit Committee. Mr. Corbin is a Co-Owner of Quintana Minerals Corporation and serves as a Vice President of Business Development,* where he joined Quintana Minerals in 1999. Mr. Robertson has been an Investment Professional of Luther King Capital Management Corporation since June 2011. He serves as a Principal of Quintana Energy Group, L.P. He serves as the Head of the Quintana's coal and downstream sector and is primarily responsible for coal and downstream oil and gas investments. Mr. Robertson also co-founded Quintana Energy Partners and served as Managing Director from 2006 to December 2010. He served as Managing Partner of Coal and Downstream at Quintana Capital Group, L.P. He served as President of Kopper Glo since March 20, 2009, President of KGH since June 26, 2007 and also served as Managing Director at Quintana Minerals Corporation. He has experience with investments in a variety of energy businesses. He served as an Advisory Director of Main Street Bank. He served as the Chief Executive Officer of the General Partner of Western Pocahontas Properties Limited Partnership since May 2008. He served as Vice President of Acquisitions at GP Natural Resource Partners LLC from 2003 to March 31, 2005. Mr. Robertson served as Vice President at Sandefer Capital Partners LLC from 1996 to 1998. From 1994 to 1996, he served as a Management Consultant at Deloitte and Touche LLP. Mr. Robertson was an Associate at Reservoir Capital Group. He serves as the Chairman of Corsa Coal Corp. and has been its Independent Director since July 31, 2013. He has been a Director of Bird Acquisition Corp. since January 2005 and GP Natural Resource Partners LLC since May 21, 2013. Mr. Robertson serves as a Director of Gulf Atlantic Refining and Marketing LP. He has been a Director at Genesis Energy, Inc. since February 2010. He serves as a Director of Kopper Glo Mining LLC, Natural Resource Partners LP, Buckhorn Energy Services and LL&B Minerals. He served on the board of directors of Western Pocahontas since October 2012 and Quintana Minerals Corporation since October 2007. He served as a Non Executive Director of Excel Maritime Carriers, Ltd. since April 2008. He served both in management of private equity firms and served on several boards of directors. He received an M.B.A. from Harvard Business School in 2000 and a BA and a BBA in Business Honors and Finance from The University of Texas at Austin in 1993."

Mr. Jack T. Taylor – "*Director of Genesis Energy LLC*; Mr. Taylor served as the Chief Operating Officer of Americas and Executive Vice Chairman of U.S. Operations for KPMG LLP from 2005 to 2010. Mr. Taylor was with KPMG LLP for over 35 years. Mr. Taylor has extensive experience with financial and public accounting issues as well as a deep knowledge of the energy industry. From 2001 to 2005, he served as the Vice Chairman of U.S. Audit and Risk Advisory Services for KPMG. He has been a Director of Genesis Energy LLC - Genesis Energy LP (The General partner) since July 2013. He has been a Director of Sempra Energy since February 27, 2013. He has been a Director of Murphy USA Inc. since August 2013. Mr. Taylor serves as a Director of Christus Schumpert Health System Foundation."

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
G Sims	3						**3.0**
S Gasaway			1				**1.0**
C. Albert	3						**3.0**
JE Davison Sr.		2					**2.0**
JE Davison Jr.		2					**2.0**
C Robertson II		2					**2.0**
J. Taylor			1				**2.0**
					Average		**1.9**

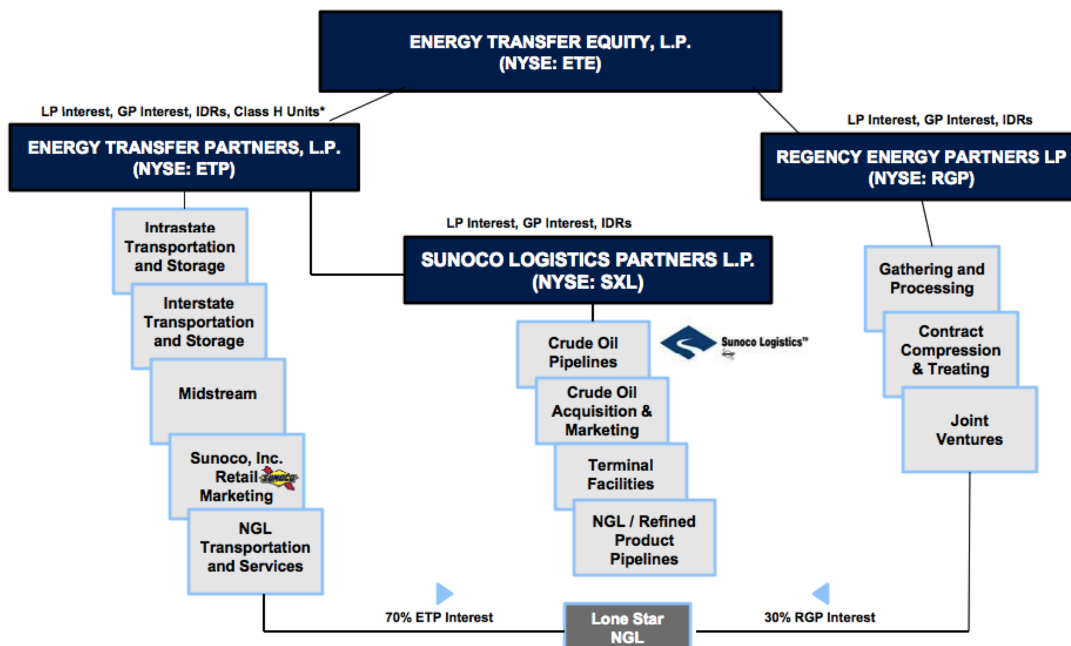
Overall, Genesis has a small and experienced Board capable of challenging the executive leadership.

Valuation

The value of a share of Genesis Energy L.P. at the end of 2013 was $52.57; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $55.11, suggesting a market overvaluation of 5%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $27.66, suggesting a market overvaluation of 90%. Genesis has no IDR obligations.

2. Sunoco Logistics Partners L.P.

Sunoco Logistics Partners L.P. (NYSE: SXL) is a master limited partnership that owns and operates a logistics business consisting of a geographically diverse portfolio of complementary crude oil, refined products, and natural gas liquids pipeline, terminal facilities, and acquisition and marketing of assets, which are used to facilitate the purchase and sale of crude oil, refined products, and natural gas liquids. SXL's general partner is a consolidated subsidiary of Energy Transfer Partners, L.P.



Date	Event/Acquisition
Feb-02	Completed IPO splitting from an internal division of Sunoco
Nov-02	Joint-venture interests in 3 refined product pipelines from Unocal, for $54MM
Nov-02	43.8% joint-venture interest from Sunoco/Unocal in West Texas Gulf crude pipeline for $11MM
Sep-03	Additional joint-venture interest in West Shore for $4MM increasing ownership interest from 9.2% to 12.3%
Mar-04	Logistics assets of Eagle Point refinery from Sunoco, Inc. for $20MM
Apr-04	Baltimore, MD and Manassas, VA refined product terminal facilities from ConocoPhillips for $12MM
Jun-04	Additional 1/3rd joint-venture interest in Harbor Pipeline from El Paso for $7MM,

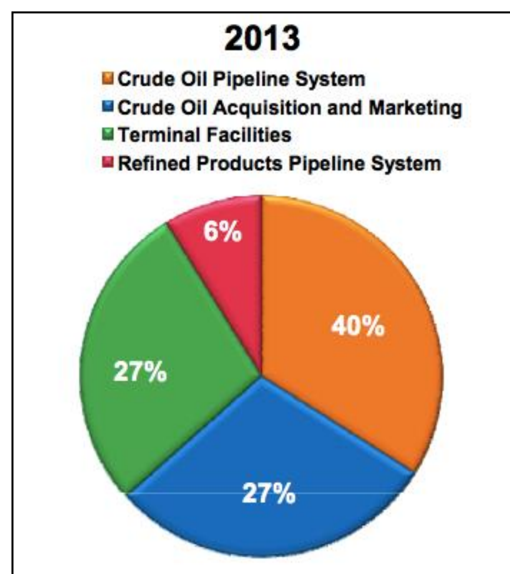
	increasing ownership interest to 2/3rds
Nov-04	Columbus, OH refined product terminal facilities from Certified Oil for $8MM
Aug-05	Texas crude oil pipeline system from ExxonMobil for $100MM
Dec-05	37% joint-venture interest in Mesa crude oil pipeline system from Sunoco/Chevron for $7MM
Mar-06	Texas crude oil pipeline system from Black Hills for $41MM
	Texas crude oil pipeline system from Alon for $68MM
Aug-06	55.3% joint-venture interest in Mid-Valley crude oil pipeline from Sunoco, Inc. for $65MM
Jun-07	50% joint-venture interest in a refined products terminal in Syracuse, NY from ExxonMobil for $13MM
Nov-08	Texas refined products pipeline system and terminal facilities from ExxonMobil for $186MM
Sep-09	Oklahoma crude oil pipeline from Excel Pipeline LLC and Romulus, MI refined products terminal facility from R.K.A. Petroleum LLC for an aggregate $50MM
Jul-10	Butane blending business from Texol LP for $152MM including inventory
	Additional joint-venture interest in West Shore from BP for $7MM increasing ownership interest from 12.3% to 17.1%
	Additional joint-venture interest in Mid-Valley from BP for $58MM increasing ownership interest from 55.3% to 91.0%
Aug-10	Additional joint-venture interest in West Texas Gulf from BP for $27MM increasing ownership interest from 43.8% to 60.3%
May-11	83.8% controlling joint-venture interest in Inland refined products pipeline for $99MM
Jul-11	Eagle Point Tank Farm from Sunoco, Inc. for $100MM in deferred distribution units
Aug-11	Crude Oil Acquisition and Marketing business from Texon L P for $222MM including inventory Crude Oil Acquisition and Marketing business from Texon L.P. for $222MM including inventory
	East Boston products terminal and pipeline from ConocoPhillips for $73MM including

	inventory
Apr-13	Marcus Hook Industrial Complex from Sunoco, Inc. for $60MM
Mar-14	Additional joint-venture interest in Explorer Pipeline from Chevron for $42MM increasing ownership interest from 9.4% to 13.3%
May-14	Crude Oil Acquisition and Marketing business from EDF for $80MM including inventory

Current Scope of Operations

Sunoco Logistics LP (SXL) was formed by Sunoco, a large independent refiner-marketer, to house its logistics assets in a tax advantaged structure. Sunoco Inc. was purchased by Energy Transfer Partners in 2012, and Sunoco Logistics MLP became an ETP subsidiary. SXL is organized into four business units: Crude Oil Pipeline System, Crude Oil Acquisition and Marketing, Terminal Facilities, and Refined Products Pipeline System. Included in the Terminals and Refined Products Pipeline System is their Natural Gas Liquids (NGLs) business line.

Figure 1 Sunoco's Current scope of operations



Crude Oil Pipelines:

The crude oil pipelines segment consists of approximately 5,400 miles of crude oil trunk and gathering pipelines in the southwest and Midwest United States. The company's pipelines access various trading hubs, including the trading hub for crude oil in the United States located in Cushing, Oklahoma as well as other trading hubs located in Midland, Colorado City and Longview, Texas. The company's crude oil pipelines also deliver to and connect with other pipelines that deliver crude oil to various refineries.

SXL's pipelines in the southwest United States include approximately 2,950 miles of crude oil trunk pipelines and approximately 300 miles of crude oil gathering pipelines in Texas.

The company also owns and operates a crude oil pipeline and gathering system in Oklahoma. This system contains approximately 850 miles of crude oil trunk pipelines and approximately 200 miles of crude oil gathering pipelines. With this, SXL has the ability to deliver substantially all of the crude oil gathered on its Oklahoma system to Cushing.

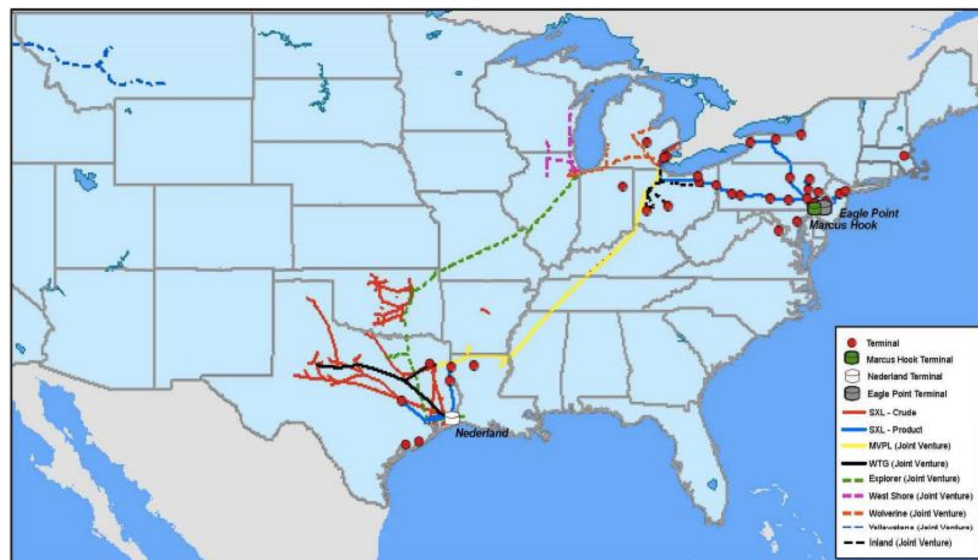
In 2013, SXL entered into an agreement to form SunVit Pipeline LLC (SunVit), a joint venture with Vitol,

Inc. (Vitol), in which each party would maintain a 50 percent ownership interest. SunVit would construct and own a crude oil pipeline, which will originate in Midland, Texas and run to Garden City, Texas. The new pipeline would connect into its Permian Express 2 pipeline project and provide additional takeaway capacity from the Permian Basin.

SXL also owns a controlling financial interest in the Mid-Valley Pipeline Company (Mid-Valley) pipeline system, which owns approximately 1,000 miles of crude oil pipelines that originate in Longview, Texas and pass through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky and Ohio, and terminate in Samaria, Michigan. This pipeline provides crude oil to refineries, primarily in the Midwest United States.

In addition, the company owns approximately 100 miles of crude oil pipeline that runs from Marysville, Michigan to Toledo, Ohio, and a truck injection point for local production at Marysville. This pipeline receives crude oil from the Enbridge pipeline system for delivery to refineries located in Toledo, Ohio and to Marathon's Samaria, Michigan tank farm, which supplies its refinery in Detroit, Michigan.

Figure 2 Sunoco's Terminal Facilities



Crude Oil Acquisition and Marketing:

This segment's activities include the acquisition and marketing of crude oil, primarily in the mid-continent the United States. The operations are conducted using its assets, which include approximately 300 crude oil transport trucks and approximately 130 crude oil truck unloading facilities, as well as third-party truck, rail and marine assets. Specifically, the crude oil acquisition and marketing activities include the following: purchasing crude oil at both the wellhead from producers, and in bulk from aggregators at major pipeline interconnections and trading locations; storing inventory during contango market conditions (when the price of crude oil for future delivery is higher than prices); buying and selling crude oil of different grades, at different locations in order to maximize value; transporting crude oil on its pipelines and trucks or, when necessary or cost effective, pipelines or trucks owned and operated by

third parties; and marketing crude oil to major integrated oil companies, independent refiners and resellers through various types of sale and exchange transactions.

SXL owns approximately 130 crude oil truck unloading facilities in the mid-continent United States with the majority located on its pipeline system. The company owns and operates a proprietary fleet of approximately 300 crude oil transport trucks. The crude oil truck drivers pick up crude oil at producer sites and transport it to both its truck unloading facilities and third-party unloading facilities for shipment on its pipelines and third-party pipelines. Third-party trucking firms are also retained to transport crude oil to certain facilities.

Terminal Facilities Segment:

This segment's terminal facilities operate with an aggregate storage capacity of approximately 46 million barrels across the following facilities:

Marcus Hook Facility

In 2013, the company acquired Sunoco's Marcus Hook facility and related assets. The acquisition included terminal facilities and storage assets with a capacity of approximately 5 million barrels located in Pennsylvania and Delaware, including approximately 2 million barrels of NGL storage capacity in underground caverns, as well as commercial agreements.

East Boston Terminal

In September 2011, the company acquired a refined products terminal, located in East Boston, Massachusetts, from affiliates of ConocoPhillips. The terminal is the sole service provider to Logan International Airport under a long-term contract to provide jet fuel. The terminal includes a 10-bay truck rack and total active storage capacity for this facility is approximately 1 million barrels.

Eagle Point Tank Farm

Eagle Point tank farm is located in Westville, New Jersey and consists of approximately 5 million barrels of active storage for products and dark oils.

Refined Products Terminals

SXL's 39 active refined products terminals receive refined products from pipelines, barges, railcars, and trucks; and distribute them to third parties and certain of its affiliates, who in turn deliver them to end-users and retail outlets. Terminals are facilities where products are transferred to or from storage or transportation systems, such as a pipeline, to other transportation systems, such as trucks or other pipelines. Its refined products terminal facilities consist of multiple storage tanks and are equipped with automated truck loading equipment that is operational 24 hours a day. The company's refined products pipelines supply the majority of its refined products terminals, with third-party pipelines and barges supplying the remainder.

Refined Products Acquisition and Marketing

The Refined Products Acquisition and Marketing activities include the acquisition, blending, marketing and selling of refined products and NGLs at its various terminals and third-party facilities. The company also has commenced operations in the NGL market with the acquisition of the Marcus Hook Facility.

Nederland Terminal

The Nederland Terminal, which is located on the Sabine-Neches waterway between Beaumont and Port Arthur, Texas, is a marine terminal providing storage and distribution services for refiners and other large transporters of crude oil. The terminal receives, stores, and distributes crude oil, feedstocks, lubricants, petrochemicals, and bunker oils (used for fueling ships and other marine vessels), and also blends lubricants. The terminal has a total storage capacity of approximately 22 million barrels in approximately 130 aboveground storage tanks with individual capacities of up to 660 thousand barrels.

The Nederland Terminal can receive crude oil at each of its five ship docks and three barge berths. The five ship docks are capable of receiving approximately 2 million bpd of crude oil. In addition to its Crude Oil Pipelines, the terminal can also receive crude oil through other pipelines, including: the Cameron Highway pipeline, which is jointly owned by Enterprise Products and Genesis Energy; the ExxonMobil Pegasus pipeline; the Department of Energy (DOE) Big Hill pipeline; and the DOE West Hackberry pipeline. The DOE pipelines connect the terminal to the United States Strategic Petroleum Reserve's West Hackberry caverns at Hackberry, Louisiana and Big Hill near Winnie, Texas, which have an aggregate storage capacity of approximately 400 million barrels.

The Nederland Terminal can deliver crude oil and other petroleum products via pipeline, barge, ship, rail, or truck. In total, the terminal is capable of delivering approximately 2 million bpd of crude oil to its crude oil pipelines or third-party pipelines including: the ExxonMobil pipeline to its Beaumont, Texas refinery; the DOE pipelines to the Big Hill and West Hackberry Strategic Petroleum Reserve caverns; the Valero pipeline to its Port Arthur, Texas refinery; and the Total pipelines to its Port Arthur, Texas refinery.

Fort Mifflin Terminal Complex

The Fort Mifflin Terminal Complex is located on the Delaware River in Philadelphia and includes the Fort Mifflin Terminal, the Hog Island Wharf, the Darby Creek tank farm and connecting pipelines.

The Fort Mifflin Terminal contains two ship docks with 40-foot freshwater drafts and a total storage capacity of approximately 570 thousand barrels. Crude oil and some refined products enter the Fort Mifflin Terminal primarily from marine vessels on the Delaware River. One Fort Mifflin dock is designed to handle crude oil from very large crude carrier-class (VLCC) tankers and smaller crude oil vessels. The other dock can accommodate only smaller crude oil vessels.

Marcus Hook Facility

In 2013, the company acquired Marcus Hook Facility. The acquisition included terminalling and storage assets with a capacity of approximately 5 million barrels located in Pennsylvania and Delaware, including approximately 2 million barrels of NGL storage capacity in underground caverns, and related commercial agreements. The facility can receive NGLs via marine vessel, pipeline, truck and rail, and can deliver via marine vessel, pipeline and truck. In addition to providing NGL storage and terminalling services to both affiliates and third-party customers, the company also provides its customers with the use of industrial space and equipment at the facility, as well as logistical, utility and infrastructure services.

Eagle Point Terminal

The Eagle Point terminal is located in Westville, New Jersey and consists of docks, truck loading facilities and a tank farm. The docks are located on the Delaware River and can accommodate three ships or barges to receive and deliver crude oil, intermediate products and refined products to outbound ships and barges. The tank farm has a total active storage capacity of approximately 5 million barrels and can receive crude oil and refined products via barge, pipeline and rail. The terminal can deliver via barge, truck, rail or pipeline, providing customers with access to various markets.

Inkster Terminal

The Inkster Terminal, located near Detroit, Michigan, contains eight salt caverns with a total storage capacity of approximately 975 thousand barrels. The company uses the Inkster Terminal's storage in connection with its Toledo, Ohio to Sarnia, Canada pipeline system and for the storage of liquefied petroleum gases (LPGs) from Canada and a refinery in Toledo. The terminal can receive and ship LPGs in both directions at the same time and has a propane truck loading rack.

Refined Products Pipelines Segment

This segment owns and operates approximately 2,500 miles of refined products pipelines in various regions of the United States. The refined products pipelines primarily transport refined products from refineries in the northeast, Midwest and southwest United States to markets in New York, New Jersey, Pennsylvania, Ohio, Michigan and Texas. These operations include its controlling financial interest in Inland, which owns approximately 350 miles of refined products pipeline. The products transported in these pipelines include multiple grades of gasoline, middle distillates (such as heating oil, diesel and jet fuel), and LPGs (such as propane and butane). In addition, certain of its pipelines in this segment transport NGLs from processing and fractionation areas to end-user markets.

Inland Corporation— Inland Corporation is the owner of approximately 350 miles of active refined products pipelines in Ohio. The pipeline connects three refineries in Ohio to terminals and major markets within the state.

Shareholder Value Creation

SXL has generated an impressive increase in shareholder value, particularly since 2008.

Figure 3 SXL's Dividend adjusted share pricing with S&P, and Alerian MLP Index

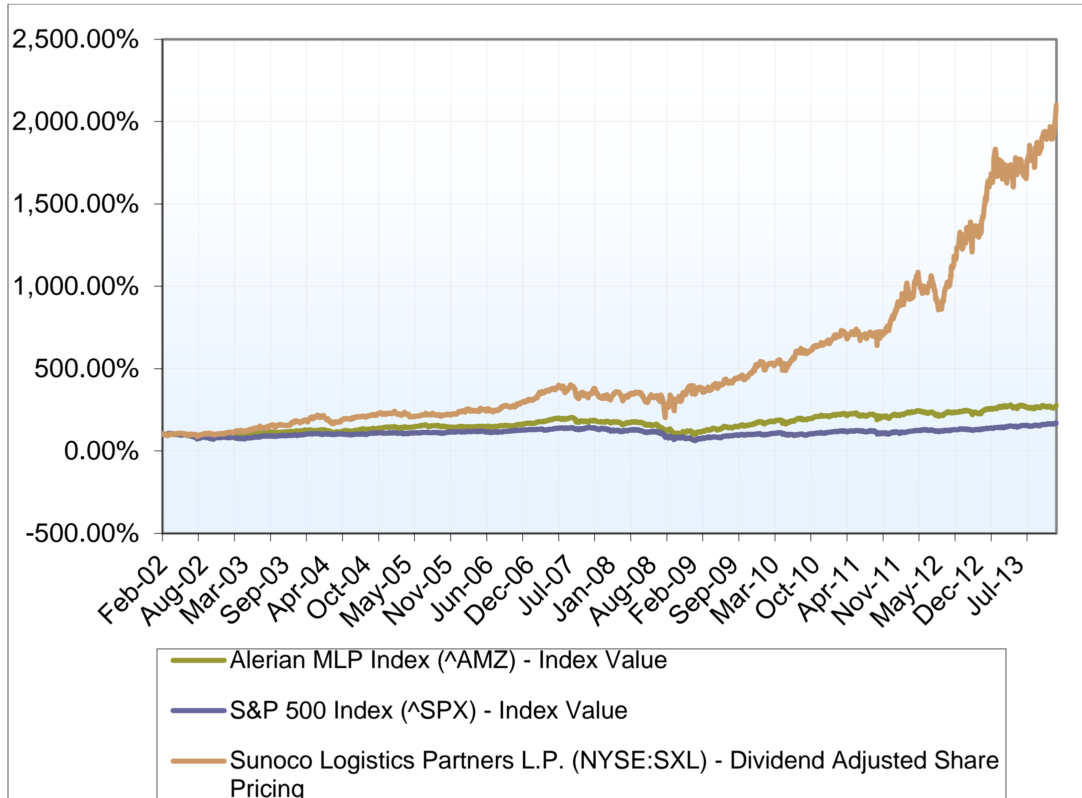
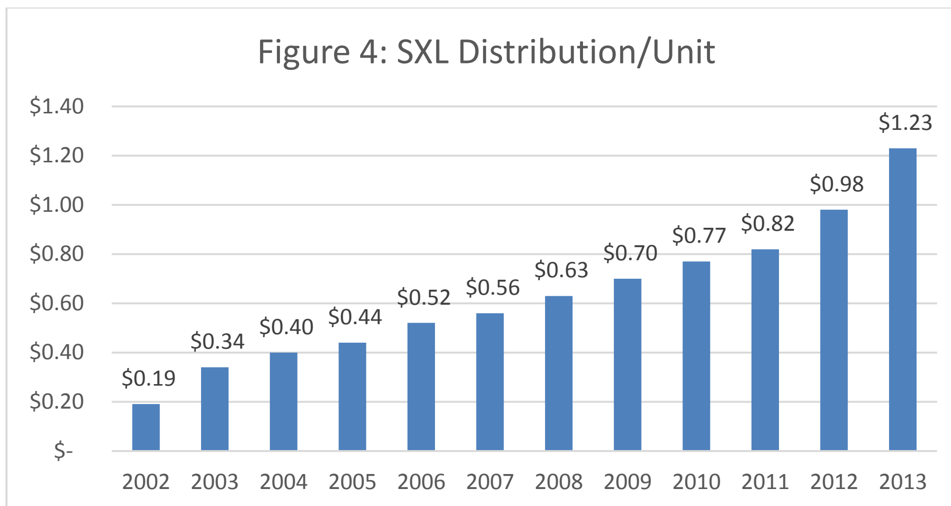


Figure 4: SXL's Quarterly Distribution per Unit

Sunoco's distribution per unit has increased steadily, accelerating in recent years.



Sunoco had been conservative in its financing through 2013 but became increasingly active in attracting new equity and debt in order to finance its ambitious growth plans in 2014.

Figure 5: SXL's Sources of Funds

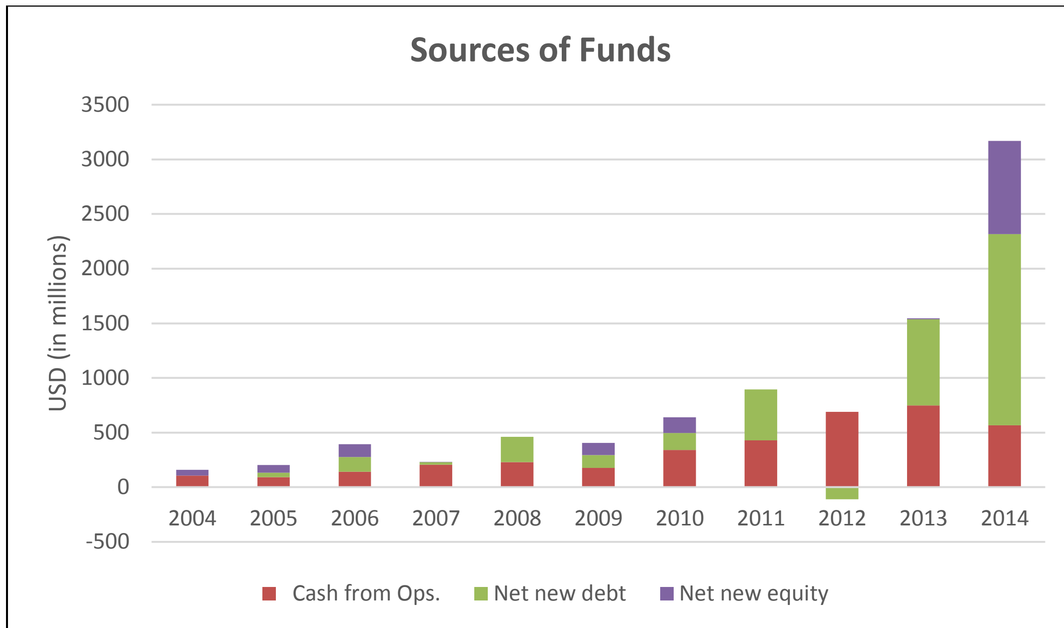
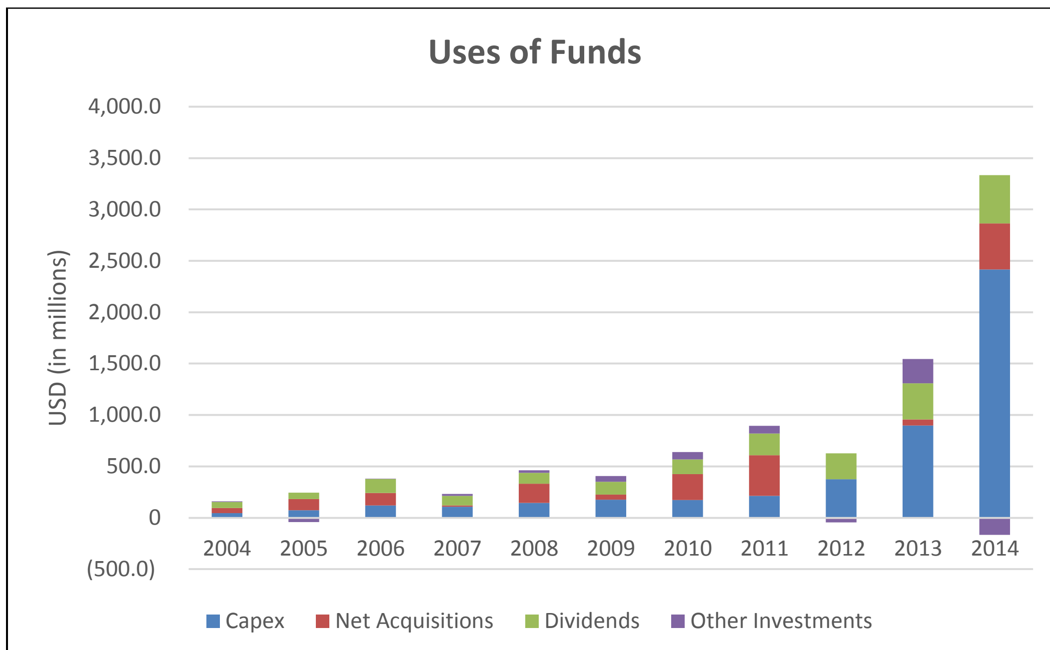


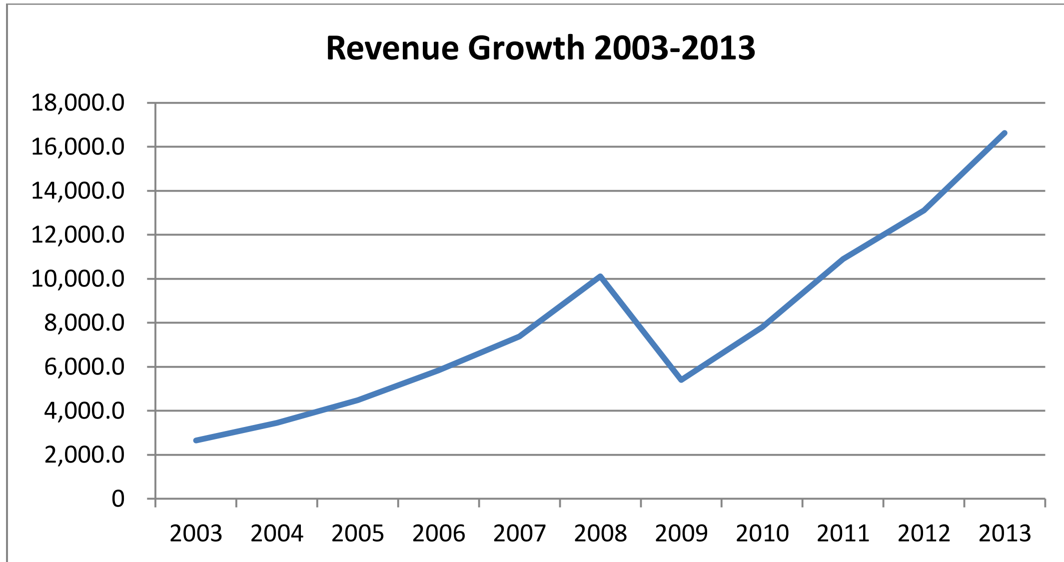
Figure 6 SXL's Uses of Funds



Financial and Operating Results

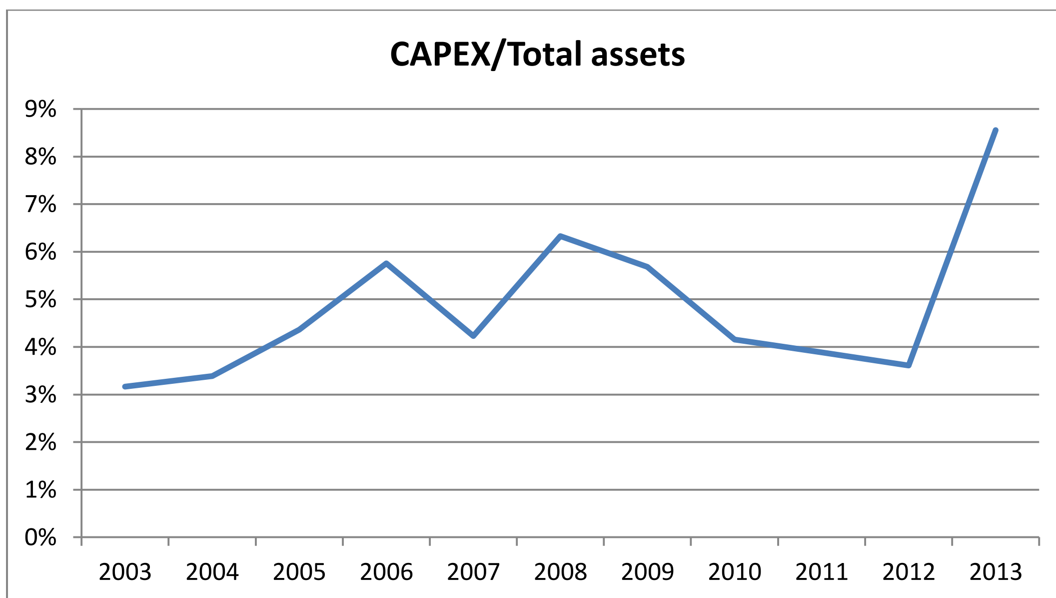
Growth

Figure 7 SXL's Revenue growth



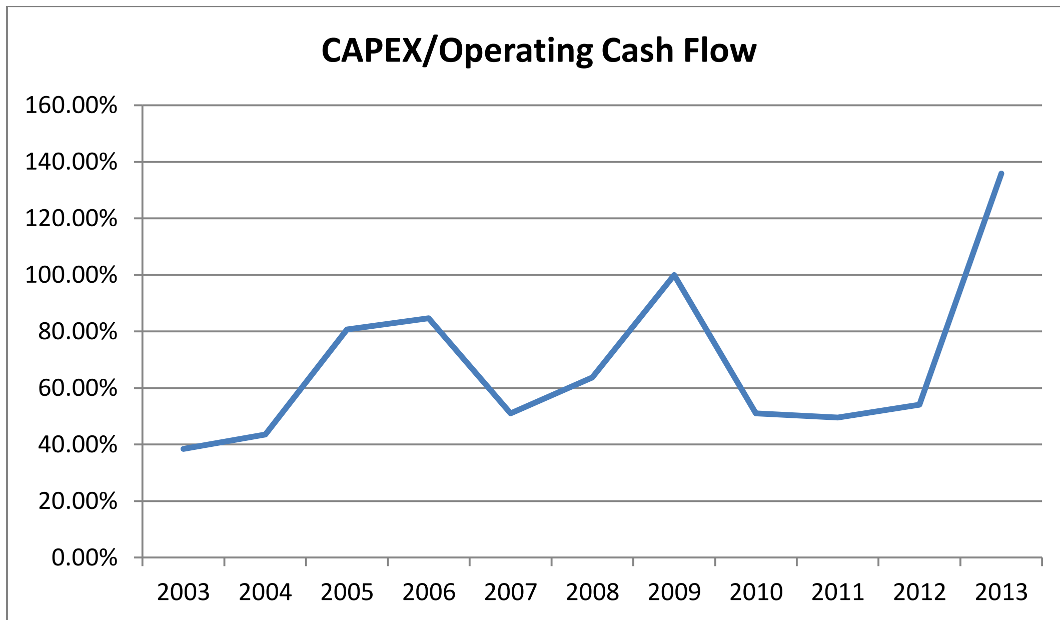
SXL revenue has grown significantly since inception, temporarily interrupted by the recession in 2009.

Figure 8 SXL's CAPEX/Total Assets



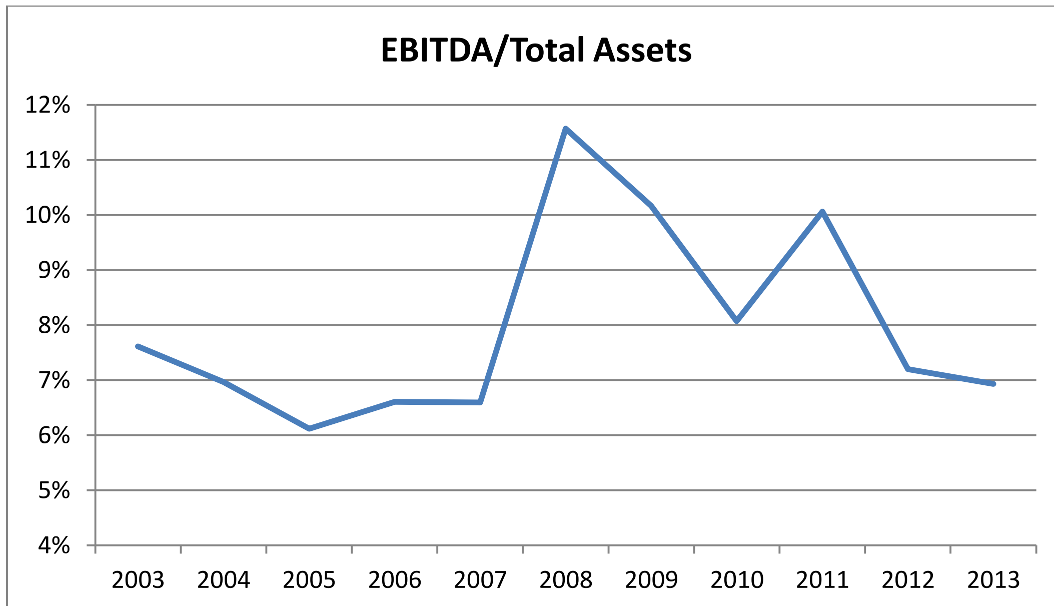
SXL reinvestment in projects for organic growth has increased in 2013 and exceeded operating cash flow.

Figure 9 SXL's CAPEX/Operating Cash Flow



Returns

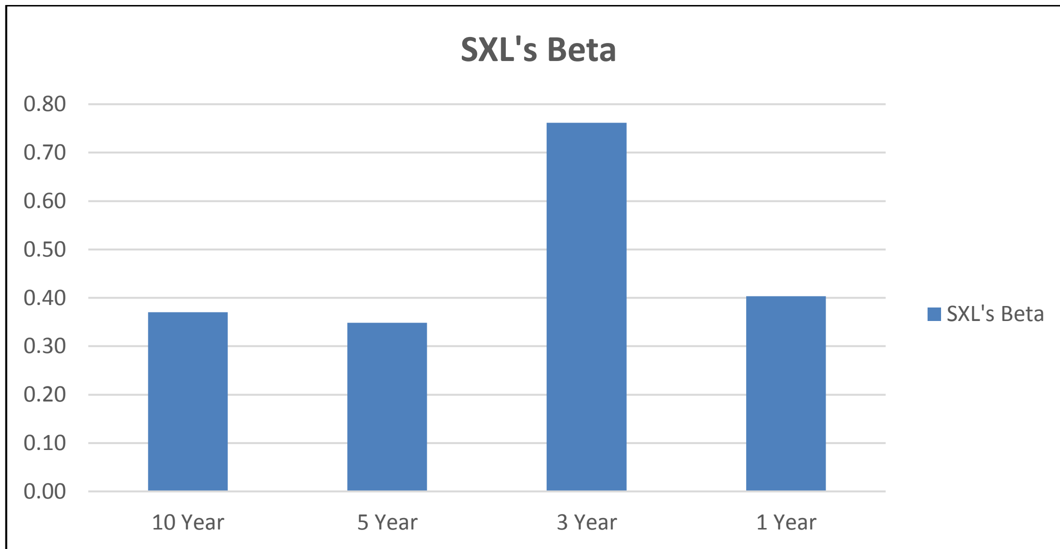
Figure 10 SXL's EBITDA/Total Assets



SXL EBITDA return on total assets has been declining as the company has increased capital spending in advance of expected future increases in earnings. Sunoco's EBITDA returns on total assets have declined since 2008.

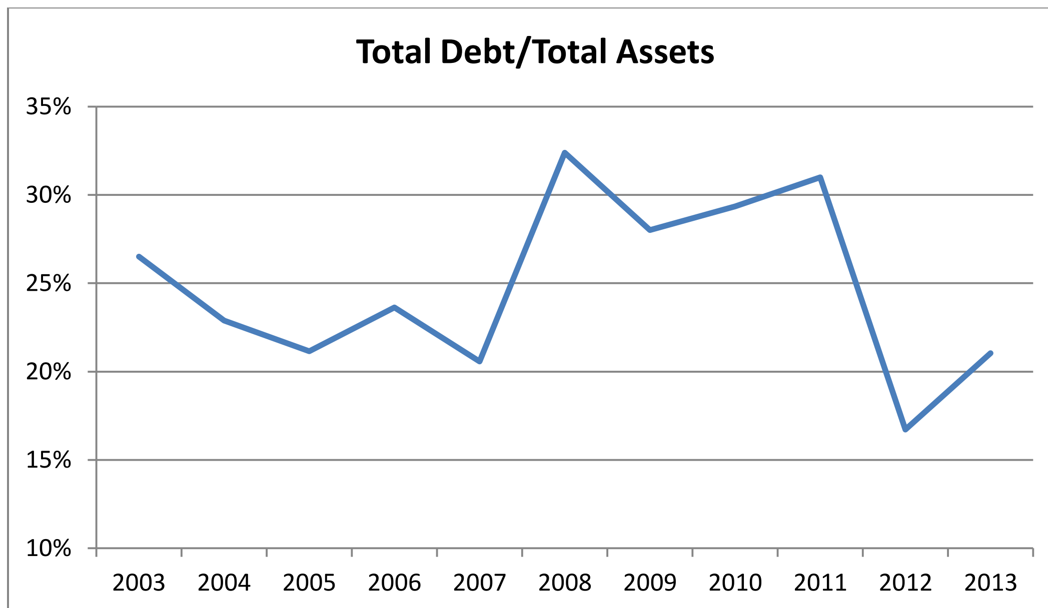
Risk

Figure 11 SXL's Beta for different periods



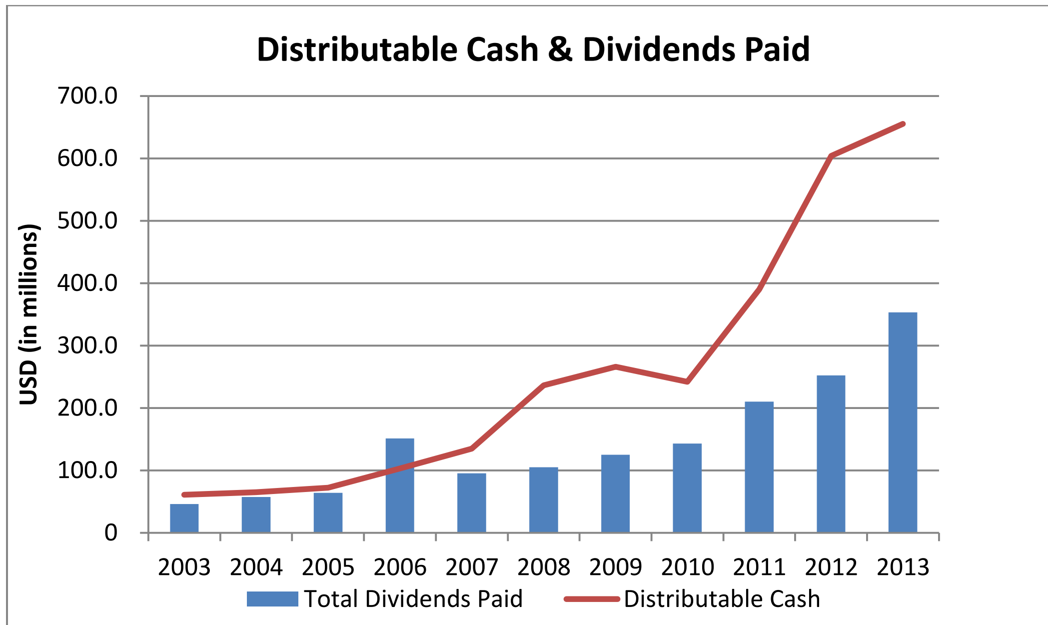
SXL beta suggests a relatively low risk business model.

Figure 12 SXL's Total Debt/Total Assets



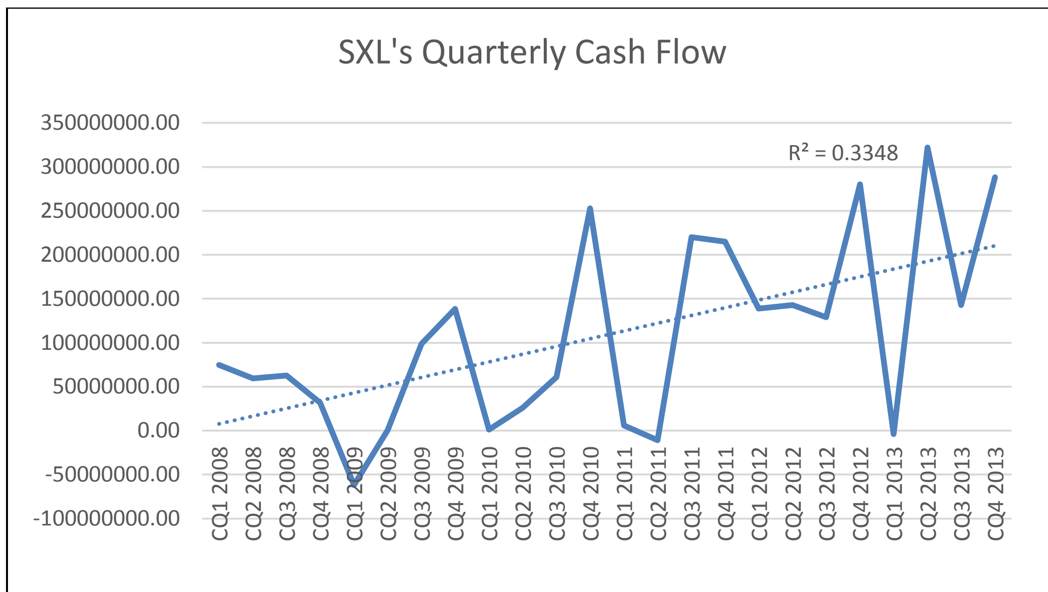
SXL has relatively low debt compared to rivals.

Figure 13 SXL's Total Dividends Paid vs. Distributable Cash



SXL appears to have considerable headroom for further dividend increases.

Figure 14 Variability of SXL Quarterly Cash from Operations

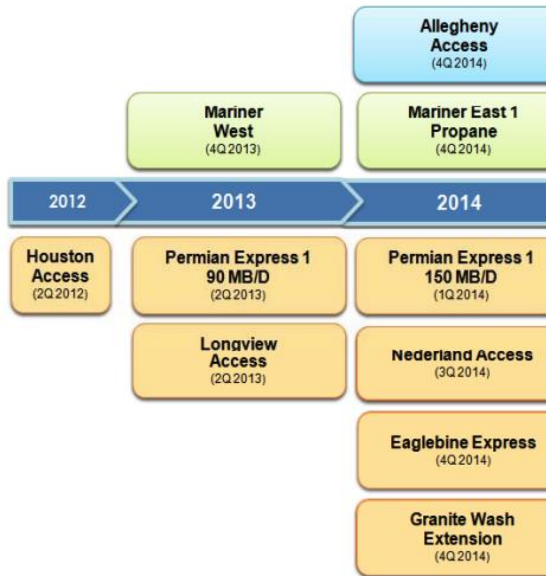


SXL shows moderate variability in quarterly cash from operations.

Future Growth

SXL has a strong portfolio of organic growth projects

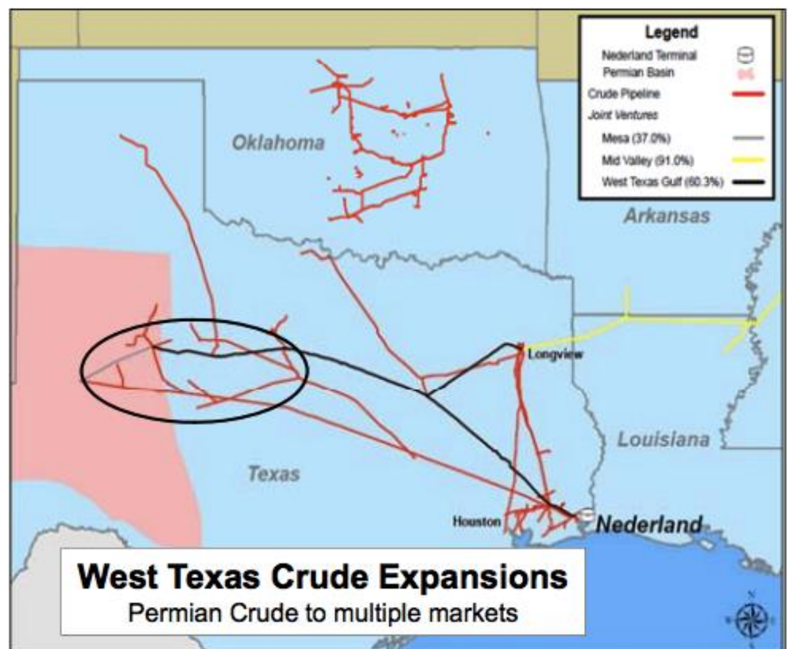
Figure 15 SXL's Future Expansion projects



West Texas Crude Expansion Projects

The West Texas to Longview Access and West Texas to Houston Access were developed to deliver crude oil from West Texas to the Mid-Valley Pipeline at Longview, Texas and to the Houston, Texas market. The projects have initial capacity to transport approximately 40,000 barrels per day to Houston, and approximately 30,000 barrels per day to Longview. The West Texas to Houston Access project was operational in Q2 2012. The West Texas to Longview Access project was operational in Q2 2013. The West Texas-Nederland Access is being developed to deliver crude oil from West Texas to SXL's Nederland Terminal at Nederland, Texas.

Figure 16 SXL's West Crude Expansion Projects



The project is anticipated to have initial capacity to transport approximately 40,000 barrels per day to Nederland. The West Texas to Nederland Access project is dependent upon Pegasus.

Permian Express Phase I

Permian Express Phase I will provide continuous pipeline service from Wichita Falls, Texas to Nederland/Beaumont, Texas markets. At Wichita Falls, a connection from Basin Pipeline will be provided. Due to the use of existing assets, the capacity to transport approximately 90,000 barrels per day to Nederland/Beaumont was operational in the first quarter of 2013. Capacity increased to 150,000 barrels per day in Q1 2014.

Permian Express 2

In the fourth quarter 2013, a successful Open Season was completed for the Permian Express 2 pipeline. The Permian Express 2 pipeline project involves the construction of approximately 300 to 400 miles of new crude oil pipelines, with origins in multiple locations in West Texas: Midland, Garden City and Colorado City. With an expected initial capacity of approximately 200,000 barrels per day, Permian Express 2 is expected to deliver to multiple refiners and markets beginning in the second quarter 2015.

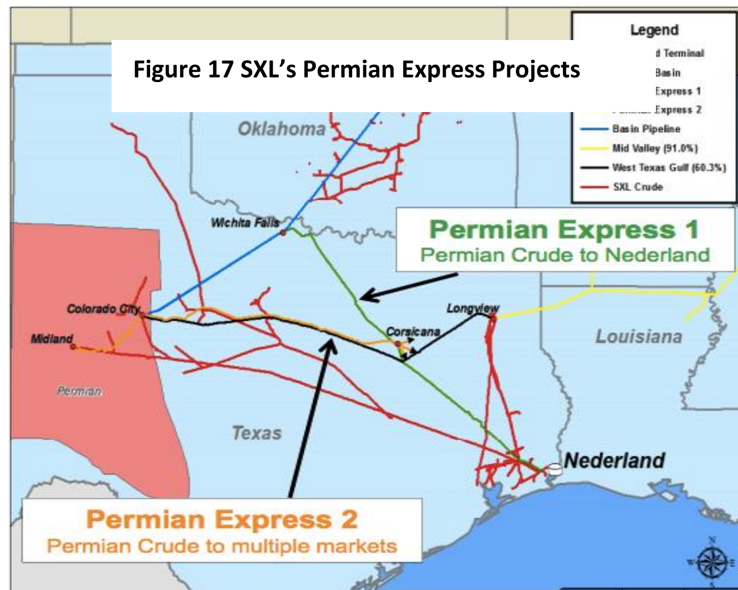
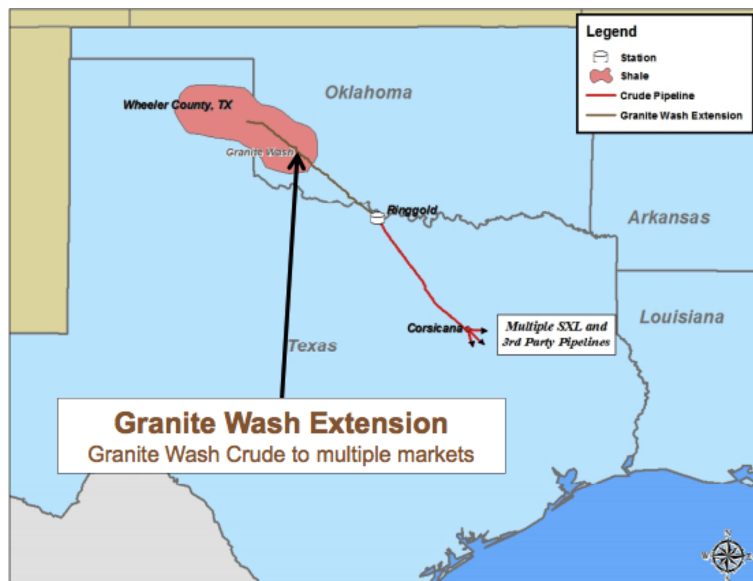


Figure 17 SXL's Permian Express Projects

Granite Wash Extension

In the third quarter 2013, a successful Open Season was completed for the Granite Wash Extension pipeline. The pipeline is expected to provide 70,000 barrels per day of crude oil takeaway capacity for the growing production from the Granite Wash Shale in the northeastern Texas panhandle and portions of western Oklahoma.

Figure 18 SXL's Granite Wash Extension

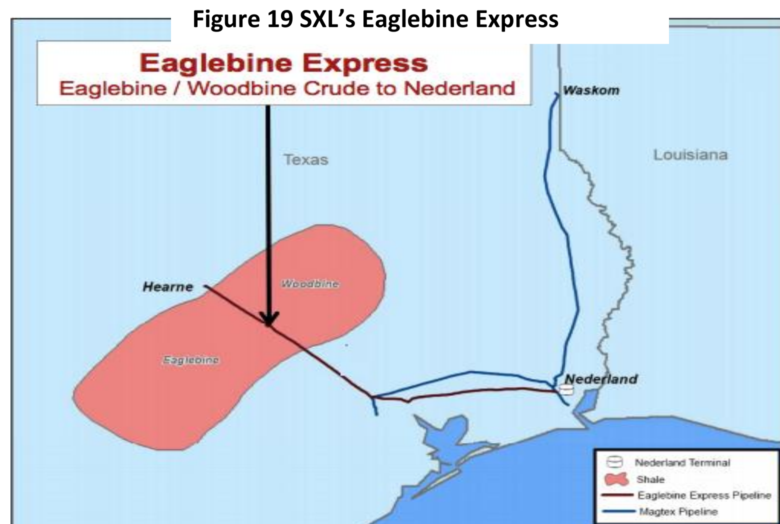


SXL will construct approximately 200 miles of new pipeline, originating in Wheeler County, Texas and terminating in Ringgold, Texas, and new pump

stations and truck unloading facilities. At Ringgold, the new pipeline will connect with our existing pipelines, which have the ability to transport to Corsicana, Texas. From Corsicana, access to multiple SXL and third-party pipelines will provide producers the ability to reach various markets and refineries on the Gulf Coast and in the Mid-continent. The pipeline is expected to be operational in the third quarter 2014.

Eaglebine Express

Figure 19 SXL's Eaglebine Express



In the second quarter 2013, a successful Open Season was completed for the Eaglebine Express pipeline. An existing portion of MagTex refined products pipeline will be converted into crude service and its flow reversed, to provide takeaway capacity for the growing production in the Eaglebine and Woodbine crude areas. Eaglebine Express is expected to transport approximately 60,000 barrels per day from Hearne, Texas to Nederland, Texas starting in the third quarter 2014.

Leadership and Governance

Mr. Anderson was elected to the Board of Directors in October 2012. Mr.Anderson began his career in the energy business more than 40 years ago with Conoco in the Permian Basin area. He then spent some 25 years with ANR Pipeline and its successor, The Coastal Corporation, as a natural gas supply and midstream executive. He later was Vice President of Commercial Operations with Aquila Midstream and, upon the sale of the midstream business to Energy Transfer in 2002, he became a part of the management team there. F or the last six years prior to his retirement from Energy Transfer, in October 2009, he served as Vice President of Mergers and Acquisitions. Since that time, he has been involved in private investments and currently serves as a member of the board of directors of the St. John Health System in Tulsa, Oklahoma, as well as various other community and civic organizations.

Mr. Angelle was elected to the Board of Directors in December 2012. He is an elected member of the Louisiana Public Service Commission, a five-person regulatory body. Beginning in May, 2010, Mr. Angelle served for six months as the interim Lieutenant Governor of Louisiana. During the period from 2004 to August 2012, with the exception of his service as Lieutenant Governor, he served as the Secretary of the Louisiana Department of Natural Resources. Since 2012, Mr. Angelle also has represented Louisiana's Third Congressional District on the Board of Supervisors of Louisiana State University. Mr. Angelle also has a career in strategic planning and petroleum land management.

Mr. Bray was elected to the Board of Directors in October 2012. Currently, Mr. Bray is the Chief Executive Officer of Energy Strategies, Inc., an energy consulting firm headquartered in Tulsa, Oklahoma. He has held this position since 1994. Previously, he held various management positions with Phillips Petroleum Co., Endevco, Inc., and Anadarko Petroleum Corp. Mr. Bray also was Co-Founder and President of Resource Energy Services, LLC until its sale in 1996.

Mr. Hennigan was elected to the Board of Directors in April 2010. He was elected President and Chief Executive Officer, effective March 1, 2012. Prior to that, he was President and Chief Operating Officer from July 2010 until March 2012. From May 2009 until July 2010, Mr. Hennigan served as Vice President, Business Development. Prior to joining our general partner, he was employed in the following positions at Sunoco: Senior Vice President, Business Improvement from October 2008 to May 2009; and Senior Vice President, Supply, Trading, Sales and Transportation from February 2006 to October 2008.

Mr. Mason was elected to the Board of Directors in October 2012. Mr. Mason has served as the Vice President, General Counsel and Secretary of ETP's general partner since June 2008. Mr. Mason served as General Counsel and Secretary of ETP's General Partner since February 2007. Prior to joining ETP, he was a partner in the Houston office of Vinson & Elkins. Mr. Mason has specialized in securities offerings and mergers and acquisitions for more than 25 years.

Mr. McCrea was elected as Chairman of the Board of Directors in October 2012. He has been a director of ETP's general partner since December 23, 2009. He is the President and Chief Operating Officer of ETP's general partner, and has served in that capacity since June 2008. Prior to that, he served as President-- Midstream of ETP's general partner from March 2007 to June 2008. Mr. McCrea also serves on the Board of Directors of the general partner of Energy Transfer Equity, L.P. Mr. McCrea has extensive project development and operational experience, and is able to assist the Board of Directors in creating and executing the Partnership's strategic plan.

Mr. Salinas was elected to the Board of Directors in October 2012, and was elected contemporaneously as the Chief Financial Officer of our general partner. Mr. Salinas has served as Chief Financial Officer of ETP's General Partner since June 2008. Prior to that, he served as Controller and Treasurer of ETP's general partner, from September 2004 to June 2008. Prior to joining ETP, Mr. Salinas was a Senior Audit Manager with KPMG in San Antonio, Texas from September 2002.

Jamie Welch has been a Director of Sunoco Logistics since June 2013. He is the Global Chief Financial Officer and Head of Business Developments of Energy Transfer Equity (ETE). Mr. Welch also serves on the Board of Director of Energy Transfer Equity, L.P. (ETE) and Energy Transfer Partners, L.P. (ETP). Before joining ETE, Mr. Welch was Head of the EMEA Investment Banking Department and Head of the Global Energy Group at Credit Suisse. He was also a member of the IBD Global Management Committee and the EMEA Operating Committee. Mr. Welch joined Credit Suisse First Boston in 1997 from Lehman Brothers Inc. in New York, where he was a Senior Vice President in the global utilities & project finance

group. Prior to that he was an attorney with Milbank, Tweed, Hadley & McCloy (New York) and a barrister and solicitor with Minter Ellison in Melbourne Australia.

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Steven Anderson	3						**3.0**
Scott Angelle		1					**2.0**
Basil Brea		1					**2.0**
Michael Hennigan	3						**3.0**
Thomas Mason					1		**0.0**
Marshall McCrea III			1				**1.0**
Martin Salinas			1				**1.0**
Jamie Welch			1				**1.0**
					Average		**1.6**

SXL Board is largely insiders from the General Partner ETP. Outside governance is presumably provided by the ETP Board.

Valuation

The value of a share of Sunoco Logistics at the end of 2013 was $37.74; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $44.69, suggesting a market undervaluation of 16%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $115.42, suggesting a market undervaluation of 67% before IDRs. Sonoco Logistics Partners L.P. General Partner is Energy Transfer, which receives over 30% of total SXL distributions.

3. Magellan Midstream Partners L.P.

History

Formed in 2000, Magellan Midstream Partners L.P. is a master limited partnership (or MLP) that owns and operates a diversified portfolio of energy infrastructure assets. The company was formerly known as Williams Energy Partners, until Williams Cos. Inc. sold its 54.6% in the partnership.

In 2003, Williams Cos. reported a first quarter loss of $814.5 million due to an enormous accounting charge from trading activities. Unable to cope with the significant deficits, Williams Cos. agreed to sell its controlling stake in Williams Energy Partners for $1.1 billion ($512 million in cash and $600 million in debt), which led to the change of name to Magellan Midstream Partners L.P. The new entity was then jointly owned by private equity firms Madison Dearborn Partners LLC and Carlyle/Riverstone Global Energy and Power Fund II LP.

Timeline

Table 1: Corporate timeline

2001	Williams Energy Partners completes acquisition of Crude Oil Storage and Distribution Assets from Geonet Gathering Inc. and Two Petroleum Distribution Facilities from TransMontaigne.
2002	Williams Energy Partners completes acquisition of Midwest Petroleum Products Pipeline from Williams Companies Inc.
2003	Madison Dearborn Partners, LLC and Carlyle/Riverstone Global Energy announced the acquisition of a 54.6% stake in Williams Energy Partners L.P. from Williams Companies Inc. for $512 million in cash and $600 million in debt. Williams Energy Partners LP changed its name to Magellan Midstream Partners L.P.
2004	Magellan Midstream completes multiple Merger/Acquisition Transactions including: • 6 Refined Petroleum Product Terminals from Murphy Oil USA Inc. and Colonial Pipeline Company. • 8 Refined Petroleum Product Terminals from Murphy Oil USA Inc. • Osage Pipe Line Company - $25 mm. • Shell Oil Products U.S, Pipeline and Storage Assets in Texas, Oklahoma, Kansas and Colorado - $545.4 mm
2005	Magellan Midstream Partners LP, 2: 1, Stock Split or Significant Stock Dividend
2006	Magellan Midstream Partners to Expand Pipeline and Marine Terminal Capabilities
2007	Magellan Midstream Partners Enters into Certain $550,000,000 Second Amended and Restated

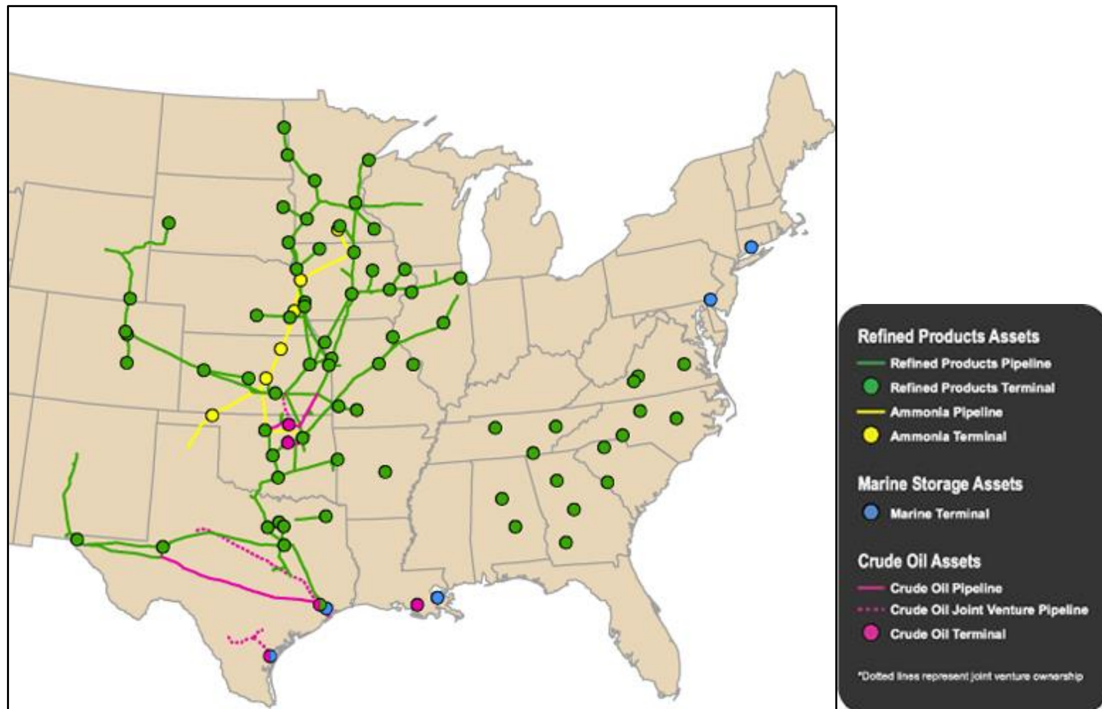
	Credit Agreement Magellan Plans $85 Million Expansion, Including Chattanooga Terminal
2008	Magellan Midstream Partners Opens Biodiesel Blending and Storage Facility in Aurora.
2009	Magellan Midstream signed an asset purchase agreement to acquire substantially all of the assets and liabilities of Longhorn Partners Pipeline, L.P. from Flying J Inc. for $250 million. Magellan Midstream agreed to acquire the operations in El Dorado, Des Moines, Glenpool and West Tulsa of SemFuel, L.P. for $23 million.
2010	Magellan Midstream completed the acquisition of petroleum storage and pipelines from BP Pipelines (North America) Inc. GROWMARK, Inc. signed an agreement to acquire refined fuels terminal near Ft. Dodge, Iowa from Magellan Midstream.
2011	GROWMARK, Inc. cancelled the acquisition of refined fuels terminal near Ft. Dodge, Iowa from Magellan Midstream.
2012	Magellan Midstream Partners LP and Occidental Petroleum Corporation Proceed with BridgeTex Pipeline to Deliver Crude Oil from the Permian Basin to the Houston Gulf Coast Area.
2013	Magellan Midstream Partners LP (NYSE:MMP) acquired West Columbia line from Shell Pipeline Company LP for $15 million. Magellan Midstream completed the acquisition of non-core refined pipelines in Rocky Mountain and New Mexico Areas from Plains All American Pipeline, L.P. (NYSE:PAA)

Current Scope of Operations:

Geographical:

Headquartered in Tulsa, Oklahoma, the company is engaged in the transportation, storage, and distribution of refined petroleum products and crude oil in the United States. Its pipelines run from the Texas Gulf Coast to Colorado, Illinois, Minnesota, and North Dakota. It also has ammonia pipelines that extend from Texas and Oklahoma to the Midwest.

Figure 1 Magellan's Midstream Asset Map



Refined Products:

The company's refined products pipeline system is the longest common carrier pipeline system for refined products and LPGs in the U.S., extending from the Gulf Coast covering a 15-state area across the central U.S. The system includes approximately 42 million barrels of aggregate usable storage capacity at 53 connected terminals. The company's network of independent terminals includes 27 refined products terminals with 5 million barrels of storage located primarily in the southeastern U.S. and connected to third-party common carrier interstate pipelines, including Colonial and Plantation pipelines. The company's 1,100-mile common carrier ammonia pipeline system extends from production facilities in Texas and Oklahoma to terminals in agricultural demand centers in the Midwest.

Crude Oil:

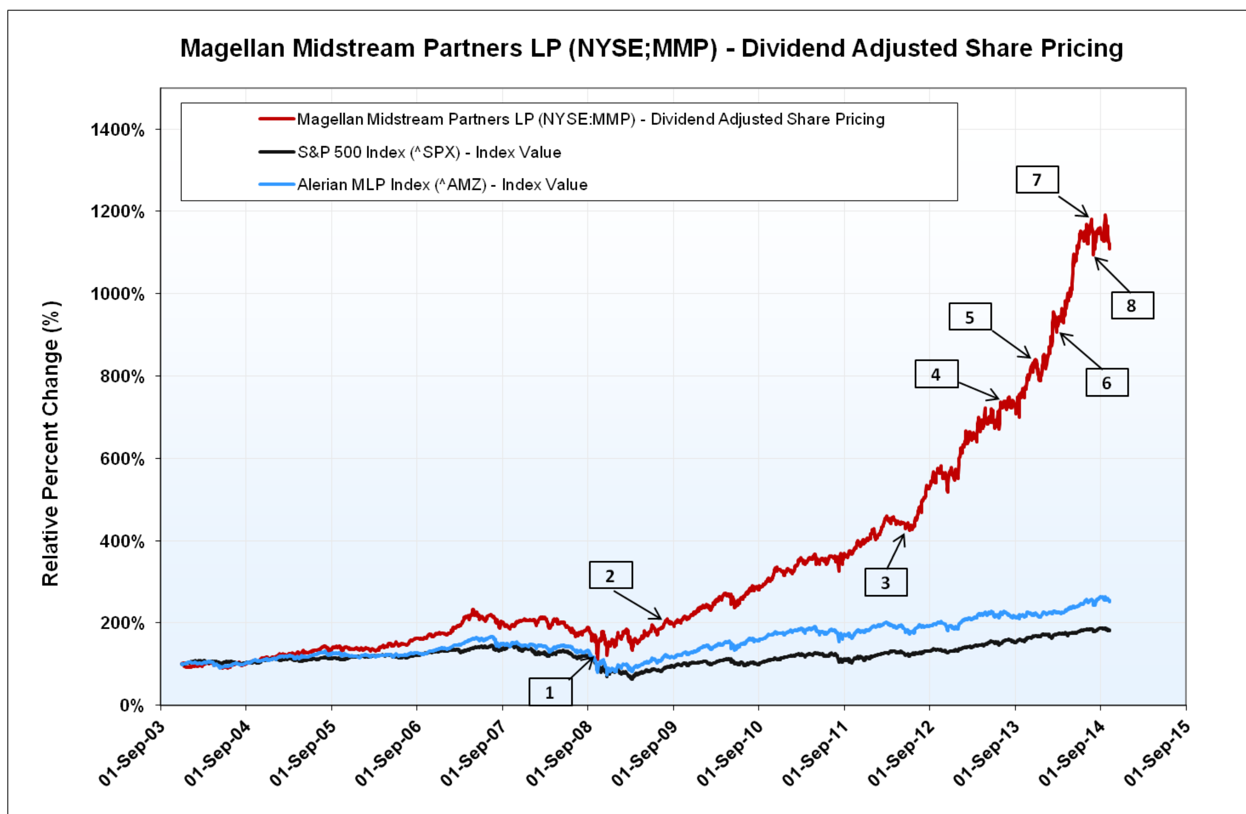
The Crude oil segment is comprised of approximately 1,100 miles of crude oil pipelines with an aggregate storage capacity of approximately 18 million barrels of storage, of which 12 million is used for leased storage. Assets under this segment include the Longhorn crude oil pipeline, the Cushing, Oklahoma storage terminal, the Houston-area crude oil distribution system, the East Corpus Christi, Texas terminal, etc. According to a company presentation in 2013, approximately 50% of tariff revenues were from crude oil transportation. Storage revenues contributed 30% to the tariff revenues.

Marine Storage:

The company owns and operates five marine storage terminals located along coastal waterways with approximately 26 million barrels of aggregate storage capacity and approximately 1 million additional barrels of storage jointly owned through its Texas Frontera, LLC joint venture (Texas Frontera). Providing long-term storage services for a variety of customers including refiners and chemical companies generates revenues from this segment. According to a company presentation, over 85% of the revenue in this segment was primarily from committed storage, regardless of usage.

Shareholder Value Creation

Figure 2 Magellan Midstream Partners L.P. Dividend Adjusted Share Price for Last 10 Years



1. October 2008 - Due to Hurricane Ike, the Gulf Coast assets of the company received some damage due to which the share price fell.

2. July 2009 - Magellan Midstream Partners, L.P. purchased substantially all of the assets of Longhorn Partners Pipeline, L.P. The assets include a 700-mile common carrier pipeline system and a terminal, which comprised of a five-bay truck loading rack and over 900,000 barrels of storage.

3. March 2012 - Magellan had previously announced the initiation of a project to reverse and convert its pipeline to crude oil service. However, it expanded the scope of work and estimated cost from $245 million to $375 million.

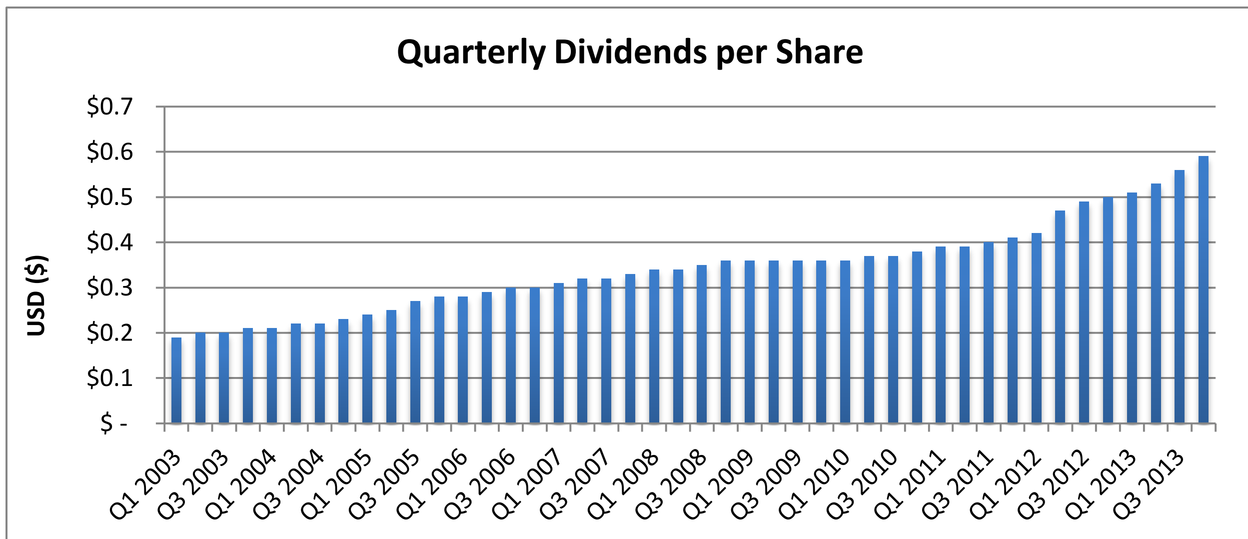
4. August 2013 - Magellan acquired a crude oil pipeline in the Houston area, historically known as the West Columbia line from Shell Pipeline Company, LP. The 16” diameter pipeline is approximately 15 miles long and has a capacity of approximately 150,000 BOPD. It provides Magellan an additional route for crude oil to reach their East Houston terminal.
5. November 2013 - Magellan completed the acquisition of Rocky Mountain pipeline assets from Plains All American Pipeline LP. The pipeline system covers around 550 miles of common carrier pipeline that distributes refined petroleum products in Colorado, South Dakota and Wyoming.

6. February 2014 - Magellan Midstream Prices $250 Million Debt Offering. The partnership intends to use the net proceeds from this offering of approximately $255 million, after underwriting discounts, estimated offering expenses and accrued interest, to repay borrowings outstanding under its revolving credit facility and for general partnership purposes, which may include capital expenditures.

7. July 2014 - The U.S. shale boom has caused an increased interest in midstream energy MLPs. Now with the amount of U.S. oil production exceeding domestic refining capacity, the government has relaxed the ban on the export of unrefined petroleum products. This has caused the jump in the Share price of MLP.

8. August 2014 - Goldman Sachs cut shares of Magellan Midstream Partners, L.P. from a buy rating to a neutral rating. Magellan Midstream Partners, L.P traded down 0.44% during mid-day trading on Thursday, 25th July 2014 hitting $84.24.

Figure 3 Magellan Midstream Partners L.P. Quarterly Dividends per Share from 2003 to 2013



As figure 3 shows, the quarterly dividends per share have been steadily increasing throughout the years. Since 2012, Magellan has been increasing dividends significantly due to its constant growth. The second quarter 2014 distribution was 20% higher than the second quarter 2013 distribution and 4% higher than

the first quarter 2014 distribution. The continuous balanced increase over the last 11 years proves Magellan is a high quality company with low risk and stability.

Figure 4 Magellan Midstream Partners L.P. Sources of Funds from 2003 to 2013

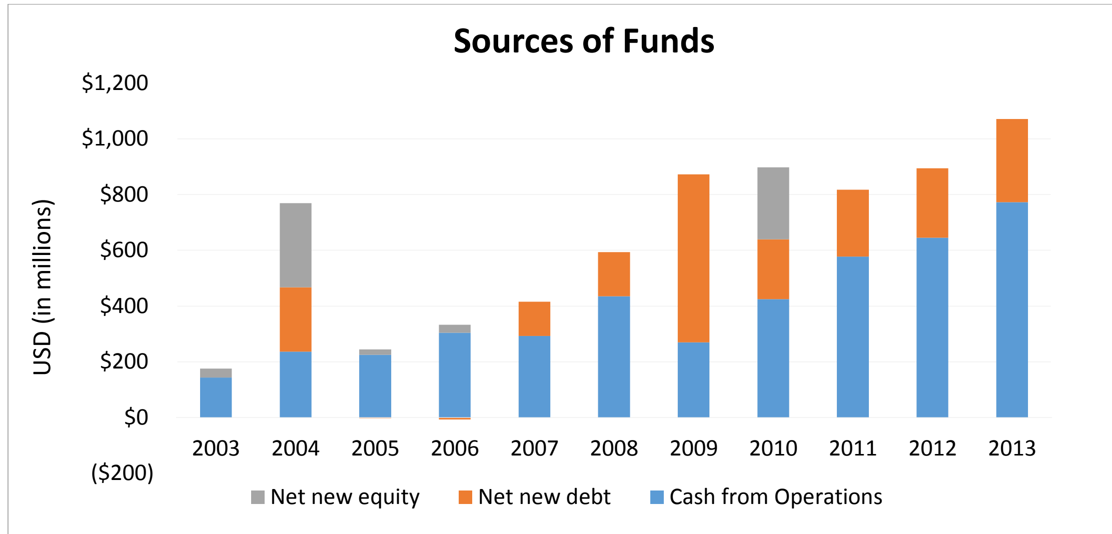
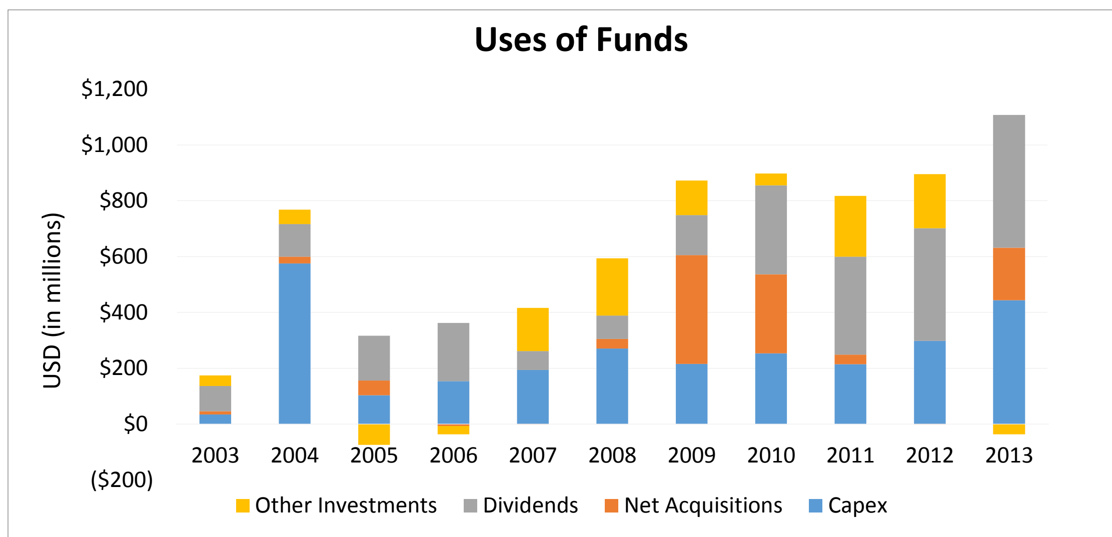


Figure 4 shows the sources of fund at Magellan from 2003 to 2013. One can see that their cash from operations has been steadily increasing through the years except for a reduction in 2009. This was due to lower average transportation rates, decline in diesel fuel volumes, and maintenance work performed on the Ammonia Pipeline System during the third quarter of 2009. This required sale of new partnership units in 2010.

Figure 5 Magellan Midstream Partners L.P. Uses of Funds from 2003 to 2013

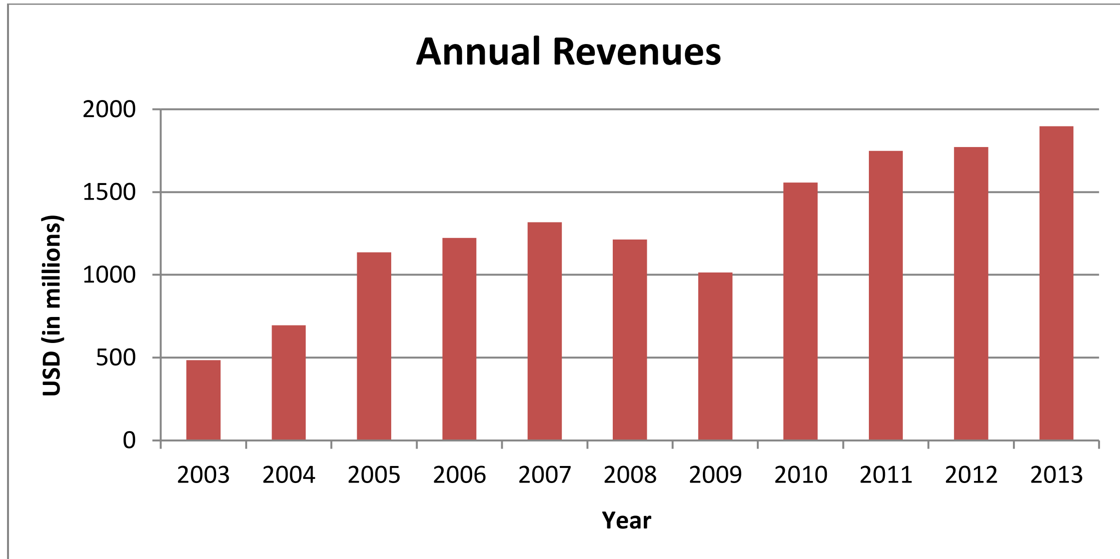


The figure above shows the uses of funds at Magellan from 2003 to 2013. The company made significant acquisitions in the 2009-10 downturn and since then has favored organic growth projects.

Financial and Operating Results

Growth:

Figure 6 Magellan Midstream Partners L.P. Revenues from 2003 to 2013



The figure above depicts that there has been an overall growth in revenues over the past 10 years with slight declines in years 2008 and 2009. The reduction in revenues was approximately 8% from 2007 to 2008, which was as a result of operation disruptions caused by Hurricane Ike in September 2008. Also, there was further reduction of approximately 16% from 2008 to 2009, which was due to multiple reasons. These included lower average transportation rates, decline in diesel fuel volumes due to the recession, and maintenance work performed on the Ammonia Pipeline System during the third quarter of 2009. Since then, however, the company's revenues have continued to grow.

Figure 7 Magellan Midstream Partners L.P. CAPEX as a percentage of Total Assets from 2003 to 2013

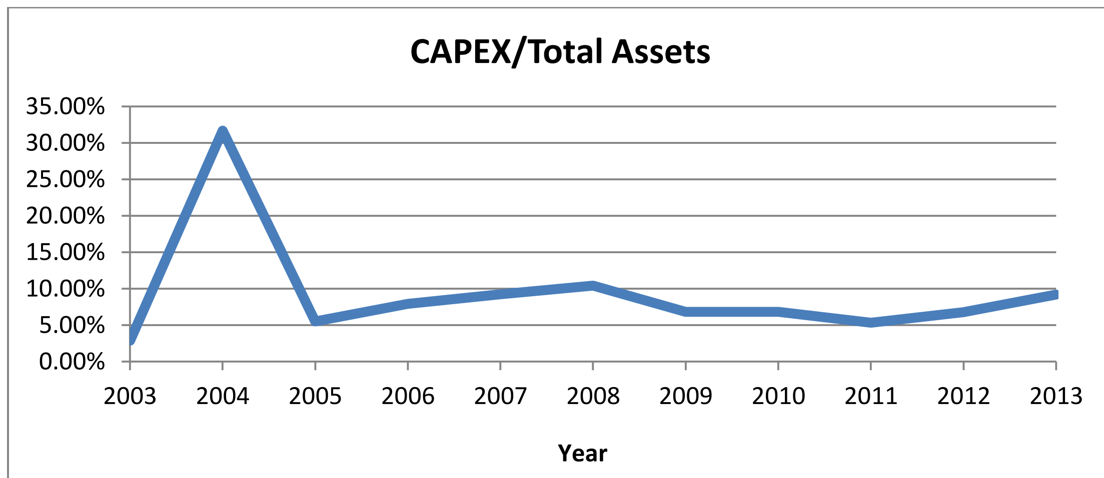
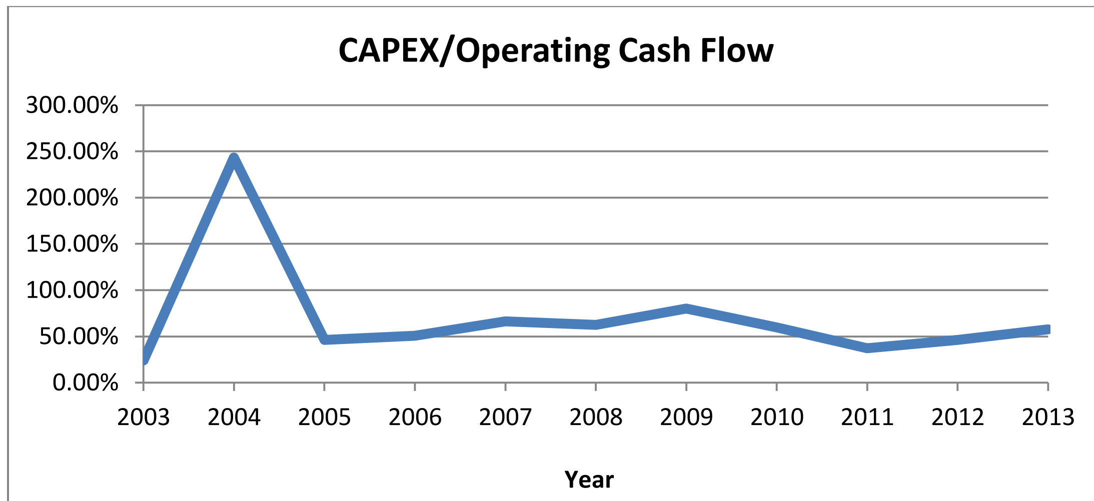


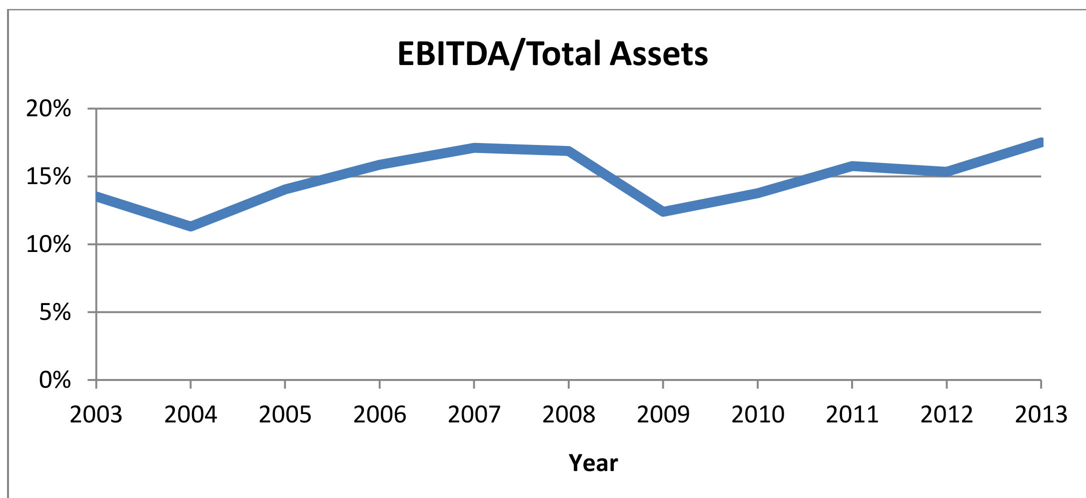
Figure 8 Magellan Midstream Partners L.P. CAPEX as a percentage of Operating Cash Flow from 2003 to 2013



Figures 7 and 8 depict the ratios of capital expenditure to total assets and operating cash flow. They both seem to have a similar pattern, mainly the high spike in 2004. The company has continued to make investments for growth but they have been a smaller percentage of total assets than many rivals. The ratio of capital expenditure and operating cash flow for years after 2004 have been quite positive showing Magellan has the financial ability to invest in itself and has adopted a conservative financing strategy.

Return:

Figure 9 Magellan Midstream Partners L.P. EBITDA as a Percentage of Total Assets (Return on Assets)



The graph above describes the ratio between the company's profitability and the company's assets. As shown, Magellan had been on a steady incline since 2004 but took a dive in 2009. This was attributed to Hurricane Ike that occurred in late 2008. Moreover, as described earlier, the company incurred less

revenue in 2009 due to lower average transportation rates, decline in diesel fuel volumes, and maintenance work performed on the Ammonia Pipeline System. However, since then, the ratio has continued its upward trend. As of June 2014, Magellan's return on assets ranked higher than 98% of the 139 companies in the global oil and gas midstream industry.

Risks:

Being a Midstream petroleum company, Magellan L.P has several risks and hazards associated with its operations.

First, the financial outlook of the company is highly dependent on the sustained demand of petroleum products in USA. Oil & Gas has overall been in high demand since last decade however; changes in global economic and political conditions may bring fluctuation in this trend resulting in decreased demand for petroleum products. Other factors that could lead to low demand of oil & gas include increase in market prices of petroleum products, higher fuel taxes or government regulations, increase in use of alternate energy resources etc. All these would mean reduction in the volumes of hydrocarbons been transported and distributed by Magellan and thus reduce cash flow for the company.

Second, the decrease in the renewal of leases or the renewal of leases at lower prices can adversely affect the operations of the company by significantly reducing its revenue generation. Magellan Midstream has built a significant infrastructure of marine and oil storage facilities and a robust network of pipeline, which the company owns. Most of the revenue is generated through Exploration and Production companies who pay to Magellan for the storage and transportation of their petroleum products to refineries. For Magellan LP to have sustainable growth, it is important that its lease storage customers keep on renewing their contracts at improved pricing structure. Increased competition from other midstream companies and changing market conditions may results in customers not renewing contracts readily or under unfavorable terms. This would hamper the revenue generation and its potential to make more capital investments.

Third, the operations of Magellan are exposed to natural disasters like hurricanes, tornadoes, storms, floods and earthquakes. We have seen that such disasters have also historically disrupted Magellan's operations. Due to Hurricane Ike in October 2008, the Gulf Coast assets of the company received some damaged due to which its share price fell. Such risks may result in personal injury, loss of life, damage to existing facilities and to the environment at large. The hydrocarbons are volatile fluids and company has to maintain highest standards of safety in running its operations. Some of the company's assets are located near residential and commercial centers or sensitive environments where the risk is multiplied. In the past we have seen that oil & gas related incidents have unimaginably huge consequences.

Fourth, many of the company's storage tanks and pipelines have been in service for several decades. The age of these equipment's may increase the maintenance costs and also the risk of incidents like oil leakage due to corrosion. Some of the company's assets may not be fully insured and the damages

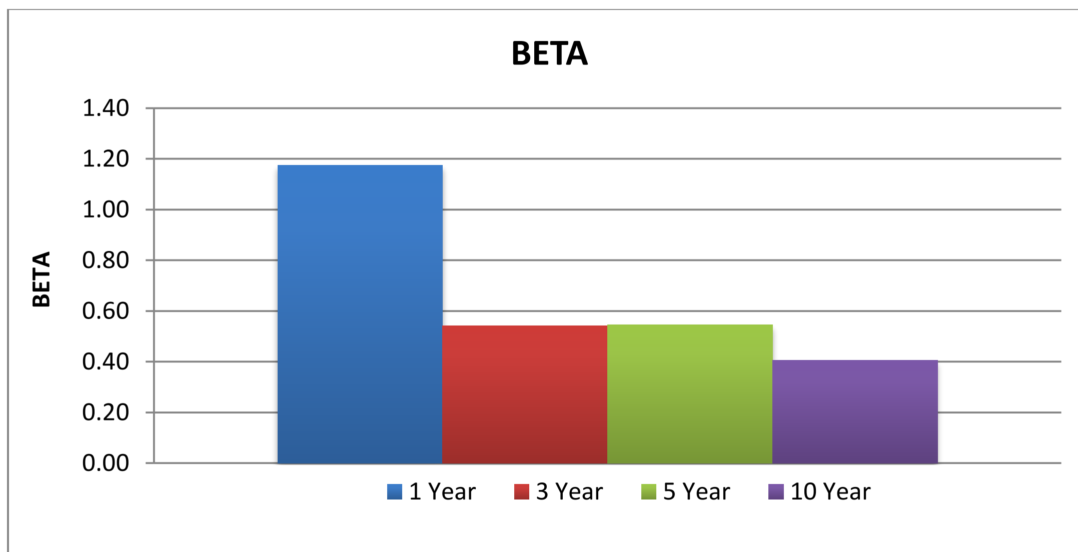
during such incidents may exceed the available insurance coverage. In such cases, the company may have to reduce the quarterly cash distributions made to stakeholders and thus may not meet the expectations of investors.

Fifth, Magellan's business depends upon the activities and growth of Exploration & Production companies and refineries. More exploration and production of oil & gas will require more transportation and storage activities. However, hydrocarbons are a finite source of energy. Most of the conventional hydrocarbon reservoirs have already been explored. In order to arrest the depletion of conventional oil & gas production and to meet the global energy demand, E&P companies are focusing on developing production technologies for shale gas and shale oil. However, these technologies are still facing serious challenges in their application worldwide. If the production rates from oil wells couldn't be maintained due to depletion of existing resources, this can have a significant impact cash flow of Midstream Companies like Magellan LP.

Magellan LP faces many other business risks as well. These include, the risk of capacity over built for some markets, increased competition and mergers between customers and competitors, securing and retention of right of ways for pipelines, closure of refineries etc.

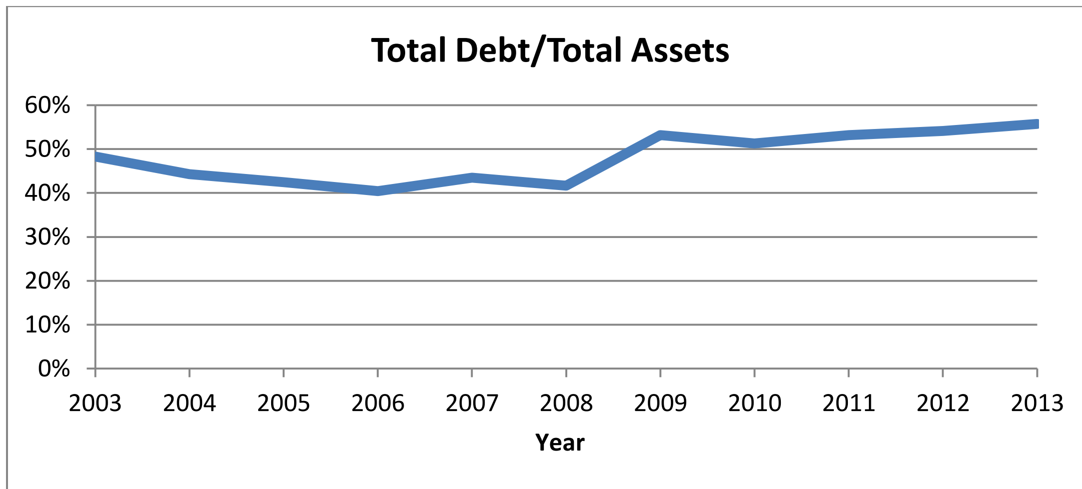
Overall the company's profile indicates that it has carried out operations in a very safe and professional manner. It has also managed to keep itself on the path of financial stability and growth by continuously investing in low risk projects.

Figure 10 Magellan Midstream Partners L.P. Beta for 1, 3, 5, and 10 years



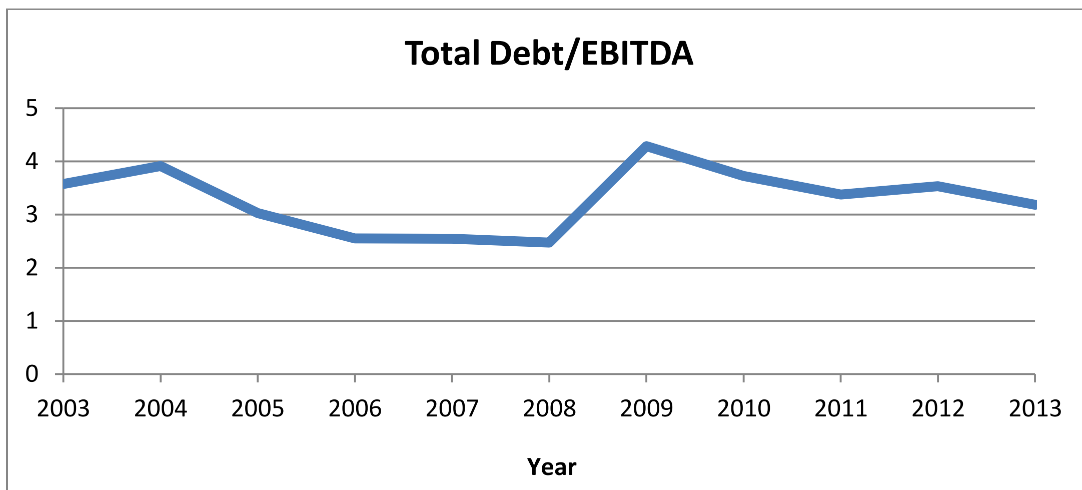
According to the figure above, Magellan has a low risk profile when looking at the 3, 5, and 10-year beta. However, the 1-year beta is significantly higher in comparison and in fact is greater than 1. This high measure of risk could be because of relatively high outlays on acquisitions and capital projects.

Figure 11 Magellan Midstream Partners L.P. Total Debt as a percentage of Total Assets from 2003-2013



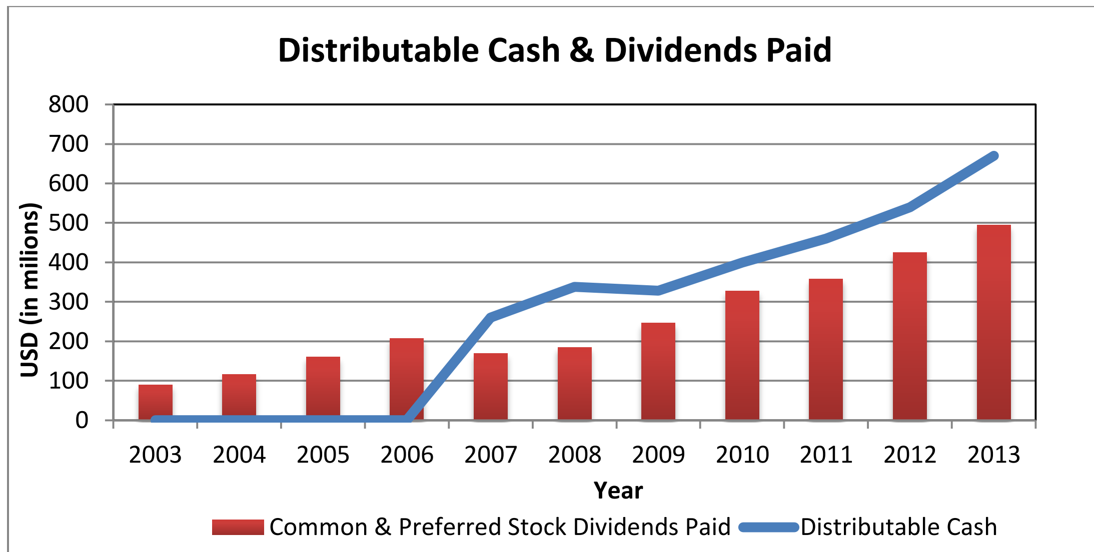
The figure above shows the degree of financial leverage Magellan has by comparing its total debt to total assets. The company has maintained a steady and relatively high debt ratio, consistent with its high fee-based income. However, the ratio has increased slightly over the last few years.

Figure 12 Magellan Midstream Partners L.P. Total Debt as a percentage of EBITDA from 2003-2013



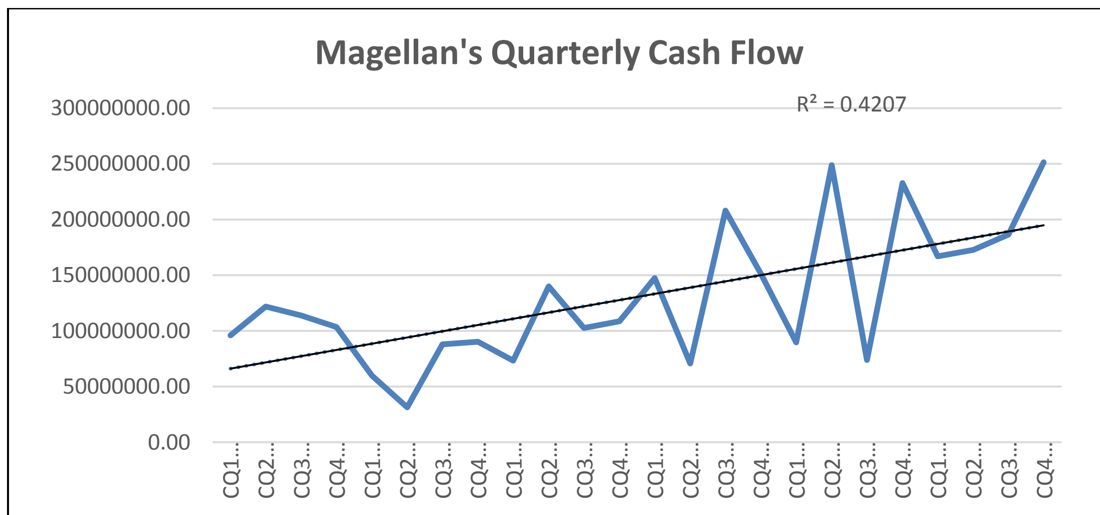
The above figure demonstrates the company's ability to pay off its incurred debt. The company's debt had increased substantially in 2009 due to reasons already stated. However, the ratio has been steadily decreasing over the last few years. This indicates that the company may be taking on some debt to facilitate growth but maintaining a low risk profile.

Figure 13 Magellan Midstream Partners L.P. Distributable Cash and Dividends Paid for Last 11 Years[3]



As shown by the above graph, the common and preferred stock dividends paid have gradually increased over the past 10 years as the distributable cash increased. From years 2003 to 2006, the company did not report distributable cash. In years 2007 and 2008, the dividends were relatively lower but have been increasing progressively for the following years. Magellan has raised its second quarter 2014 cash distribution by 4% sequentially and 20% year over year to 64 cents per unit or $2.56 per unit annualized. The company's cash distribution is up 388% since its initial public offering in 2001. This surge in distribution is in sync with the company's goal of raising the annual distribution by 20% in 2014 and 15% in 2015.

Figure 14 Magellan Midstream Partners L.P. Cash Flow from Operations with Trend Line



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[3] Distributable Cash = EBITDA – Cash Interest Paid – Maintenance CAPEX – Cash Income Tax Paid (According to Capital IQ).

As shown in the figure above, the r-squared value is approximately 0.42. This indicates that cash from operations are less scattered than many rivals and suggests a high weighting towards fee-based, non-seasonal income sources.

Business Strategies Going Forward

Company Strategy (From Magellan's Website):

"The foundation of our business strategy is safe and efficient operations combined with superior customer service. Upon that foundation, we strive to increase cash distributions to our unit holders through internally-generated growth projects which expand the profitability of our existing asset base and through acquisitions of energy infrastructure assets possessing a reasonable risk/reward profile." [4]

Past Portfolio Strategy and Business Model:

Consistent with their company strategy, Magellan has a continuous growth strategy in place. Until 2011, the company's investment in crude oil infrastructurewas quite small. The company made acquisitions to expand its service offerings into the crude oil transportation and storage business. Two additional major crude oil infrastructure projects were also announced in 2011, the reversal and conversion of a portion of Houston-to-El Paso, Texas pipeline to crude oil service and a joint venture with Copano Energy to transport condensate from Eagle Ford shale to a Corpus Christi terminal.

In 2012, Magellan continued to expand their business model by advancing their crude oil strategy. The company increased the capacity of their project, reversing and converting an existing refined products pipeline to crude oil service, based on strong industry demand. Due to the overwhelming support provided for the pipeline reversal project, Magellan launched a pipeline construction project with Occidental Petroleum in 2012. The 400-mile BridgeTex pipeline will also deliver West Texas crude oil to the Gulf Coast area.

In 2013, the Longhorn pipeline started to service crude oil in April and the company is working to increase the capability from 225,000 bpd to 275,000 bpd. Magellan also launched its largest construction project, the BridgeTex crude oil pipeline joint venture. The pipeline is to be operational in mid-2014 to deliver crude oil from the Permian Basin to the Houston Gulf Coast area.

Future Portfolio Strategy and Business Model:

Magellan continues to assess additional opportunities to grow the business and is making significant progress on its current slate of expansion projects. The BridgeTex pipeline is in the final stages of construction. Tank construction at the Colorado City, Texas origin point is complete, and pipeline line fill activities are underway on portions of the pipeline. Pipeline shipments are expected to begin in September to deliver up to 300,000 barrels per day of crude oil from the Permian Basin to the Houston area.

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[4] http://www.magellanlp.com/.

Progress continues for the partnership's condensate splitter in Corpus Christi, Texas, which is expected to be operational during the second half of 2016. Right-of-way and permitting work are underway for the partnership's Little Rock pipeline project, which is expected to be operational in early 2016.

Moreover, the partnership has announced plans to reactivate an idle 135-mile segment of pipeline in southern Oklahoma to deliver crude oil and condensate from Healdton to Cushing beginning in the third quarter of 2015.

Based on the progress of expansion projects already underway, including the reactivated pipeline and a number of new smaller projects, the partnership currently plans to spend approximately $775 million in 2014 with additional spending of $350 million in 2015 and $75 million in 2016 to complete its current slate of construction projects. The partnership now estimates that its share of spending for the BridgeTex pipeline will be approximately $625 million.

In addition, Magellan continues to evaluate well in excess of $500 million of potential growth projects in earlier stages of development as well as possible acquisitions, both of which have been excluded from the partnership's spending estimates.

Capabilities

Magellan owns the longest refined petroleum products pipeline system in the country, with access to nearly 50% of the nation’s refining capacity. Through its pipeline and terminal network, the company has the capacity to store more than 90 million barrels of petroleum products, such as gasoline, diesel fuel, and crude oil. The company claims that its investors benefit from primarily fee-based business, low-risk growth projects, and attractive quarterly cash distributions.

Leadership and Governance

Table 2: Magellan’s Board Members

Name	Title	Since
Michael N. Mears	Chairman, Executive Officer, and President of Magellan GP LLC	2011
Walter R. Arnheim	Director, Chairman of Audit Committee, and Member of Nominating & Governance Committee	2009
Robert G. Croyle	Presiding Director, Chairman of Nominating & Governance Committee, and Member of Compensation Committee	2009
James R. Montague	Independent Director, Chairman of Compensation Committee, and Member	2003

	of Nominating and Governance Committee	
Patrick C. Ellers	Director, Member of Audit Committee, and Member of Nominating & Governance Committee	2003
James Kempner	Director, Member of Compensation Committee, and Member of Nominating & Governance Committee	2009
Barry R. Pearl	Independent Director, Member of Audit Committee, and Member of Nominating & Governance Committee	2009

Table 3: Executive Matrix

	Mid-stream	**Energy Related**	**Finance; Other Industry**	**HSE**	**Politicians & Lawyers**	**Other**	**Score per Director**
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Michael N. Mears	3						**3.0**
Walter R. Arnheim		2					**2.0**
Robert G. Croyle		2					**2.0**
James R. Montague	3						**3.0**
Patrick C. Ellers			1				**1.0**
James C. Kempner			1				**1.0**
Barry R. Pearl	3						**3.0**
					Average		**2.14**

As seen above, Magellan has a good mix of backgrounds among its board. Mostly everyone has prior experience in an energy related industry. Mr. Ellers and Mr. Kempner have more of a financial background but have had minor relations to the energy industry. Out of the seven board members, only one person has experience in the exploration and production sector. Mr. Montague served as the

President of Encana Gulf of Mexico. Mr. Pearl was previously CEO of TEPPCO partners. The remaining members have worked in the midstream sector allowing them to have a detailed vision for the future of Magellan.

Valuation:

The value of a share of Magellan Midstream Partners L.P. at the end of 2013 was $63.27; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $74.09, suggesting a market undervaluation of 15%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $99.92, suggesting a market undervaluation of 37%. Magellan has no IDR obligations.

4. Boardwalk Pipeline Partners, L.P.

Timeline

May 2003 Loews Corporation bought Texas Gas Transmission, LLC

12-29-2004 - TGT Pipeline, LLC completed the acquisition of Gulf South Pipeline Company, LP (Gulf South) from Entergy-Koch LP.

02-08-2005 - TGT Pipeline LLC changed its Name to Boardwalk Pipelines LLC

08-16-2005 - Boardwalk Pipeline Partners, LP filed an IPO in the amount of $345 mm

06-08-2006 - Boardwalk Pipeline Partners, Energy Transfer and Oneok Partners Announce Proposed Joint Venture to Construct a New Midcontinent Pipeline with Texas Gas Transmission

10-25-2006 - Boardwalk Pipelines Elects William R. Cordes to its Board of Directors

11-11-2006 - Boardwalk Pipeline Partners Announces Commitment to Build New Interstate Gas Pipeline and an Expansion of an Existing System

11-18-2006 - Crosstex Signs Long-Term Transportation Agreement with Boardwalk Pipeline Partners

11-20-2006 - Boardwalk Begins Binding Open Season for Gulf Crossing Interstate Gas Pipeline Project

12-15-2006 - Boardwalk Pipeline Partners to Build Pipeline Expansion to Transport Gas from Fayetteville Shale

12-19-2006 - Boardwalk Enters into Agreement to Transport 1.6 Billion Cubic Feet Per Day of Gas

02-13-2007 - Boardwalk Pipeline Partners Appoints Gafvert as CEO

10-02-2007 - Boardwalk Pipeline Partners Lp to Commence Construction on Southeast Expansion Project

12-19-2007 - Boardwalk Pipeline Partners, LP Announces Management Changes

01-04-2008 - Boardwalk Announces Commencement of Service on East Texas to Mississippi Expansion

06-02-2008 - Boardwalk Pipeline Partners, LP Announces Commencement of Service on its Southeast Expansion and Completion of its Tallulah Compressor Station

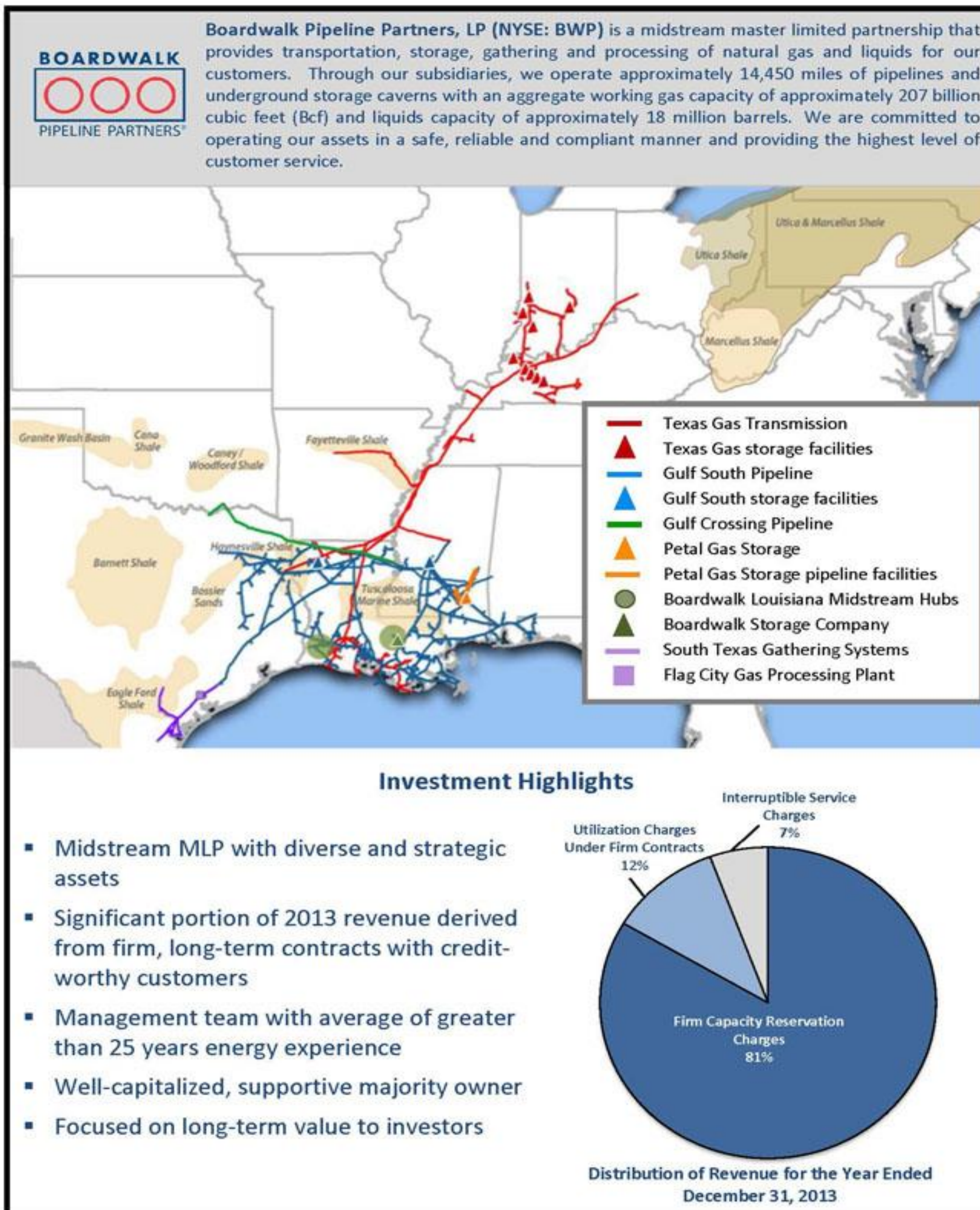
12-16-2009 - Boardwalk Pipeline Partners, LP's East Texas Pipeline, Southeast Expansion and Gulf Crossing Pipeline Projects Receive Authority to Operate at Full Design Capacity

06-16-2010 - Boardwalk Pipeline Partners, LP and Southcross Energy, LLC to Interconnect Their Systems to Provide Gathering, Transportation and Processing Solutions to Eagle Ford Producers

10-01-2013 - Williams and Boardwalk Sign Joint Venture Agreements for Proposed LPG Export Terminal

Scope of Operations

Figure 1 Boardwalk's Scope of Operations



Boardwalk Pipeline Partners, LP is in the Midstream Oil & Gas industry. It provides transport, storage, gather and processing services for Natural Gas and Natural Gas Liquids. Its business is conducted by its main subsidiary, Boardwalk Pipeline, LP and its operating subsidiaries, Gulf Crossing Pipeline Company

LLC, Gulf South Pipeline Company, LP, Texas Gas Transmission, Boardwalk Field Services, LLC, Petal Gas Storage, LLC, Boardwalk Louisiana Midstream, LLC and Boardwalk Storage, LLC. The company owns approximately 14,450 miles of natural gas and NGLs pipelines, and its underground storage cavern assets have a capacity of around 207.0 billion cubic feet of working natural gas and 17.6 million barrels of NGLs. Its pipeline systems originate along the Gulf Coast region, Oklahoma and Arkansas and extend north and east to the midwestern states of Tennessee, Kentucky, Illinois, Indiana and Ohio.

Regional gathering systems and markets located along the Gulf Coast are the main feeders of the natural gas pipeline system, including offshore Louisiana, the Perryville, Louisiana area, the Henry Hub in Louisiana and the Carthage, Texas area. Its pipelines in the Carthage, Texas area provide access to natural gas supplies from the Bossier Sands, Barnett Shale, Haynesville Shale and other natural gas producing regions in eastern Texas and northern Louisiana. Its pipeline systems also have access to unconventional supplies, such as the Woodford Shale in southeastern Oklahoma, the Fayetteville Shale in Arkansas, the Eagle Ford Shale in southern Texas and wellhead supplies in northern and southern Louisiana and Mississippi. As the Marcellus and Utica shales develop more, Boardwalk may also receive gas in the Lebanon, Ohio area. The Gulf Coast petrochemical industry is accessed through the company's operations at its Choctaw Hub in the Mississippi River corridor area of Louisiana and also the Sulphur Hub in the Lake Charles, Louisiana area.

Summary of Subsidiaries

Gulf Crossing: The Company's Gulf Crossing pipeline system originates near Sherman, Texas, and proceeds to the Perryville, Louisiana area. The market areas are in the Midwest, Northeast, Southeast and Florida through interconnections with Gulf South, Texas Gas and unaffiliated pipelines.

Gulf South: The Company's Gulf South pipeline system is located along the Gulf Coast in the states of Texas, Louisiana, Mississippi, Alabama and Florida. The on-system markets directly served by the Gulf South system are generally located in eastern Texas, Louisiana, southern Mississippi, southern Alabama and the Florida Panhandle. These markets include LDCs and municipalities located across the system, including New Orleans, Louisiana; Jackson, Mississippi; Mobile, Alabama; and Pensacola, Florida, and other end-users located across the system, including the Baton Rouge to New Orleans industrial corridor and Lake Charles, Louisiana. Gulf South also has indirect access to off-system markets through various interconnections with unaffiliated interstate and intrastate pipelines and storage facilities. These pipeline interconnections provide access to markets throughout the northeastern and southeastern U.S.

Gulf South has two natural gas storage facilities. The natural gas storage facility located in Bistineau, Louisiana, has approximately 78.0 Bcf of working gas storage capacity from which Gulf South offers firm and interruptible storage service, including no-notice service. Gulf South's Jackson, Mississippi, natural gas storage facility has approximately 5.0 Bcf of working gas storage capacity, which is used for operational purposes.

Texas Gas: The Company's Texas Gas pipeline system originates in Louisiana, East Texas and Arkansas

and runs north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, and into Ohio, with smaller diameter lines extending into Illinois. Texas Gas directly serves LDCs, municipalities and power generators in its market area, which encompasses eight states in the South and Midwest and includes the Memphis, Tennessee; Louisville, Kentucky; Cincinnati and Dayton, Ohio; and Evansville and Indianapolis, Indiana metropolitan areas. Texas Gas also has indirect market access to the Northeast through interconnections with unaffiliated pipelines. A portion of the gas delivered by the Texas Gas system is used for heating during the winter months. Texas Gas owns nine natural gas storage fields, of
which it owns the majority of the working and base gas.

Field Services: Field Services operates natural gas gathering, compression, treating and processing infrastructure primarily in south Texas.

Petal: Petal owns and operates eight high deliverability salt dome natural gas storage caverns in Forrest County, Mississippi, having approximately 46.0 Bcf of total storage capacity, of which approximately 29.0 Bcf is working gas capacity. Petal also operates approximately 100 miles of pipeline which connects its facilities with various major natural gas pipelines and owns undeveloped land, which is suitable for up to
five additional storage caverns.

Louisiana Midstream: Louisiana Midstream provides transportation and storage services for natural gas and NGLs, fractionation services for NGLs, and brine supply services for producers and consumers of petrochemicals through two hubs in southern Louisiana - the Choctaw Hub in the Mississippi River Corridor area and the Sulphur Hub in the Lake Charles area. These assets provide approximately 57.8 MMbbls of salt dome storage capacity, including approximately 11.0 Bcf of working natural gas storage capacity; significant brine supply infrastructure; and approximately 270 miles of pipeline assets, including an ethylene distribution system.

Customers and Markets Served

The company contracts directly with producers of natural gas, and with end-use customers including LDCs, marketers, electric power generators, industrial users and interstate and intrastate pipelines who, in turn, provide transportation and storage services to end-users. The company’s major customers include Devon Devon Gas Services, LP.

Natural Gas Producers: Producers of natural gas use its services to transport gas supplies from producing areas, primarily from the Gulf Coast and Mid Continent regions, including shale natural gas production areas in Texas, Louisiana, Oklahoma and Arkansas, to supply pools and to other customers on and off of
Its systems.

Marketers: Natural gas marketing companies utilize its services to provide services to its other customer groups, as well as to customer groups in off-system markets. The services include combined gas transportation and storage services to support the needs of the other customer groups. Some of the marketers are sponsored by LDCs or producers.

LDCs: Most of the company's LDC customers use firm natural gas transportation services, including no-notice service. The company serves approximately 180 LDCs at approximately 300 delivery locations across its pipeline systems.

Power Generators: The Company's natural gas pipelines are directly connected to 40 natural-gas-fired power generation facilities in 10 states. The demand of the power generating customers peaks during the summer cooling season which is counter to the winter season peak demands of the LDCs. Most of the company's power-generating customers use a combination of no-notice, firm and interruptible Transportation services.

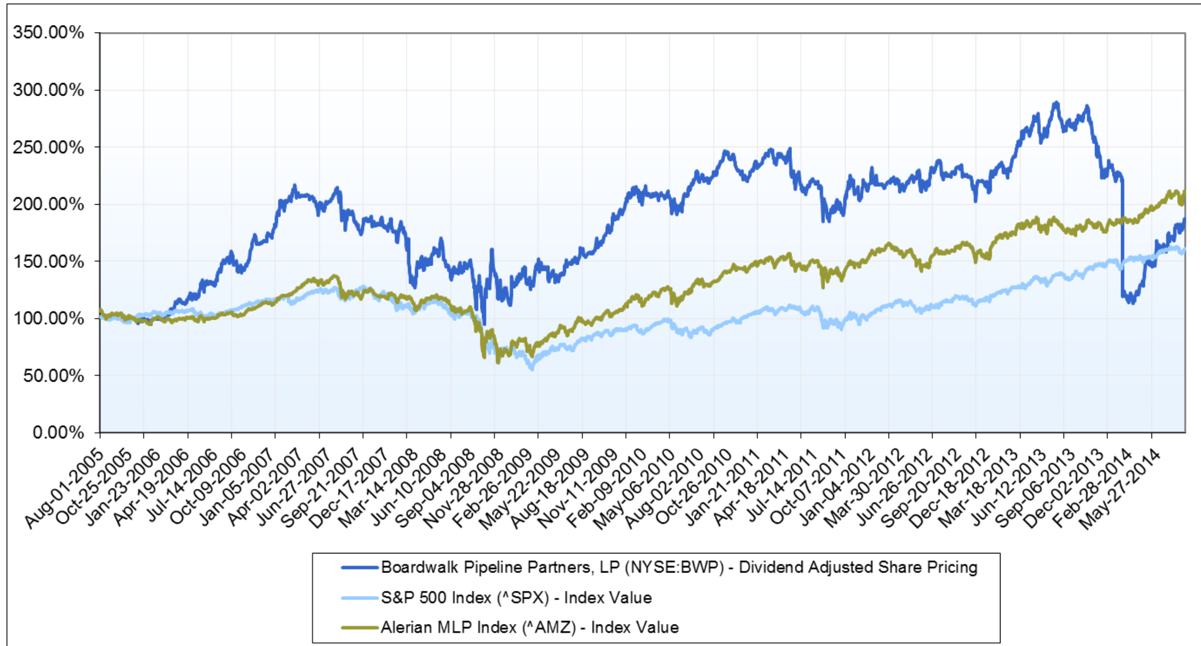
Industrial End Users: The Company provides approximately 195 industrial facilities with a combination of firm and interruptible natural gas and NGLs transportation and storage services. Its pipeline systems are directly connected to industrial facilities in the Baton Rouge to New Orleans industrial corridor; Lake Charles, Louisiana; Mobile, Alabama and Pensacola, Florida. The company can also access the Houston Ship Channel through third-party natural gas pipelines.

Seasonality

The Company's revenues can be affected by weather, natural gas price levels and natural gas price volatility. Weather impacts natural gas demand for heating needs and power generation, which in turn influences the short-term value of transportation and storage across its pipeline systems. Colder than normal winters can result in an increase in the demand for natural gas for heating needs and warmer than normal summers can impact cooling needs, both of which result in increased pipeline transportation revenues and throughput. While traditionally peak demand for natural gas occurs during the winter months driven by heating needs, the increased use of natural gas for cooling needs during the summer months has partially reduced the seasonality of its revenues.

Shareholder Value Creation

Figure 2 BWP's Dividend adjusted Share pricing Vs S&P 500, and Alerian MLP Index



Boardwalk experienced its first significant uptick in Total Shareholder Return in May 2006. This was mainly due to increased distributions, which more than doubled in February 2006: distributions increased from $.179 to $.36 per unit.

Boardwalk Pipeline Partners, LP announced earnings results for the first quarter ended March 31, 2007. For the quarter, the company reported net income of $80.2 million, a 15.1% increase from $69.7 million in the comparable 2006 period. Operating revenues were $188.1 million, a 7.9% increase from $174.4 million in the comparable 2006 period. First quarter 2007 operating results were driven primarily by the following: Incremental revenues from the Carthage, Texas to Keatchie, Louisiana pipeline expansion project which was placed in service at the end of 2006, strong demand for firm transportation services due to wide natural gas basis differentials primarily between South and East Texas and other points on the Partnership's system and increased utilization; and Continued strong environment for parking-and-lending and storage services due to favorable natural gas price spreads and high volatility in the forward price of natural gas.

At the end of September 2007, Boardwalk Pipeline Partners LP announced earnings results. For the quarter, the company reported net income of $40.0 million or $0.35 per share on total operating revenues of $134.7 million against net income of $30.6 million or $0.35 per share on total operating revenues of $133.0 million, reported for the same period a year ago. This along with a decrease in the percentage of increase in distributions led to the start of decline in Total Shareholder Return.

As natural gas prices fell and the economic recession hit in 2008, Boardwalk's TSR bottomed out in the fourth quarter and actually represented a net loss compared to the inception date. Net Income decreased by 6% from the previous year's fourth quarter.

The period till April 2010 saw a somewhat steady increase in TSR. Boardwalk's revenues were increasing as more expansion projects were coming online. However those increases were more than offset by higher than expected operating costs.

Natural gas prices stabilized in 2010 and this allowed Boardwalk to maintain a steady level of TSR for the next two years. As expansion projects came online and mergers took place, Boardwalk was able produce a steady throughput, revenue stream, and EBITDA.

Poor fourth quarter results in 2013 lead to a severe drop in TSR in February 2014. Boardwalk reduced its distributions which caused a big drop in the stock price and TSR. MLP's are supposed to have a steady increase in distributions and when they have a decrease in distributions it sends investors running.

As 2014 has progressed, Boardwalk has increased its net income each quarter over previous year's quarter. This paired with capital expenditures in growth projects has rebounded TSR and it is currently at 189% of its 2005 level.

Figure 3 BWP's Sources of Funds

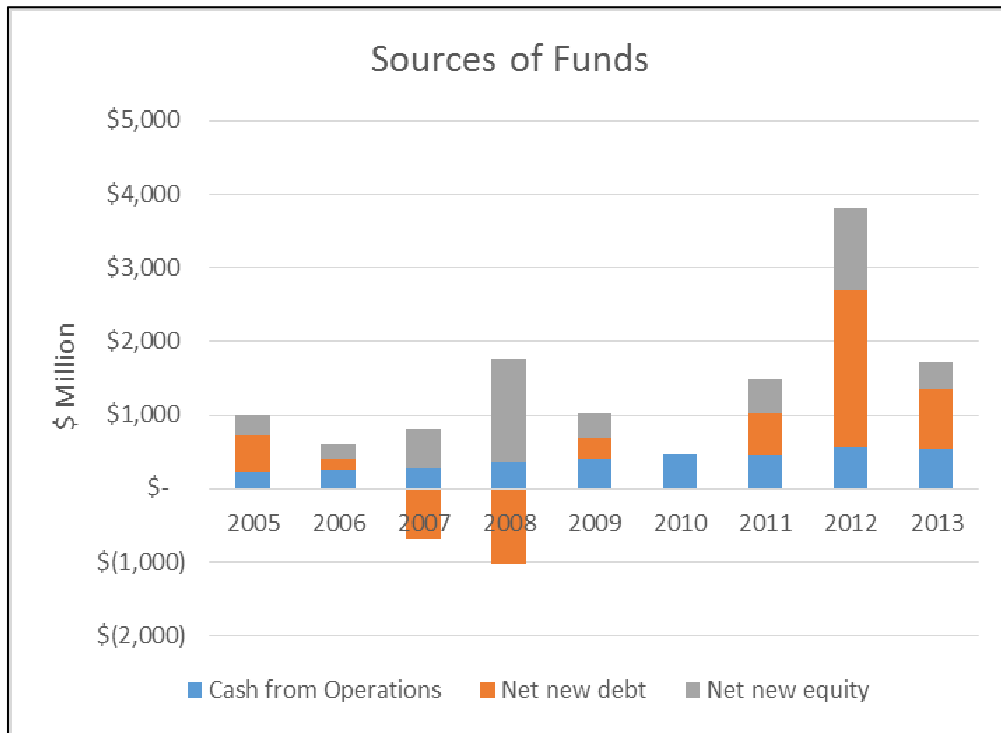


Figure 4 BWP's Use of Funds

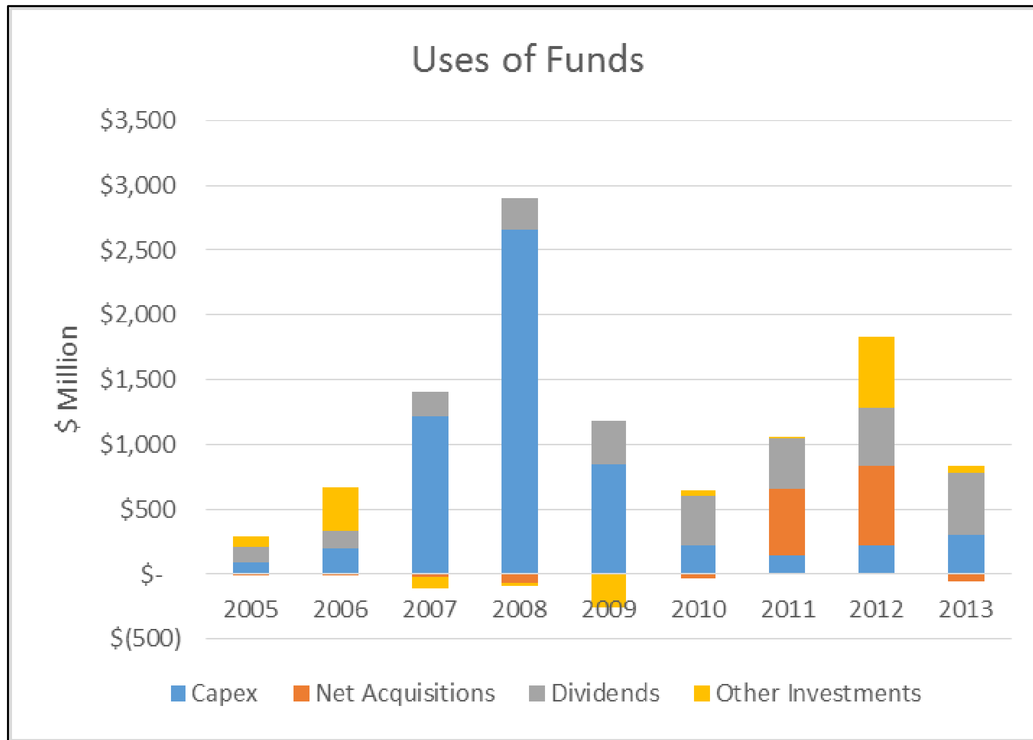
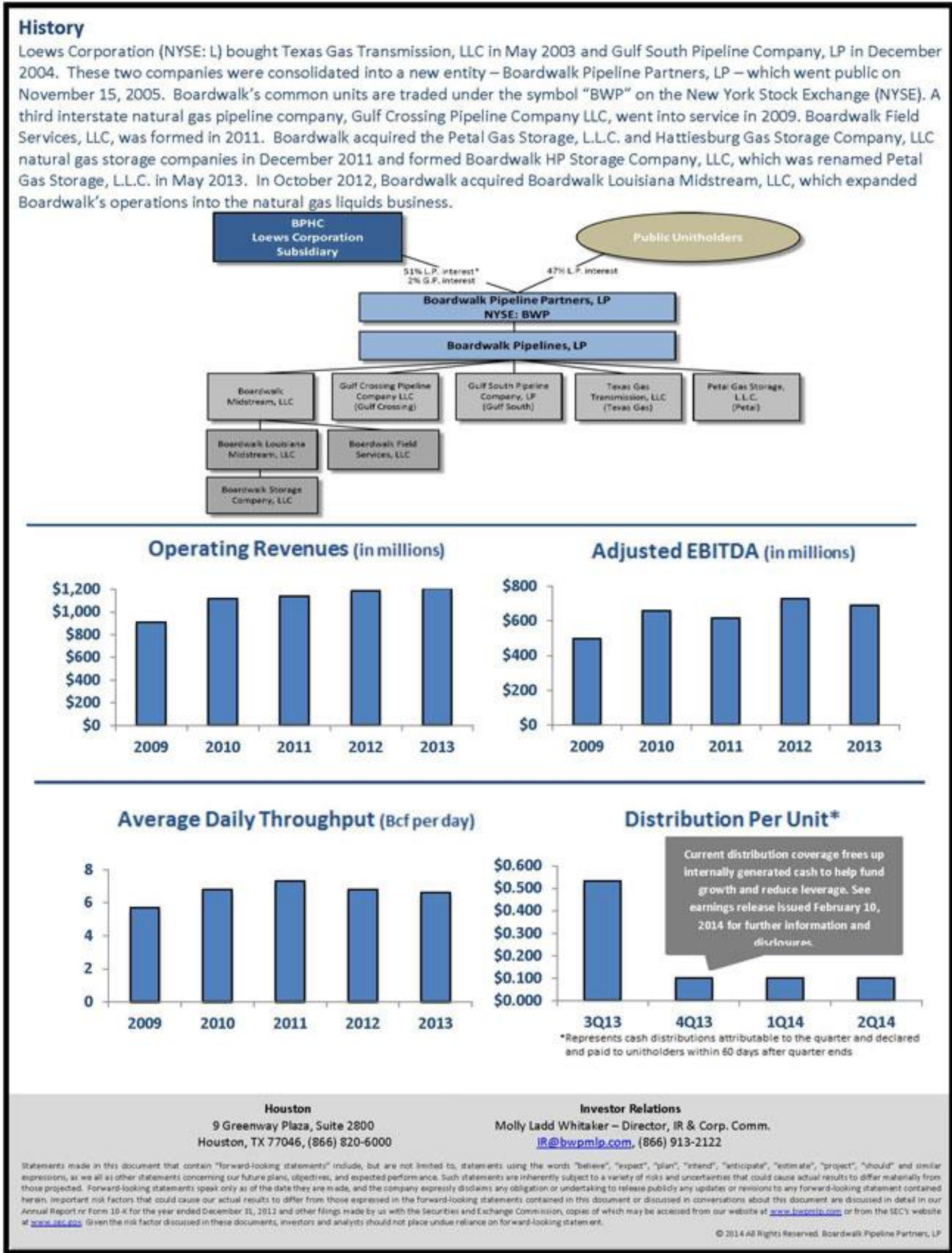


Figure 5 Boardwalk's Financial History



History

Loews Corporation (NYSE: L) bought Texas Gas Transmission, LLC in May 2003 and Gulf South Pipeline Company, LP in December 2004. These two companies were consolidated into a new entity – Boardwalk Pipeline Partners, LP – which went public on November 15, 2005. Boardwalk's common units are traded under the symbol "BWP" on the New York Stock Exchange (NYSE). A third interstate natural gas pipeline company, Gulf Crossing Pipeline Company LLC, went into service in 2009. Boardwalk Field Services, LLC, was formed in 2011. Boardwalk acquired the Petal Gas Storage, L.L.C. and Hattiesburg Gas Storage Company, LLC natural gas storage companies in December 2011 and formed Boardwalk HP Storage Company, LLC, which was renamed Petal Gas Storage, L.L.C. in May 2013. In October 2012, Boardwalk acquired Boardwalk Louisiana Midstream, LLC, which expanded Boardwalk's operations into the natural gas liquids business.

*Represents cash distributions attributable to the quarter and declared and paid to unitholders within 60 days after quarter ends

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Statements made in this document that contain "forward-looking statements" include, but are not limited to, statements using the words "believe", "expect", "plan", "intend", "anticipate", "estimate", "project", "should" and similar expressions, as well as other statements concerning our future plans, objectives, and expected performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements speak only as of the date they are made, and the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein. Important risk factors that could cause our actual results to differ from those expressed in the forward-looking statements contained in this document or discussed in conversations about this document are discussed in detail in our Annual Report on Form 10-K for the year ended December 31, 2012 and other filings made by us with the Securities and Exchange Commission, copies of which may be accessed from our website at www.bwpmlp.com or from the SEC's website at www.sec.gov. Given the risk factor discussed in these documents, investors and analysts should not place undue reliance on forward-looking statement.

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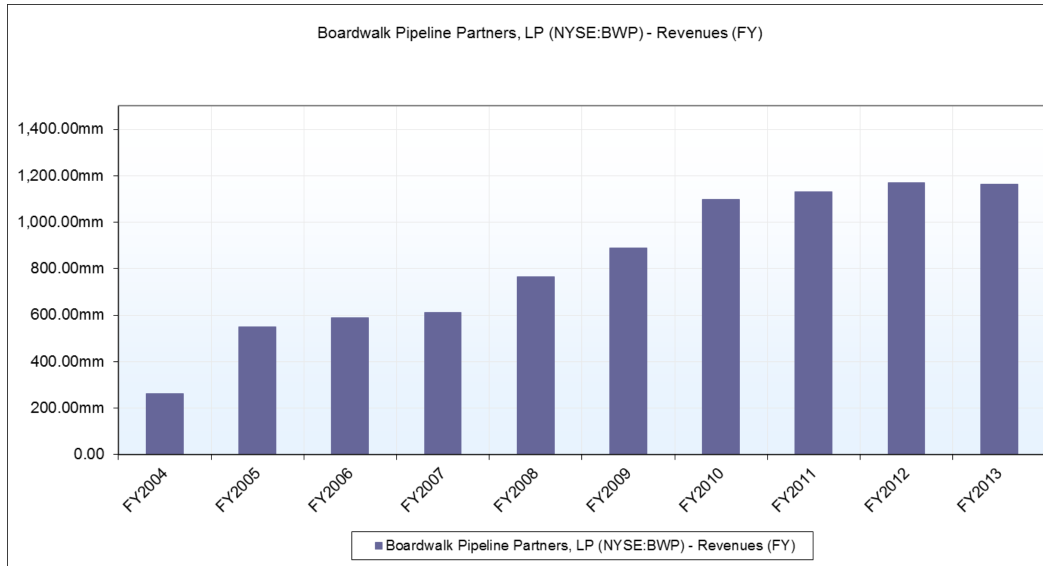
Financial and Operating Results

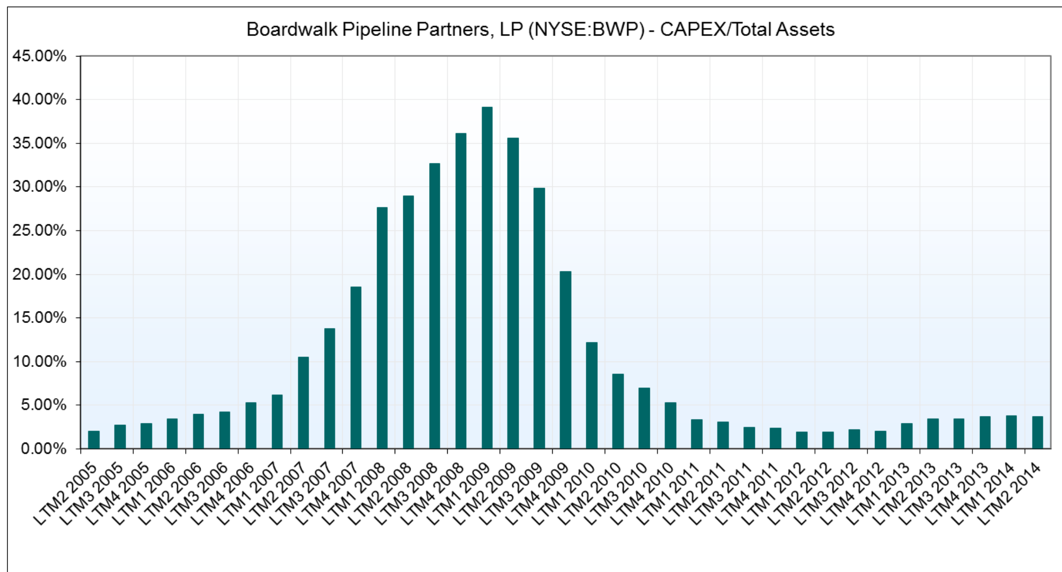
Growth

Figure 6 BWP's Revenue Growth



Boardwalk experienced two main periods of growth in revenue, 2004 - 2005 and 2007 - 2010. These periods are marked with the most expansion in assets by Boardwalk.

Figure 7 BWP's CAPEX/Total Assets

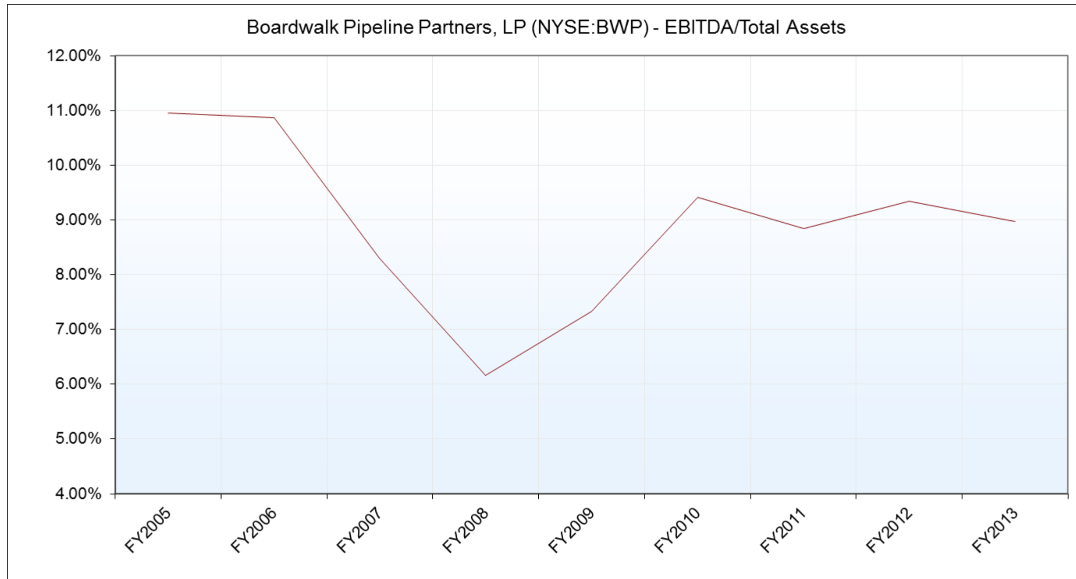


Capital expenditure increased significantly toward the end of 2007. This marked the beginning of Boardwalk's expansion east, the first of which was the Southeast Expansion. The Southeast Expansion

consists of 111 miles of 42-inch diameter pipeline adding a capacity of approximately 1.2 billion cubic feet (Bcf) per day. The second was the East Texas to Mississippi expansion. This added a capacity of 1.7 Bcf/d from 242 miles of 42-inch pipe. The Southeast Expansion project was expanded through the addition of compression facilities up to 2.2 Bcf of peak-day transmission capacity during the first quarter 2009 to coincide with the commencement of Boardwalk's Gulf Crossing project.

Returns

Figure 8 BWP's EBITDA/Total Assets



The above graph shows how earnings for the assets being constructed didn't start to be realized until 2009. Returns have been stable since 2010.

The above graph contains some negative indications for Boardwalk. As the company went through its expansion period its working capital steadily declined and eventually went negative, where it remains today.

Risk

Boardwalk has low beta, indicating a low risk security

Figure 9 BWP's Beta Values for different periods

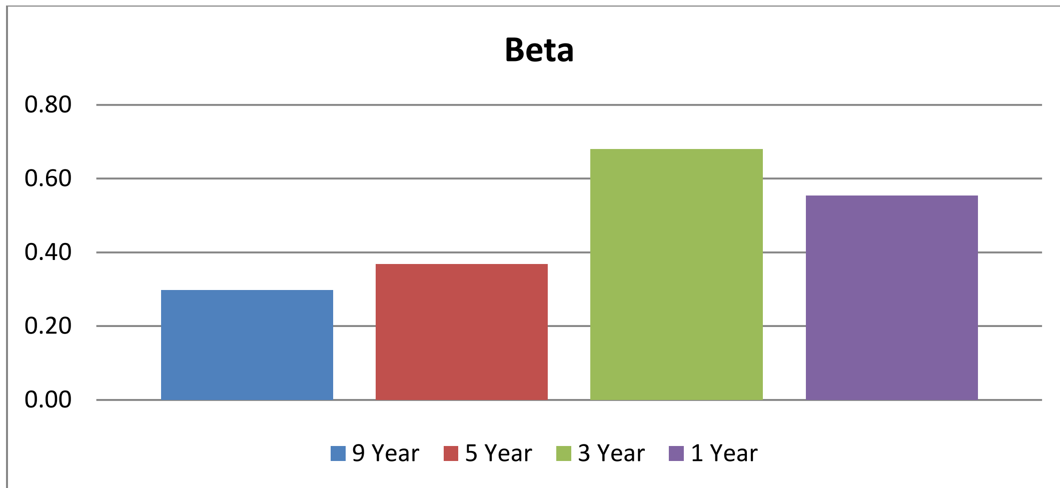
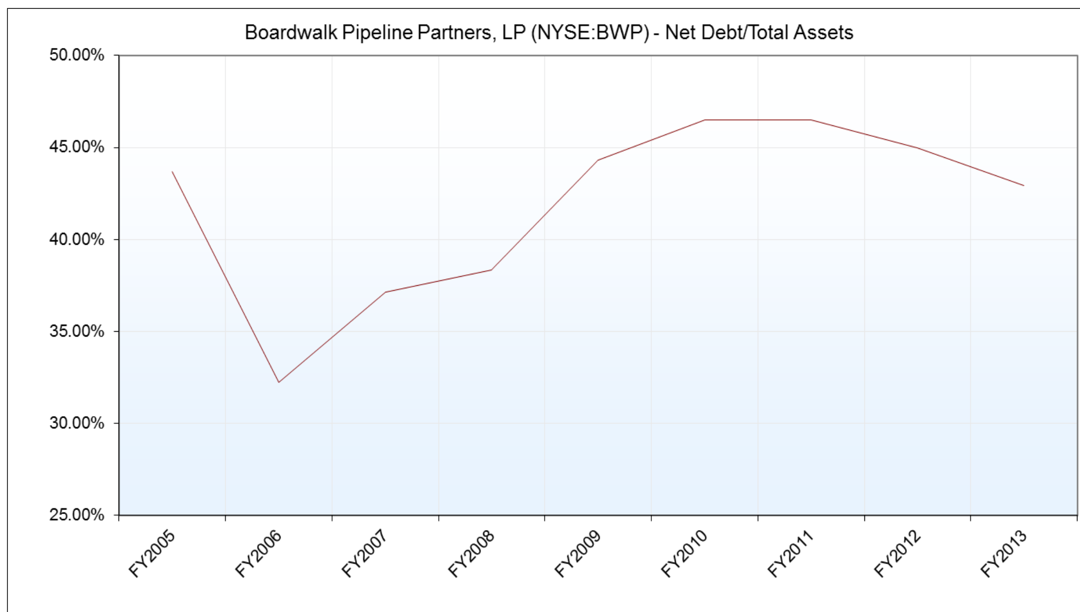
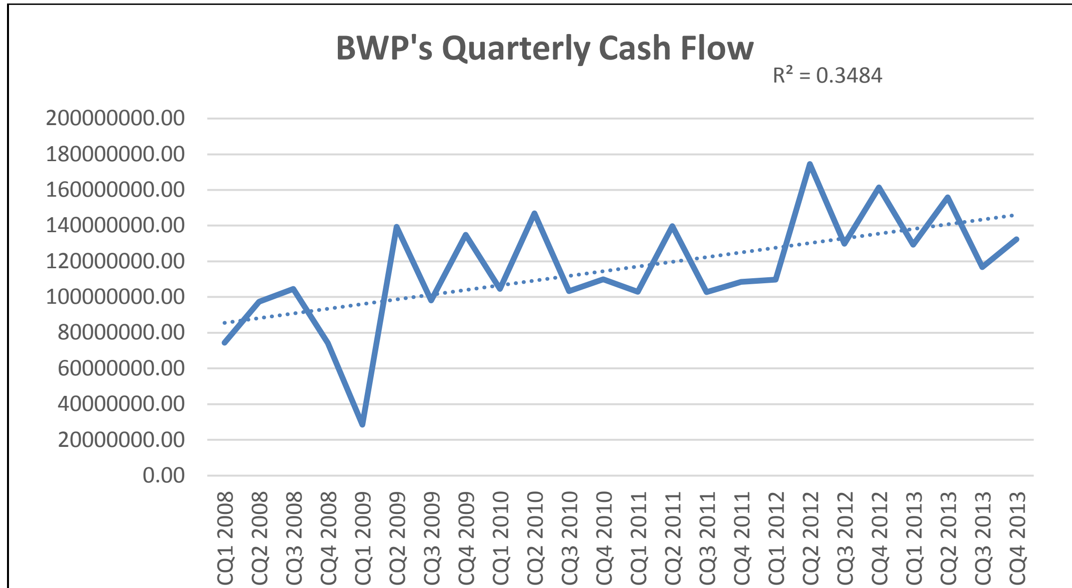


Figure 10 BWP's Net Debt/Total Assets



Boardwalk was initially financially riskier in its inception but greatly reduced its leverage prior to its major expansion period in 2007. As more of the projects came online, Boardwalk took on more debt. It has started to reduce its leverage in the past two years.

Figure 11 BWP's Cash Flow from operations



Boardwalk cash flow from operations has moderate variability, lower than most rivals. The cash flow dips each odd quarter with regularity reflecting some seasonal storage income.

Business Strategies Going Forward

Boardwalk's key growth objectives are to continue to expand the reach of their core assets to additional market outlets and supply sources and to broaden service offerings in the midstream segment, through a combination of acquisitions and organic growth initiatives. While executing this growth strategy, they remain committed to operational excellence, with safety, reliability and compliance as the underlying fundamentals in all that we do.

Four Strategic Goals:

Strengthening their natural gas pipeline transportation and storage operations by attaching new customers and loads, especially electric power generators, to Boardwalk's facilities; Diversifying within the midstream energy sector into areas such as the gathering and processing of natural gas and the transportation, storage and fractionation of natural gas liquids (NGLs); Aggressively controlling costs and streamlining organizational structure, while maintaining a strong emphasis on safety and reliability; and strengthening the balance sheet.

Progress on Growth Initiatives:

Boardwalk is pursuing modest new growth initiatives, both organic growth projects and acquisitions, which are consistent with their strategic objectives.

Current Organic Growth Projects:

Southeast Market Expansion: The Southeast Market Expansion project will increase their ability to provide firm transportation service to new industrial and power generation markets in Mississippi, Alabama and Florida, a region of increasing demand for natural gas. This $300-million project is fully contracted with 10-year firm agreements for approximately 550,000 dekatherms per day (Dth/day) and involves construction of an interconnection between Gulf South and Petal, adding additional compression facilities and constructing approximately 70 miles of pipeline in southeastern Mississippi. In addition to the new facilities, customers of this expansion project will have access to diverse supplies available across our Gulf South system. The Southeast Market Expansion project is part of the strategy to connect new end-use markets to the system, as well as to increase the utilization of Boardwalk's existing pipeline system. They have received FERC approval for this project and anticipate a fourth quarter 2014 in-service date.

Ohio to Louisiana Access Project: The Ohio to Louisiana Access Project will provide long-term firm natural gas transportation from Lebanon, Ohio for natural gas sourced from the Marcellus and Utica production areas to diverse delivery markets in Louisiana. Boardwalk will primarily utilize existing pipeline facilities for this project and will invest approximately $115 million to reverse the traditional flow of natural gas from northbound to southbound on a portion of our Texas Gas system. Boardwalk has executed precedent agreements for 625,000 Dth/day, and the in-service date is targeted for the first half of 2016.

Phase two of a project that connects Boardwalk's pipeline to a new gas-fired electric power generation power plant in North Texas is under construction and has a targeted in-service date of June 2014. The first phase of this project was completed in December 2013. This project provides with the ability to deliver 125,000 dekatherms a day of natural gas to supply to the plant.

Recently-completed growth initiatives include:

New End-Use Power Generation Markets: In late 2013 Boardwalk connected their pipeline to two new gas-fired electric power generation facilities. In December 2013 they completed an expansion to serve a power plant in the Baton Rouge/River Corridor area where their pipeline can deliver 100,000 dekatherms a day and also completed the first phase of a project that connects their pipeline to a new power plant in North Texas where Boardwalk's pipeline will have the ability to deliver 125,000 dekatherms a day.

Projects at Boardwalk's Sulphur and Choctaw Hubs: In 2013 we placed into service three projects that increase the service offerings at our Sulphur and Choctaw Hubs. Boardwalk completed the expansion of their brine handling assets and the construction of a brine pipeline at the Choctaw Hub and completed construction of propane storage and transportation assets at Boardwalk's Sulphur Hub in the Lake Charles, Louisiana area.

Expansion of Salt Dome Storage Cavern: In September 2013 Boardwalk completed the expansion of a new salt dome storage cavern at Petal Gas Storage with a working gas capacity of approximately 5.3 Bcf.

South Texas Eagle Ford Expansion: In June 2013 Boardwalk completed the construction of a cryogenic processing plant and 55 miles of gathering pipeline in South Texas. The system has the capability of gathering in excess of 0.3 Bcf per day of liquids-rich gas in Karnes and Dewitt counties, which reside in the Eagle Ford Shale production area, and processing up to 150 mmcf/d of liquids-rich gas. Field Services provides re-delivery of processed residue gas to a number of interstate and intrastate pipelines, including Gulf South.

Strategic Acquisitions Completed in 2011 and 2012:

The acquisition of Boardwalk Louisiana Midstream in October 2012 for $620 million diversified Boardwalk into the dynamic NGLs market. The acquired NGL transportation and storage and natural gas storage assets serve petrochemical customers in Louisiana.

The acquisition of Petal Gas Storage in December 2011 for $550 million increased Boardwalk's ability to provide flexible and reliable services. Petal Gas Storage operates eight high deliverability salt dome natural gas storage caverns and approximately 100 miles of pipeline in Mississippi.

Leadership and Governance

Chairman - Kenneth I. Siegel—Mr. Siegel serves as Chairman of the Board and has been employed as a Senior Vice President of Loews since June 2009. From 2008 to 2009 he was employed as a senior investment banker at Barclay's Capital and from September 2000 to 2008 he was employed in a similar capacity at Lehman Brothers.

Board Member - Stanley Horton—Mr. Horton became President and Chief Executive Officer in May 2011. With more than 35 years of experience in the natural gas and energy industry, Mr. Horton has extensive industry knowledge. His professional background includes not only experience leading natural gas pipelines, but he has also served as CEO or COO with companies engaged in natural gas gathering and processing, crude oil and liquids storage and transportation, and LNG. He has also served on the boards of several industry associations, and has chaired the Gas Industry Standards Board, the Interstate Natural Gas Association of America and the Natural Gas Council.

Board Member - Thomas E. Hyland—Mr. Hyland was a partner in the global accounting firm of PricewaterhouseCoopers, LLP from 1980 until his retirement in July 2005. He serves as Audit Committee Chairman.

Board Member - Mark L. Shapiro—Mr. Shapiro has been a private investor since 1998. From July 1997 through August 1998, Mr. Shapiro was a Senior Consultant to the Export-Import Bank of the United

States. Prior to that position, he was a Managing Director in the investment banking firm of Schroder & Co. Inc.
Mr. Shapiro also serves as a director for W.R. Berkley Corporation.

Board Member - William R. Cordes—Mr. Cordes retired as President of Northern Border Pipeline Company in April 2007 after serving as President from October 2000 to April 2007. He also served as Chief Executive Officer of Northern Border Partners, LP from October 2000 to April 2006. Prior to that, he served as President of Northern Natural Gas Company from 1993 to 2000 and President of Transwestern Pipeline Company from 1996 to 2000. Mr. Cordes has more than 35 years of experience working in the natural gas industry. Mr. Cordes is also a member of the board of Kayne Anderson Energy Development Company and Kayne Anderson Midstream Energy Fund, Inc.

Board Member - Arthur L. Rebell—Mr. Rebell was a Senior Vice President of Loews from 1998 until his retirement in June 2010.

Board Member - Andrew H. Tisch—Mr. Tisch has been Co-Chairman of the Board of Directors of Loews since January 2006. He is also Chairman of the Executive Committee and a member of the Office of the President of Loews and has been a director of Loews since 1985. Mr. Tisch also serves as a director of CNA Financial Corporation, a subsidiary of Loews, and is Chairman of the Board of K12 Inc.

Boardwalk's Board of Director's score is 11 for an average of 1.6. Most of the directors have held leadership positions for Loews Corporation, a New York based Investment Company, thus the General Partner has control over the MLP and the Limited Partners have little protection.

	Midstream	**Energy Related**	**Finance; Other Industry**	**HSE**	**Politicians & Lawyers**	**Other**	**Score per Director**
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Kenneth I. Siegel			1				**1.0**
Stanley Horton	3						**3.0**
Thomas E. Hyland			1				**1.0**
Mark L. Shapiro			1				**1.0**
William R. Cordes	3						**3.0**
Arthur L. Rebell			1				**1.0**
Andrew H. Tisch			1				**1.0**

					Average	**1.6**

Valuation

The value of a share of Boardwalk Energy Partners L.P. at the end of 2013 was $25.52; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $30.66, suggesting a market undervaluation of 17%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $27.55, suggesting a market undervaluation of 7% before IDRs. Boardwalk has small IDR obligations whereby about 8% of total distributions are paid as IDRs to its General Partner.

5. Plains All American Pipeline, L.P.

History

Plains All American Pipeline, originating as the midstream division of Plains Resources, was established in the early 1990s due to the anticipation of increased movements of crude oil throughout the Midwestern United States. In 1993, the company's first midstream asset was built in Cushing, OK and named the Cushing Terminal. PAA considered Cushing, OK to be the Southern gateway for pipeline movements to refining centers in the Midwest. The Cushing Terminal continues to be a cornerstone of their business strategy.

All American Pipeline Company's initial investment was in a crude oil pipeline from offshore Santa Barbara oil fields to Los Angeles and the company planned to construct a new pipeline to further connect this line to the Permian Basin and on to refineries on the Gulf Coast. The company invested in West Texas pipeline assets, but declining Alaskan production undermined the business logic of the original plan.

Throughout the 1990s, Plains Resources grew its midstream business through internal projects and small acquisitions. However, the major acquisition of the All American Pipeline System from its then owner Goodyear in 1998 provided the scale for the company to enter the public equity market and Plains Resources spun off its midstream business. (Plains Resources was acquired in 2013 by Freeport McMoRan). An IPO as a Master Limited Partnership was completed on November 17, 1998, and Plains All American Pipeline began trading on the New York Stock Exchange with ticker "PAA". Since the IPO, PAA has continued to show significant growth through strategic acquisitions:

1999: PAA acquired the largest independent crude oil and condensate gathering companies in the crude oil business, Scurlock Permian.

2001: acquired crude oil assets and operations of Murphy Oil Company LTD, an established pipeline transportation business, and CAPNET Energy Group, a growing entrepreneurial company with liquefied petroleum gas assets. These acquisitions created an expansion plan for future growth in Canada and allowed entry into the LPG market.

2002: acquisition of pipeline assets from Shell Pipeline Company. Secured position in West Texas and expanded pipeline transportation business.

2004: acquired an interest in Capline Pipeline System, one of the major transportation routes for moving Gulf of Mexico and foreign crude oil into PADD II. Also, acquired Link Energy LLC's North America crude oil and pipeline operations, which doubled the amount of assets.

2005: seven acquisitions worth $165 million and executed internal projects valued at $149 million to increase the volume of foreign crude oil purchases by 385%. Daily average went from 11,900 barrels in 2004 to 57,700 barrels in 2005.

2006: Increased internal growth projects to $310 million and made eight acquisitions for $609 million. Completed a $2.5 billion merger with Pacific Energy Partners. These transactions allowed PAA to enter the refined products and barging business, which increased their internal growth projects.

2007: Invested $525 million in organic growth projects including the Phase I of St. James terminal and Cheyenne pipeline. Completed four acquisitions worth $123 million to bolster the LPG and refined products businesses.

2008: invested $491 million in organic growth projects and integrated two acquisitions worth $735 million. The Rainbow Pipe Line acquisition was second largest in company history and comprised of 480 mile Canadian crude oil pipeline from Northern Alberta to Edmonton. Favorably positioned for Canadian oil sand deposits.

2009: Invested $365 million into organic growth capital and completing the final stages of Patoka Phase I and Paulsboro expansion projects. Completed nine acquisitions with the largest being the remaining 50% of PAA Natural Gas Storage. Increased natural gas storage capacity by 40 Bcf at year end. Solid year performance during a volatile time for the energy markets.

2010: completed expansion projects in Cushing, St. James, & Patoka and expansion in West Texas, the Rockies, and Midcontinent areas. Acquired 34% interest of White Cliffs Pipeline in Bakken region and continued to optimize natural gas storage business. Completed IPO for subsidiary, PAA Natural Gas Storage.

2011: invested $1.9 billion in growth related capital centered on the key crude oil production growth areas, the Permian Basin, Bakken Shale, & Eagle Ford Shale. Entered into an agreement with BP’s Canadian based Natural Gas Liquids business for $1.7 billion

2012: Completed $2.3 billion in acquisitions, including closing on BP's Canadian NGL assets, Chesapeake's Eagle Ford gathering assets and acquiring four operating crude rail terminals and one under development from U.S. Development.

2013: Targeted $1.6 billion in organic growth projects and continued to remain very active evaluating potential acquisition opportunities.

Current Scope of Operations

Plains All American Pipeline (PAA) engages in the transportation, storage, terminalling, and marketing of crude oil. PAA is also diversified into the natural gas liquids market providing services such as processing, transportation, fractionation, storage, and marketing of NGLs. PAA owns strategically placed assets across North America that are essential to the movement of US and Canada energy supplies including crude oil, NGLs, and refined products. Overall, PAA averages 3.5 million barrels per day of crude oil, refined products, and NGL through their network of strategically placed assets in North American basins and transportation getaways.

The locations of these assets are in all the major North American shale productions: crude oil pipelines in the Permian Basin, Eagle Ford, Bakken, & Barnett shales; a crude oil pipeline from Patoka, IL to St. James, La; and NGLs rail and storage facilities near high volume gas shales Marcellus and Antrim in northern Ohio and Pennsylvania.

Business Segments

The operations of PAA can be broken out into three primary segments: transportation, facilities, and supply & logistics.

Transportation:

The transportation segment of the PAA operations involves the transportation of crude oil and NGLs, gathering systems, and coordinating trucks and barges. The services provided are usually fee based and revenue is generated through tariffs, third-party leases of pipeline capacity, and transportation fees. The transportation segment also includes earnings from a variety of non-controlling interests in the White Cliffs, Butte, Frontier, and Eagle Ford pipeline systems. The assets owned or long term leased at the end of 2013 include: estimated 16,000 miles of active crude oil and NGLs pipelines and gathering systems, 24 million barrels of storage capacity, 744 trailers, and 130 transport and storage barges and 62 transport tugs.

Facilities:

The facilities segment includes the storage, terminalling, and throughput services for crude oil, refined products, NGL and natural gas. Revenues are generated through month-to-month and multi-year leases as well as various processing arrangement fees. These arrangement fees include:

- Storage fees through storage capacity
- Terminal throughput fees through receiving crude oil, refined products, or NGL from one connecting source and redistributing to another connecting carrier
- Loading/unloading at rail terminals
- Hub service fees
- Sale of natural gas
- NGL Fractionation and isomerization
- Gas processing services

Assets owned throughout the US and Canada at the end of 2013 include: 74 million crude oil and refined product capacity, 23 million barrels of NGL capacity, 7 fractionation plants, 11 natural gas processing sites, 1 isomerization unit, 24 crude oil and NGL rail terminals, 17 Bcf of base gas in storage facilities, and 1,250 miles of active pipelines that support facilities assets

Supply & Logistics:

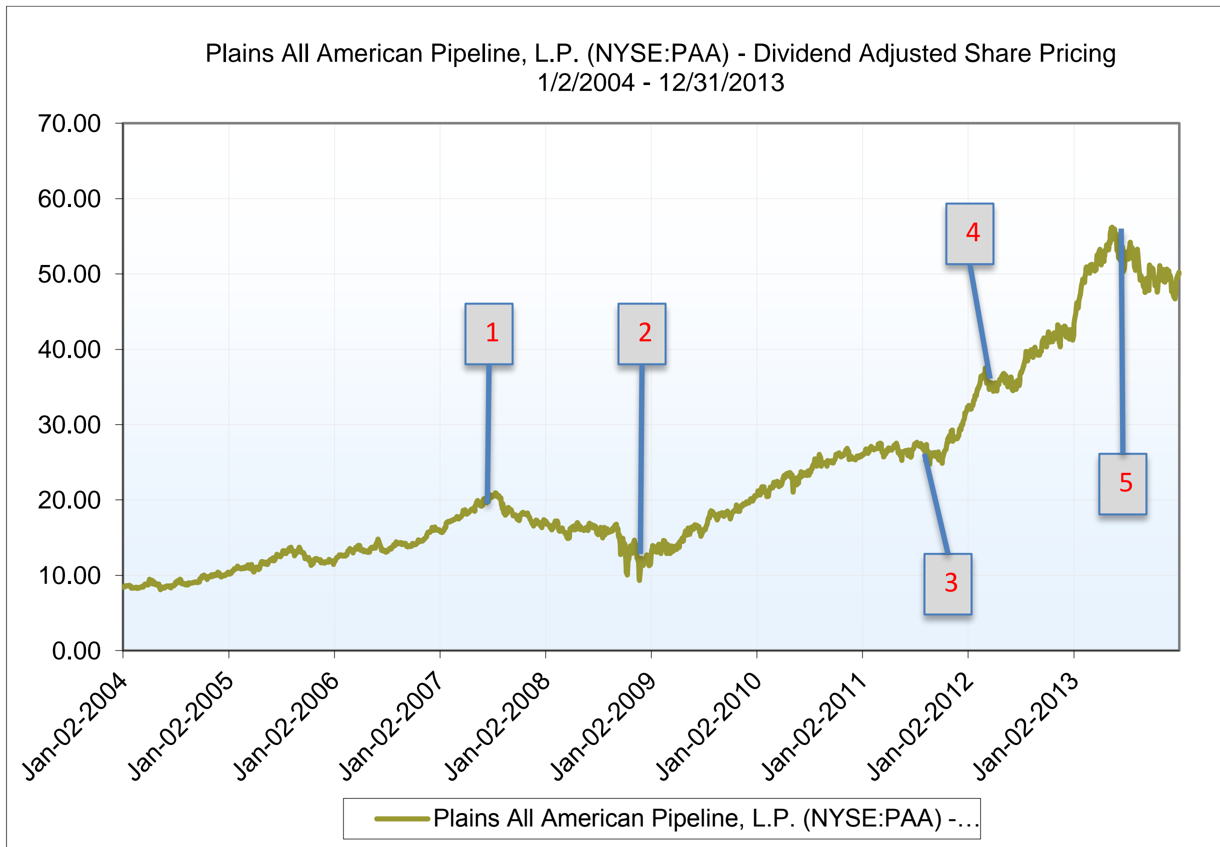
The business operations of the Supply & Logistics segment include:

- Purchase of US and Canada crude oil at wellhead, the bulk purchase of crude oil at pipeline, terminal, and rail facilities, and the purchase of cargo at their load port and various locations in transit.
- Storage of inventory during contango market conditions and seasonal storage of NGL
- Purchase of NGL from producers, refiners, processors, and other marketers.
- Resale and exchange of crude oil and NGL at various points along the distribution chain to refiners or other resellers to maximize profits.
- Transportation of crude oil and NGL on trucks, barges, railcars, pipelines, and ocean-going vessels
  to various delivery points.

The Supply & Logistics segment allows for purchasing and reselling oil with fluctuations in the market price. The strategy allows for hedging opportunities at terminal location to ensure a balance of risk. The policy is to purchase product where a market is already established, structure the contracts so that price fluctuations do not affect the profit, and not to acquire or hold inventory for speculating on commodity price changes.

Shareholder Value Creation

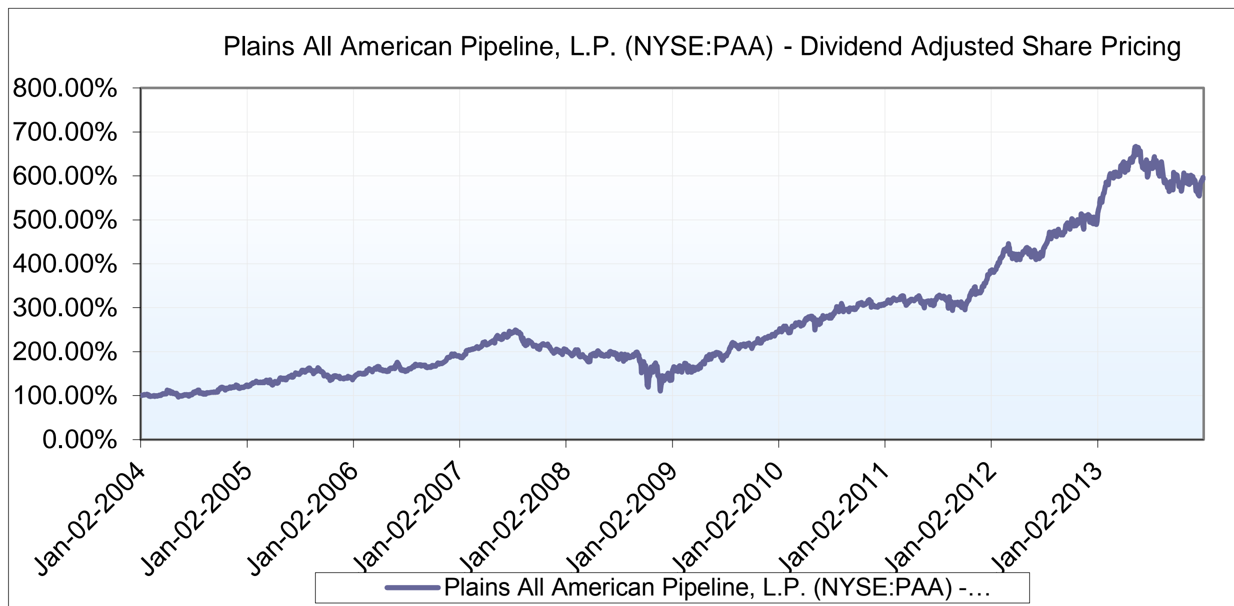
Figure 1 PAA's Total Shareholder Return



Explanation

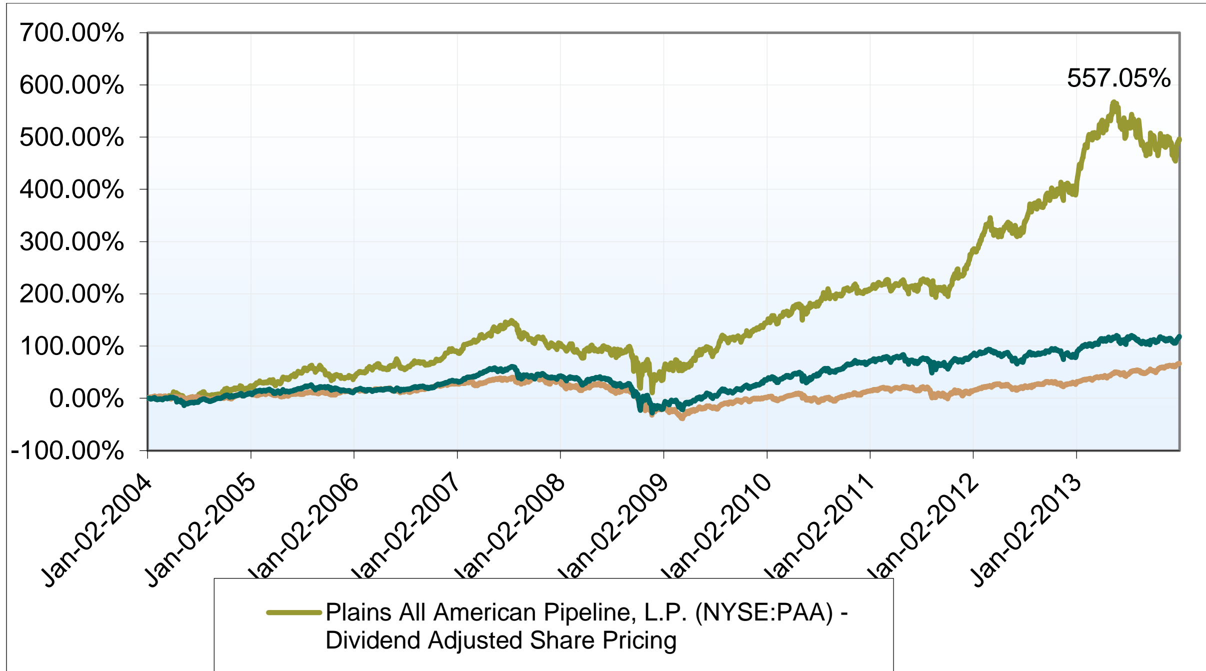
- 2007, PAA invested $525 million into internal projects to build up their LPG and refined products businesses. EBITDA increased 2.5% on 9% less Total Revenue from the previous year. Company experienced largest increase in Gross Profit, EBITDA, & Net Income than any previous years.
- 2009, Trough of the recession and PAA had a 38.4% decrease in Total Revenues from the previous year. However, PAA was still able to extract significant growth in EBITDA increasing 4.2% from previous year. PAA was still able to provide investors with value during a volatile period for the oil industry.
- 2011-2012, Invested 1.9 Billion in oil production growth areas including Permian Basin, Bakken Shale, & Eagle Ford Shale. Total Revenues increased by 32.4% from 2010. Earnings per share received an increase of 103% from 1.20 (lowest since 2004) to 2.44 by the end of 2011.
- 2012, Completed $2.3 billion in acquisitions, including closing on BP's Canadian NGL assets, Chesapeake's Eagle Ford gathering assets and acquiring four operating crude rail terminals and one under development from U.S. Development.
- 2013, Continued to invest in organic projects while evaluating potential acquisitions. Continued to create value for shareholders as expansion into growing shale plays grew. Total earnings, gross profit, & EBITDA continued to increase each year. Earnings per share reached highest point in company history at 2.80/share.

Figure 2 PAA's Total Shareholder Return % Increase



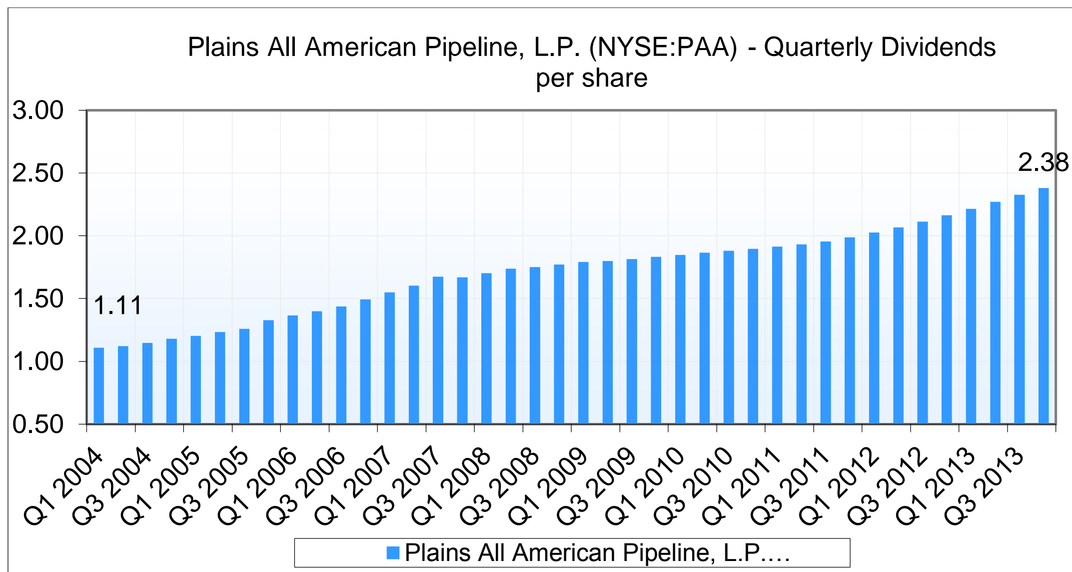
The chart shows the % increase a shareholder would receive on an initial investment over the ten year period from 2004 to 2013. A shareholder would have received $600 in 2013 on an original $100 investment in 2004 (before capital gains taxes).

Figure 3 PAA Comparison against S&P 500 and Alerian MLP Index



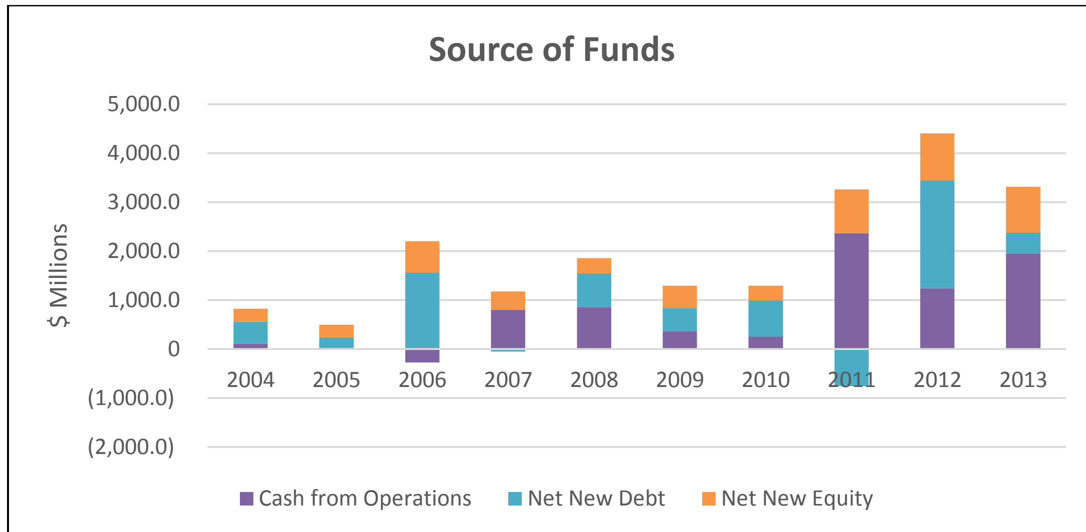
The chart compares PAA against the S&P 500 and the Alerian MLP Index. The Alerian MLP index represents a benchmark for all MLPs and used to compare companies within similar markets. PAA has done extremely well compared to both the S&P and Alerian MLPs. PAA has increased shareholder return by 557.05% over a ten year period. PAA has been one of the most successful MLPs in regards to shareholder value and is positioned to have more success with the production increase of the North American shales.

Figure 4 PAA's Quarterly Dividends per share



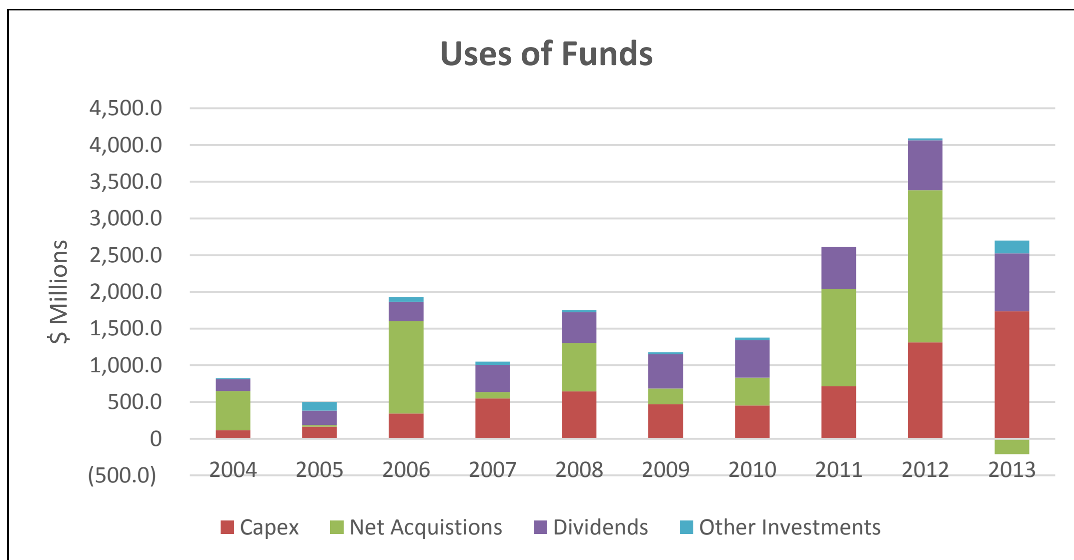
Quarterly dividends have steadily increased from $1.11 in Q1 of 2004 to $2.38 in Q4 of 2013. The percent increase is 114%. Dividend increases range from a low of .01/quarter to .07/quarter. Even during economic distress, dividends increased and providing value for shareholders.

Figure 5 PAA's Source of Funds



The source of funds chart displays how PAA has been able to fund their operations and acquisitions. Investments in growth increased during 2011-13, requiring PAA to issue more debt and partnership units. However, the chart shows that since 2007, a majority of funds have come from operations cash. PAA invested funds into acquisitions and internal operation expansion projects.

Figure 6 PAA's Use of Funds

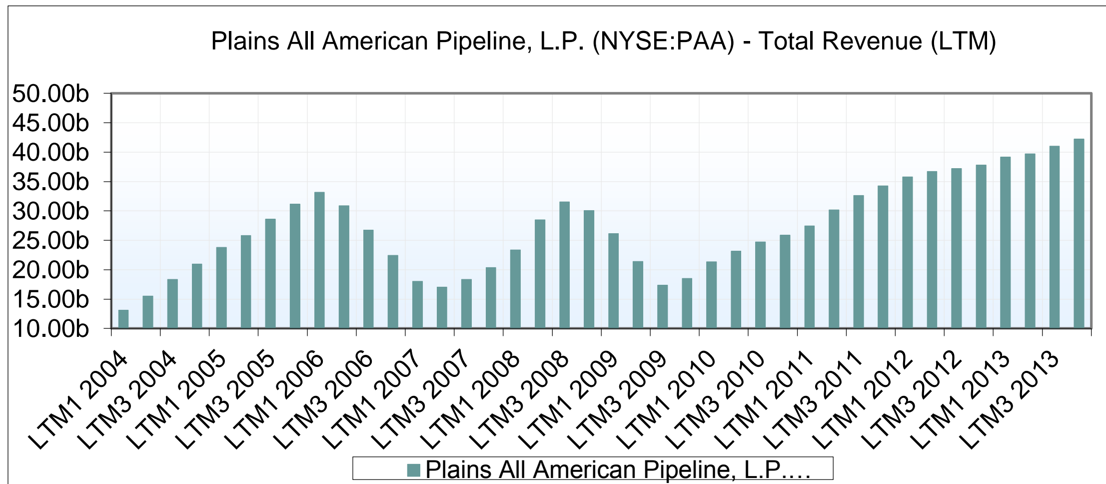


The use of funds chart shows how funds are being utilized. PAA used funds primarily on acquisitions, capex, and dividends. In 2006 and 2007, PAA invested $2.5 billion into the merger of Pacific Energy and another $525 million on internal projects. In 2001-12, PAA completed another set of acquisitions for BP's Canadian NGL assets, Chesapeake's Eagle Ford gathering assets and acquiring four operating crude rail terminals and one under development from U.S. Development.

Financial and Operating Results

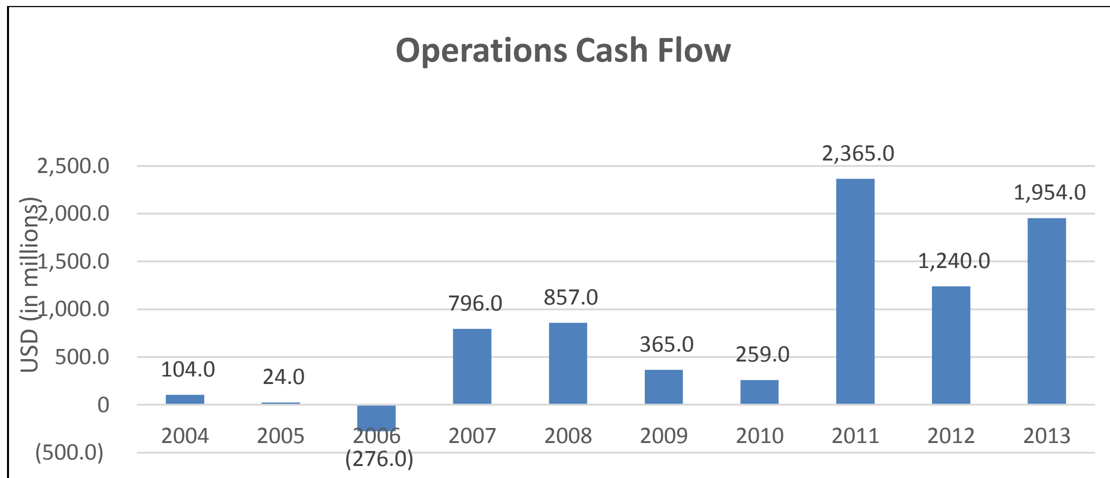
Growth

Figure 7 PAA's Total Revenues 2004-2013



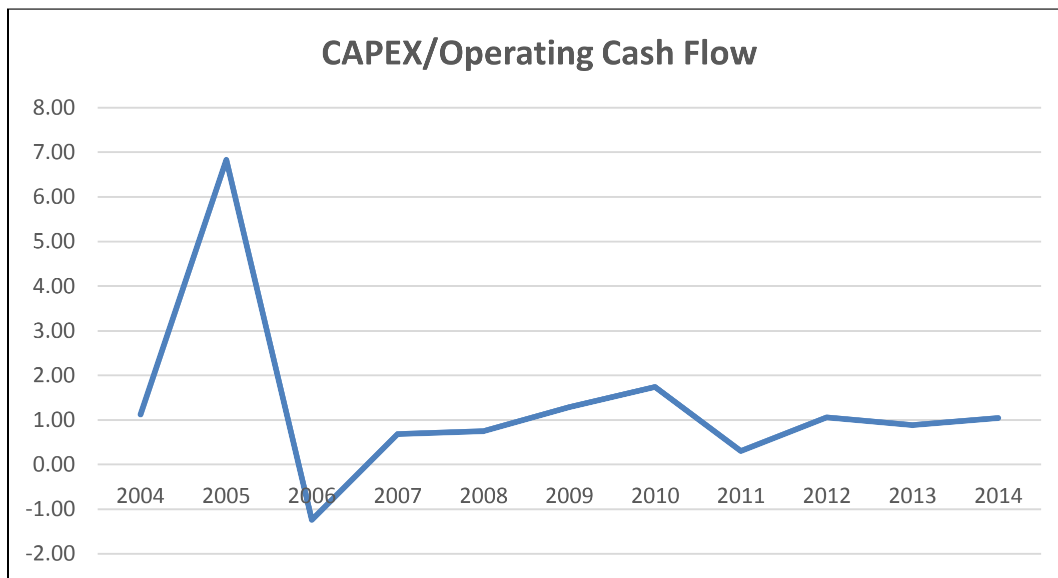
This chart shows that PAA has been steadily increasing its revenue over the past ten years. In the ten year period, Total Revenues increased from $13.11 billion in January 2004 to $42.25 billion in December 2013. Total revenue increased by 222.27% in this time period. During 2007, PAA began to experience a decrease in revenues due to the lower transportation demand of crude oil. The period of slow growth was between 2009 and 2011 during the economic recession. The overall energy market took a hit during this period, but PAA was able to recover quickly and continue to grow. The strongest rate of growth was from 2010 to 2013 with revenues increasing by 63% during this time period. The increased production of the North American basins helped with the significant growth. PAA has been well positioned to meet the demand and increase revenues through organic growth projects and future acquisitions.

Figure 8 PAA's Cash from operations



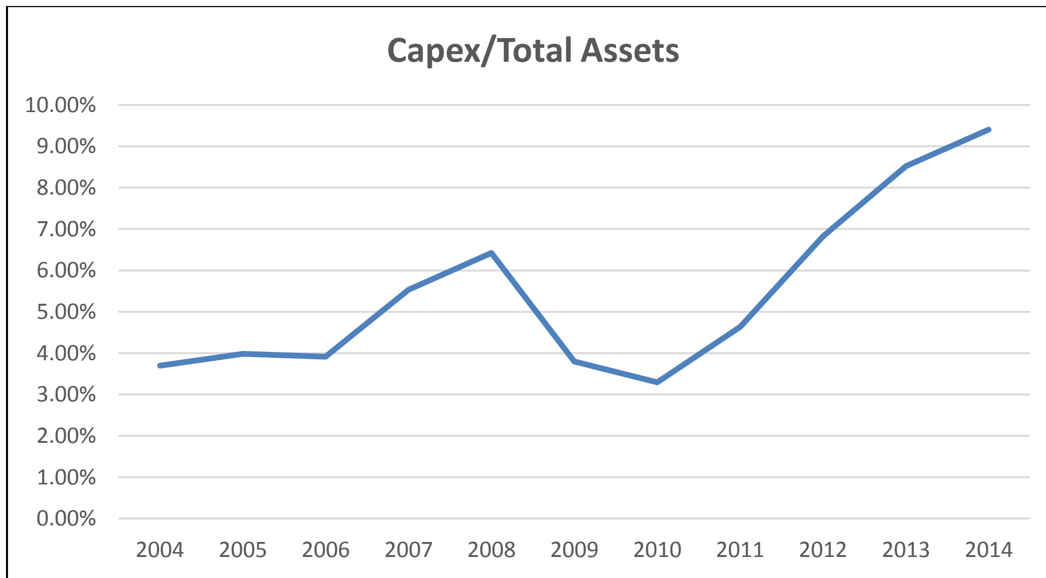
The Operations Cash Flow chart represents the cash received from PAA operational activities. The increase of North America production shales in 2011 has led to an increase in cash flow since 2011. These production shales in Permian Basin, Eagle Ford, and the Bakken region have led to the PAA growth since 2010.

Figure 9 PAA's Capex / Operating Cash Flow



PAA capex is aggressive relative to cash from operations. Capex and dividend payments require PAA to continuously raise new equity and debt.

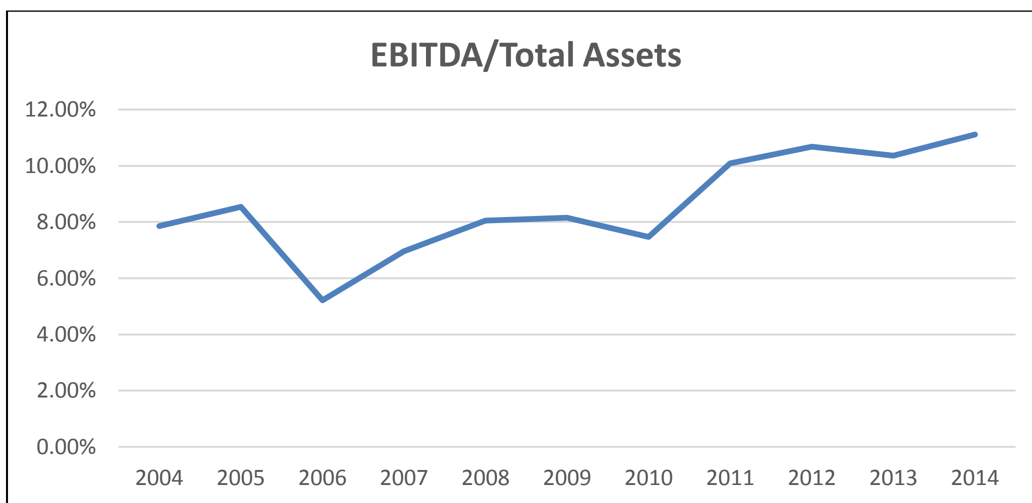
Figure 10 PAA's Capex/ Total Assets



The chart represents Capital Expenditures compared to Total Assets over the ten year time period of 2003-2013. Apart from a recession induced pause in 2009-11, PAA has increased its reinvestment in major projects aimed at stimulating organic growth

Returns

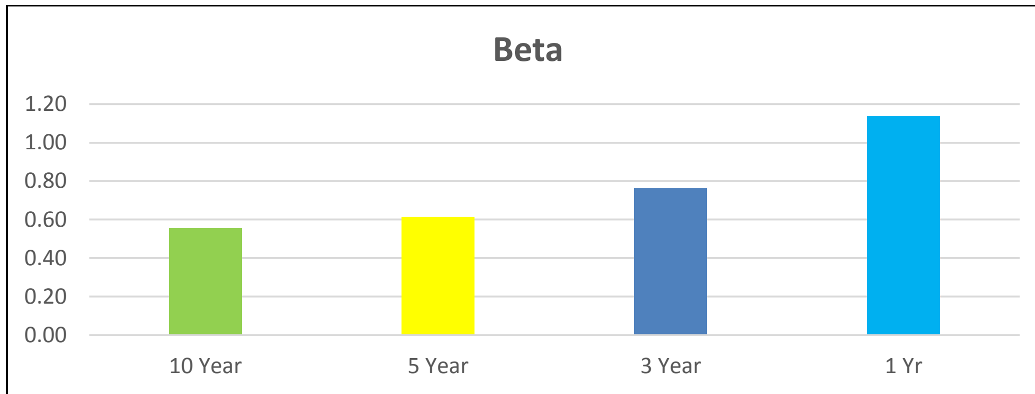
Figure 11 Return on Assets (EBITDA/Total Assets)



EBITDA / Total Assets also known as return on assets helps determine how effective management is able to create earnings from total assets. Management has been able to steadily increase ROA from 5.21% in 2006 to 10.68% in 2014.

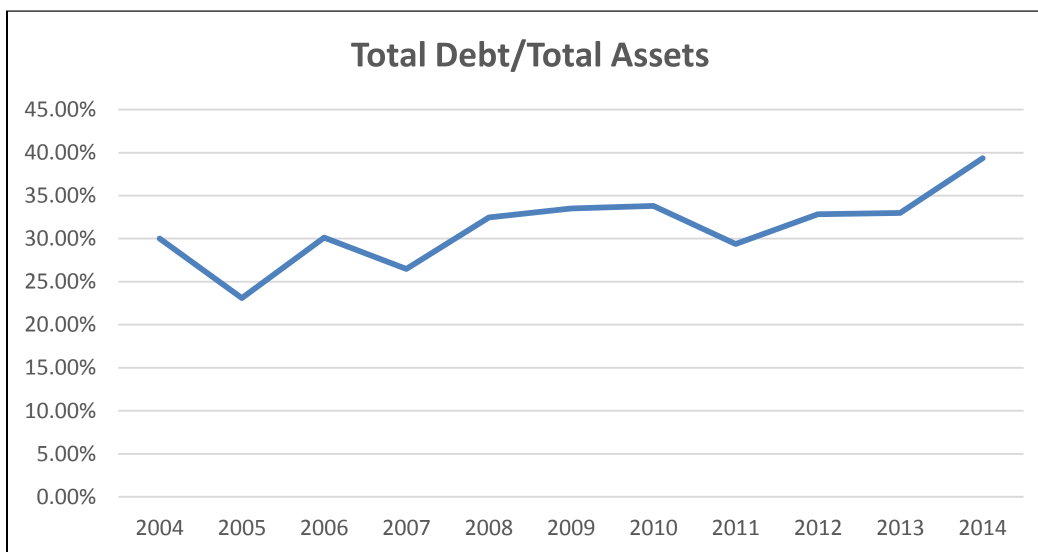
Risk

Figure 12 Values of Beta for PAA for different years



The beta is a measurement of risk in comparison to the total market. The market used to determine PAA's beta was the S&P 500. PAA's 10, 5, and 3 year beta's are .55, .61, & .76 and indicate low level of risk over the time period. Betas less than 1 indicate less volatility compared to the market. PAA's 1 year beta is 1.14 and represents more volatility. PAA's experienced a dip in profits during 2013 due to low natural gas market price and increased operating expenses. PAA's supply and logistics segment also declined 30% due to lower crude oil prices. PAA overall risk is low and should remain less volatile than market.

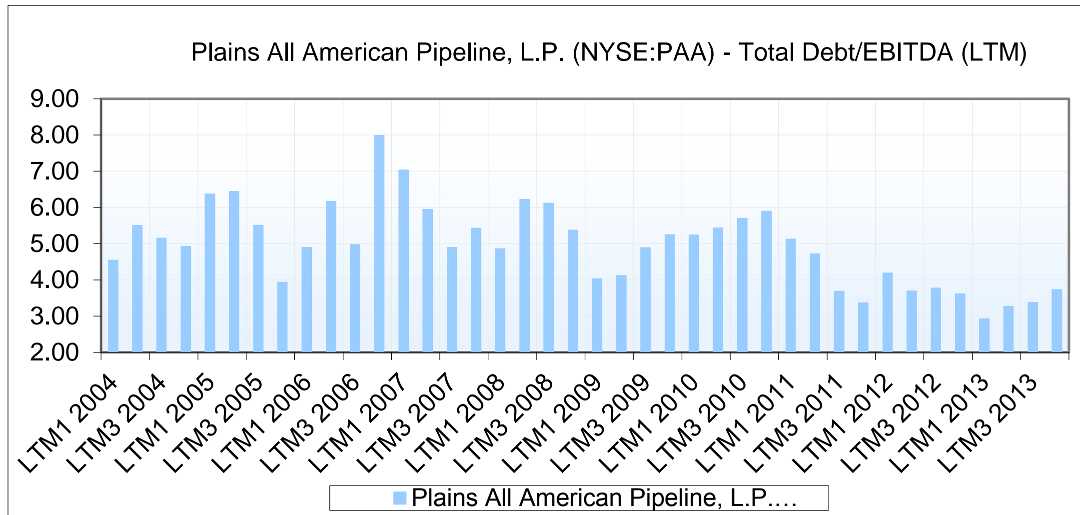
Figure 13 Total Debt/Total Assets for PAA



PAA has maintained a solid Debt/Asset ratio between 30%-45%. Encouraging to shareholders that debt levels haven't increased significantly even though assets have greatly increased. Since 2011, debt/assets

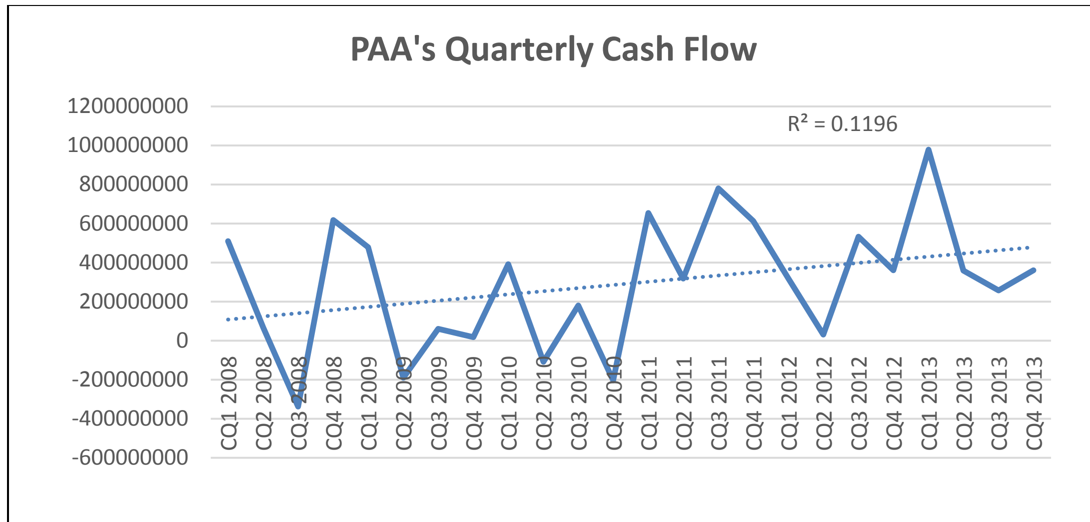
ratio has dropped into the 30% percentile due to the significant increase in assets over this period. As long as debt levels remain constant over the next several years, PAA should remain a low risk investment.

Figure 14 Total Debt / EBITDA for PAA



The chart above represents PAA’s Total Debt / EBITDA ratio and is a measurement used by investors and credit agencies to determine whether PAA will be able to repay its debt. During PAA’s initial development stages in early 2004 – 2007, the Debt / EBITDA ratio ranged from 4 to as high as 8 as the firm took on more debt to fund acquisitions and internal projects. As production and revenues have increased since 2011, the Debt / EBITDA ratio has decreased between 4 and 3. Financial analysts believe an ideal ratio for investors and credit agency is a Debt / EBITDA ratio of 3. PAA is currently positioned to pay off lenders or secure more debt for future acquisitions and large projects. A part of PAA’s financial strategy is to maintain an EBITDA multiple between 3.5x and 4.0x.

Figure 15 Variability of Quarterly Cash from Operations



PAA quarterly cash from operations is highly variable, suggesting dependence on income that is seasonal or fluctuates with commodity prices and spreads.

PAA future operations are dependent upon multiple factors to be successful. There is risk associated with oil and gas industry and PAA must look forward to account for these risks. According to PAA's 2013 Annual Report risk factors for PAA include:

- Not able to fully implement or capitalize upon planned growth projects
- Operation results are influenced by the overall market for crude oil and certain market structures or the absence of pricing volatility may adversely impact our results
- A natural disaster, catastrophe, terrorist attack or other event, including attacks on our electronic and computer systems, could interrupt our operations and/or result in severe personal injury, property damage and environmental damage, which could have a material adverse effect on our financial position, results of operations and cash flows.
- Acquisitions or acquisitions that fail to perform as anticipated, limiting future growth.
- Acquisition strategy involves risks that may adversely affect our business
- Growth strategy requires access to new capital. Tightened capital markets or other factors that increase our cost of capital could impair our ability to grow.
- Loss of our investment grade credit rating or the ability to receive open credit could negatively affect our ability to purchase crude oil, NGL and natural gas supplies or to capitalize on market opportunities.
- Exposed to the credit risk of our customers in the ordinary course of our business activities.
- Operations are also subject to laws and regulations relating to protection of the environment and wildlife, operational safety, climate change and related matters that may expose us to significant costs and liabilities.
- Profitability depends on the volume of crude oil, refined product, natural gas and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of our facilities, which can be negatively impacted by a variety of factors outside of our control
- Fluctuations in demand, which can be caused by a variety of factors outside of our control, can negatively affect our operating results.

- Assets are subject to federal, state and provincial regulation. Rate regulation or a successful challenge to the rates we charge on U.S. and Canadian pipeline systems may reduce the amount of cash generated.
- Sales of oil, natural gas, NGL and other energy commodities, and related transportation and hedging activities, expose us to potential regulatory risks.
- Legislation and regulatory initiatives relating to hydraulic fracturing could reduce domestic production of crude oil and natural gas
- Not be able to compete effectively in our transportation, facilities and supply and logistics activities, and our business is subject to the risk of a capacity overbuild of midstream energy infrastructure in the areas where we operate

Future Business Strategies

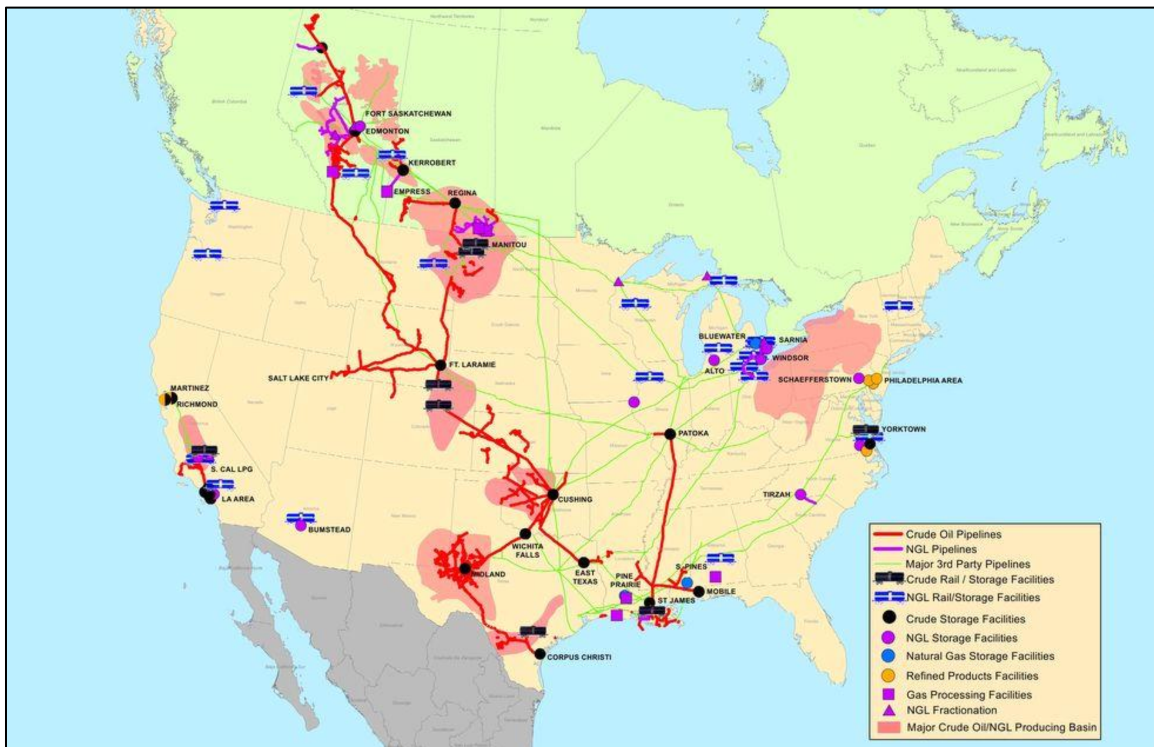
Mission Statement

PAA's vision is to become the premier crude oil and NGL transportation and marketing company in the United States and Canada by providing the utmost in value-added services to its customers, and in doing so, delivering superior returns to its stakeholders

Portfolio

Currently, PAA's portfolio is focused on three areas of expertise: transportation, facilities, and supply. PAA's success in transportation has been due to their capital intensive projects in developing infrastructure for North America shales and strategic acquisitions to expand their presence in developing North America regions. The success of the transportation of crude oil and NGLs has expanded their capabilities to include storage facilities and gas processing services. PAA continues to expand their portfolio and has entered the purchasing and reselling of crude oil. PAA believes the purchasing of crude oil at terminal locations will allow for hedging opportunities and balance their risk. As PAA continues to grow, it will be looking for new ways to diverse their portfolio and balance risk to continue to create shareholder value.

Figure 16 MAP of PAA Assets



Recently, PAA has announced several new projects to increase and expand its Permian Basin infrastructure to support crude oil production growth. These projects are expected to complete in stages throughout 2014 and early 2015. (marketreaslist.com)

The Cactus Pipeline is a new 310-mile crude oil pipeline extending from McCamey to Gardendale, Texas, to provide 200,000 barrels per day (which, based on shipper demand, may increase to 250,000 barrels per day) of additional takeaway capacity from the Permian Basin. The project is expected to cost $440 million. (marketreaslist.com)

PAA is investing approximately $475 million to de-bottleneck the Delaware Basin (in the Permian Basin) and the southern portion of the Midland Basin. These projects will increase pipeline capacities in Southeastern Mexico and the Delaware Basin by approximately 350,000 barrels per day. They will increase the southern portion capacity of the Midland Basin by over 200,000 barrels per day. The company is also building a new 62-mile crude oil pipeline with 200,000 barrels of takeaway capacity from the South Midland Basin to the origin of the Cactus Pipeline at McCamey. (marketreaslist.com).

Business Model

PAA's principal business strategy is to provide competitive and efficient midstream transportation, terminalling, storage, processing, fractionation and supply and logistics services to our producer, refiner and other customers. Toward this end, PAA endeavors to address regional supply and demand imbalances for crude oil and NGL in the United States and Canada by combining the strategic location and capabilities of its transportation, terminalling, storage, processing and fractionation assets with its extensive supply, logistics and distribution expertise.

PAA believes successful execution of this strategy will enable it to generate sustainable earnings and cash flow. PAA intends to manage and grow its business by:

- Commercially optimizing its existing assets and realizing cost efficiencies through operational improvements;
- Using its transportation (including pipeline, rail, barge and truck), terminalling, storage, processing and fractionation assets in conjunction with its supply and logistics activities to capitalize on inefficient energy markets and to address physical market imbalances, mitigate inherent risks and increase margin;
- Developing and implementing internal growth projects that (i) address evolving crude oil and NGL needs in the midstream transportation and infrastructure sector and (ii) are well positioned to benefit from long-term industry trends and opportunities;
- Selectively pursuing strategic and accretive acquisitions that complement its existing asset base and distribution capabilities; and
- Capitalizing on the anticipated long-term growth in demand for natural gas storage services in North America by owning and operating high-quality natural gas storage facilities and providing its current and future customers reliable, competitive and flexible natural gas storage and related services through its ownership in PAA Natural Gas Storage, L.P. ("PNG").

Capabilities

PAA capabilities include transportation and facilities activities along with their developing supply and logistics activities. PAA strengths are able to understand the markets and determine the volatility in the market. To achieve these results, PAA must build or acquire strategic assets and capitalize on low risk market opportunities. The expectation for US and Canada crude oil production to increase will generate volatility and complicate logistics. PAA is positioned to embrace the increase in these market conditions. For 2013, PAA has estimated $7 billion of expansion capital and portfolio projects, including 2013 targeted capex of $1.4 billion. Companies that correctly anticipate market dynamics and/or possess flexible key assets will have significant profit and growth opportunities. PAA is well positioned to exploit these increase in market demand.

Leadership and Governance

Corporate Responsibilities

PAA is committed to public safety, protection of the environment and operation of our facilities in a prudent and safe manner. All of the pipeline systems are controlled and monitored from control rooms with computer systems designed to continuously monitor real-time operational data including measurement of crude oil quantities injected into and delivered through the pipelines.

Plains All American conducts an ongoing educational program designed to provide the public, appropriate government organizations and persons engaged in excavation activities with the information necessary to be able to recognize a petroleum pipeline emergency and to report it to Plains All American or the local fire, police or other appropriate public official. Public awareness and safety information will be disseminated to all known tenants, lessees and owners of property traversed by a pipeline system and residents reasonably close to the pipeline at least every two years

Board of Directors

PAA has a board of directors that is diverse across various energy, finance, and consulting firms. The board of directors are as follows:

Greg Armstrong- Chairman and CEO

Greg has been with PAA since the formation and has served in multiple leadership positions including President, CEO, & COO. Greg has been with PAA or its predecessors since 1981 and is ultimately responsible for all facets of PAA business. Greg focuses the majority of his time on developing and refining PAA's strategy, ensuring that we have the tools and capital to execute PAA's business plan and helping PAA overcome obstacles as they arise. (www.paalp.com)

Everardo Goyanes- Founder, Ex Catherdra LLC

Mr. Everardo Goyanes was the President and Chief Executive Officer of Liberty Energy Holdings, LLC from May 2000 to April 2009. Mr. Goyanes served as the Managing Director of the Natural Resources Group of ING Barings Furman Selz from 1989 to 1999. He was a Financial Consultant from 1987 to 1989

and served as a Vice President of Finance of Forest Oil Corporation from 1983 to 1987. From 1999 to May 2000, Mr. Goyanes served as a Financial Consultant specializing in Natural Resources. From 1969 to 1982, Mr. Goyanes served in various financial and management capacities at Chase Bank, where his major emphasis was international and corporate finance to large independent and major oil companies. Mr. Goyanes has been the Chairman of Liberty Natural Resources since April 2009. (www.paalp.com)

Gary Peterson- Managing Partner, EnCap Investments L.P.

Mr. Petersen has served as a director partner since June 2001. Mr. Petersen is a Managing Partner of EnCap Investments L.P., an investment management firm, which he co-founded in 1988. He had previously served as Senior Vice President and Manager of the Corporate Finance Division of the Energy Banking Group for RepublicBank Corporation. Prior to his position at RepublicBank, he was Executive Vice President and a member of the Board of Directors of Nicklos Oil & Gas Company from 1979 to 1984. (www.paalp.com)

John Raymond- CEO & Managing Partner, The Energy & Minerals Group

Mr. Raymond has served as a director of our general partner since December 2010. Mr. Raymond is an owner and founder of The Energy and Minerals Group (EMG), a diversified natural resource private equity fund manager with over $6.1 billion under management (including co-investments), and has been Managing Partner and CEO since EMG's inception in 2006. Mr. Raymond held leadership positions with various energy companies, including President and CEO of Plains Resources Inc., the predecessor entity for Vulcan Energy Corporation, President and Chief Operating officer of Plains Exploration and Production Company and Director of Development for Kinder Morgan, Inc. (www.paalp.com)

Robert Sinnott- President and CEO, Kayne Anderson Capital Advisors, L.P.

Mr. Sinnott has served as a director since September 1998. Mr. Sinnott is President, Chief Executive Officer and Senior Managing Director of energy investments of Kayne Anderson Capital Advisors, L.P. He was Vice President and Senior Securities Officer of the Investment Banking Division of Citibank from 1986 to 1992. (www.paalp.com)

Vicky Sutil- Director, Corporate Development, Occidental Petroleum Corporation

Ms. Sutil has served as a director of our general partner since December 2010. Ms. Sutil is Director, Corporate Development Midstream, and Director, Business Development Rockies, for Oxy, where she has led and worked on a variety of international and domestic oil and gas acquisitions. Her prior positions at Oxy have included Senior Manager, Corporate Development, Manager, Financial Planning and Analysis, and Senior Business Analyst. (www.paalp.com)

J. Taft Symonds- Chairman, Symonds Investment Company, Inc.

Mr. Symonds has served as a director since June 2001. Mr. Symonds is Chairman of the Board of Symonds Investment Company Inc. (a private investment firm). From 1978 to 2004, he was Chairman of the Board and Chief Financial Officer of Maurice Pincoffs Company, Inc. (an international marketing firm). Mr. Symonds has a background in both investment and commercial banking, including merchant

banking in New York, London and Hong Kong with Paine Webber, Robert Fleming Group and Banque de la Societe Financiere Europeenne. (www.paalp.com)

Chris Temple- President, DelTex Capital LLC

Mr. Temple has served as a director since May 2009. Mr. Temple is President of DelTex Capital LLC, a private investment firm, and chairman of Texas Plastics Holdco, LLC, a Midland, Texas based distributor of engineered plastics used in the exploration and production of oil and gas. Mr. Temple served as the President of Vulcan Capital, the private investment group of Vulcan Inc., from May 2009 until December 2009 and as Vice President of Vulcan Capital from September 2008 to May 2009. (www.paalp.com)

Four of the eight member board consist of investment groups and capital advisors, bringing the necessary financial leadership necessary for an MLP. There are four board members with specific energy experience including the chairman. Below is the Board of Directors Scoring Summary:

	Midstream	Other Energy Related	Banking & Finance	HSE	Politicans/ Lawyers	Other	Score	Score Per Director
Points	3	2	1	1	0	0		
Greg Armstrong	3							3
Everardo Goyanes		2						2
Gary Peterson			1					1
John Raymond	3							3
Robert Sinnott			1					1
Vicky Sutil		2						2
J. Taft Symonds			1					1
Chris Temple			1					1
PAA	6	4	4	0	0	0	14	1.75

The PAA Board has strong representation from financial experts but little midstream experience to challenge the executive team on growth strategies.

Valuation

The value of a share of Plains All American Pipeline L.P. at the end of 2013 was $51.77; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $54.92, suggesting a market undervaluation of 5%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $100.10, suggesting a market undervaluation of 48% before IDRs. PAA’s General Partner receives over 30% of total distributions as IDRs.

6. Enterprise Products Partners, L.P.

Background

Table 1. Timeline, Source: http://www.enterpriseproducts.com/corpProfile/corpHistory.shtm

Year	Event
1968	Enterprise Products Company (Enterprise Products) formed as a wholesale marketer of natural gas liquids (LNGs)
1972	Enterprise Products completes construction of pipelines at Mont Belvieu, Texas
1973	Enterprise Products Purchased Cango, the predecessor of Enterprise Transportation Company
1979	• Completed construction of Mont Belvieu storage and pipeline complex • Completed construction of a natural gas liquids fractionator at Petal, Mississippi • Completed construction of Chunchula and Sorrento NGL pipelines
1980	• Completed construction of the West Texas natural gas liquids fractionator at Mont Belvieu with 35,000 barrels per day of capacity • Acquired Wanda Petroleum Company (pipeline and storage assets) from Dow Chemical • Completed construction of Lake Charles, Louisiana and Bayport, Texas propylene pipelines
1981	Completed construction of Isomerization units I and II, each with 13,000 barrels per day of production capacity
1982	Enterprise Products completed construction of the Seminole NGL fractionator at Mont Belvieu with 60,000 BPD of capacity
1983	Enterprise Products completed the construction of its NGL import/export facility on the Houston Ship Channel
1991	• Completed construction of 16-inch pipeline from Mont Belvieu storage complex to Houston Ship Channel import/export terminal. • Completed expansion of isomerization unit II to 36,000 barrels per day of production capacity.
1992	Completed construction of isomerization unit III with 44,000 barrels per day of production capacity and expansion of isomerization unit I capacity to 36,000 barrels per day
1994	Completed construction of Belvieu Environmental Fuels' MTBE plant with affiliates of Mitchell Energy and Sun Oil Company as partners
1996	Completed expansion of Mont Belvieu NGL fractionation capacity for the 4th time to 210,000 barrels per day
1998	Issued 12,000,000 limited partner common units in an initial public offering at $22/unit. The net proceeds of $247.2 million were reinvested in the company to fund project developments and future acquisitions

Table 1. Timeline, Continued

Year	Event
1999	• Agreed to acquire Lou-Tex propylene pipeline from an affiliate of Shell Chemical. • Formed a joint venture with Exxon Chemical to construct a propylene concentrator in Baton Rouge, Louisiana with 22,500 barrels per day of production capacity. • Acquired Tejas Natural Gas Liquids from an affiliate of Shell Oil Company for approximately $375 million in cash and convertible special partnership units.
2000	• Commenced operations at the Neptune Natural Gas Processing Plant. Neptune, with the capacity to process 300 million cubic feet per day of natural gas, is located in St. Mary Parish, LA • Commenced operations of Baton Rouge Propylene Concentrator LLC, a joint venture between affiliates of ExxonMobil Chemical Company and Enterprise. • Completed construction of 12-inch diameter, 206-mile, Lou-Tex NGL Pipeline.
2001	• Acquired ownership interests in five natural gas pipeline and gathering systems in the central Gulf of Mexico for $112 million. • Acquired Acadian Gas LLC from an affiliate of Shell Oil Company for $244 million in cash.
2002	• Acquired a natural gas liquids and petrochemical liquids storage business from Diamond-Koch for $130 million in cash • Acquired various propylene fractionation assets and certain inventories of propylene and propane from Diamond-Koch for approximately $239 million in cash. • Acquired 100% of the Toca-Western natural gas processing plant and natural gas liquids fractionator from Western Gas Resources for $32.5 million in cash. • Acquired a 98% ownership interest in the Mid-America pipeline system and a 78% interest in the Seminole pipeline system from The Williams Companies, Inc. for approximately $1.2 billion in cash.
2003	• Purchased the remaining 50% interest in the EPIK NGL export terminal for $19 million • Completed the expansion of the Lou-Tex NGL pipeline, which increased the capacity by 40% to 70,000 BPD from 50,000 BPD for only $2 million
2004	Enterprise completed its merger with GulfTerra effective September 30, creating one of the largest publicly traded energy partnerships with an enterprise value of approximately $14 billion
2005	• Acquired natural gas gathering and processing companies from El Paso Corporation that own an 80% interest in 3 gathering systems and a 75% interest in the Indian Springs gas processing facility, all located in Polk County, Texas for $74.5 million • Announced first deliveries of crude oil to major refining markets on the Texas Gulf Coast through the recently completed Cameron Highway Oil Pipeline System • Expanded integrated network of NGL assets in the Permian Basin and Mid-Continent region of the United States with the $144 million purchase of NGL underground storage and terminalling assets from a subsidiary of Ferrellgas Partners, L.P • Acquired Texas Eastern Products Pipeline Company, LLC, the general partner of TEPPCO Partners, L.P. ("TEPPCO"), a master limited partnership formed in 1990, for $1.1 billion

Table 1. Timeline, Continued

Year	Event
2006	Acquired certain natural gas gathering systems and related gathering and processing contracts from Cerrito Gathering Company, Ltd. The Cerrito gathering systems are comprised of approximately 484 miles of pipeline
2007	• Independence Hub production platform was successfully installed at its deepwater site in the Mississippi Canyon area of the eastern Gulf of Mexico and began earning demand revenues. • Began processing natural gas at its Meeker cryogenic facility located in Colorado's Piceance Basin
2008	Enterprise received $280.5 million in cash and 37.3 million of Class B units of Duncan Energy, having a market value of $449.5 million
2009	• Announced along with Duncan Energy Partners the completion of the 174-mile Sherman Extension of the Enterprise Texas Intrastate natural gas pipeline system • Announced the completion of its crude oil pipeline serving the BHP-Billiton-operated Shenzi field in the Gulf of Mexico • Announced the merger of Enterprise Products Partners and TEPPCO Partners, creating the nation's largest publicly traded energy partnership with an enterprise value of approximately $30 billion, 48,000 miles of pipelines and market capitalization of $18 billion
2010	• Completed the purchase of the State Line and Fairplay natural gas gathering and treating systems from subsidiaries of M2 Midstream LLC for approximately $1.2 billion • Completed $9 billion merger with Enterprise GP Holdings L.P. (EPE)
2011	Commercial operations on the Haynesville Extension of Acadian Gas system began
2012	• Announced the formation of a 50/50 joint venture, Eagle Ford Pipeline LLC, with Plains All American Pipeline, L.P. ("Plains") to provide crude oil pipeline services to producers in South Texas • Announced plans to build one of the world's largest propane dehydrogenation ("PDH") units, with capacity to produce up to 1.65 billion pounds per year
2013	Completed an expansion project at marine terminal located on the Houston Ship Channel that increased its loading capability from 4.0 MMBbls per month to 7.5 MMBbls
2014	• Announced that the board of directors of its general partner has approved a two-for-one split of Enterprise’s common units representing limited partner interests • The 512 mile Seaway Pipeline was completed

Current Scope of Operations

Source: https://www.capitaliq.com/ciqdotnet/company.aspx?leftlink=true&companyId=388763

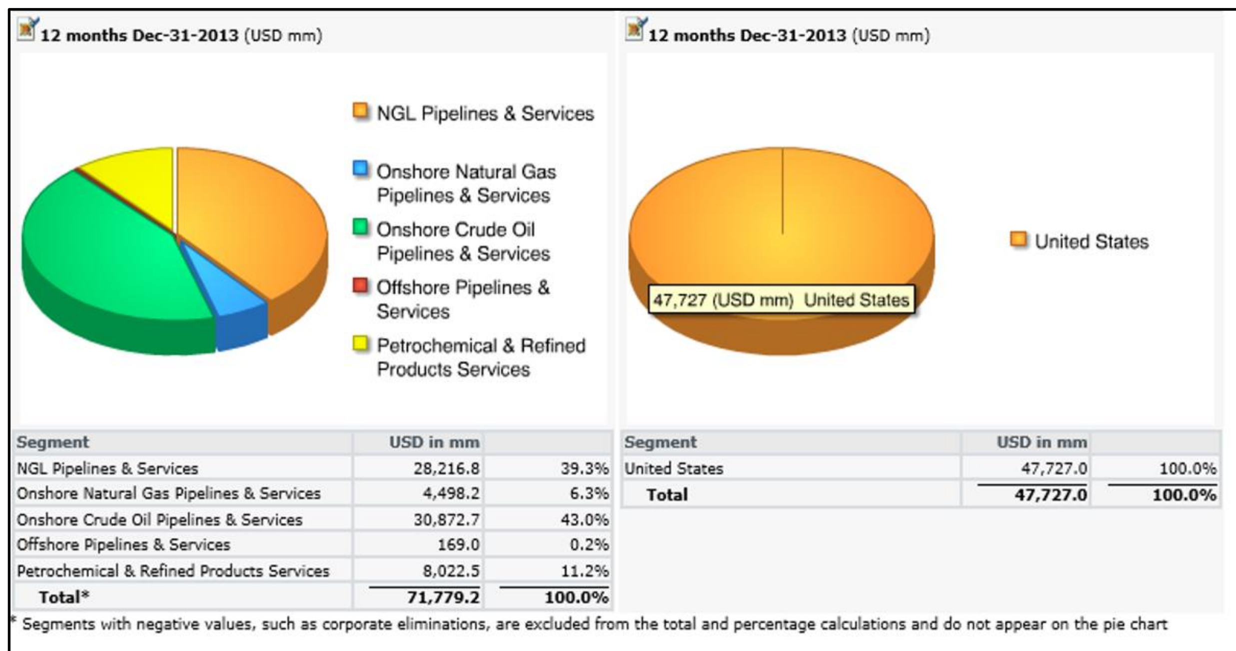
Enterprise Products Partners L.P. provides midstream energy services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil, petrochemicals, and refined products in the United States and internationally:

- Its NGL Pipelines & Services segment provides natural gas processing and related NGL marketing services, as well as import and export terminal services. This segment operates NGL pipelines

aggregating approximately 19,400 miles; NGL and related product storage facilities; and 15 NGL fractionators.

- The company's Onshore Natural Gas Pipelines & Services segment operates approximately 19,600 miles of onshore natural gas pipeline systems to gather and transport natural gas in Colorado, Louisiana, New Mexico, Texas, and Wyoming. This segment also leases salt dome natural gas storage facilities; and markets natural gas.
- Its Onshore Crude Oil Pipelines & Services segment operates approximately 4,600 miles of onshore crude oil pipelines; and markets crude oil. This segment's pipelines gather and transport crude oil primarily in New Mexico, Oklahoma, and Texas to refineries, centralized storage terminals, and connecting pipelines.
- The company's Offshore Pipelines & Services segment operates approximately 2,300 miles of offshore natural gas and crude oil pipelines and 6 offshore hub platforms in the northern Gulf of Mexico offshore Texas, Louisiana, Mississippi, and Alabama.
- Its Petrochemical & Refined Products Services segment operates propylene fractionation and related operations, including 680 miles of pipelines; butane isomerization complex and related pipeline assets; and octane enhancement and high purity isobutylene production facilities, as well as refined products pipelines of 4,200 miles, as well as offers related marketing and marine transportation services. The company was founded in 1968 and is based in Houston, Texas.

Figure 1 Enterprise Products Partners L.P. Assets by Business Unit. Filed 03 MAR 2014



Segment	USD in mm	
NGL Pipelines & Services	28,216.8	39.3%
Onshore Natural Gas Pipelines & Services	4,498.2	6.3%
Onshore Crude Oil Pipelines & Services	30,872.7	43.0%
Offshore Pipelines & Services	169.0	0.2%
Petrochemical & Refined Products Services	8,022.5	11.2%
Total*	71,779.2	100.0%

Segment	USD in mm	
United States	47,727.0	100.0%
Total	47,727.0	100.0%

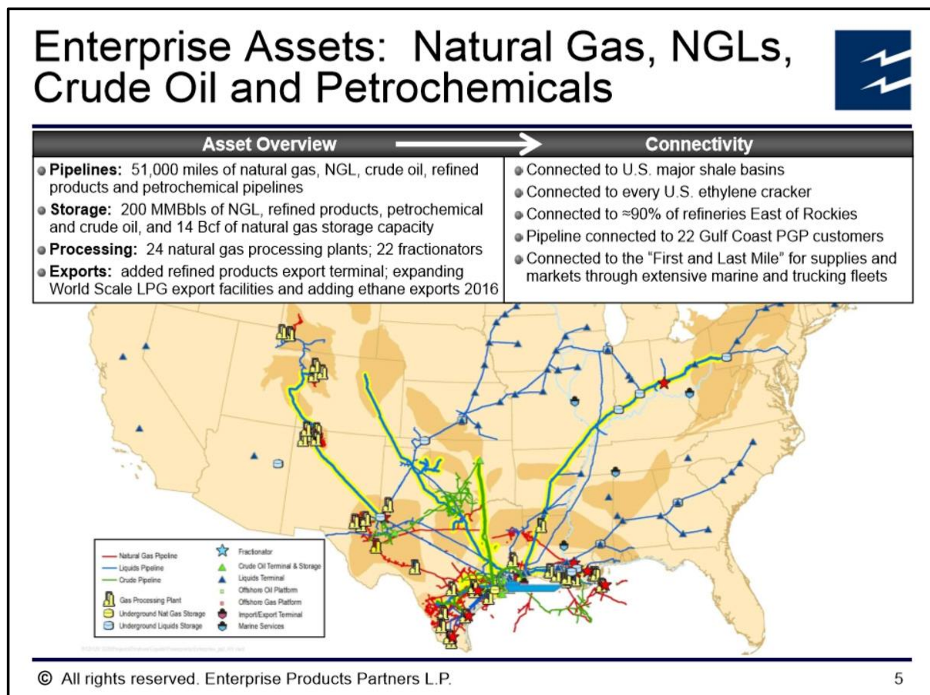
* Segments with negative values, such as corporate eliminations, are excluded from the total and percentage calculations and do not appear on the pie chart

NGL Pipelines and Services:

Enterprise Products Partners L.P. (EPD) derives 39.3% of its revenue from NGL pipelines and services. Since its founding in 1968 EPD has consistently and aggressively expanded its pipeline networks through

construction, purchases, and acquisition of companies with pipeline assets. “The NGL pipelines and services business segment includes its natural gas processing plants and related NGL marketing activities; approximately 51,000 miles of NGL pipelines; NGL and related product storage facilities; and 15 NGL fractionators. This segment also includes its NGL import and export terminal operations (capitaliq.com).”

Figure 2 Enterprise Products Partners L.P. NGL Pipelines as of 10 JUN 2014



Onshore Natural Gas Pipelines and Services:

This segment includes approximately 19,600 miles of onshore natural gas pipeline systems that give the capability to gather and transport natural gas in Colorado, Louisiana, New Mexico, Texas, and Wyoming. This segment comprises approximately 6.3% of revenue. The company also owns and leases salt dome natural gas facilities in Texas and Louisiana, which ties into its natural gas marketing activities. Geographical segments include the following:

- Texas Intrastate System
- Acadian Gas System Transports
- Jonah Gathering System
- San Juan Gathering System
- Piceance Basin Gathering System
- White River Hub
- Haynesville Gathering System
- Fairplay Gathering System

- Carslbad Gathering System

Onshore Crude Oil Pipelines & Services Segment:

This segment includes approximately 4,600 miles of onshore crude oil pipelines, crude oil storage terminals located in Oklahoma and Texas, and its crude oil marketing activities. Revenues from this segment constitute the primary revenue generator for the company with revenues at 43%. The pipelines are arranged to transport crude from major hubs to refineries in multiple locations including Texas City and the Greater Houston Area. The company has expanded to take advantage of drilling activities in the Eagle Ford formation, and Permian Basin, with increased storage capacity and expansion pipelines.

Offshore Pipelines and Services:

Offshore operations include deepwater production fields primarily in the Gulf of Mexico in proximity to Texas, Louisiana, Mississippi and Alabama, and constitute .2% of the company's revenue. There are approximately 2,300 miles of offshore natural gas and crude oil pipelines and 6 offshore hub platforms.

Petrochemical and Refining Services:

The company has a diversified petrochemical refining segment which includes propylene fractionation, butane isomerization, octane enhancement, and other related operations. These activities include infrastructure consisting of 680 miles of pipeline connecting to refining operations in several locations in Texas. 11.2% of revenue is derived from this segment.

Shareholder Value

Total Shareholder Returns

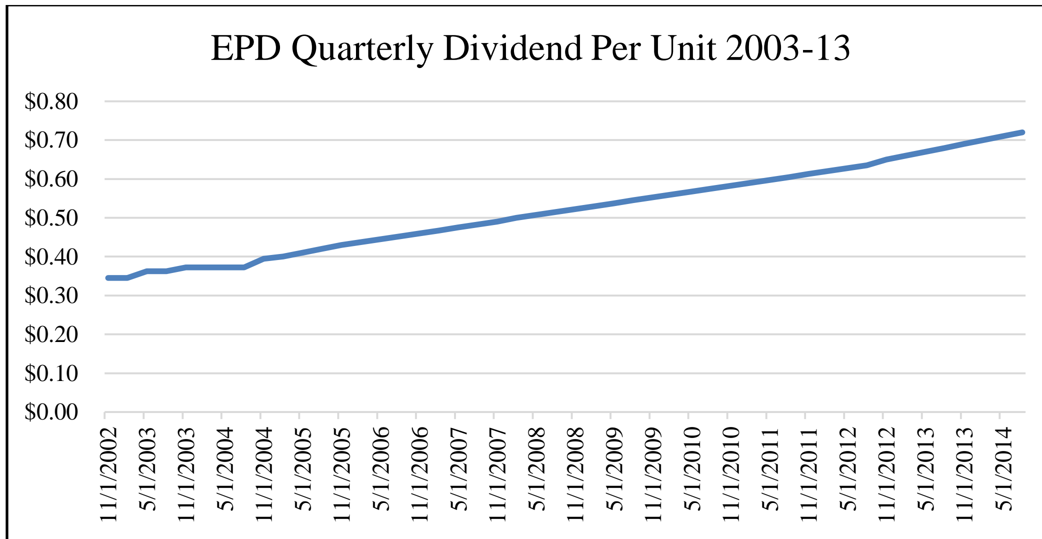
Figure 3 Year Share Price Performance – Dividend Adjusted Share pricing, and Major Events

Share Price History Explanation:

1. Numerous acquisitions of natural gas gathering and processing. First deliverables of crude to refining markets on the Texas Gulf Coast. Expansion of NGL pipeline into the Permian Basin.
2. Acquisition of 484 miles of pipeline
3. Expansion of deepwater operations earning demand revenue
4. $280.5 million cash influx from Duncan Energy
5. Merger with TEPPCO Partners, creating the largest publicly traded energy partnership with enterprise value of approximately $30 billion
6. Completed $9 billion merger with Enterprise GP Holdings L.P.
7. Commercial Operations in Haynesville Extension Acadian Gas system began
8. Announcement of Joint Venture with Eagle Ford Pipeline LLC. Announced plan to build one of the world's largest propane dehydrogenation services
9. Completed expansion project at Houston Ship Channel increasing loading capability
10. 512 mile Seaway Pipeline completed

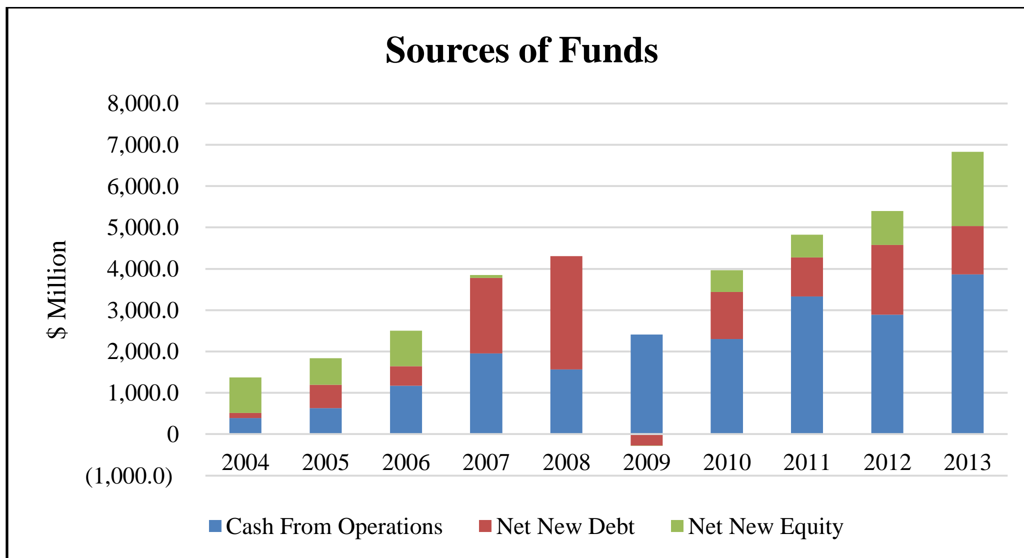
EPD quarterly dividend payments have risen steadily since 2002. As a percentage of share price, however, dividend payments have fluctuated. As will be discussed in the Shareholder Returns section, EPD has not always kept relative pace with competitors' dividend payments. This has often been critiqued by financial analysts; however, EPD's long term strategy has shifted from a high dividend approach to one of capital gains through aggressive share price growth.

Figure 4 Year Quarterly Dividend per Unit



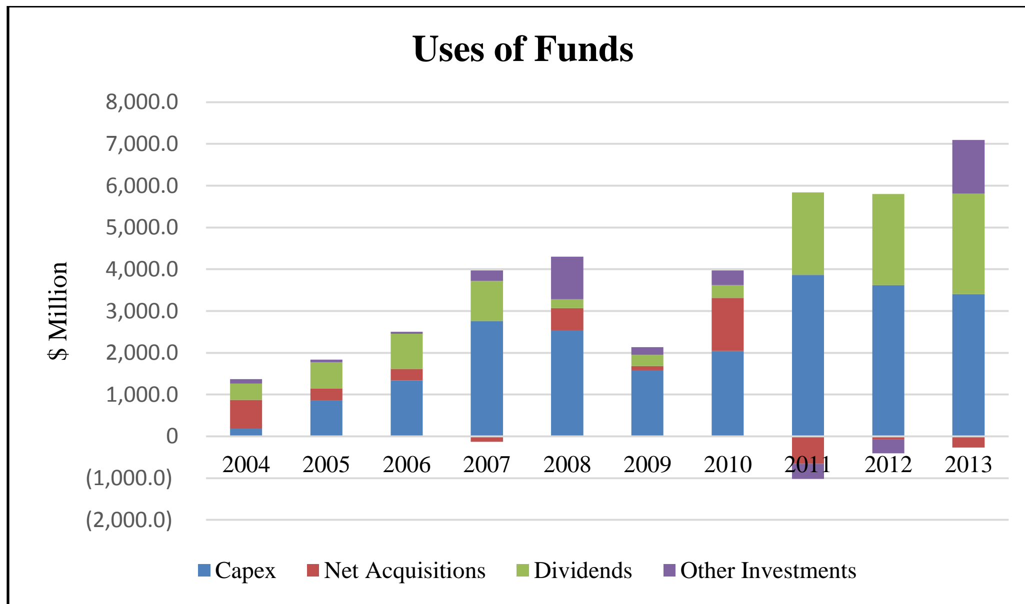
Over the last decade most of the funding used was derived from cash from operations. 2007 and 2008 involved higher debt acquisition as EPD installed a deep water site in the eastern Gulf of Mexico. Debt and equity sourcing was not involved in 2009 as EPD merged with TEPPCO Partners. From 2009 to 2013 new debt and equity remained below cash from operations as new cash revenue streams came on line.

Figure 5 Sources of funds for Enterprise



Notable uses of funds occurred in 2007 to 2011. The main use of funding in 2007 was for the installation of a deep water platform in the Gulf of Mexico. At the same time, its natural gas cryogenic facility in Colorado became operational and required initial funding. As will be discussed later, dividends comprised a small percentage of funding usage from 2008 to 2010 as the company reacted to a recessionary period while also attempting to aggressively grow pipeline infrastructure and natural gas processing facilities.

Figure 6 Use of funds by Enterprise

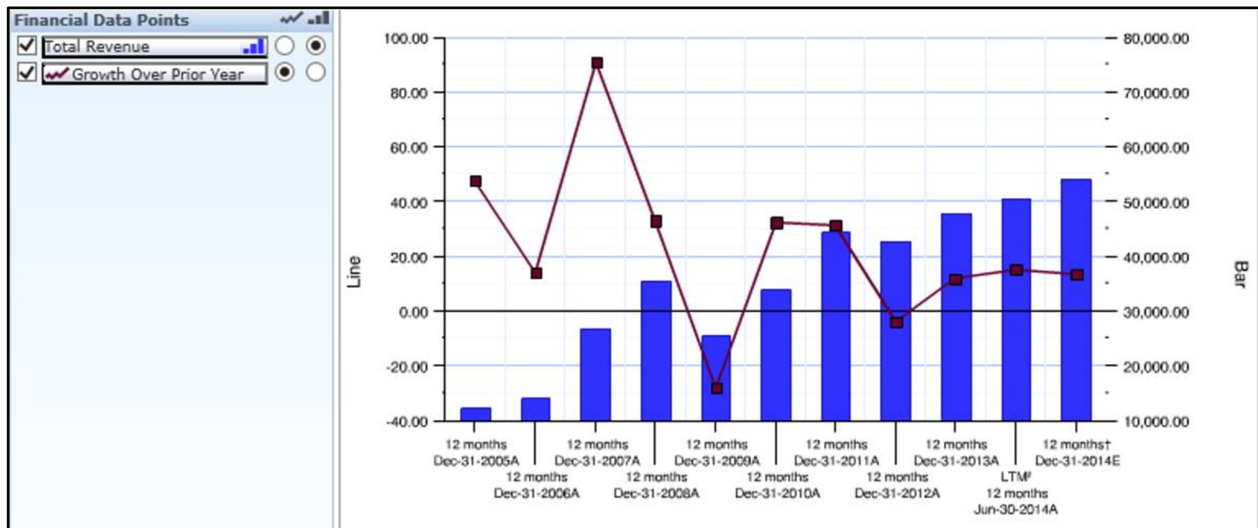


Financial and Operating Results

Growth

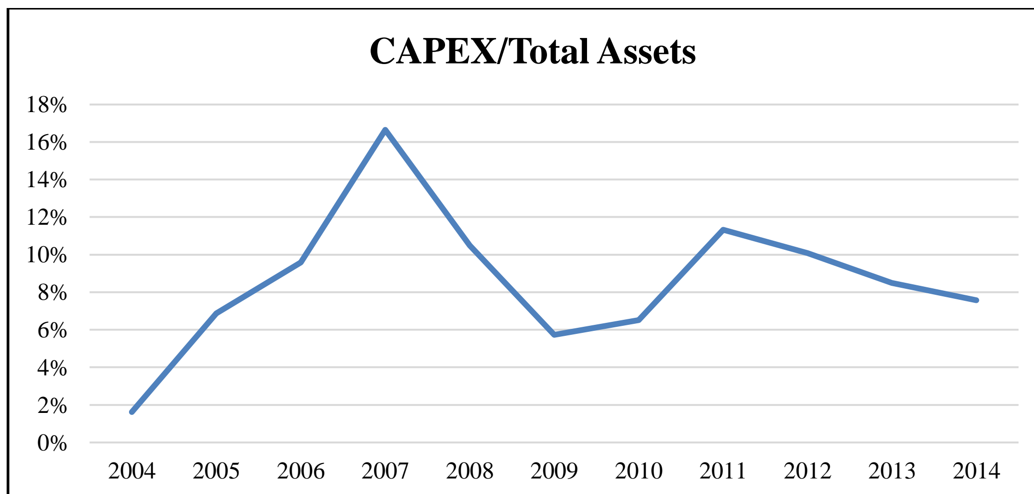
Figure 5, below, tracks the ten year growth of the company with corresponding percentage increases over prior year. Growth was steady up to the end of 2007. The United States entered a recessionary period in 2008 which negatively impacted global consumer demand for petroleum and other related products. Revenue growth began to recover in 2010 with growth remaining relatively stable to today.

Figure 7 Year Revenue Growth



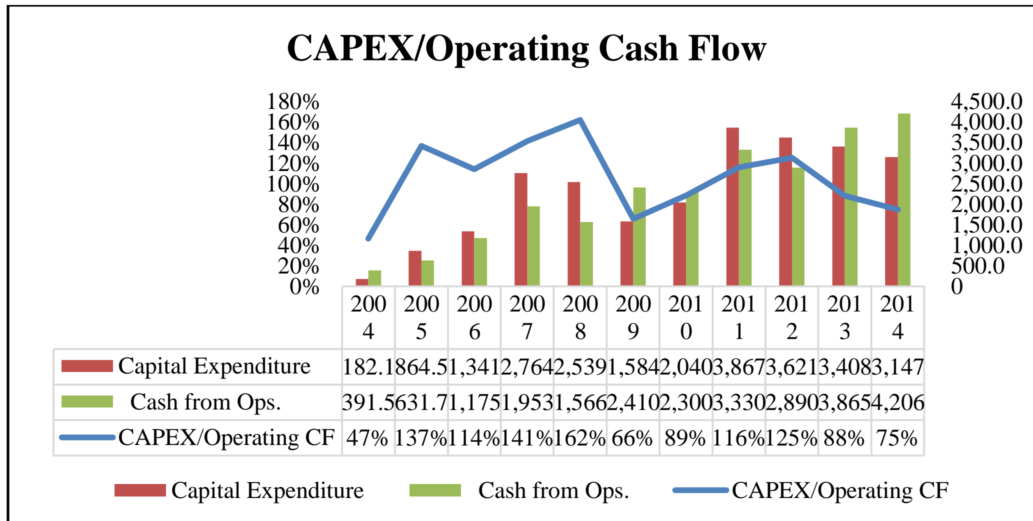
From 2004 to 2007, EPD pursued a capital intensive growth strategy acquiring extensive pipeline, gas collection facilities and deep water production platform. The CAPEX/Total Assets has remained below 12% since 2011.

Figure 8 Year CAPEX/Total Assets



Further CAPEX analysis shows that prior to 2012 EPD augmented funding for capital intensive projects by issuing debt to cover cash flow shortfalls. After additional revenue streams started to come online, the CAPEX/Operating Cash Flow ratio steadily declined to 75%.

Figure 9 EPD 10 Year CAPEX/Operating Cash Flow

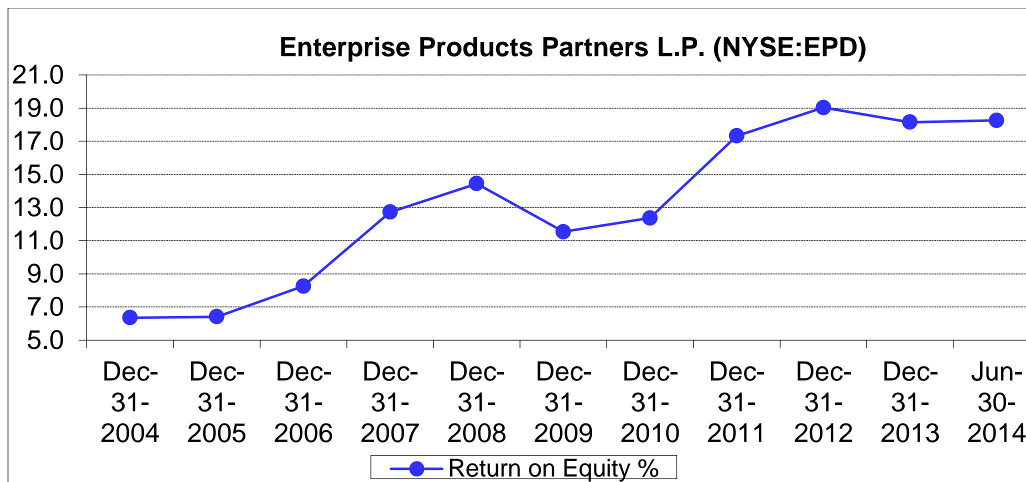


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Expenditure	182.1	864.5	1,341	2,764	2,539	1,584	2,040	3,867	3,621	3,408	3,147
Cash from Ops.	391.5	631.7	1,175	1,953	1,566	2,410	2,300	3,330	2,890	3,865	4,206
CAPEX/Operating CF	47%	137%	114%	141%	162%	66%	89%	116%	125%	88%	75%

Returns

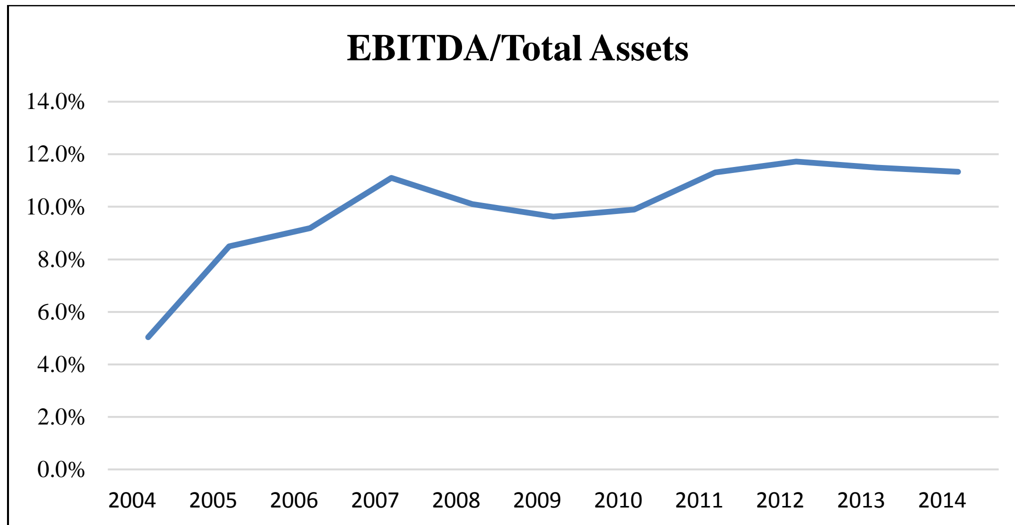
A 10 year analysis of ROE indicates an upward trend from 6% in 2004 to 18% in 2014. This can be accounted for by examining debt, and dividend trends. Between 2004 and 2014 debt has increased from $4 billion to $18 billion. As a result, shareholder's equity represents a smaller percentage of total assets. EPD has become more growth oriented in the last five years, paying smaller percentage of total funds as dividends to concentrate on capital investment projects creating new revenue streams.

Figure 10 EPD 10-Year Return on Equity



EPD earnings were highest in 2009 following the 2008 recessionary period. Since 2012 earnings have remained flat. Capital expenditures to fund major projects have absorbed much of EPD's cash flow. In addition, debt has risen significantly in the last five years.

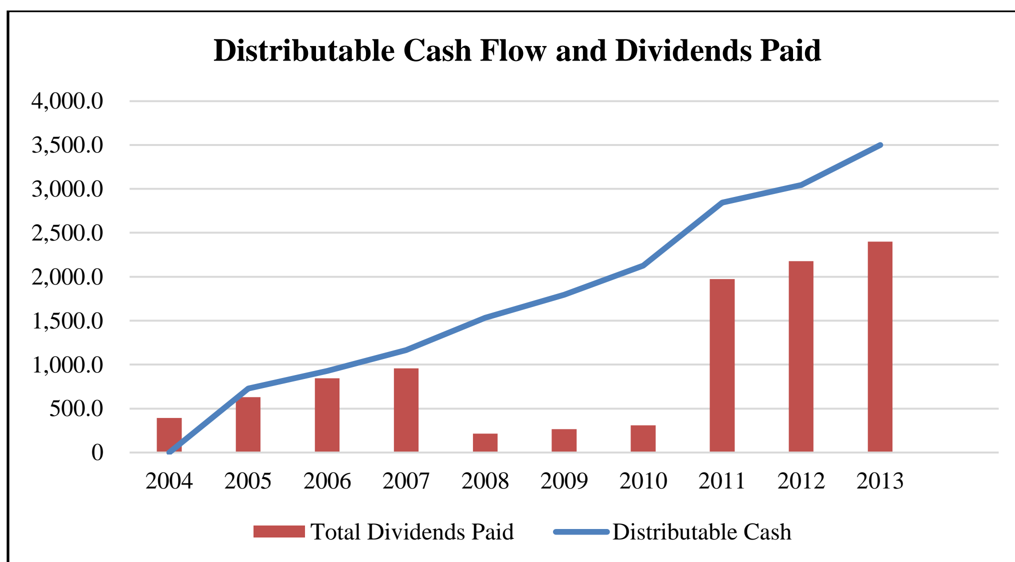
Figure 11 EPD EBITDA/Total Assets



EPD has sustained high EBITDA/ Total Assets returns despite a high level of reinvestment in new assets.

From 2008 to 2010 EPD dramatically reduced dividend payments in an effort to compensate for decreased consumer demand. Seekingalpha.com analysts observed that EPD dividend payments were lagging behind comparable midstream companies, with the potential to increase dividend distributions. Charting the 10 year distributable cash flow against dividends paid lends credibility to this claim.

Figure 12 EPD's Distributable Cash Flow and Dividends

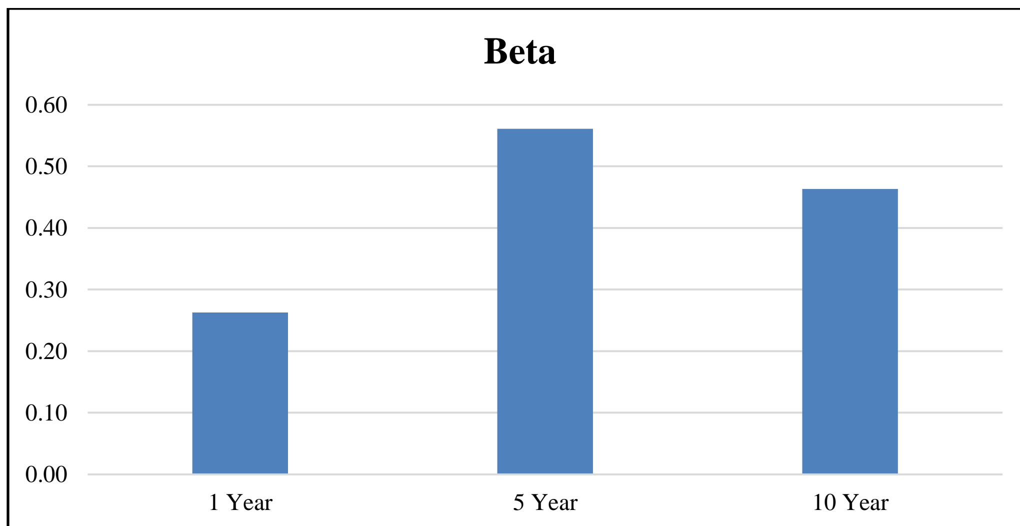


Risk

The following risks were listed in Enterprise Product Partners L.P. 2014 10-K Report

- Enterprise Products Partners L.P. is a holding company with no business operations and conducts its business through its wholly owned subsidiary, EPO. As a result, it depends on the earnings and cash flows of EPO to meet obligations and make cash distributions to partners.
- Changes in demand for and production of hydrocarbon products. Changes in prices may impact demand for hydrocarbon products, which in turn may impact production, demand and volumes of products. Demand may also be influenced by factors including economic conditions, reduced demand by consumers, increased competition, adverse weather conditions, and government regulations.
- Competition from third parties in the midstream energy business. Competitive pressures may adversely affect tariff rates or volumes shipped
- Debt level may limit future financial and operating flexibility.
    - A substantial portion of cash flows could be dedicated to the payment of principal and interest on future debt and may not be available for other purposes, including the payment of distributions on common units and capital expenditures.
- A natural disaster, catastrophe, terrorist or cyber-attack or other event could result in severe personal injury, property damage and environmental damage, which could curtail operations and have a material adverse effect on the financial position, results of operations, and cash flows.

Figure 13 Year Beta History – Betas derived from EPD and S&P 500 monthly averages



EPD beta has remained low, reflecting its reputation as a low risk security.

The following two figures map debt ratios over the last ten years. Debt to capital has fluctuated between 39-49% remaining stable at 45% over the last five years. Revenue growth remains strong, and

although EPD has increased its debt in order to fund capital intensive projects overall debt to EBITDA has steadily declined.

Figure 14 EPD 10 Year Total Debt/Total Capital

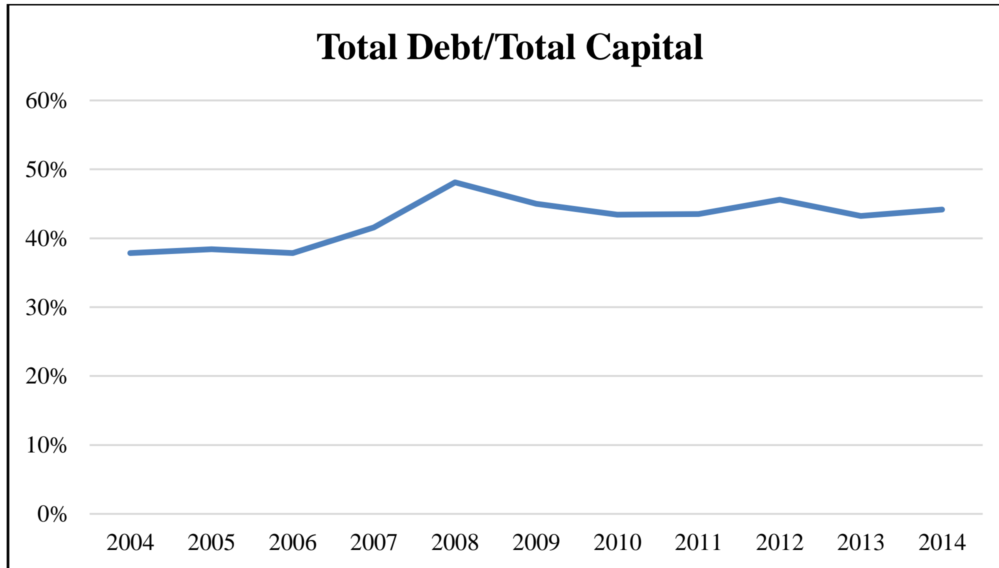
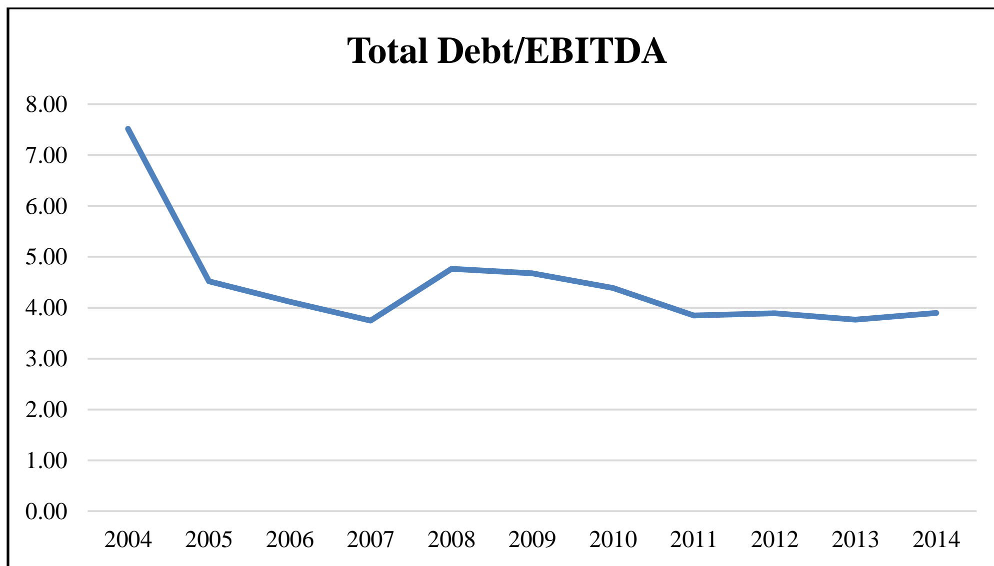


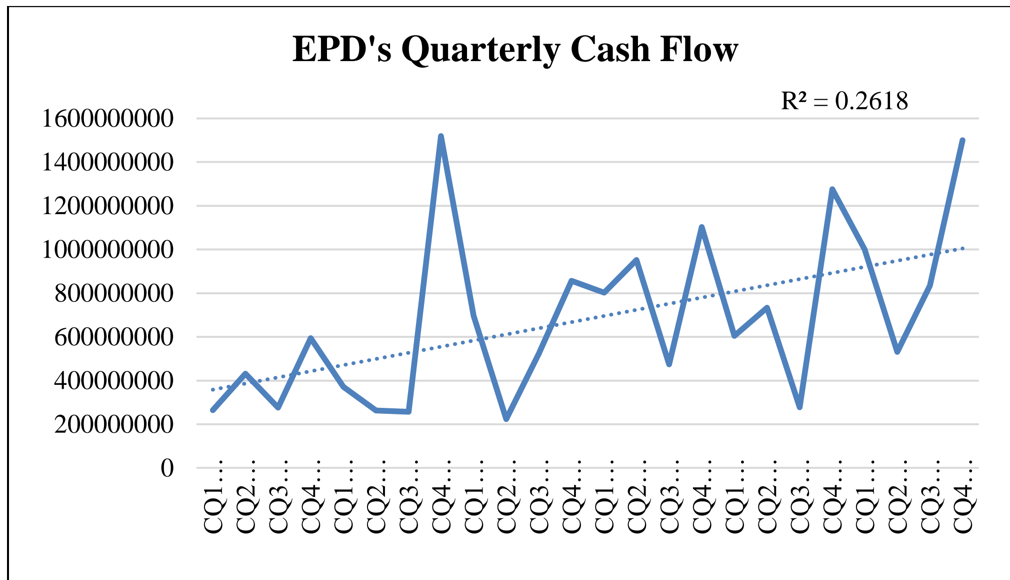
Figure 15 EPD Ten Year Total Debt/EBITDA



From 2003 to 2013 quarterly cash from operations has trended upward. A point of interest is an anomaly that occurred in the fourth quarter of 2009. At that time the merger of Enterprise Products Partners and TEPPCO Partners was announced, creating the nation's largest publicly traded energy partnership with an enterprise value of approximately $30 billion, 48,000 miles of pipelines and market capitalization of $18 billion. Following the 2009 merger, cash flows returned to with normal trend patterns.

Enterprise cash from operations shows moderate variability.

Figure 16 EPD Quarterly Cash Flows 2003-13



Business Strategies Going Forward

Business Model & Portfolio:

The following is EPD's growth strategy as stated on its website.

"We operate an integrated network of midstream assets. Our business strategies are to:

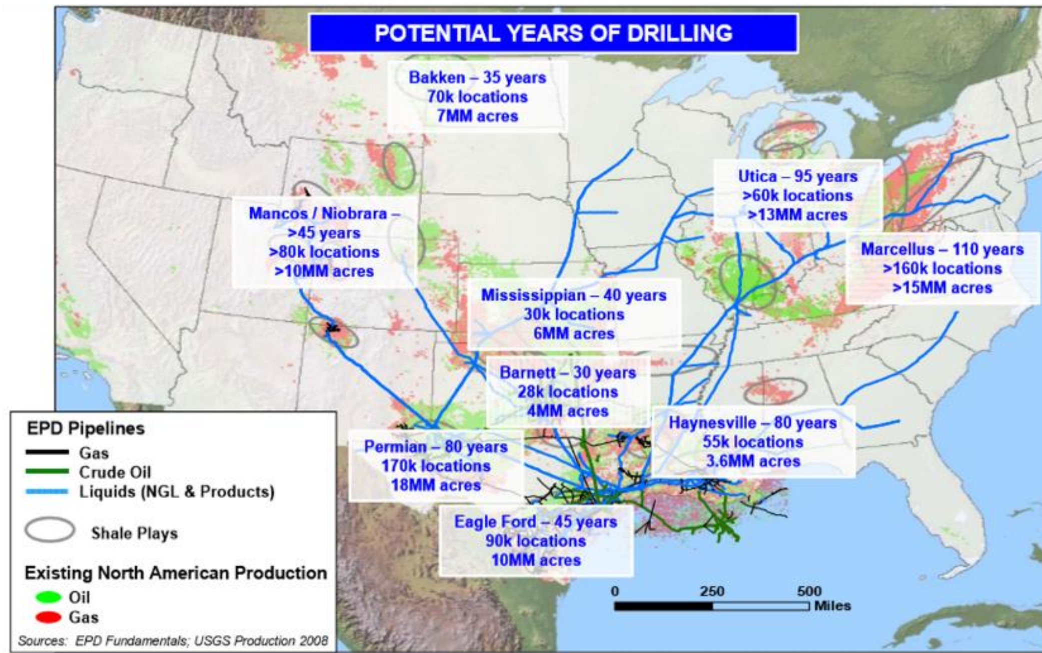
- Capitalize on expected increases in natural gas, NGL and crude oil production resulting from development activities in the Rocky Mountains and US Gulf Coast regions, including the Barnett Shale, Haynesville Shale and Eagle Ford Shale producing regions.
- Capitalize on expected demand growth for natural gas, NGLs, crude oil and petrochemical and refined products.
- Maintain a diversified portfolio of midstream energy assets and expand this asset base through growth capital projects and accretive acquisitions of complementary midstream energy assets.
- Enhance the stability of our cash flows by investing in pipelines and other fee-based businesses.
- Share capital costs and risks through joint ventures or alliances with strategic partners, including those that will provide the raw materials for these growth projects or purchase the projects' end products."

Capabilities

"Our business strategy involves expansion through growth projects. We expect that these projects will enhance our existing asset base and provide us with additional opportunities in the future (www.enterpriseproducts.com)." EPD is the largest midstream energy company in the U.S. In terms of pipeline infrastructure, port facilities, and processing capabilities, it is capable of remaining competitive in the foreseeable future. Much of its operations depend on steady revenue streams from capital

projects. As a result, EPD's size and debt structure require oil and gas to remain at prices conducive to profitability. This also means EPD is more sensitive to fluctuations in the economy than smaller more agile companies.

Figure 17 EPD Potential Years of Drilling. Source: Credit Suisse MLP & Energy Logistics



Leadership and Governance

"The Board of Directors of our general partner, Enterprise Products Holdings LLC, oversees the management of our partnership and is comprised of nine voting members. Four directors are officers of our general partner or its affiliates, and five are non-management, outside directors who meet the "independence" requirements of the New York Stock Exchange. In addition to the voting board members, we also have one honorary director and two advisory directors. Our honorary and advisory directors are not entitled to vote as directors on any matters (www.enterpriseproducts.com)."

Board Members

Source: http://www.enterpriseproducts.com/corpProfile/management.shtm

Randa Duncan Williams, Chairman of the Board

Elected Chairman of the Board of Directors in February 2013 and as a Director of Enterprise Holdings in November 2010. She served as a Director of EPE Holdings from May 2007 to November 2010. She was

elected Chairman of EPCO in May 2010, having previously served as Group Co-Chairman since 1994. Ms. Williams has served as a Director of EPCO since February 1991.

O.S. Andras, Honorary Director

Elected an Honorary Director of Enterprise Holdings in November 2010. He previously served as a Director of EPE Holdings from February 2007 to November 2010 and as a Director of EPGP from April 1998 to February 2006. Mr. Andras served as the Vice Chairman of EPGP from September 2004 to July 2005 and as the CEO of EPGP from April 1998 to February 2005.

Thurmon M. Andress, Director

Elected a Director of Enterprise Holdings in November 2010 and is a member of its Governance Committee. He served as a Director of EPE Holdings from November 2006 to November 2010. Mr. Andress serves as the Managing Director – Houston for Breitburn Energy Company L.P. and is a former member of its Board of Directors. In 1990, he founded Andress Oil & Gas Company, serving as its President and CEO until it merged with Breitburn Energy Company L.P. in 1998.

E. William Barnett, Director

Elected as a Director of Enterprise Holdings in November 2010 and serves as Chairman of its Governance Committee. He served as a Director of EPGP from March 2005 to November 2010. Mr. Barnett practiced law with Baker Botts L.L.P. from 1958 until his retirement in 2004. In 1984, he became Managing Partner of Baker Botts L.L.P. and continued in that role for 14 years until 1998.

Larry J. Casey, Advisory Director

Elected an Advisory Director of Enterprise Holdings in April 2014. He previously served as a Director of Enterprise Holdings from September 2011 to April 2014 and as a Director of DEP GP from October 2006 to September 2011. Mr. Casey has been a private investor managing real estate and personal investments since he retired in 1982 from a career in the energy industry.

Michael A. Creel, Director and Chief Executive Officer

Current general partner of EPD and the former general partner of Enterprise GP Holdings L.P. Served as a Director of Enterprise Products GP. LLC from February 2006 to November 2010. Served as Chief Financial Officer from June 2000 to August 2007, and as an Executive Vice President from January 2001 to August 2007. He is a Certified Public Accountant.

W. Randall (Randy) Fowler, Director, Executive Vice President and Chief Financial Officer

Elected a Director of Enterprise GP in September 2011 and has served as the Executive Vice President and Chief Financial Officer of Enterprise GP since August 2007, having previously served as Executive Vice President and Chief Financial Officer of EPGP from August 2007 to November 2010. He also served

as President and Chief Executive Officer of DEP GP from April 2010 until September 2011, having previously served as Executive Vice President and Chief Financial Officer of DEP GP since August 2007.

James T. Hackett, Director

Elected as a Director of Enterprise Holdings in April 2014 and is a member of its Governance Committee. He served as Executive Chairman of the board of directors of Anadarko Petroleum Corporation, one of the world's largest independent oil and natural gas exploration and production companies, from 2012 to 2013 after serving as Chief Executive Officer from 2003 to 2012 and Chairman of the Board from 2006 to 2012. He also served as Anadarko's President from 2003 to 2010.

Charles E. McMahen, Director

Elected a Director of Enterprise Holdings in November 2010 and serves as Chairman of its Audit and Conflicts Committee. He served as a Director of EPE Holdings from August 2005 to November 2010. Mr. McMahen served as Vice Chairman of Compass Bank from March 1999 until December 2003 and served as Vice Chairman of Compass Bancshares from April 2001 until his retirement in December 2003. Mr. McMahen also served as Chairman and CEO of Compass Banks of Texas from March 1990 until March 1999.

Edwin E. Smith, Advisory Director

Elected an Advisory Director of Enterprise Holdings in April 2014. He previously served as a Director of Enterprise Holdings from November 2010 to April 2014 and as a Director of EPE Holdings from August 2005 to November 2010. Mr. Smith has been a private investor since he retired from Allied Bank of Texas in 1989 after a 31-year career in banking.

Richard S. Snell, Director

A Certified Public Accountant, was elected a Director of Enterprise Holdings in September 2011 and is a member of its Audit and Conflicts Committee. Mr. Snell previously served as a Director of DEP GP from January 2010 to September 2011 and as a Director of TEPPCO GP from January 2006 to October 2009. From June 2000 until February 2006, he served as a Director of EPGP.

A.J. (Jim) Teague, Director and Chief Operating Officer

Elected the Chief Operating Officer and a Director of Enterprise GP upon the consummation of the merger of EPE with a subsidiary of EPD in November 2010 and served as Executive Vice President from November 2010 until February 2013. He served as Executive Vice President of EPGP from November 1999 to November 2010 and additionally as a Director from July 2008 to November 2010 and as Chief Operating Officer from September 2010 to November 2010.

Overall, the EPD Board seems a little light for such a large company.

	Midstream	Energy Related	Finance ; Other Industry	HSE	Politicians & Lawyers	Other	Score	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**	**-**
Randa Duncan Williams	3		1					**3**
O.S. Andras	3							**3**
Thurmon M. Andress	3							**3**
E. William Barnett					0			**0**
Larry J. Casey		2						**2**
Michael A. Creel			1					**1**
W. Randall (Randy) Fowler			1					**1**
James T. Hackett		2						**2**
Charles E. McMahen			1					**1**
Edwin E. Smith			1					**1**
Richard S. Snell			1					**1**
A.J. (Jim) Teague	3							**3**
							Average	**1.75**

Valuation

The value of a share of Enterprise Product Partners L.P. at the end of 2013 was $33.15; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $33.26, suggesting a market undervaluation of 0.3%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $25.83, suggesting a market overvaluation of 28%. Enterprise has no IDR obligations.

7. Energy Transfer Partners, L.P.

History

Table 1: ETP Corporate timeline

Year	Event
1996 *2002*	ETP's IPO was established on June 25, 1996. ETE was formed and privately held
2004	ETP acquires TUFCO Pipeline ETP becomes a publicly traded partnership
2005	ETP acquires Houston Pipeline
2006	ETP acquires Transwestern Pipeline Public trading of ETE units began (ticker symbol: ETE)
2007	First 42 inch gas pipeline in Texas completed. initiated 50/50 joint venture with Kinder Morgan (KMP) MEP (Midcontinent Express Pipeline)
2008	Initiated 50/50 joint venture with Kinder Morgan (KMP), FEP (Fayetteville Express Pipeline). Completed and placed in service Southeast Bossier, Paris loop and Carthage loop pipelines
2009	Completed MEP pipeline, Expanded Transwestern pipeline (Phoenix and San Juan) Initiated Tiger pipeline
2010	FEP and Tiger pipeline completed. ETE acquires Regency Energy Partners, GP
2011	ETP and Regency acquires Louis Dreyfus High bridge Energy (LDH, natural gas liquids business) to form Lone Star NGL JV. Lone Star NGL JV announces fractionation plant and NGL pipeline project (Mont Belveiu and West Texas NGL pipeline)
2012	ETE completes merger with Southern Union Company (acquires 50% interest in Citrus Corp., which owns Florida Gas Transmission). ETP completes merger with Sunoco, Inc., (ETP acquires Sunoco's general partner interests, incentive distribution rights, and 32.4% limited partner interest in Sunoco Logistics Partners, L.P. ETP Holdco Corporation is formed to improve operating efficiency of assets after completing the Sunoco Merger. ETP announces plan to sell regulated utilities to Laclede Gas Company, Inc.
2013	Completed sales of Missouri Gas Energy assets to Laclede Gas Company (975$ million)
	ETP announces plan to construct liquefied petroleum gas export/import facility on the Gulf Coast
2014	ETP completes merger with Susser Holdings Corporation

Energy Transfer Partners (ETP) L.P. owns and operates a diversified portfolio of energy assets. Energy Transfer Partners, L.P. (ETP) is a limited partnership in the United States engaged in natural gas operations. ETP L.P. and its general partner (ETP GP) are managed by ETP LLC, which is owned by Energy Transfer Equity, another publicly traded master limited partnership (ETE). ETP's IPO was established on June 25, 1996.

ETP is a large-cap, investment grade MLP with intrastate transportation and storage, interstate transportation and storage, midstream, natural gas liquid ("NGL") transportation and services, and retail marketing operations.
ETP's business activities include midstream, and intrastate transportation and storage through La Grange Acquisition, L.P. (ETC OLP); and interstate natural gas transportation and storage through Energy Transfer Interstate Holdings, LLC (ET Interstate) and Panhandle Eastern Pipe Line Company, LP (PEPL) and its subsidiaries (collectively, 'Panhandle') and Sunoco, Inc. PEPL is the successor of Southern Union Company.

ET interstate is the parent company of

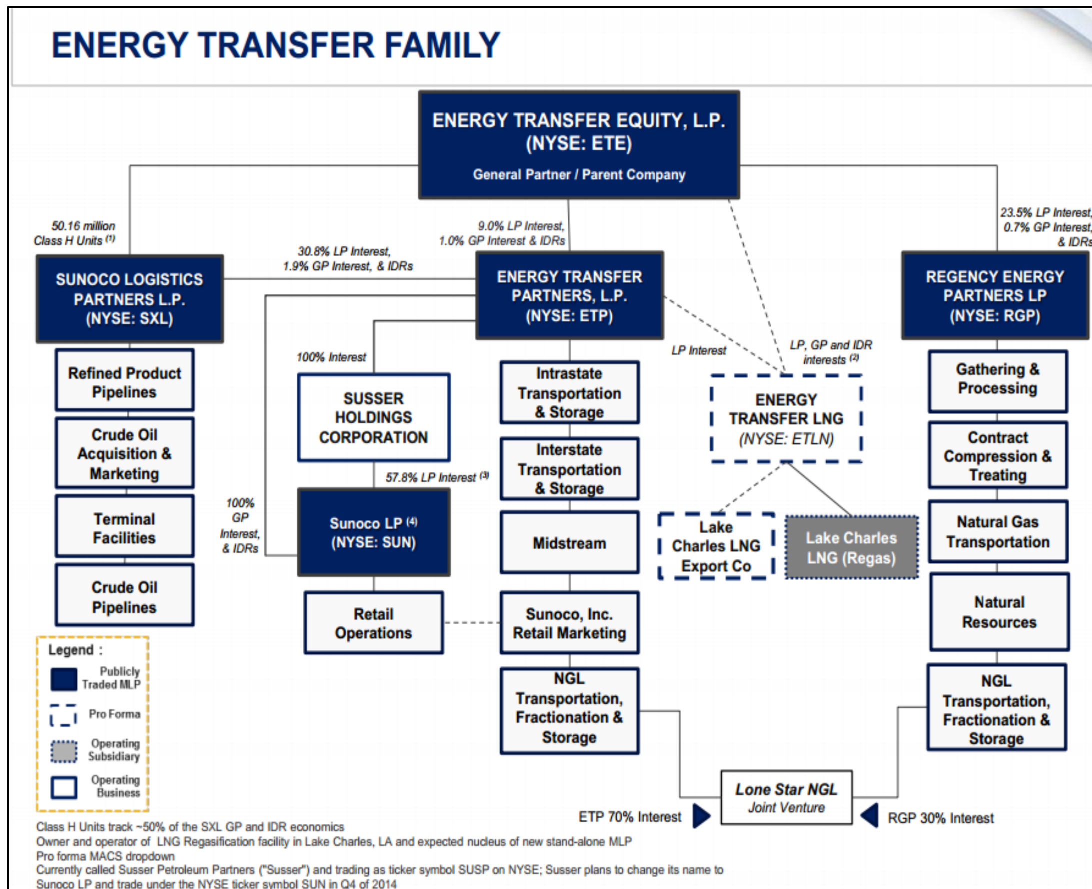
- Transwestern Pipeline Company, LLC (Transwestern)
- ETC Fayetteville Express Pipeline, LLC (ETC FEP)
- ETC Tiger Pipeline, LLC (ETC Tiger)
- CrossCountry Energy, LLC (CrossCountry)

Panhandle is the parent company of the

- Trunkline Gas Company, LLC (Trunkline)
- Sea Robin Pipeline Company, LLC (Sea Robin) transmission systems

Regency Energy Partners agreed to merge with ETP in February 2014, with unit holder ratification of the deal scheduled for April 28, 2015.

Figure 1 Energy Transfer Family



Current Scope of Operations

ETP has five business segments:

Intrastate Transportation and Storage

Natural gas pipelines transport gas from other mainline pipelines and gathering systems to ultimately be delivered to industrial end-users, utilities, and other pipelines. Intrastate Transportation and Storage segment transports natural gas from various areas where it is produced with around 8000 miles of natural gas transportation pipelines and 3 natural gas storage facilities in Texas.

Interstate Transportation and Storage

Interstate Transportation and Storage segment provides natural gas transportation and storage services. In this segment, ETP owns and operates 13000 miles of interstate natural gas pipeline, and has a 50% interest in the joint venture that owns the 185-mile Fayetteville Express pipeline and a 5400 mile pipeline system, Citrus Corp. (Citrus) through Florida Gas Transmission Company LLC (FGT). Panhandle is

part of this segment which owns a pipeline network and natural storage facilities extending from Oklahoma to Michigan.

Midstream Operations

Gathers, blends, processes and markets natural gas in various basins and shale in Texas, Louisiana, and New Mexico with around 7000 miles of gas gathering pipelines, and 22 facilities between treating, processing and conditioning natural gas.

NGL Transportation and Services Operations

Natural Gas Liquid (NGL) segment transports mixed NGLs and other hydrocarbons, stores mixed NGLS and separates them into pure products. This segment owns and operates NGL pipelines, NGL storage facilities with capacity of around 50 million barrels. ETP owns around 2500 miles of NGL pipeline through Lone Star (70% interest). It operates over 35,000 miles of natural gas and NGL pipelines.

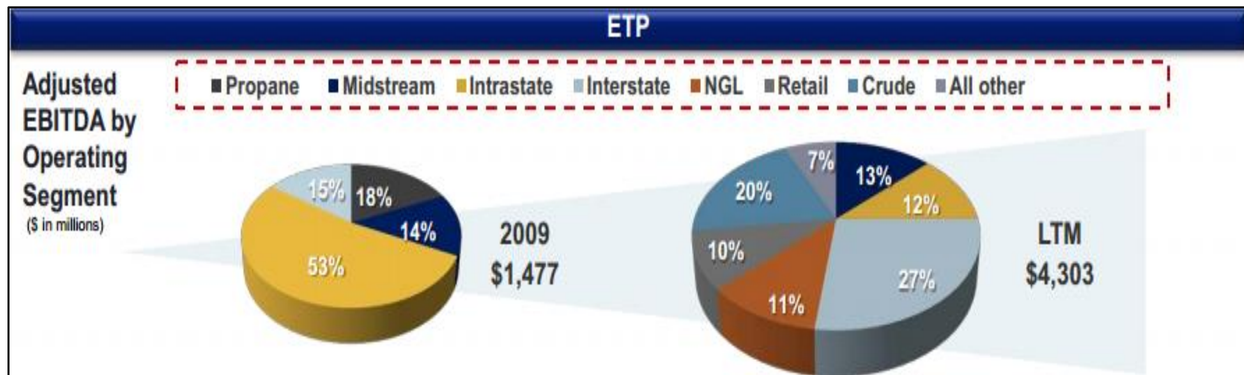
ETP owns subsidiaries including Panhandle Eastern (natural gas transportation/storage), 70 % of Lone Stare NGL (NGL transportation/storage and fractionation). It is also engaged in refined product and crude oil operations, including refined product and crude oil transportation through Sunoco Logistics Partners L.P. (Sunoco Logistics); and retail marketing of gasoline and middle distillates through Sunoco, Inc. (Sunoco) and Mid-Atlantic Convenience Stores (MACS). Sunoco Logistics owns and operates a portfolio of complementary pipeline, terminalling, and acquisition and marketing assets, which are used to transport gasoline primarily in the Northeast, Southwest and Midwest regions. After ETP's merger with Sunoco Corp. ETP continued the existing strategy of divesting refining and petrochemicals businesses. In 2013, Sunoco Logistics accelerated the expansion of its operations into the pipeline transportation, acquisition, storage and marketing of NGLs. ETP also acquired Susser Holdings Partners (retailer and wholesaler in the Southwest) in 2013, making up a total of around 5,550 combined retail locations in the United States.

Figure 2 Energy Transfer Divestments of Sunoco Assets

2008 / 2009	2010	2011	2012
Chemicals ■ Bayport plant closed **Refining** ■ Tulsa refinery sold ■ Eagle Point refinery permanently idled **Retail / Marketing** ■ Fulton ethanol plant purchased ■ Heating oil / propane business sold	**Chemicals** ■ Polypropylene business sold **Retail / Marketing** ■ Purchased 25 retail locations in NY State	**Chemicals** ■ Frankford plant sold ■ Haverhill plant sold **Refining** ■ Toledo refinery sold ■ Eagle Point tank farm sold to SXL ■ Marcus Hook refinery permanently idled **Retail / Marketing** ■ Expansion into Alabama **Coke** ■ Initial public offering	**Refining – exit announced** ■ Philadelphia refinery – Potential JV with Carlyle (minority interest, Carlyle to operate, no additional capital required from SUN) – If no suitable exit transaction can be reached, expect to idle by August 2012 **Coke** ■ Complete spin-off of coke to SUN shareholders **Retail / Marketing** ■ Acquired 11 retail locations in Daytona, FL

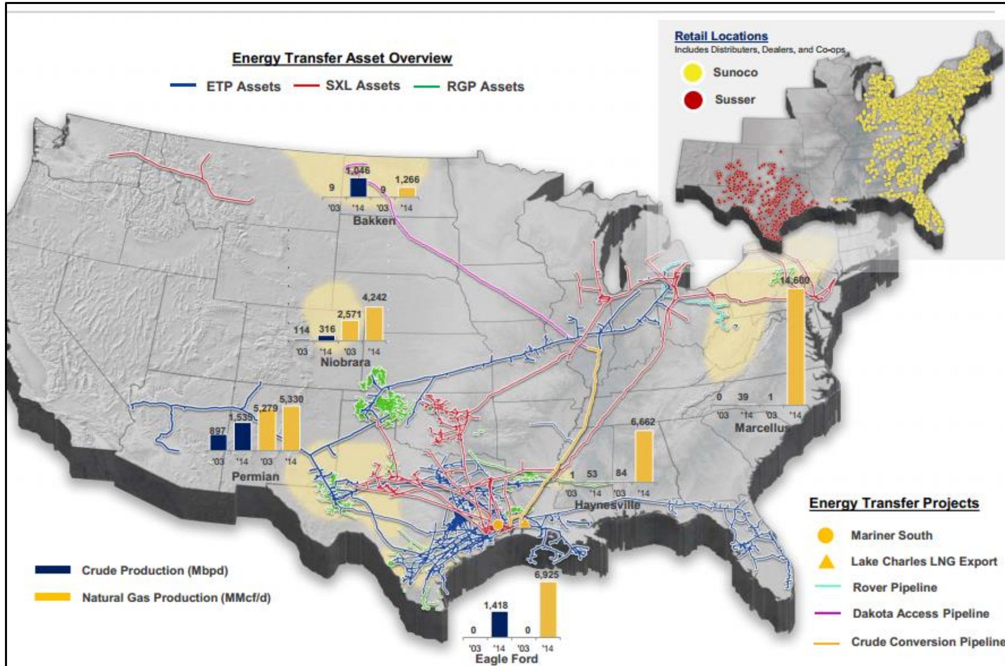
ETP has undertaken several initiatives to diversify its business with an emphasis on fee-based opportunities that expand the services provided to customers. The acquisition of LDH Energy Asset Holdings LLC ("LDHE") in 2011 increased the fee-based services ETP could provide to customers by offering NGL solutions from wellhead to fractionator. The acquisition of Sunoco in 2012 further positions ETP as a diversified midstream company that provides services across the entire midstream value chain to offer the same fuel that travels in its pipelines. The ETE family of companies now owns approximately 69,000 miles of natural gas, natural gas liquids, refined products, and crude oil pipelines.

Figure 3 ETP Adjusted EBITDA by Operating Segment



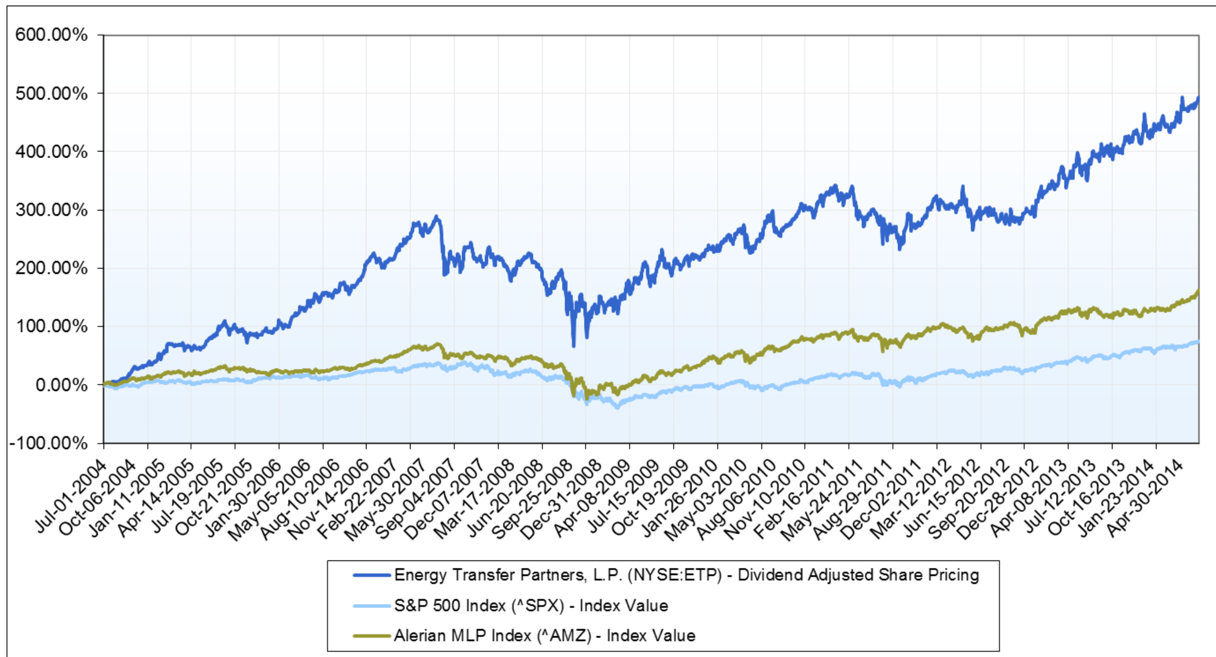
Since 2008 ETP has been focusing its business on “moving hydrocarbons” to provide easier platforms to significantly increase crude oil, refined products and NGL service capability to adapt to its customers’ desire for a fully integrated midstream services company that drives the transaction to the finish-line.

Figure 4 ETP geographic segments


Energy Transfer Asset Overview
ETP Assets
SXL Assets
RGP Assets
Retail Locations
Includes Distributers, Dealers, and Co-ops
Sunoco
Susser
Bakken
Niobrara
Permian
Marcellus
Haynesville
Eagle Ford
Crude Production (Mbpd)
Natural Gas Production (MMcf/d)
Energy Transfer Projects
Mariner South
Lake Charles LNG Export
Rover Pipeline
Dakota Access Pipeline
Crude Conversion Pipeline

Shareholder Value Creation

Figure 5 ETP, Dividend Adjusted Share Pricing Vs S&P 500, and Alerian MLP Index



Critical events that have propelled ETP value include:

- In 2007 ETP completed the first 42- inch diameter natural gas pipeline in Texas. And a joint venture with Kinder Morgan Energy Partners (KMP), a new interstate gas pipeline (Midcontinent Express Pipeline)
- In 2009 ETP Completed the MEP pipeline, Expanded Transwestern pipeline (Phoenix and San Juan) Initiated Tiger pipeline
- In 2010 FEP and Tiger pipeline are completed. ETE acquires Regency Energy Partners
- In 2012 ETP completed mergers with Sunoco and Southern Union Company. ETP Holdco is formed to improve operating efficiency of assets after the merger. ETP announces to sell its regulated utilities.
- In 2013 ETP completed sales of Missouri Gas Energy to Laclede Gas Company (975$ million) and announces construction of liquefied petroleum gas export/import facility of the Gulf Coast

Figure 6 ETP Sources of Funds

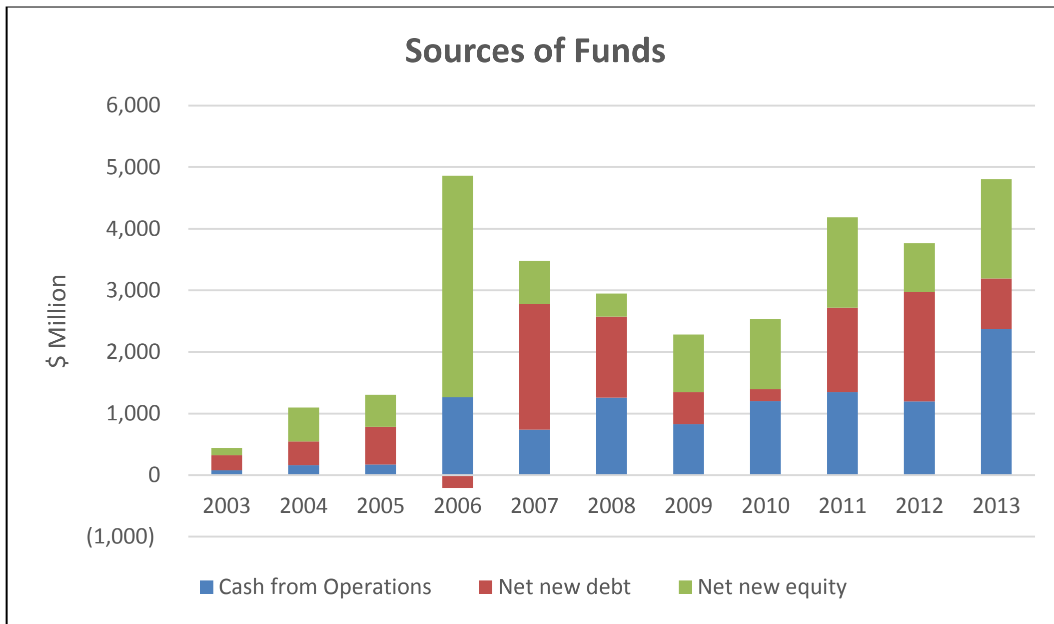
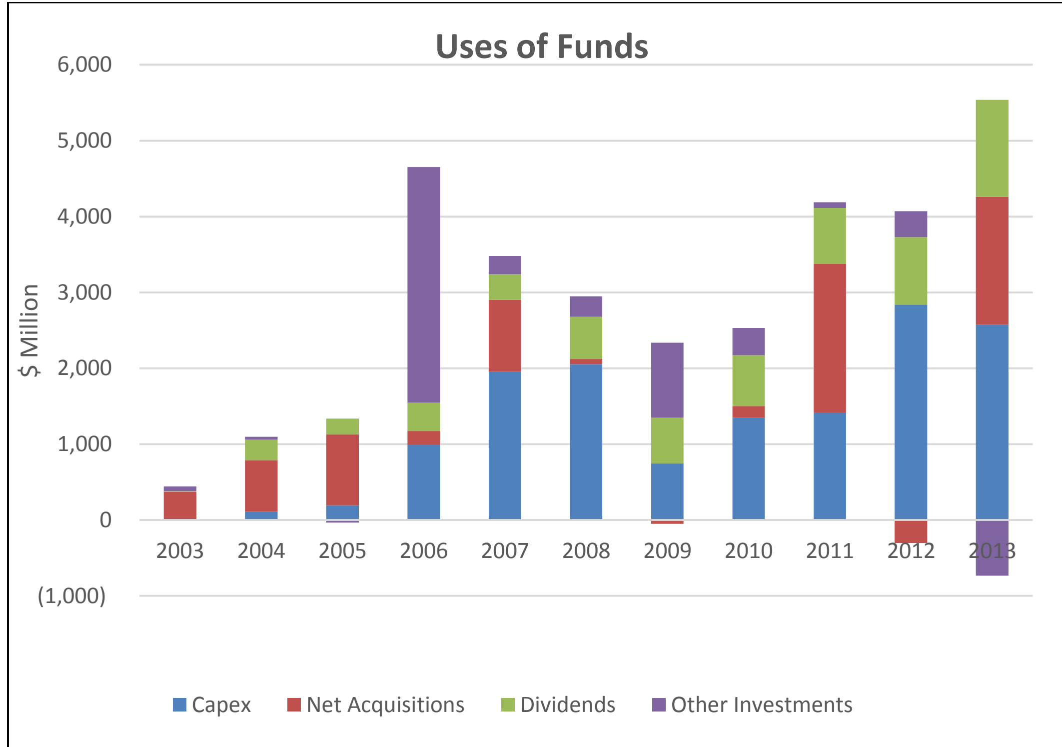


Figure 7 ETP Use of Funds



Funds mostly coming in from Cash from Operations, with continuous issuance of new debt and equity as ETP expands its business units, and invests in more tolling pipelines and storage fees and increases investments in growth projects and negotiates more net acquisitions after 2012.

Growth

ETP believes in organic development and acquisitions to drive growth. They have completed around 18 billion in organic projects and acquisitions since 2011. Several growth drivers, most importantly LNG Export facilities, Eagle Ford and Permian Basin Expansion Projects, continued expansion of Lone Star, LPG Export Opportunities, and Dakota Crude Access Project & Trunkline Crude as well as the SUSS/SUSP (Susser Holdings Partners) drop-downs. Furthermore, ETP's has a well-positioned asset base to capitalize on the U.S. exports for condensates, natural gas, NGLs, and LNG Natural Gas Exports to Mexico

Figure 8 Energy Transfer Partners, L.P. CAPEX/Total Assets

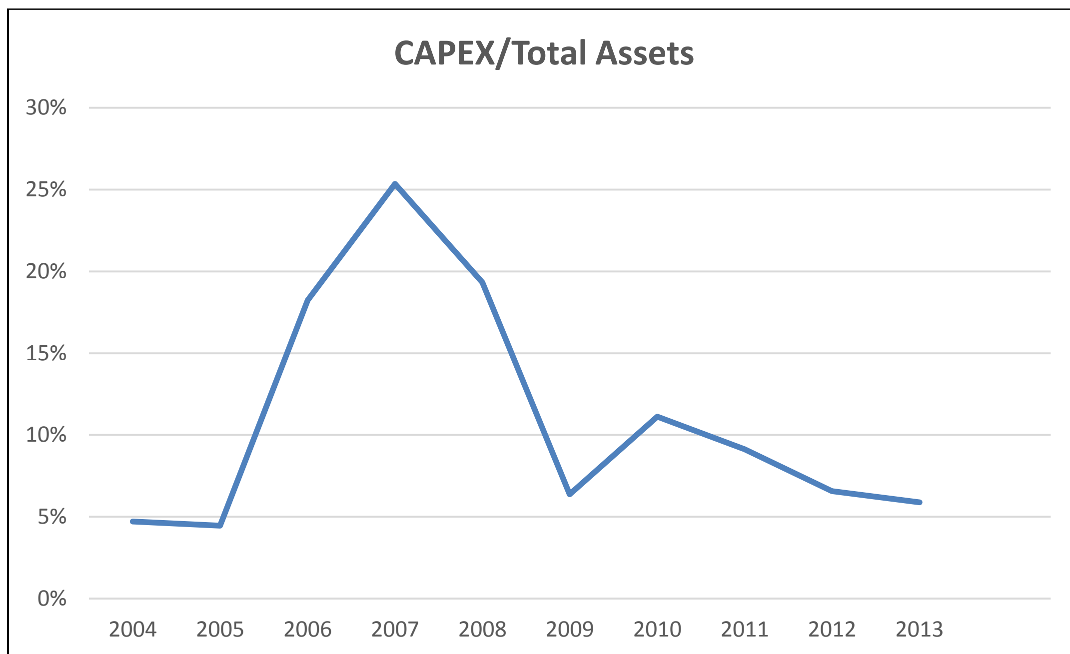
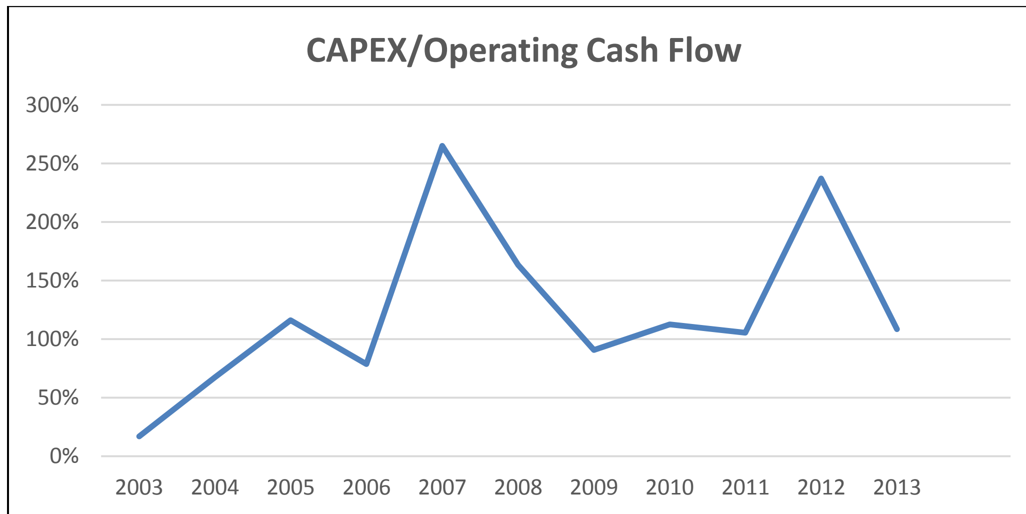


Figure 9 ETP's CAPEX/ Operating Cash Flow



Capital spending has been low relative to the size of the company as ETP has grown largely by acquisition, but high relative to operating cash flow. However, in June 2014 Energy Transfer Partners, L.P. (ETP) has announced that it would build a 1,100-mile crude oil pipeline, to transport crude supply from strategic receipt points in the Bakken/Three Forks production area in North Dakota to Patoka, Illinois.

Figure 10 Total Annual Revenue ETP

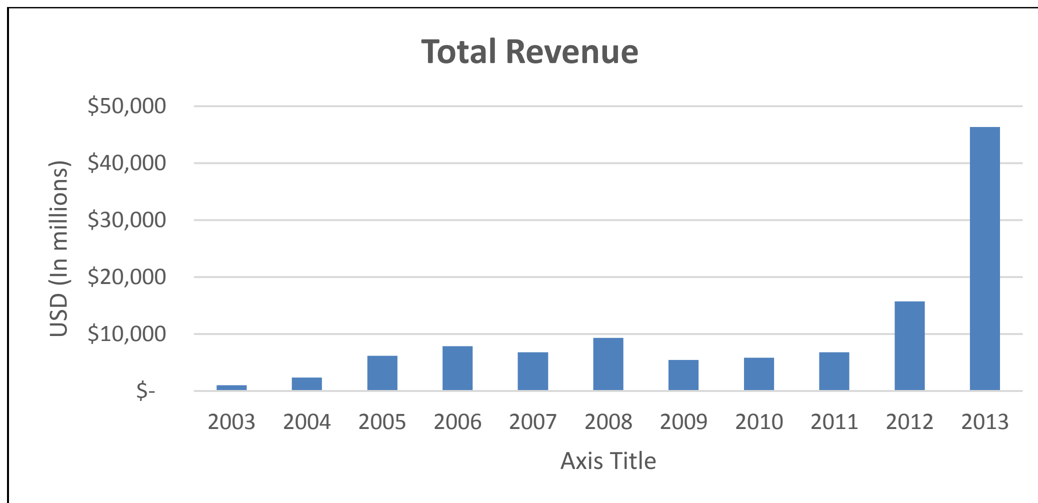


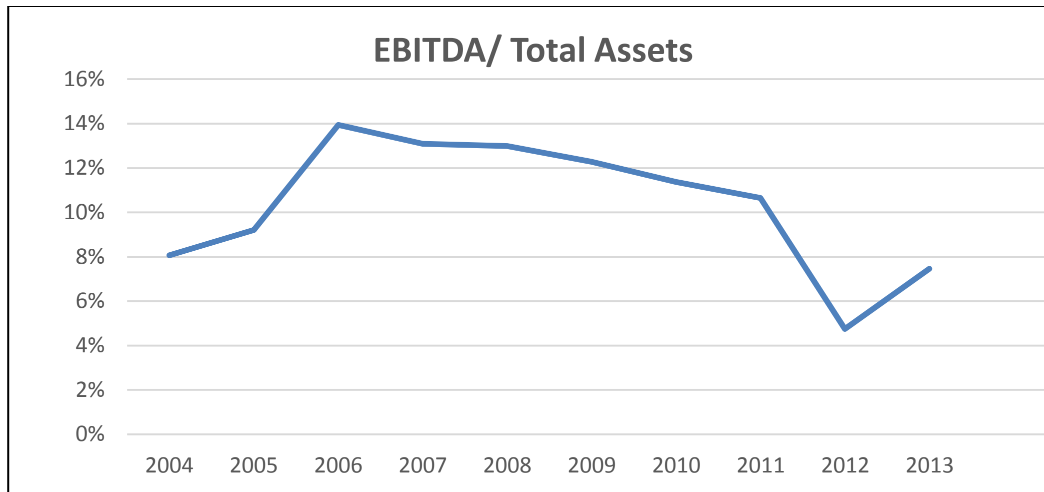
Figure 10 shows the decline in revenue from 2008 to 2009 due to the reduction in demand for motor fuels stemming from the economic recession. However more importantly, the graph highlights growth of around 30 billion dollars, which coincides with the acquisition of Southern Union and Sunoco Inc. by ETP in October 2012. These acquisitions significantly diversify ETP's existing infrastructure assets into

crude oil and refined products transportation, terminalling and logistics. By acquiring MLPs and capturing synergies, ETP should be able to increase distributions.

Profitability

With the recent large acquisitions, EBITDA return on Total Assets fell, but has recovered somewhat in 2013 as transaction costs are absorbed and the organization is rationalized.

Figure 11 EBITDA/ Total Assets

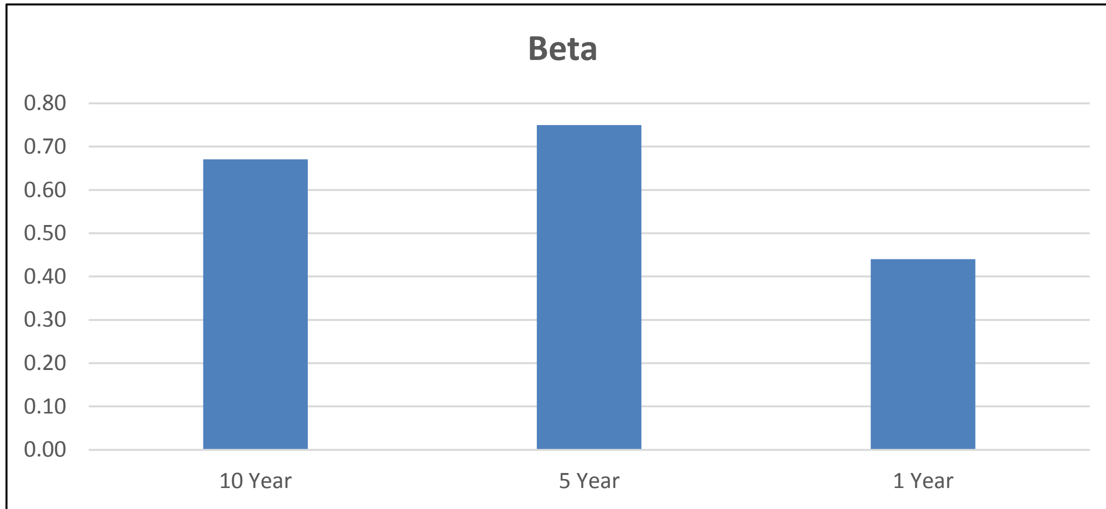


Risk

Due to new debt incurred with its large acquisitions, ETP's debt leverage declined in 2012 relative to total assets and is high relative to EBITDA. Beta is moderate, indicating that ETP is a lower risk investment than the S&P 500[5]

[5] Because of its large acquisitions, the methodology to compare variability of quarterly cash from operations has no meaning for ETP

Figure 14: 1 year, 5 year, 10 year BETA



Despite its large acquisitions, ETP debt is moderate relative to peers as a percent of total capital, but has been increasing relative to EBITDA..

Figure 12 Total Debt/ Total Assets

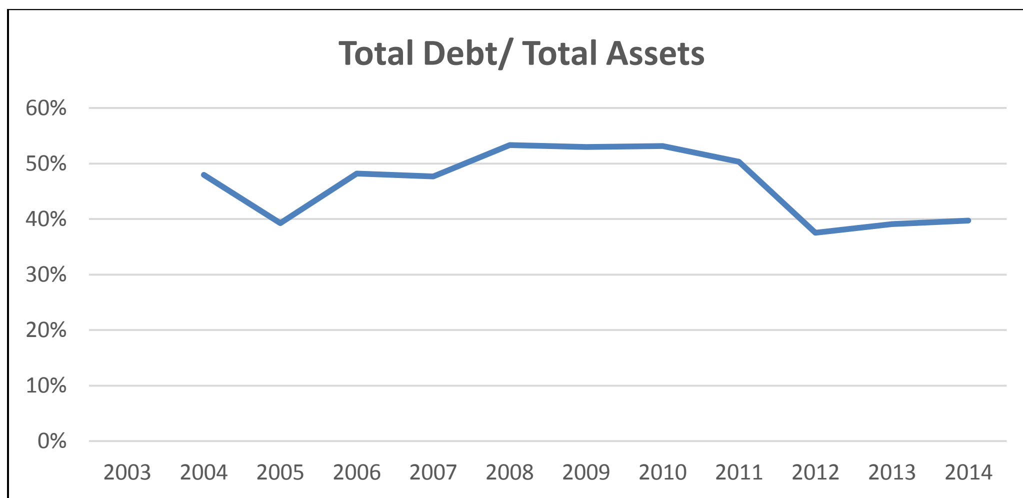
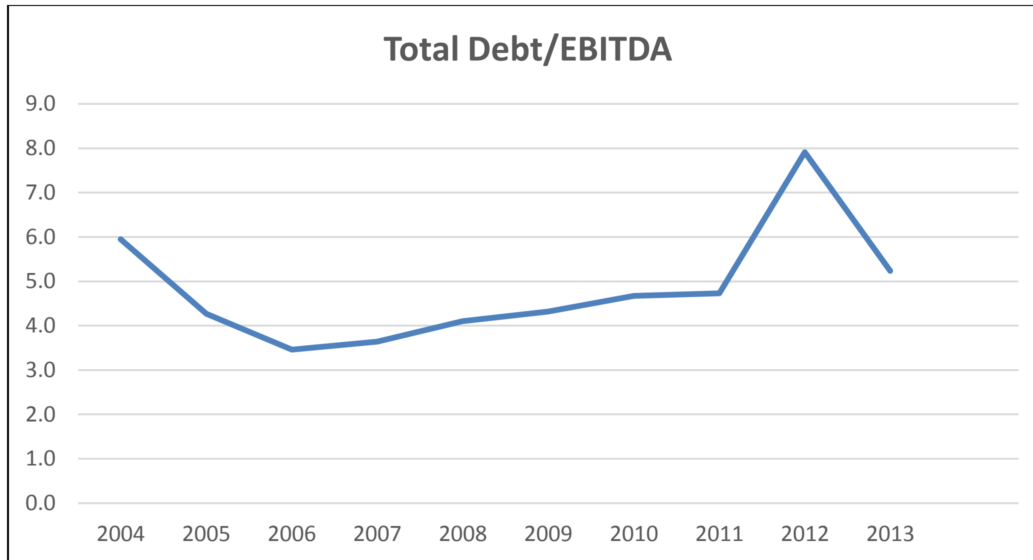


Figure 13 Total Debt/ EBITDA



In the oil and gas distribution and storage sector there are several endemic risks. According to ETP's annual report, most important is the limitation of their control. "We do not control, and therefore may both be able to cause or prevent certain actions by, certain of our joint ventures". Furthermore: The nature of the price and demand fluctuation of natural gas, NGLs and oil production that are beyond ETP's control (such as weather, instability in oil nations, demand for electricity, etc..)

The midstream facilities and pipelines invested in are attached to naturally declining production basins, which may not be possible to replenish. ETP after exiting the refining business is now largely dependent on third parties for the supply of refined products

The interstate pipelines ETP owns are subject to government regulation and policies to establish rates charged for service, which may prevent ETP from fully recovering its costs

The hazardous nature of the substance ETP's business revolves around may cause accidents or be more affected by environmental regulation

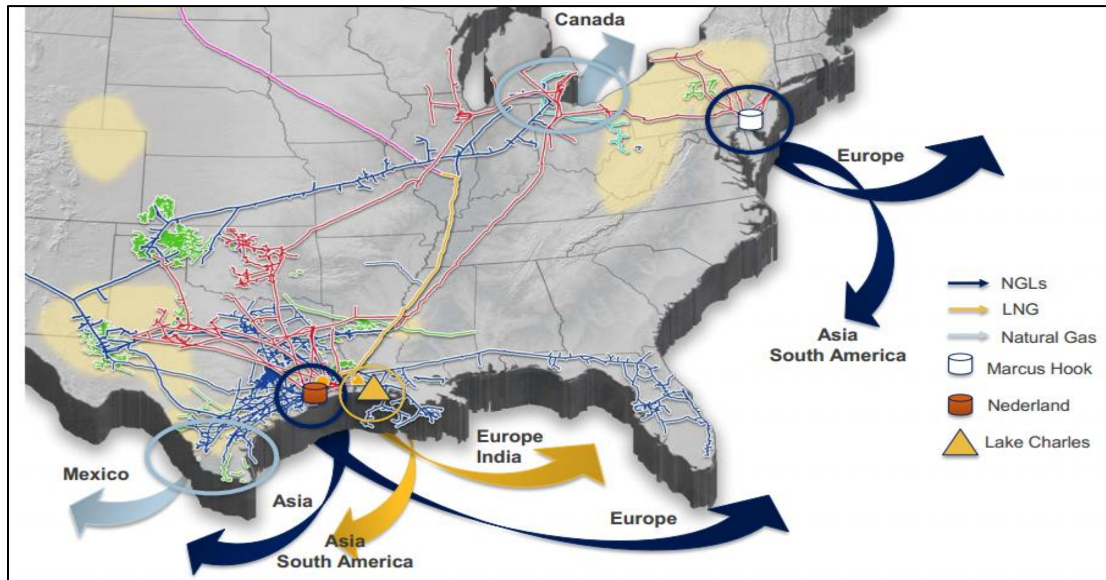
Future Business Strategies

Looking ahead, ETP's annual report (2013) reveals the company's foresight: Simplify Structure; ETP Holdco was formed for the task of simplifying mergers and structures that ETP is involved in. ETP wants to provide greater transparency and simplicity in its partnership structure. Optimize Assets; Continued infrastructure building at Eagle Ford Shale and Permian Basin, Trunkline conversion from natural gas to crude oil service and LPG export/import construction. Resume Distribution growth; provide a continuous and increased value to unit holders in distribution growth. Increasing distributions is a must for ETP moving forward.

ETP owns 40% of the Lake Charles LNG liquefaction (LCE). LCE is the 2nd largest liquefaction facility in U.S. after Chenier's Sabine Pass. The liquefaction at LCE transforms the plant into a bi-directional facility

capable of importing and exporting LNG. BG Group an international exploration and production and LNG company has agreed on "tolling basis" terms with LCE for a 25-year minimum term. ETP will provide 100% supply to BG. BG will be responsible for all gas purchases and will utilize ETP's pipeline network to deliver gas to the facility. (ETP's pipelines are the only systems delivering to LCE,). LCE is anticipating approval for the export project with FERC, it is expected by April 2015. LCE has been granted approval to conditionally export domestically produced LNG from LCE. This project promises a stable return of 1.8 billion dollars in projected annual cash flow from 2020 through 2045.

Figure 15 ETP's well-positioned assets



Vision Statement

"Become one of the largest and most diversified midstream energy company in the country—all while remaining focused on delivering value for our Unit holders. With focus and fortitude, ETP delivers to the marketplace an energy partnership with an unmatched logistics and transportation services platform for natural gas, natural gas liquids, crude oil and refined products". The company's business strategies include engaging in construction and expansion opportunities; and growth through acquisitions."

Leadership and Governance/ Board Members

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Collins, Ted	**3**						**3**
Glaske, Paul E.			**1**				**1**
Grimm, Michael K.		**2**					**2**
McCrea, Marshall S	**3**						**3**
Skidmore, David K.			**1**				**1**
Warren, Kelcy L.	**3**						**3**
Welch , Jamie		**2**					**2**
					Average		**2.14**

The Board is quite experienced in the midstream oil and gas sector with an average score of 2.1 but is largely comprised of insiders and may favor the interests of the GP over those of the LPs.

Kelcy L. Warren is the Chief Executive Officer and Chairman of the Board of Directors at ETP. He is a seasoned veteran, who has more than 25 years of energy industry experience. Warren has landed executive positions at a multitude of energy companies, including Co-Chief Executive of La Grange Energy, President of Cornerstone Natural Gas, and President and CEO at Endevco and Lone Star Gas Company.

Since 2008, Marshall McCrea has been the CEO if ETP, LLC at Lone Star NGL LLC since June 2008.

Finally, Paul Glaske is the director of ETP LLC. He served as Chief Executive Officer of Blue Bird Corp., the largest manufacturer of school buses with manufacturing plants in three countries from April 1992 to October 1999.

Mr. Glaske served as President of Blue Bird since 1986. He served as President of the Marathon LeTourneau Company, a manufacturer of large off-road mining and material handling equipment and off-shore drilling rigs.

A more diversified board allows it to provide a higher level of corporate governance to shareholders, particularly if the position of chairman of the board is separated from the CEO and is held by an outsider

Conclusion

Energy infrastructure Master limited partnerships MLPs are publicly traded partnerships that make up a large part of the nation's energy infrastructure, energy infrastructure transportation, storage and processing. These midstream MLPs can be likened to a national highway where cars pay a toll to travel from a state to state. Similarly, MLPs are designed to help earn steady income in the form of tolls) to transport hydrocarbons between the upstream source and the end user. Even though the price of oil and gas will fluctuate, the income generated from these fee based businesses is not generally affected in such swings in price. Because fees are based on the volume of oil, natural gas or NGL that MLPs move. Energy infrastructure is vital to the economy, so MLPs currently receive preferred tax treatment under the US tax code. As America increases oil and NGL production there is likely to be more and more traffic to collect tolls on, for midstream MLPs that may mean more revenue may be used to pay investors in the form of tax advantaged distributions.

ETP has the has the advantage of being parent company of to multiple underlying MLPs. ETP will immediately become a leader in the crude oil, refined products and NGLs markets with significant and growing portion of fee-based cash flow derived from these markets and its many MLP acquisitions. However, there is considerable opportunity to simplify the ETE organizational structure and the merger of ETP with Regency is a good start.

Valuation

The value of a share of Energy Transfer Partners at the end of 2013 was $57.25; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $53.57, suggesting a market overvaluation of 6%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $34.85, suggesting a market overvaluation of 64% before IDRs. ETP General Partner Energy Transfer Equity receives IDRs of over 30% of Energy Transfer Partners total distributions.

8. Williams Partners, L.P.

Introduction

In October of 2002, there weren't too many smiling faces in the Williams Tower. Confronted by the fallout from the Enron scandal, the Chapter 11 filing of its once highly touted communications group, allegations of misconduct during the California energy crisis, an unfavorable ruling from FERC, and a sagging energy economy had Williams suffering mightily.

In order to survive this period, Williams had to sell off billions of dollars' worth of assets. The primary assets that Williams Companies Inc. was forced to sell off are as follows:

- In March of 2002, Williams announced that it had sold its stake in the Kern River Gas Transmission Company to MidAmerican Energy Holdings Co. for $450 million in cash and MidAmerican will assume $510 million in debt.
- EnCana Corporation purchased the Jonah Field Assets for $350 million from Williams Companies.
- Williams sold its Kansas Hugoton natural gas gathering system to FrontStreet Partners, LLC and GE Structured Finance Group for $100 million dollars.
- In September of 2002, Williams agreed to sell its Cove Point LNG, LP for $217 million in cash to Dominion Resources.
- Williams Companies sold Williams Gas Pipelines Central, Inc. to Southern Start Central Corp. for $380 million cash, and the assumption of $175 million in debt.
- Williams reached an agreement to sell its ownership interest in the Canadian and U.S. segments of the Alliance pipeline to Enbridge Inc. for $173 million.
- In November 2002, Williams sold the Williams Memphis refinery to Premcor, Inc. for $315 million dollars, plus the value of the petroleum inventories at closing ($150 million).
- In April of 2003, Williams sold their Natural Gas Exploration and Production properties in Kansas, Colorado and New Mexico to XTO Energy Inc. for $400 million.
- In April of 2003, unable to cope with the significant deficits, Williams Cos. agreed to sell its controlling stake in Williams Energy Partners for $1.1 billion ($512 million in cash and $600 million in debt), which led to the change of name to Magellan Midstream Partners L.P. The new entity was then jointly owned by private equity firms Madison Dearborn Partners LLC and Carlyle/Riverstone Global Energy and Power Fund II LP.

Williams was in dire straits at this time, but they managed to turn it around and maintain ownership of the Transco pipeline which they in turn bundled under Williams Partners L.P. Williams then started to invest in growing a complementary business in natural gas gathering and processing.

Timeline

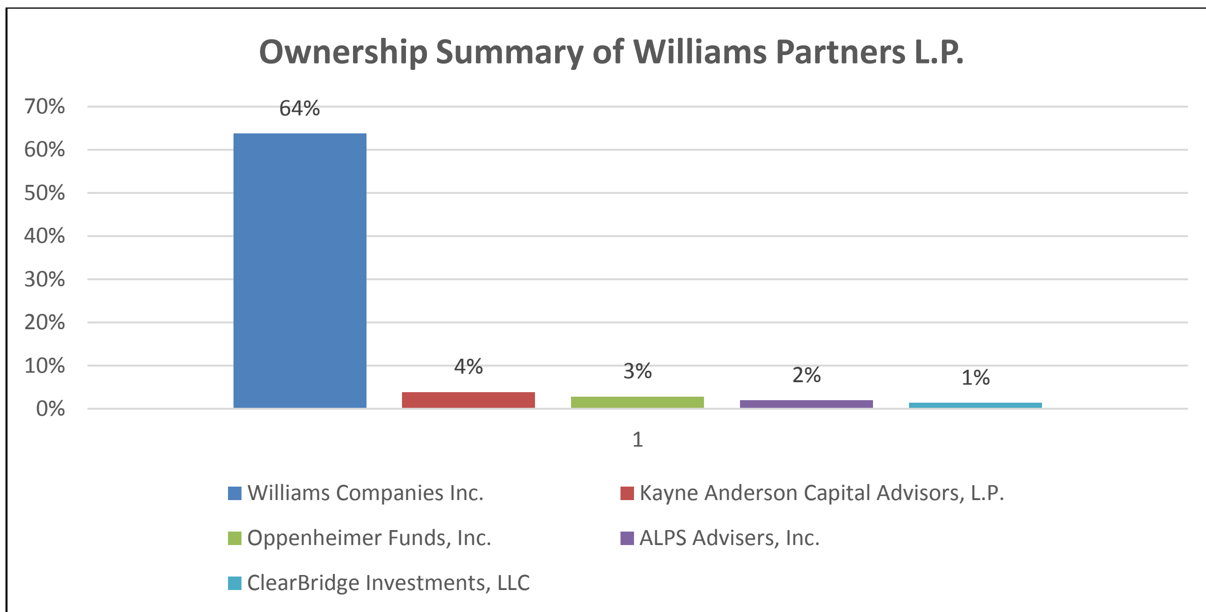
YEAR	EVENT
Aug-17-2005	Williams Partners L.P. completed an IPO in the amount of $107.50 million.
Aug-23-2005	Williams Partners L.P. acquired a 40% stake in Discovery Producer Services LLC from Williams Companies Inc.
Jun-20-2006	Williams Partners L.P. (NYSE:WPZ) completed the acquisition of 25.10% stake in Williams Four Corners, LLC from Williams Companies Inc.
Dec-13-2006	Williams Partners L.P. (NYSE: WPZ) completed the acquisition of remaining 74.9% stake in Williams Four Corners LLC from Williams Companies Inc. (NYSE: WMB).
Jun-28-2007	Williams Partners L.P. (NYSE:WPZ) completed the acquisition of additional 20% stake in Discovery Producer Services LLC from Williams Companies Inc. (NYSE:WMB).
May-28-2008	Williams Partners L.P. to Spend Up to $233 Million to Double its Processing and NGL Production Capabilities at its Echo Springs Processing Plant
Feb-17-2010	Williams Partners L.P. (NYSE: WMZ) completed the acquisition of gas pipeline, midstream assets, and interests in Williams Pipeline Partners L.P. from Williams Companies, Inc. (NYSE: WMB).
Feb-22-2010	Williams Partners L.P. to Restructure and Enlarge Partnership
Jun-01-2010	Williams Partners L.P. Announces Expansion of the Transco Natural Gas Pipeline System
Jul-12-2010	Williams Partners L.P Completes Initial Phase of Pipeline Expansion to Provide Additional Natural Gas Service to Southeast
Sep-07-2010	Williams Partners L.P. (NYSE:WPZ) completed the acquisition of additional 49% stake in Overland Pass Pipeline Company, LLC from ONEOK Partners, L.P. (NYSE: OKS), for approximately $420 million.
Sep-15-2010	Williams Partners L.P. Announces Startup of Expansion at Echo Springs Facility
Oct-28-2010	Williams Partners L.P. (NYSE: WPZ) agreed to acquire Parachute plant complex and three other treating facilities from Williams Companies Inc. for approximately $780 million.
Apr-23-2011	Williams Partners to Acquire Additional 24.5% Interest in Gulfstream Gas Pipeline System for $330 million.
Jun-15-2011	Eagle Ford Gathering, LLC Announces Long-Term Agreement with Williams Partners L.P. to Process Eagle Ford Shale Production at Williams Partners' Markham Processing Plant in Matagorda County
Jan-19-2012	Williams Partners L.P. and DCP Midstream Partners LP Announce Expansion of the Discovery Natural Gas Gathering Pipeline System in the Deepwater Gulf of Mexico
Feb-21-2012	Williams Partners L.P. (NYSE:WPZ) completed the acquisition of The Mansfield System and Laser Northeast Gathering, LLC from Delphi Midstream Partners, LLC for approximately $760 million.
Mar-19-2012	Williams Partners L.P. (NYSE:WPZ) agreed to acquire Caiman Eastern Midstream LLC from Caiman Energy, LLC for $2.5 billion.
Jul-23-2012	Williams Partners L.P. (NYSE:WPZ) signed a letter of intent to acquire Williams Olefins, L.L.C. and other pipeline assets from Williams Companies, Inc. (NYSE:WMB) for $2.5 billion.
Nov-04-2013	Williams Partners L.P. Announces Transco Northeast Supply Link Expansion into Full

YEAR	EVENT
	Service
Apr-25-2014	Williams Partners L.P. Plans to Expand Pipeline to Supply Natural Gas to Cheniere Energy Partners' Sabine Pass Liquefied Natural Gas Plant in Cameron Parish
Sep-11-2014	Williams Announces Expansion of the Transco Interstate Pipeline

Current Scope of Operations

Williams Partners L.P. (WPZ) is a Master Limited Partnership (MLP), of which Williams Companies Inc., is General Partnerand majority owner. Its three interstate gas pipeline systems deliver 14 percent of the natural gas consumed in the United States. WPZ was formed to own, operate and acquire a diversified portfolio of complementary energy assets. WPZ focuses on natural gas transportation; gathering; treating and processing; storage; NGL fractionation; and oil transportation.

Figure 1 Ownership summary of Williams Partners L.P. These are the top 5 stock owners of Williams Partners L.P. with Williams Companies Inc. owning 64% of the company.



WPZ has built a large-scale midstream gathering and processing operation in the U.S. Rocky Mountains, both onshore and offshore along the Gulf of Mexico, and a growing presence in the Marcellus Shale. WPZ is the third largest, soon to be the second largest energy midstream MLP in the country with the recent acquisition of Access Midstream (ACMP) completed in February 2015 by Williams Companies Inc. which has merged the diversified portfolios of world-class interstate gas pipelines and midstream assets that span the continent.

Figure 2 Map of Williams Partners' L.P. Assets

Gas Pipeline

Williams Partners owns interests in three major interstate natural gas pipeline systems – Transco, Northwest Pipeline and Gulfstream. The partnership's large-scale midstream assets are concentrated in major producing basins in Colorado, New Mexico, Wyoming, the Gulf of Mexico, and the Marcellus Shale in Pennsylvania.

Transco is an interstate natural gas transportation company that owns and operates a 10,000-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania and New Jersey to the New York City metropolitan area. The system serves customers in Texas and 11 southeast and Atlantic seaboard states, including major metropolitan areas in Georgia, North Carolina, Washington, D.C., New York, New Jersey and Pennsylvania. Gulfstream is a natural gas pipeline system extending from the Mobile Bay area in Alabama to markets in Florida. Williams Partners, through a subsidiary, owns a 24.5 percent interest in Gulfstream while the General Partner, Williams Companies, owns a 25.5 percent interest through another subsidiary. Spectra Energy Corporation through its subsidiary Spectra Energy Partners, LP, owns the additional 50 percent interest. Williams shares operating responsibilities for Gulfstream with Spectra Energy Corporation (SE).

The Northwest Pipeline system has changed significantly since its beginnings more than 50 years ago. Like the Western states it serves, Northwest's transmission system has expanded to meet the demands

of growth. Today the pipeline is a primary artery for the transmission of natural gas to the Pacific Northwest and Intermountain Region. What began as a 1,500-mile pipeline is now a 4,000-mile-bi-directional transmission system crossing the states of Washington, Oregon, Idaho, Wyoming, Utah and Colorado. Northwest's bi-directional system provides access to British Columbia, Alberta, Rocky Mountain and San Juan Basin gas supplies.

Crude Oil Transportation and Production Handling Assets

In addition to its natural gas assets, Williams Partners owns and operates four deep-water crude oil pipelines and production platforms serving the deep-water in the Gulf of Mexico. The company's offshore floating production platforms provide centralized services to deep-water producers, such as compression, separation, production handling, water removal, and pipeline landings.

Gas and Liquids

This segment includes natural gas gathering, treating and processing businesses and is comprised of several wholly owned and partially owned subsidiaries. Williams Partners L.P.'s ongoing strategy is to safely and reliably operate large-scale midstream infrastructure where their assets can be fully utilized to drive low per-unit costs.

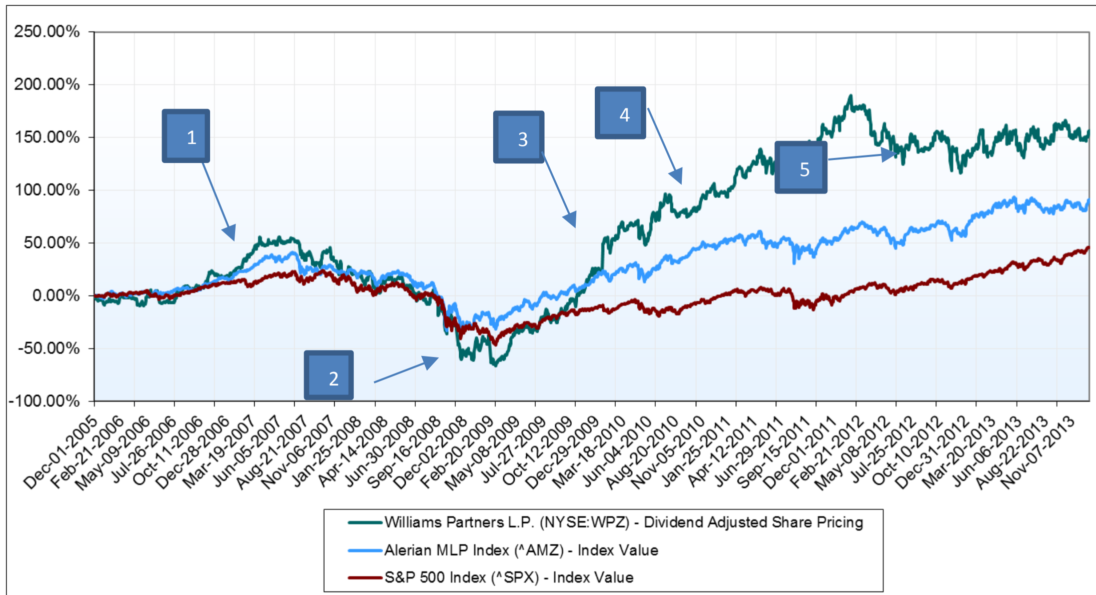
Midstream assets include natural gas gathering, processing and treating facilities, and crude oil gathering and transportation facilities with primary service areas concentrated in major producing basins in Colorado, New Mexico, Wyoming, the Gulf of Mexico, and Pennsylvania.

Financial and Operating Results

Total Shareholder Value

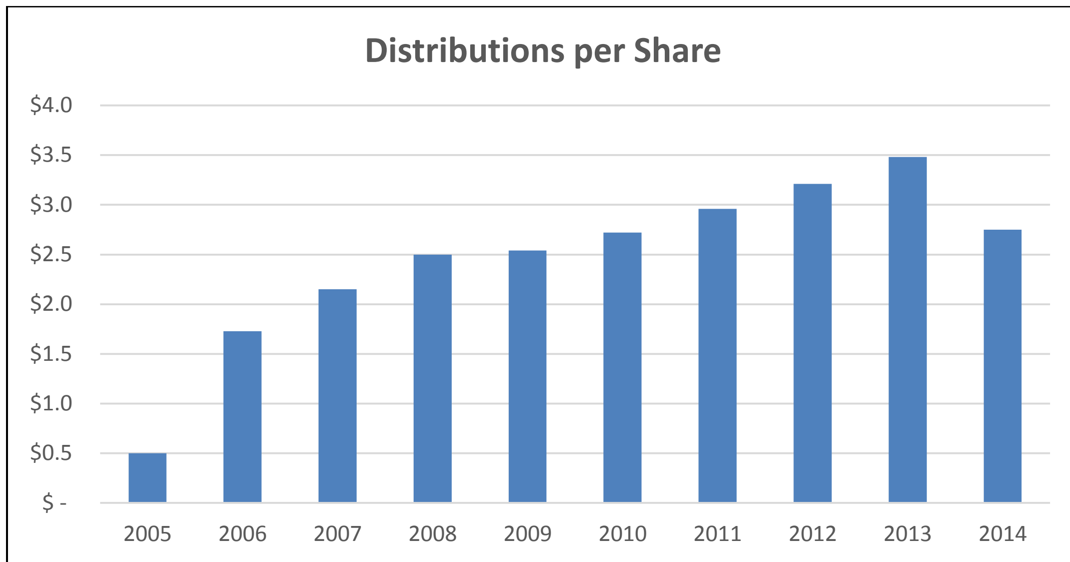
Williams Partners increased shareholder value substantially from 2009-2011, but has stalled since then.

Figure 3 Williams Partners' L.P. Dividend Adjusted Share Pricing



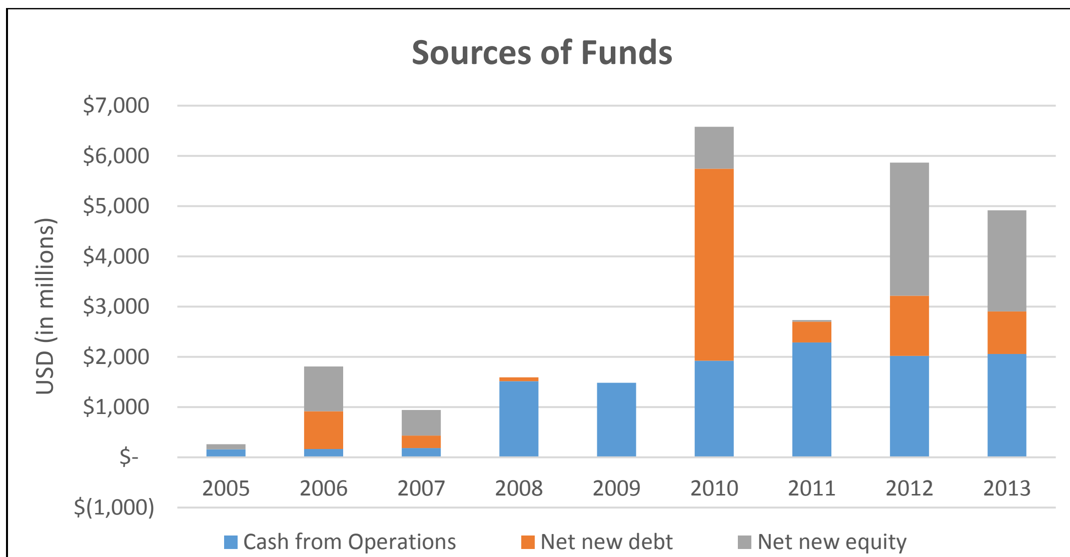
1. Jun-28-2007- Williams Partners L.P. (NYSE:WPZ) completed the acquisition of additional 20% stake in Discovery Producer Services LLC from Williams Companies Inc. (NYSE:WMB).
2. May-28-2008- Williams Partners L.P. to Spend Up to $233 Million to Double its Processing and NGL Production Capabilities at its Echo Springs Processing Plant.
3. Williams Companies completed the drop-down of Transco pipeline into Williams Partners
4. Jun-01-2010- Williams Partners L.P. Announces Expansion of its Transco Natural Gas Pipeline System.
5. Jan-19-2012- Williams Partners L.P. and DCP Midstream Partners LP Announce Expansion of the Discovery Natural Gas Gathering Pipeline System in the Deepwater Gulf of Mexico.

Figure 4. Total Dividends Paid by Williams Partners L.P.



As demonstrated above, Williams Partners L.P. had fairly consistent dividend payments up until the first quarter of 2010. In February of 2010 Williams Partners L.P. announced a quarterly dividend payout of $ 0.635 and in May of 2010 the dividend payout jumped up to $ 0.658, a significant increase. However, dividends were lowered in 2014.

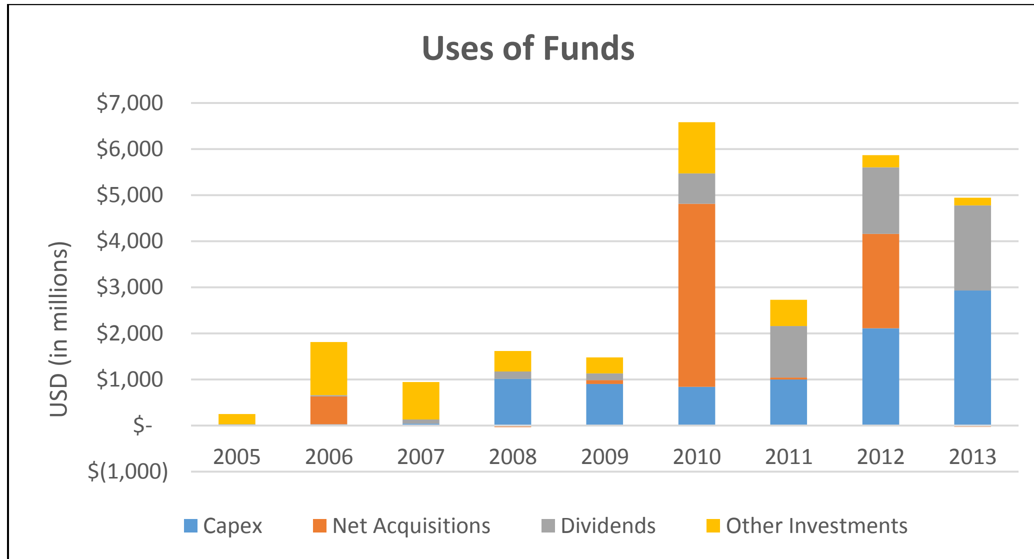
Figure 5 Williams Partners L.P. Sources of Funds



In 2010 Williams Partners L.P. entered into a commitment letter for new $1.5 billion three-year senior unsecured revolving credit facility, as well as a $1.75 billion three-year senior unsecured revolving credit

facility with Citibank N.A. This accounts for the net new debt they acquired in 2010. WPZ has continued to issue new debt and equity since 2010.

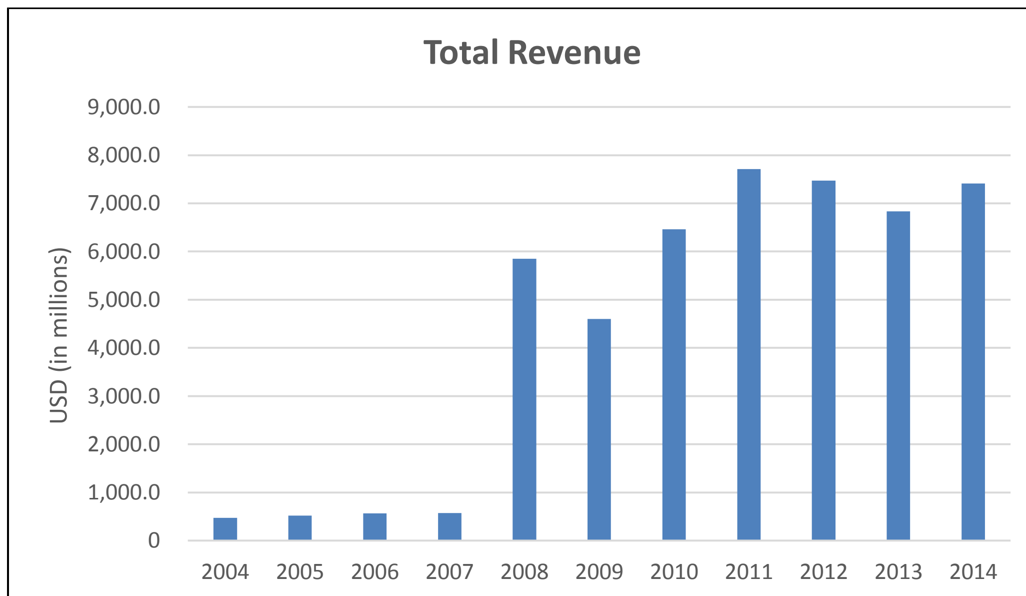
Figure 6. Williams Partners L.P. Uses of Funds



In January of 2010 Williams Partners L.P. agreed to acquire gas pipeline, midstream assets, and interests in Williams Pipeline Partners L.P. from Williams Companies, Inc. for $11.7 billion. However, Williams has tended to favor organic growth through capital projects over acquisitions.

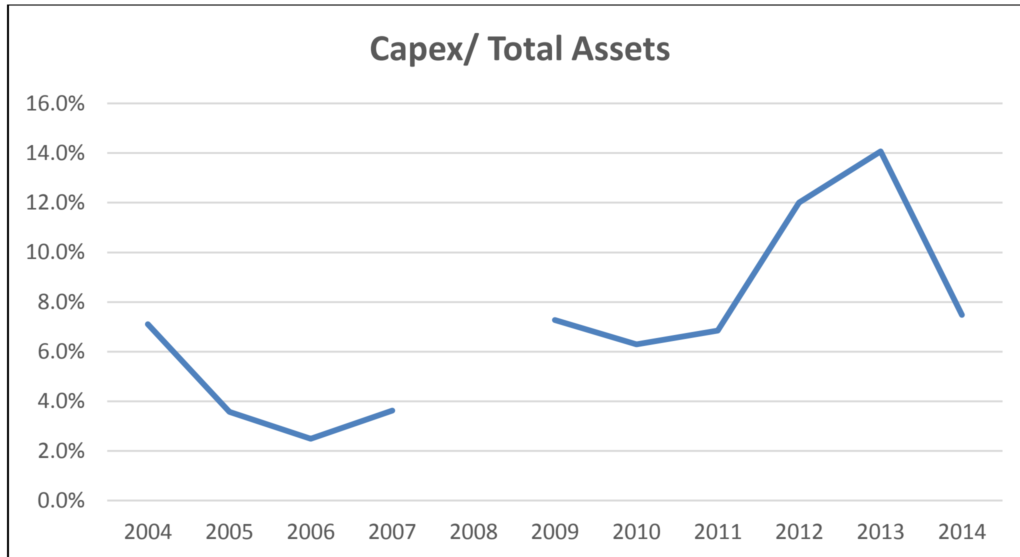
Growth

Figure 7 Williams Partners L.P. Revenues



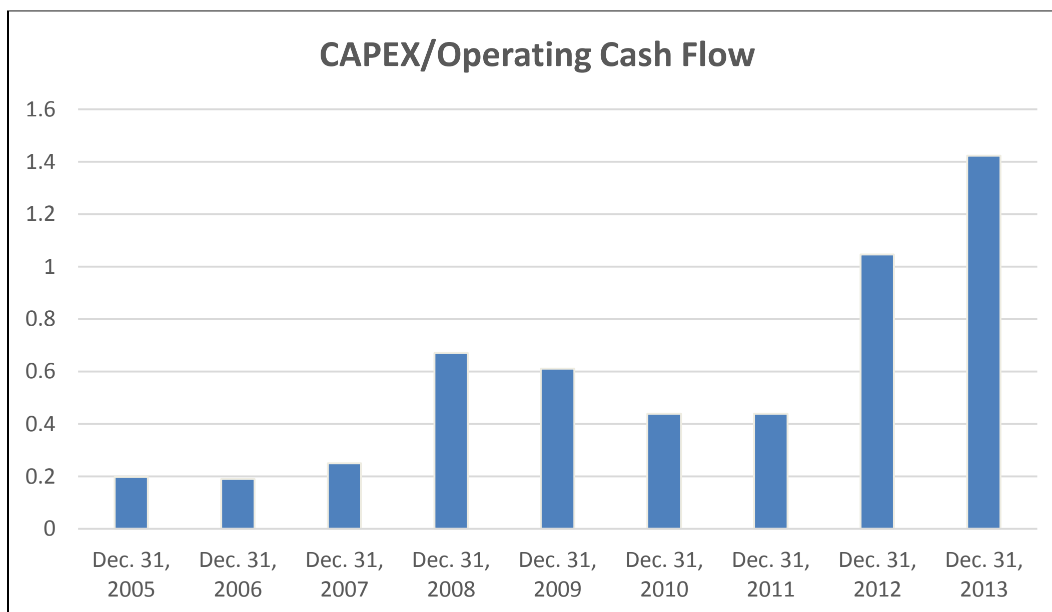
The revenue stream at Williams Partners L.P. has always been primarily based on their fee-based services from the Transco Pipeline, as well as their other assets. However, the growth trajectory has been inconsistent since Transco was fully absorbed by Williams Partners.

Figure 8 Williams Partners L.P. CAPEX/Total Assets



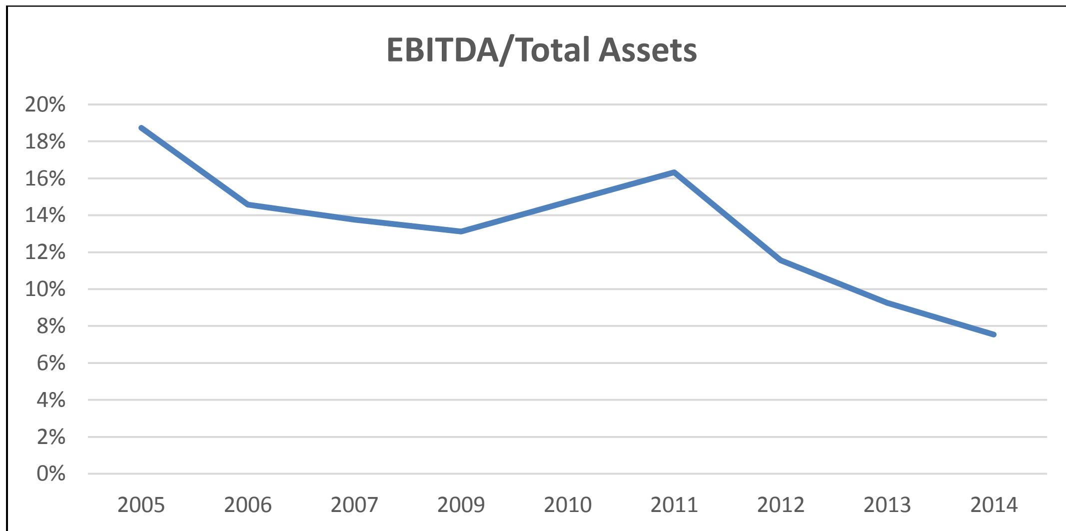
Capex/ Total Assets, a measure of organic growth, has increased as Williams invested in new infrastructure projects. 2008 was distorted by very high capital expenditures. In 2012 1nd 2013, capital expenditures exceeded operating cash flow.

Figure 9 Williams Partners L.P. CAPEX/Operating Cash Flow



Returns

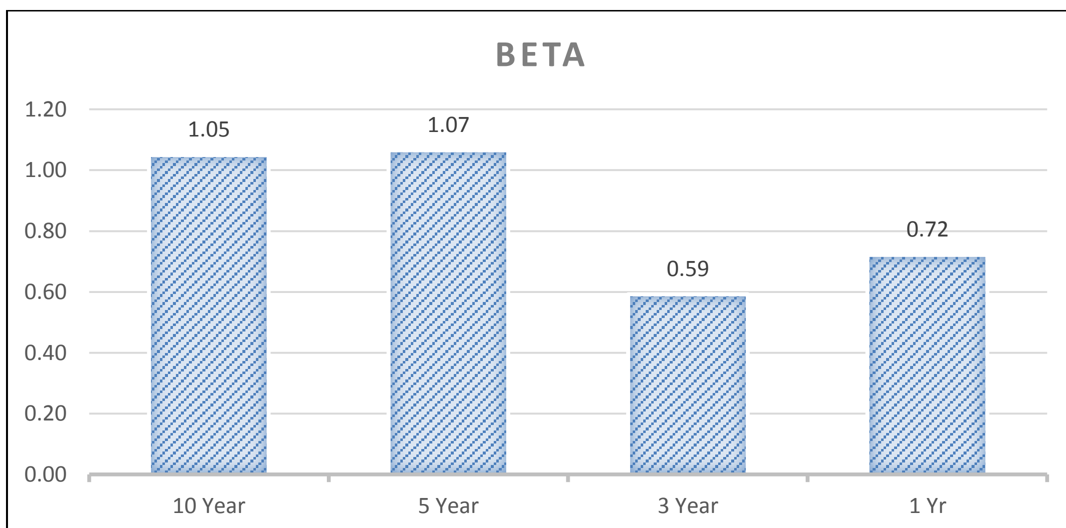
Figure 10 Williams Partners L.P. Returns



As demonstrated in these figures, Williams Partners L.P. has seen a declining return for the last nine years. 2008 was removed from this chart because it was an anomaly. In 2008, Williams Companies Inc. dropped down an enormous amount of assets that skewed the chart.

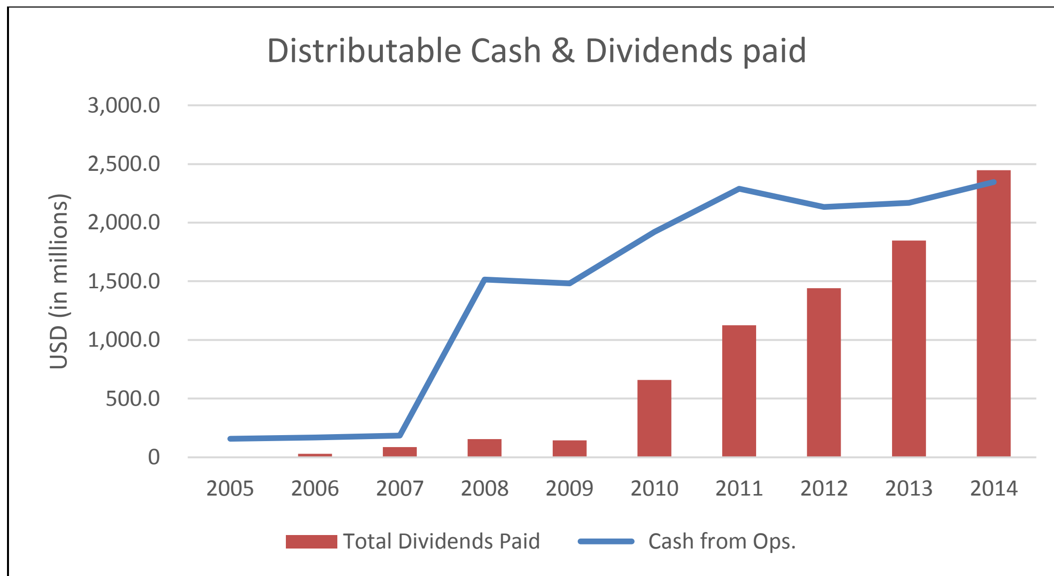
Risk

Figure 11 Williams Partners L.P. Beta



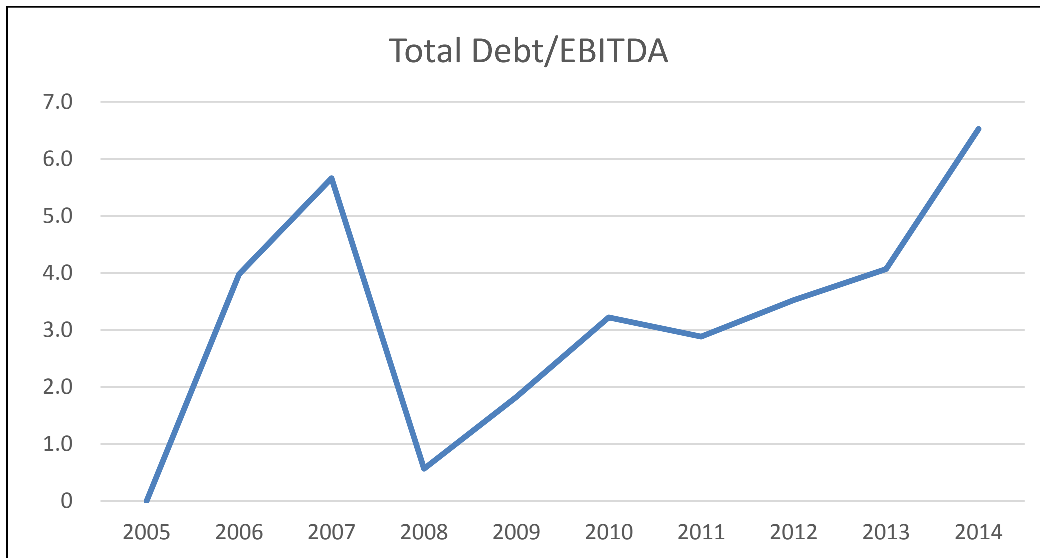
Williams Partners L.P. approach to the midstream has been rather low-risk. The majority of their income has been based on providing fee-based services. They invest wisely in assets that will bring value to the overall organization.

Figure 12 Williams Partners L.P. Distributable Cash Flow



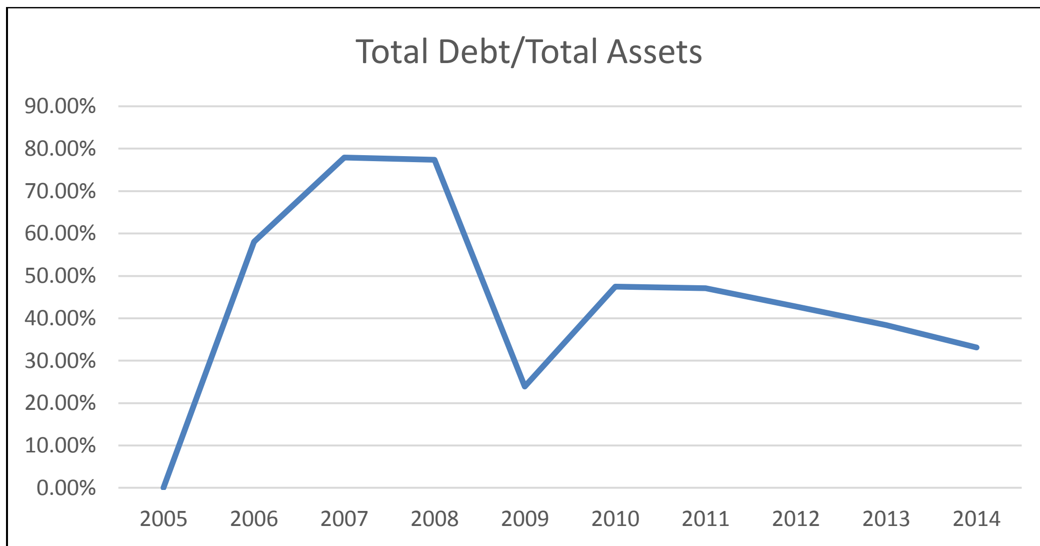
When evaluating the performance of a business, one of the first things you want to know is how profitable it is. Since MLPs are yield oriented investments, investors are primarily concerned with how much cash the business is generating. More precisely, we want to understand how much cash is potentially "distributable" to the partnership in a given period. As demonstrated by Figure 6, Williams Partners has maintained a healthy distributable cash flow available to investors.

Figure 13 Williams Partners L.P. Total Debt/EBITDA



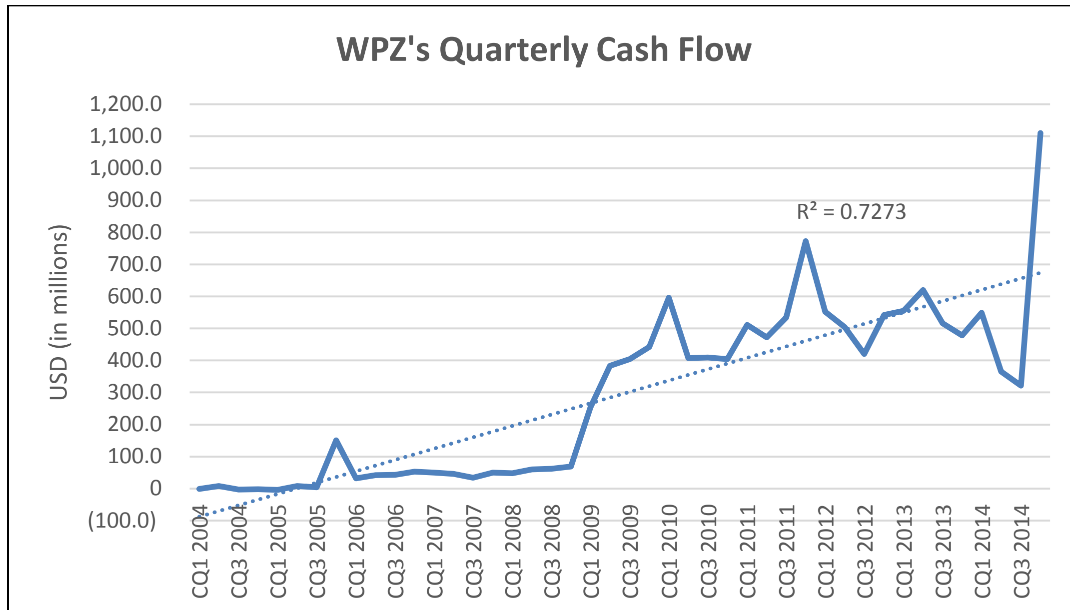
Entities in normal financial state show debt/EBITDA ratio less than 3. Ratios higher than 4 or 5 usually set off alarms because they indicate that a company is likely to face difficulties in handling its debt burden, and thus is less likely to be able to raise additional loans required to grow and expand the business. Williams Partners L.P. has maintained a rather healthy debt/EBITDA ratio, they are a little high at times, but have managed to pay down their debt and acquire new investments.

Figure 14 Williams Partners L.P. Total Debt/Total Assets



Williams Partners L.P. has been reducing its debt ratio since 2010, most recently by selling more partnership units.

Figure 15 Williams Partners L.P. Quarterly Cash Flow



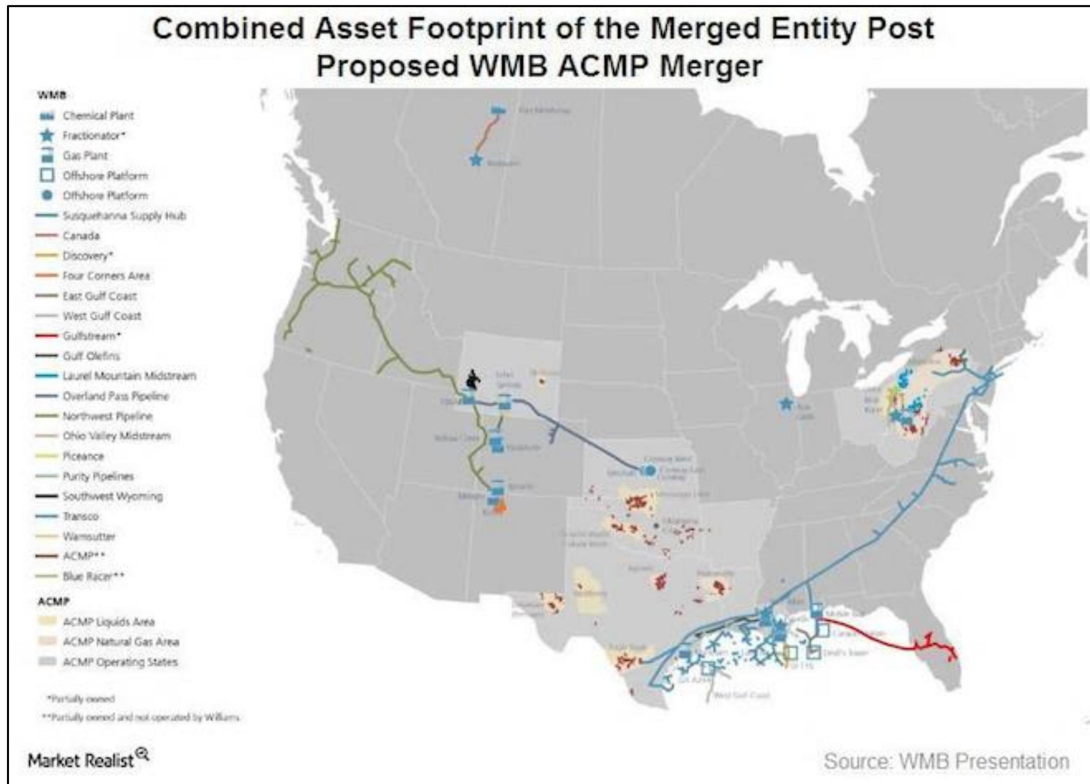
The R2 value here lets us know that Williams Partners L.P. cash from operations is fairly stable and consistent. The closer the R2 value is to one, the closer the model is to matching up with the trend line perfectly.

Future Growth

Williams Partners L.P. (WPZ) has a growing fee-based business model. Fee-based business is projected to grow by 57% through 2016 and account for at least 75% of WPZ's gross margin by 2016. In WPZ's business model, the ratio of regulated fees is set to drop to 36% in 2016 from 43% in 2013. Unregulated fee based revenues would increase to 41% in 2016 from 31% in 2013 in WPZ's portfolio. Total gross margin for WPZ is expected to increase 50% to $5.7 billion from $3.8 billion in 2013 as a result of various growth projects. The major projects already undertaken by WPZ include the Ohio Valley Midstream and Susquehanna Supply Hub the Northeast for a total of $3.23 billion. These projects are scheduled to be completed by 2015. Other projects under review are Atlantic Sunrise and Leidy SE in WPZ Atlantic and WPZ Gulf region, Geismar plant expansion and Canadian Ethane Recovery in its natural gas liquids (or NGLs) business, and Parachute Plant Expansion in WPZ West.

Williams Companies Inc. has recently acquired the assets of Access Midstream L.P. and is looking to merge Williams Partners L.P with Access Midstream L.P. Below you will see a map of the combined assets of these two entities.

Figure 16 Combined Assets of Williams Partners L.P and Access Midstream L.P.



Leadership and Governance

Board of Directors

- Alan S. Armstrong: Chairman of Williams Partners and CEO. Mr. Armstrong has been involved in the Oil and Gas industry since the late 1980's when he started at Williams as an engineer.
- Donald R. Chappel: Chief Financial Officer and member of the board of directors. Mr. Chappel has worked in finance since the late 1970's. He is a certified Public Accountant, and has been a key player in business-process-reengineering. Mr. Chappel has only been involved with the Oil and Gas industry since 2005.
- Rory Lee Miller: Senior Vice President of Gulf & Atlantic Operations and member of the board of directors. Mr. Miller has only been with Williams since 2011, and had held similar positions at Tennessee Gas Pipeline and Delhi Gas Pipeline. He has an extensive background in the pipeline industry.
- James E. Scheel: Senior Vice President of Northeast Gathering & Processing and member of the board of directors. He joined Williams in 1988 as a Business Development Analyst and has been a key member of business and strategic development.
- H. Brent Austin: Director of Williams Partners GP LLC, Chairman of Conflicts Committee and Member of Audit Committee. Mr. Austin has been Managing Partner and CIO of Alsmaora L.P

since June 2003. He has been involved with numerous natural gas companies since the early 90's.

- Alice M. Peterson: Director of Williams Partners GP LLC, Chairman of Audit Committee and Member of Conflicts Committee. Ms. Peterson has been a Law & Ethics Advisor of SAI Global Compliance since 2011. Her background has been primarily in ethics and finance.
- Laura A. Sugg: Director of Williams Partners GP LLC and Member of Audit Committee. Ms. Sugg has been involved in Human resources most recently, but her background involves working at Sohio Petroleum as well as Phillips Petroleum. She is a retired energy sector executive experienced in natural gas and oil.

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Alan S. Armstrong	3						**3.0**
Donald R. Chappel			1				**1.0**
Rory Lee Miller	3						**3.0**
James E. Scheel	3						**3.0**
H. Brent Austin	3						**3.0**
Alice M. Peterson					0		**0.0**
Laura A. Sugg		2					**2.0**
					Average		**2.14**

Overall, Williams has a strong, experienced Board with a score of 2.14.

Key Variables:

- Retaining and attracting customers by continuing to provide reliable service.
- Revenue growth associated with additional infrastructure either completed or currently under construction.
- Disciplined growth in core service areas and new step-out areas.
- Producer drilling activities impacting natural gas supplies supporting our gathering and processing volumes.
- Prices impacting commodity based activities.

Risk Factors: (from the 2013 10-k of Williams Partners L.P.)

- Prices for NGLs, olefins, natural gas, oil and other commodities, are volatile and this volatility could adversely affect our financial results, cash flows, access to capital and ability to maintain our existing businesses.
- The long-term financial condition of our natural gas transportation and midstream businesses is dependent on the continued availability of natural gas supplies in the supply basins that we access, demand for those supplies in our traditional markets, and the prices of natural gas.
- Our acquisition attempts may not be successful or may result in completed acquisitions that do not perform as anticipated.
- We do not own all of the interests in the Partially Owned Entities, which could adversely affect our ability to operate and control these assets in a manner beneficial to us.
- We may not have sufficient cash from operations to enable us to make cash distributions or to maintain current or expected levels of cash distributions following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.
- We may not be able to replace, extend, or add additional customer contracts or contracted volumes on favorable terms, if at all, which could affect our financial condition, the amount of cash available to pay distributions, and our ability to grow.
- Our operations are subject to operational hazards and unforeseen interruptions for which they may not be adequately insured.
- Our assets and operations can be adversely affected by weather and other natural phenomena.
- Acts of terrorism could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- Our business could be negatively impacted by security threats, including cybersecurity threats, and related disruptions.
- The natural gas sales, transportation and storage operations of our gas pipelines are subject to regulation by the FERC, which could have an adverse impact on their ability to establish transportation and storage rates that would allow them to recover the full cost of operating their respective pipelines, including a reasonable rate of return.
- We are subject to risks associated with climate change and the regulation of greenhouse gas emissions.

These are all common risks that MLP's all share. Probably the greatest risk to any current MLP is the inability to continue growing dividend distributions to pay the unit-holders. This is why you see the constant acquisitions of new assets and green-field development. MLP's must continue growing, and the larger they get, the harder it is to move the needle.

Valuation

The value of a share of Williams Partners L.P. at the end of 2013 was $47.76; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $55.42, suggesting a market undervaluation of 14%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $30.10, suggesting a market overvaluation of 59% before IDRs. Williams GP receives over 25% of total MLP distributions as IDRs. Williams has in 2015 abandoned the MLP structure in favor of a conventional C-Corporation structure, citing IDRs as a reason.

9. Targa Resources Partners, L.P.

Overview

Targa Resources Partners (NYSE: NGLS) is a publicly traded Delaware limited partnership that provides services in natural gas, NGLs, and crude oil gathering, processing, and terminaling. Targa MLP was formed in October 2006 by its parent company, Targa Resources Corp. to serve as the vehicle through which its midstream assets are owned, developed, and operated. Targa Resources Partners completed its initial public offering in February 2007, and has since remained active in pursing growth opportunities, both organic and acquisitive.

Timeline

April 2003	Targa Resources, Inc. is formed by its Management Team and Warburg Pincus.
April 2004	Targa purchases certain midstream natural gas operations from ConocoPhillips.
October 2005	Targa purchases Dynegy Midstream Services from Dynegy.
February 2007	Targa Resources Partners LP (NYSE:NGLS) (the Partnership) completed an initial public offering (IPO) of public common units in the company and acquired natural gas gathering, processing, and treating assets from Targa in the Fort Worth Basin/Arch Bend in North Texas.
October 2007	Targa Resources Partners LP acquired natural gas gathering, processing, and treating assets from Targa in the Permian Basin of West Texas and in Southwest Louisiana.
January 2009	The price of oil hits a low of about $40 per barrel from the oil price collapse that began in the second half of 2008.
September 2009	Oil prices have been steadily climbing since January. Targa Resources Partners LP acquired Targa's NGL business consisting of fractionation, storage, terminals, low sulfur natural gasoline treating, pipeline transportation and distribution assets, propane storage, truck terminals, and NGL transport assets.
April 2010	The Partnership acquired natural gas gathering and processing systems, processing plants, and related assets in West Texas. In addition, the Partnership acquired natural gas gathering and processing assets from Targa, which serve production from the Louisiana Gulf Coast.
August 2010	The Partnership acquired a 63% ownership interest from Targa in Versado Gas Processors LLC, which conducts a natural gas gathering and processing business in New Mexico.
September 2010	The Partnership acquired a 77% ownership interest in

	Venice Energy Services Company LLC, a joint venture that owns and operates a natural gas gathering and processing business in Louisiana consisting of a coastal straddle plant and their operations, and a wholly owned subsidiary that owns and operates an offshore gathering system and related assets that serve production from the Gulf of Mexico Shelf and deep-water.
December 2010	Targa Resources Corp. - (NYSE: TRGP) completed an initial public offering (IPO) of common shares in the company.
March 2011	The Partnership acquired a refined products and crude oil storage and terminal facility in Channelview, TX, located along the Houston Ship Channel.
October 2011	The Partnership acquired two separate refined petroleum products and crude oil storage and terminal facilities – Targa Sound Terminal in Tacoma, WA and Targa Baltimore Terminal in Baltimore, MD.
July 2012	The Partnership acquired the Big Lake gas processing plant in Lake Charles, LA.
December 2012	The Partnership acquired Saddle Butte Pipeline LLC's crude oil gathering pipeline and terminal system and natural gas gathering and processing operations. The business is located in the Williston Basin in the McKenzie, Mountrail, and Dunn counties of North Dakota.
January 2013	The Partnership acquired additional property on the Houston Ship Channel named Patriot. While currently not operational, the acquisition provides dock and land for expansion potential for its Petroleum Logistics capabilities.
December 2013	Kinder Morgan Energy Partners and Targa Resources Partners announced they have signed a letter of intent to form a joint venture to construct new natural gas liquids (NGL) fractionation facilities at Mont Belvieu, Texas, to provide services for producers in the Utica and Marcellus Shale resource plays in Ohio, West Virginia and Pennsylvania.

Scope of Operations

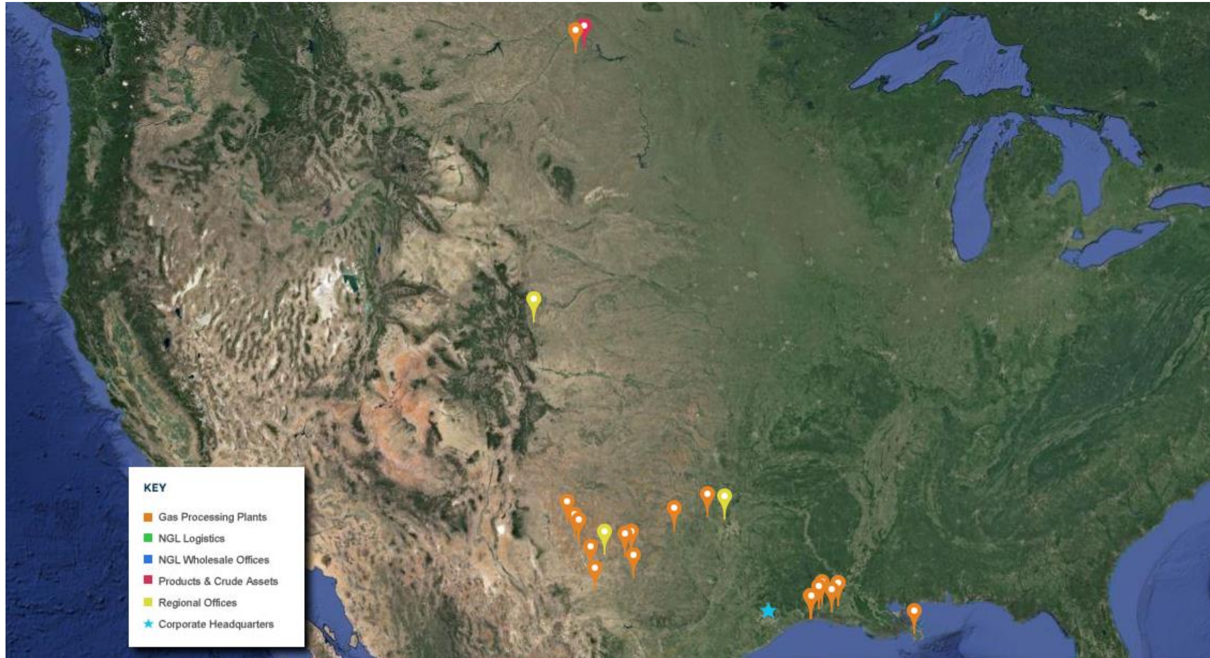
Business Segments & Geographies

Natural Gas Gathering and Processing:

A) Field Gathering and Processing
   a. Utilizes assets for gathering of natural gas produced from wells, and processing into a stream of combined and mixed NGLs.
   b. Includes assets in North Texas, the Permian Basin of Texas, and New Mexico.

B) Coastal Gathering and Processing
   a. Utilizes assets for gathering of natural gas produced from wells, and processing into a stream of combined and mixed NGLs.
   b. Includes assets in the onshore and coastal regions of the Louisiana Gulf Coast, serving production in that area.

Figure 1 Targa's Natural Gas gathering and processing locations

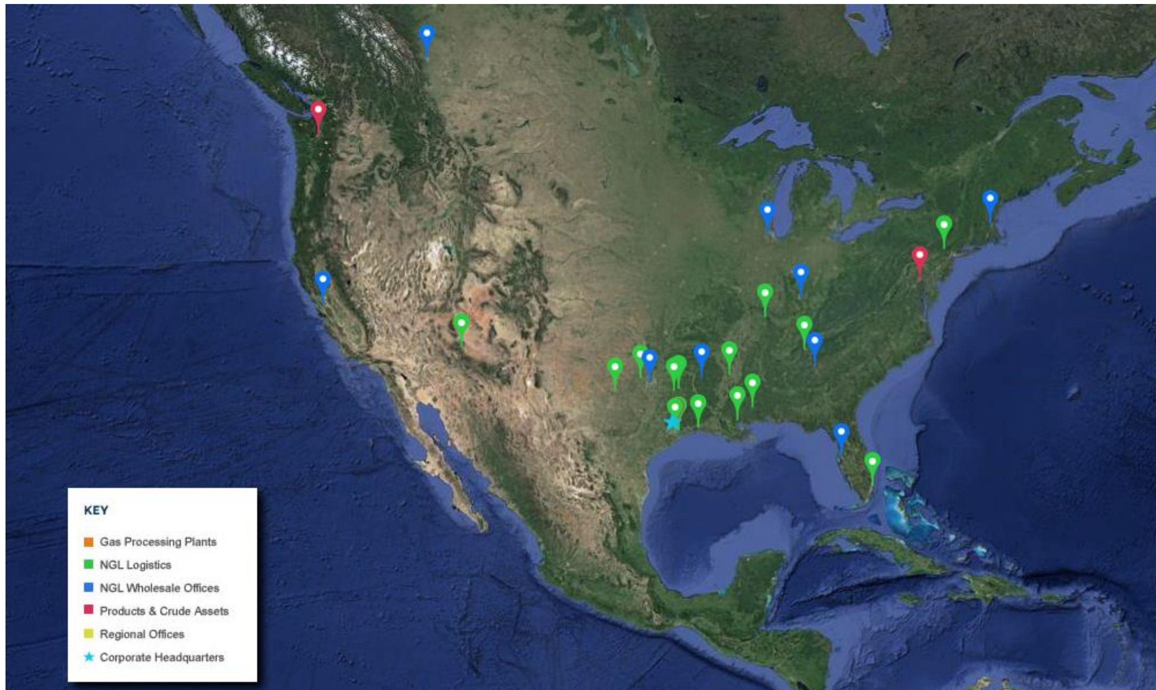


NGL Logistics and Marketing:

A) Logistics Assets
   a. Includes storage and transportation of NGLs, and terminals located in Mont Belvieu, Texas and Southwestern Louisiana.

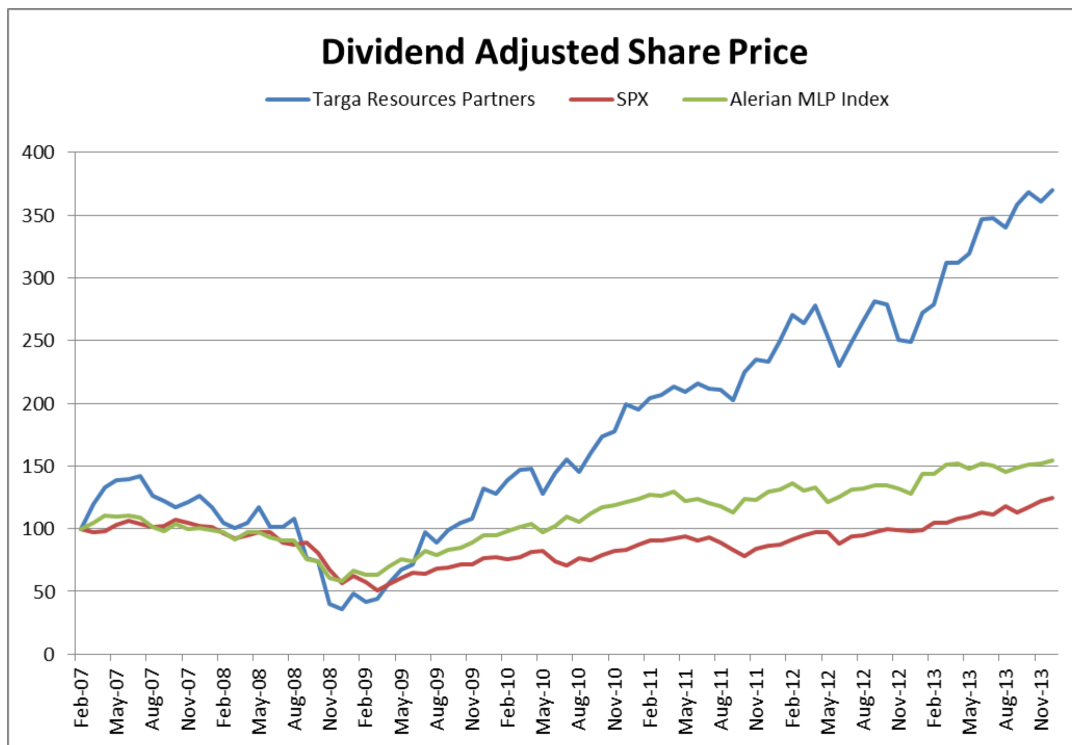
B) Marketing and Distribution
   a. Marketing and purchasing NGLs in selected U.S. markets.
   b. Marketing and supplying NGLs for refinery customers.
   c. Transporting, storing, and selling propane, and providing propane logistics to retailers and other end users.

Figure 2 Targa's NGL Logistics & Marketing locations



Shareholder Value Creation

Figure 3 Targa's Dividend adjusted shared pricing



1: February 2007 – Targa Resources Partners LP (NYSE:NGLS) (the Partnership) completed an initial public offering (IPO) of public common units in the company and acquired natural gas gathering, processing, and treating assets from Targa in the Fort Worth Basin/Arch Bend in North Texas.

2: January 2009 – The price of oil hits a low of about $40 per barrel from the oil price collapse that began in the second half of 2008.

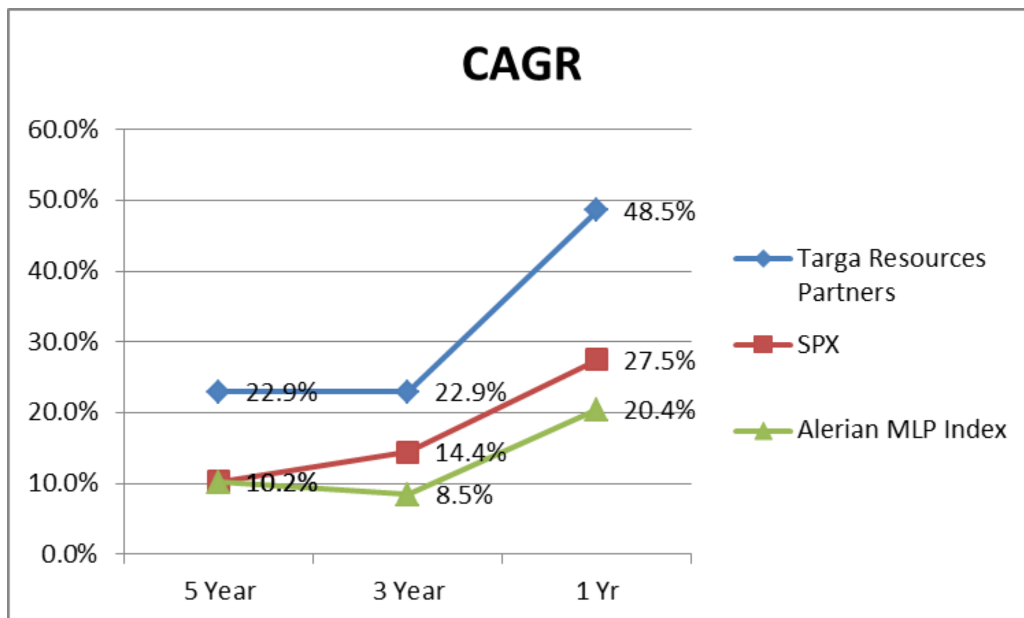
3: September 2009 – Oil prices have been steadily climbing since January. Targa Resources Partners LP acquired Targa's NGL business consisting of fractionation, storage, terminals, low sulfur natural gasoline treating, pipeline transportation and distribution assets, propane storage, truck terminals, and NGL transport assets.

4: July 2012 – The Partnership acquired the Big Lake gas processing plant in Lake Charles, LA.

5: January 2013 – The Partnership acquired additional property on the Houston Ship Channel named Patriot. While currently not operational, the acquisition provides dock and land for expansion potential for our Petroleum Logistics capabilities.

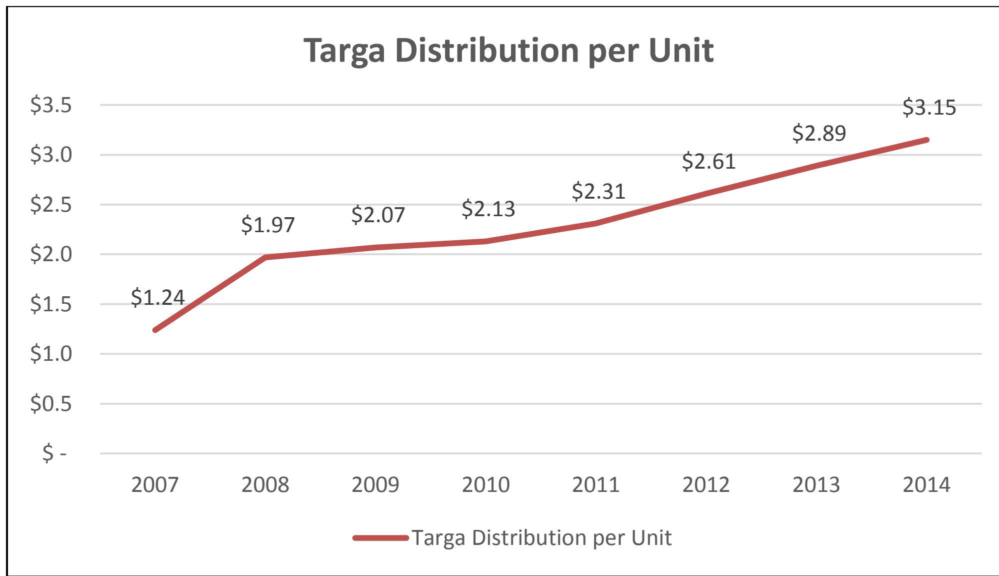
6: December 2013 – Kinder Morgan Energy Partners and Targa Resources Partners announced they have signed a letter of intent to form a joint venture to construct new natural gas liquids (NGL) fractionation facilities at Mont Belvieu, Texas, to provide services for producers in the Utica and Marcellus Shale resource plays in Ohio, West Virginia and Pennsylvania.

Figure 4 Targa's shareholder returns CAGR



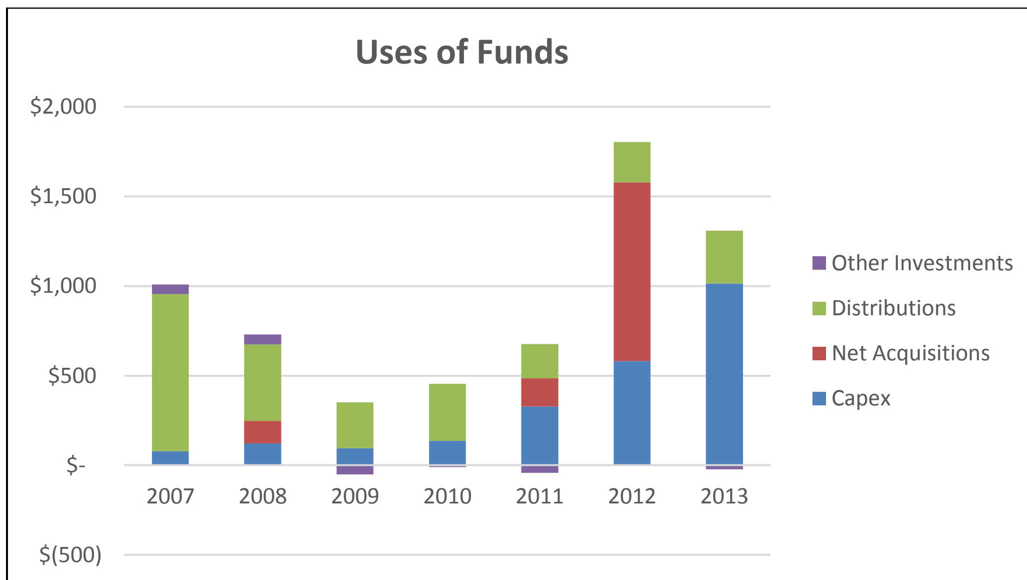
Total shareholder returns CAGR has consistently been higher than those of both the S&P 500 and the Alerian MLP Index.

Figure 5 Targa's Distribution per unit



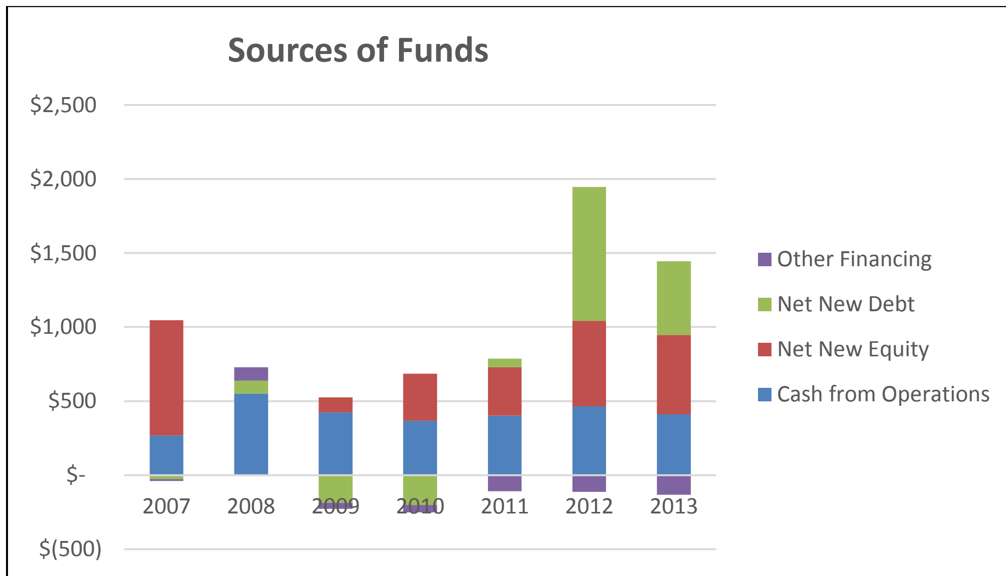
Distributions have seen consistent growth since Targa's IPO in February 2007. In addition, Targa has invested strongly in acquisitions and capital investment programs (see below).

Figure 6 Targa's Use of Funds



In order to sustain this growth and fund its growth through acquisitions and capital expenditure program, Targa has continuously raised capital from debt and equity markets. Proceeds from sale of new units increased substantially from 2009 to 2012 and were supplemented by new debt taken on in 2012 and 2013 to fund its acquisitions as shown below.

Figure 7 Targa's Sources of funds

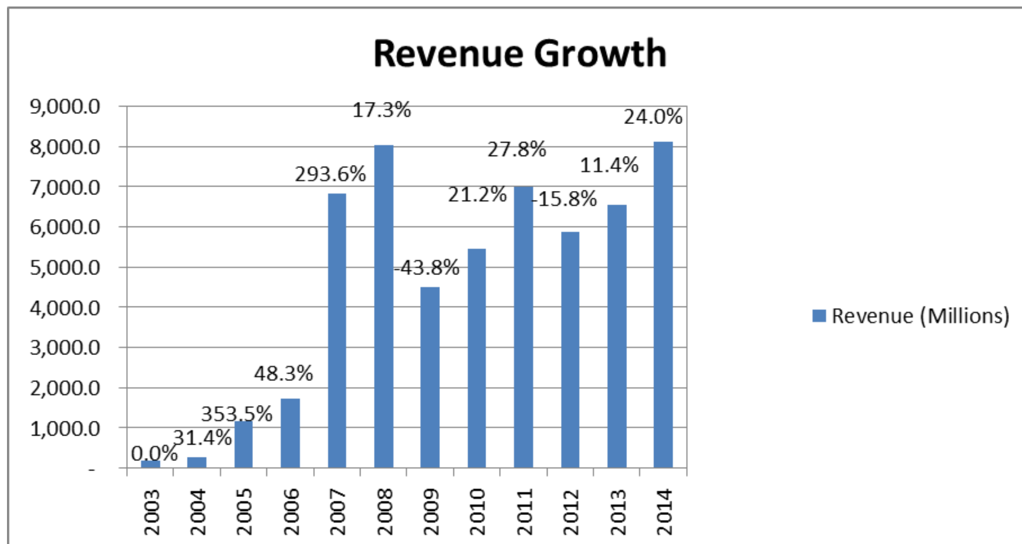


Financial & Operating Results

Growth

Targa revenue growth has been volatile, indicating that the company has considerable exposure to commodity prices. Its revenue declined sharply in 2009 as oil prices fell during the great recession, then recovered through 2014.

Figure 8 Targa's Revenue Growth



Targa has sharply increased its capital spending on new projects since 2010 as a proportion of its existing asset base and in 2013 spent over twice as much on capital investments as it generated in cash from operations.

Figure 9 Targa's CAPEX/Total Assets

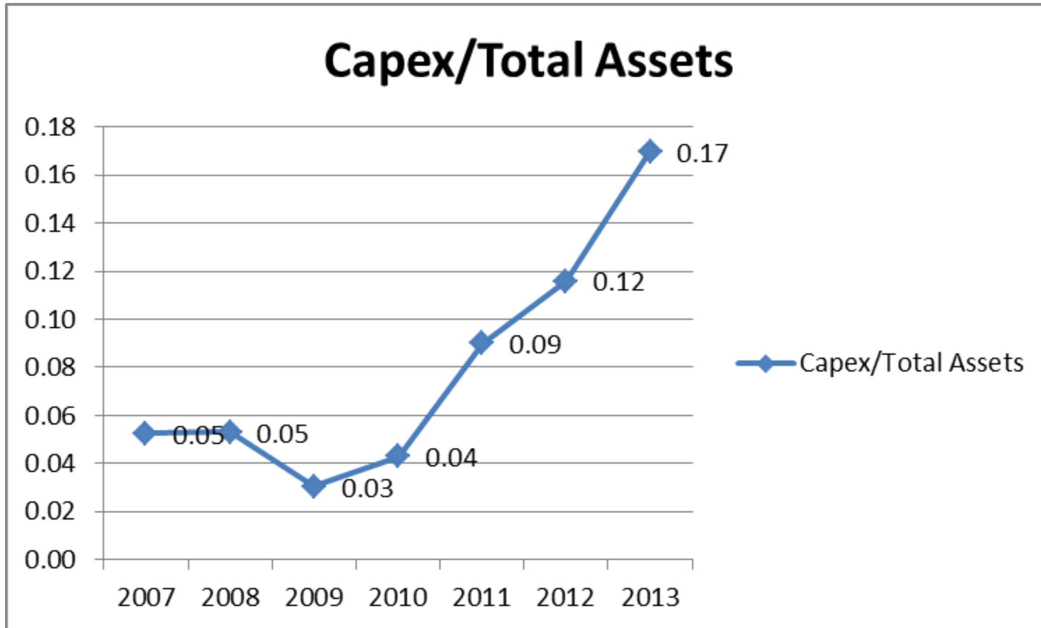
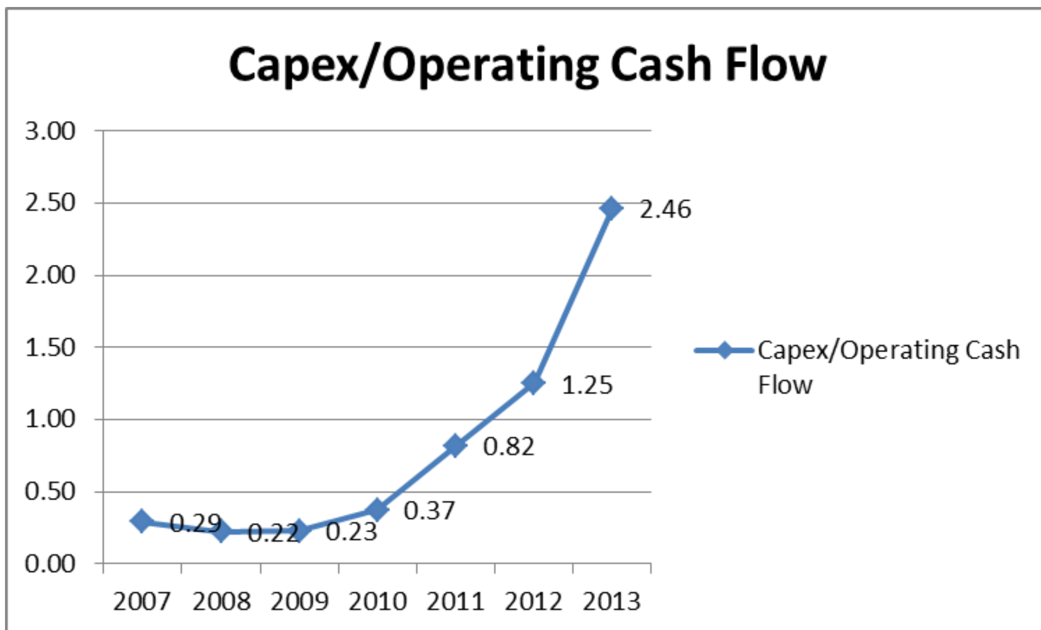
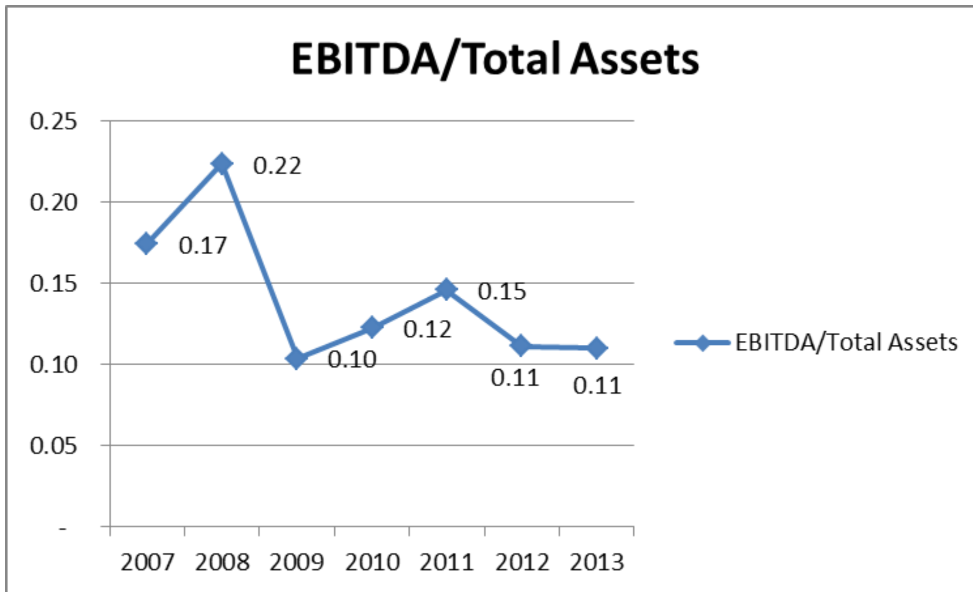


Figure 10 Targa's CAPEX/Operating Cash Flow



Returns

Figure 11 Targa's EBITDA/Total Assets



Returns have been volatile, due to both volatility in EBITDA and rapid growth in assets. However, EBITDA/ Total assets has been above average for the sector.

Risks

Over the five year period 2009 through 2013 Targa's beta was 1.24, highest among the MLPs studied and indicating higher risk than the S&P 500 index.

Figure 12 Targa's Beta

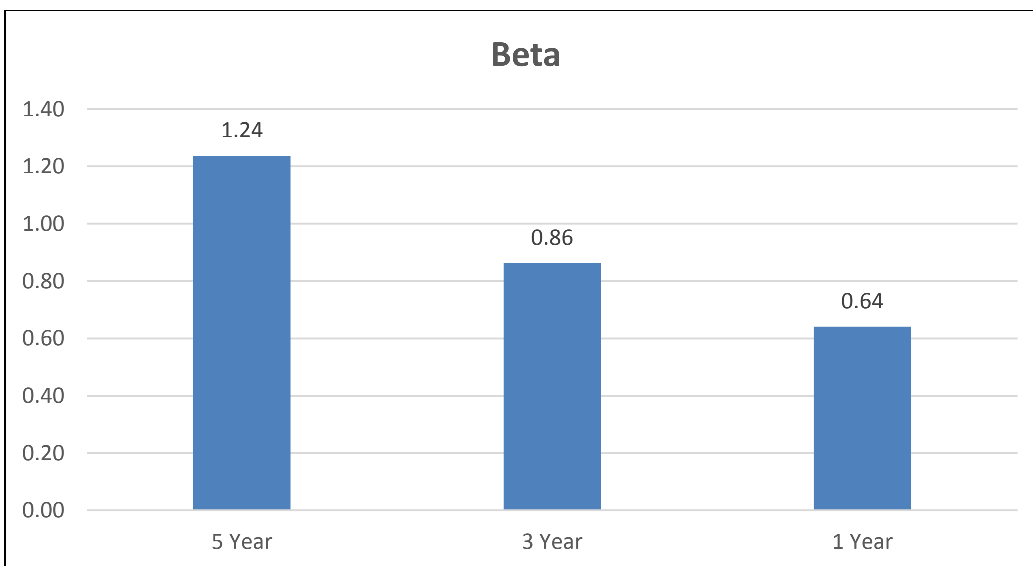
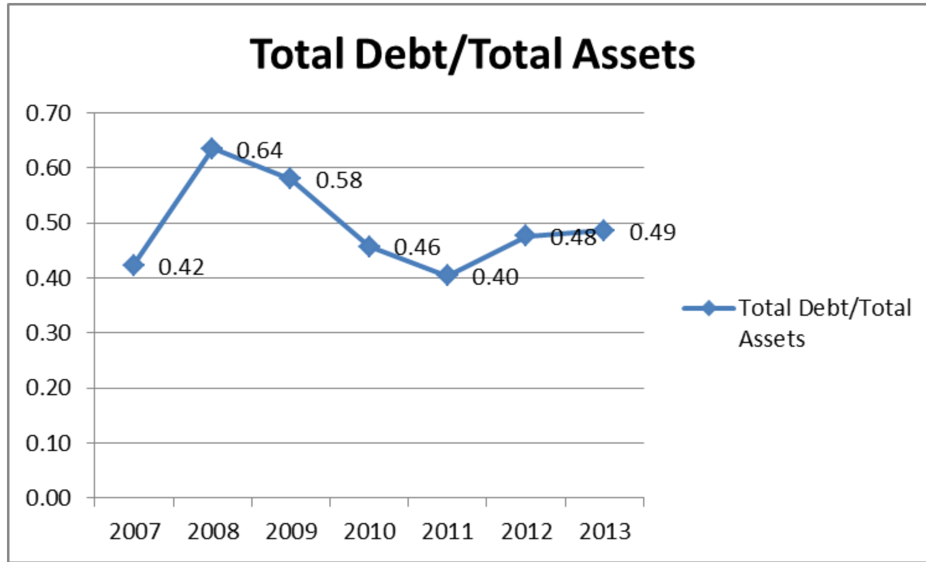
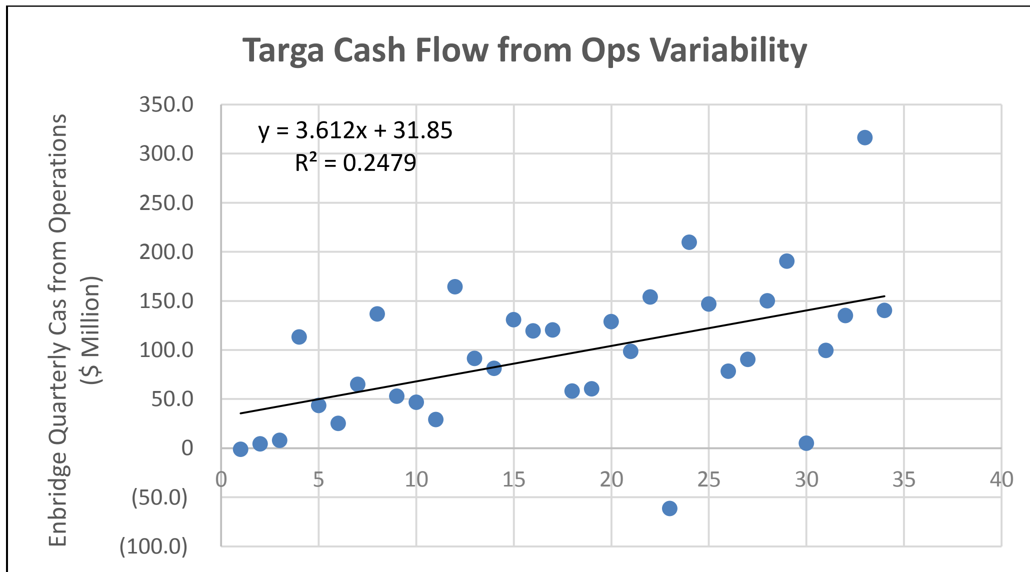


Figure 13 Targa's Total Debt/ Total Assets



Targa has maintained a health debt-to-assets ratio, with the exception of a large spike in 2008. The debt ratio was trending down until new debt was taken on to enable the company's acquisition of Saddle Butte Pipeline LLC's crude oil gathering pipeline and terminal system and natural gas gathering and processing operations in North Dakota.

Figure 14 Targa's Cash Flow from Operations



Targa's quarterly cash flow has been quite volatile due to its exposure to commodity prices, potentially posing financing challenges.

Major risk factors that could adversely affect Targa's financial performance include weather conditions, domestic and international oil and natural gas production and consumption levels, geopolitical unrest among oil and gas producing nations, commodity prices, government regulation and taxation, and energy conservation efforts.

Business Strategy

Targa's strategy is to continue to grow its business around its current assets by executing its current set of capital investments.

Figure 15 Targa's diversified midstream platform

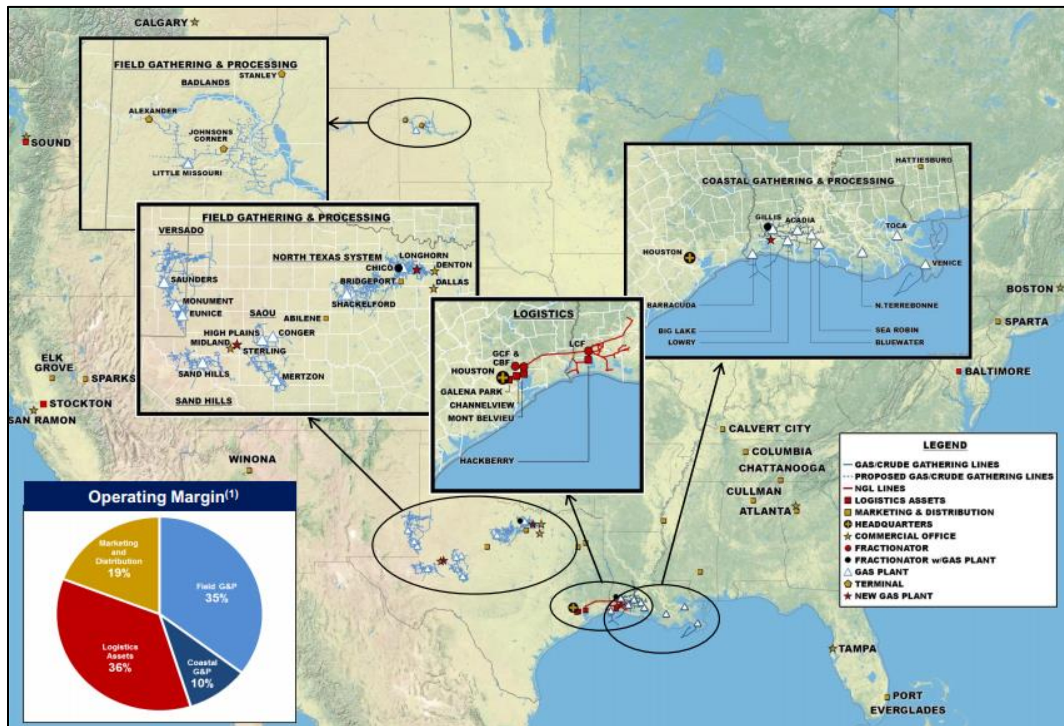
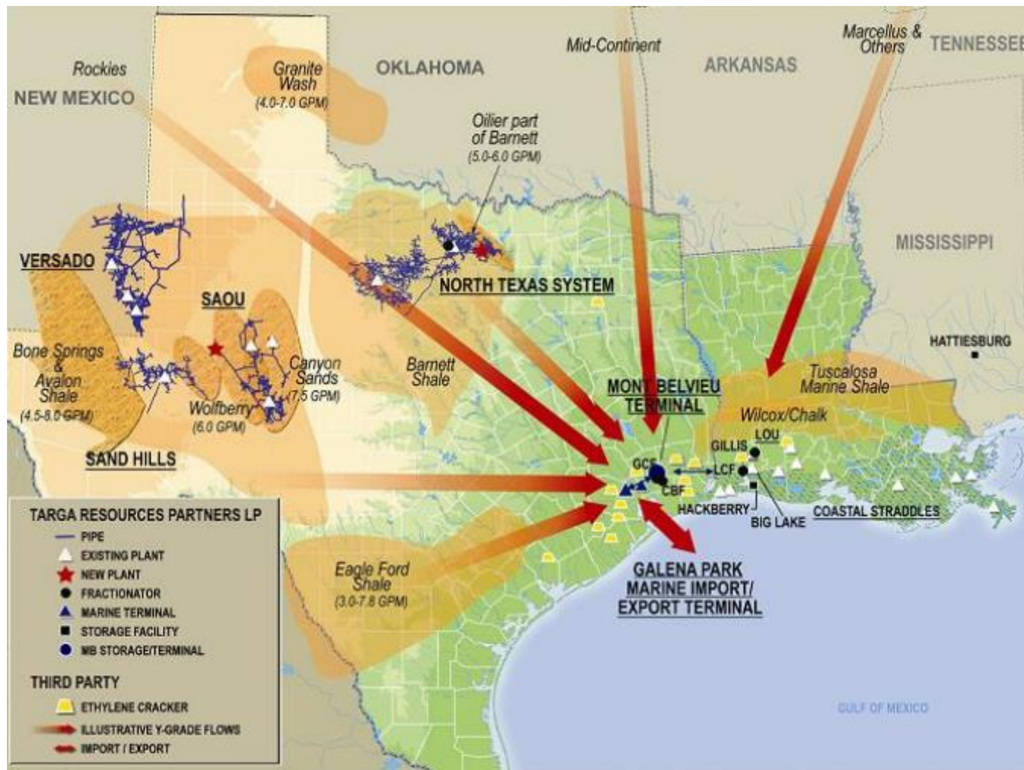


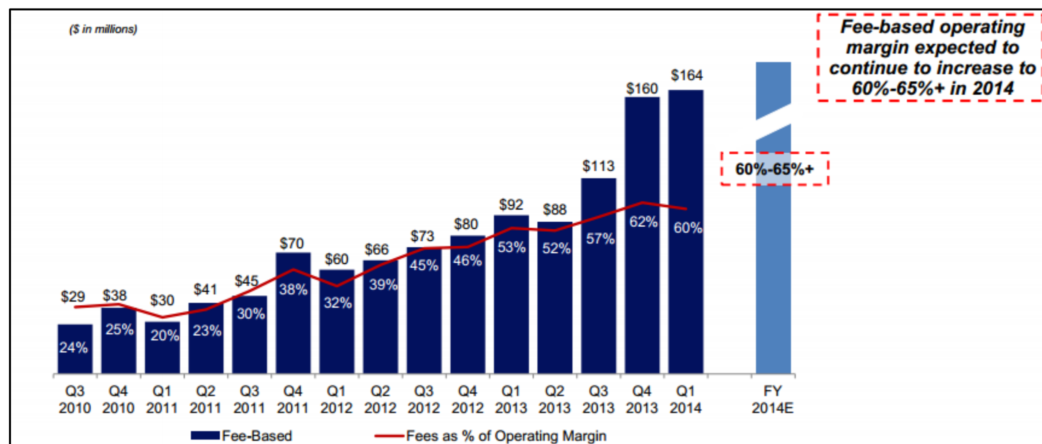
Figure 15 Targa's proximity to major resource plays



Business model

- Includes a geographically diverse asset base that derives revenue from a mix of fee-base and percent-of-liquids arrangements.
- Assets are strategically located within close proximity to stable supplies of crude oil and natural gas.
- Assets have ability to handle incremental increases in volumes without significant investment, and additionally have the ability to be expanded significantly if market conditions allow.

Figure 16 Targa's Improving fee based margin



Expansion of Assets and capabilities

G&P Growth Projects	Total CAP EX ($ millions)	2013 CAP EX ($ millions)	2014 CAP EX ($ millions)	Actual / Expected Completion	Primarily Fee-Based
Gathering & Processing Expansion Program - 2013 / 2014[1]	$155	$75	$80	2013 / 2014	
North Texas Longhorn Project (200 MMcf/d)	150	40	20	May 2014	
SAOU High Plains Plant (200 MMcf/d)	225	125	85	End of Q2 2014	
Badlands Expansion Program - 2013 / 2014	465	250	215	2013 / 2014[2]	✓
Other	40	25	15		
Total G&P Projects	**$1,035**	**$515**	**$415**		**$465**
Downstream Growth Projects	**Total CAP EX ($ millions)**	**2013 CAP EX ($ millions)**	**2014 CAP EX ($ millions)**	**Actual / Expected Completion**	**Primarily Fee-Based**
Petroleum Logistics Projects - 2013 / 2014[3]	$190	$40	$50	2013 / 2014+	✓
CBF Train 4 Expansion (100 MBbl/d)	385	120	20	Mid 2013	✓
International Export Project	480	250	165	Q3 2013 / Q3 2014	✓
Other	80	30	50		✓
Total Downstream Projects	**$1,135**	**$440**	**$285**		**$1,135**
Total Projects	**$2,170**	**$955**	**$700**		**$1,600[4]**

- Increased gathering and processing capacity to support multiple U.S. resource and shale plays.
- Fractionation expansion to support increasing NGL supply.
- Increasing connectivity to end users of NGLs in the United States
- Expansion of export services capacity for global LPG markets at Galena Park marine terminal

Targa forward strategy

- Mitigate risks by effectively hedging, and achieving scale and geographic/operational diversity
- Expansion of capabilities of current assets
- Improvement of fee-based margins
- Continuous achievement of positioning within close proximity of major U.S. natural resource plays
- Expansion of both G&P and Downstream business segments

Leadership & Governance

Management Team

- Rene R. Joyce, Executive Chairman
- Joe Bob Perkins, Chief Executive Officer
- James W. Whalen, Advisor to Chairman and CEO
- Roy E. Johnson, Executive Vice President
- Michael A. Heim, President and Chief Operating Officer
- Paul W. Chung, Executive Vice President, General Counsel and Secretary
- Jeffrey J. McParland, President, Finance and Administration
- Matthew J. Meloy, Senior Vice President, Chief Financial Officer and Treasurer
- John R. Sparger, Senior Vice President and Chief Accounting Officer

Board of Directors

- **Rene R. Joyce** – Former President of onshore pipeline operations of Coral Energy, a subsidiary of Shell. Previously served as President of various operating subsidiaries of Tejas, a natural gas pipeline company, from 1990 until 1998 when Tejas was acquired by Shell.
- **Joe Bob Perkins** – Served as President and COO for the Wholesale Businesses of Reliant Resources and its parent/predecessor companies from 1998 to 2002. Previously served as VP of Corporate Planning and Development of Houston Industries, as VP of Business Development of Coral, and as Director of Business Development of Tejas.
- **James W. Whalen** – previously served as SVP and CFO of Parker Drilling Company and Diversified Diagnostic Products. Also served as Chief Commercial Officer of Coral from 1998 to 2000 and CFO of Tejas from 1992 to 1998.
- **Rush I. Dreessen** – Is a Managing Director of Lion Chemical Capital. Previously served as EVP and CFO of TPC Group from 2005 to 2010. Before TPC Group, she served as SVP and CFO of Westlake Chemical Corp from 2003 to 2005. Previously spent 21 years at JP Morgan in investment banking.
- **Robert B. Evans** – Was the President and CEO of Duke Energy Americas from 2004 to 2006. Also served as President and CEO of Energy Services, a business unit of Duke Energy.
- **Barry R. Pearl** – Previously President and CEO of TEPPCO Partners from 2002 until 2005. Also held senior leadership positions in several companies prior, including SVP and CFO of Santa Fe Pacific Pipeline Partners.
- **William D. Sulliva** – served as President and CEO of Leor Energy. Previously held several leadership positions at Anadarko Petroleum Corporation.

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Rene R. Joyce	3						**3.0**
Joe Bob Perkins	3						**3.0**
James W. Whalen			1				**1.0**
Rush I. Dreessen			1				**1.0**
Robert B. Evans	3						**3.0**
Barry R. Pearl	3						**3.0**
William D. Sullivan		2					**2.0**
					Average		**2.28**

Targa has a strong and experienced Board

Valuation

The value of a share of Targa Resources Partners L.P. at the end of 2013 was $52.30; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $59.23, suggesting a market undervaluation of 12%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $23.60, suggesting a market overvaluation of 122%.

10. Kinder Morgan Energy Partners, L.P.

Introduction

Kinder Morgan is a very large and diverse company that is made up of several publicly traded companies as follows:

Kinder Morgan Energy Partners, L.P. (NYSE: KMP)

Kinder Morgan, Inc. (NYSE: KMI)

Kinder Morgan Management, LLC (NYSE: KMR)

El Paso Pipeline Partners, L.P. (NYSE: EPB)

According to http://www.kindermorgan.com the company is the largest midstream company in North America and it is the third largest oil and gas company in North America. Both designations are based on the combined enterprise value (EV) of the four aforementioned publicly traded companies, which Kinder Morgan estimates at $125 billion. Of the four companies, KMR and EPB are master limited partnerships (MLPs). As we will discuss later, Kinder Morgan announced recently that it will combine all four entities into one, citing complexity as one of many drivers to simplify the structure. For the same reason I will focus on primarily on KMP, as it is the original and largest MLP in the portfolio.

According to http://www.investopedia.com an MLP is "a type of limited partnership that is publicly traded. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture."

Kinder Morgan is currently undergoing a large restructuring, merging KMP, KMR, and EPB into one, wholly owned C-corp under KMI. Following the restructure, Kinder Morgan estimates that the size of the company relative to other large industrials as follows:

Company Name	Industry	Market Cap	LQA Dividend Yield	Dividend Growth Rates
PF KMI[(a)]	Oil & Gas Pipelines	~$100,000		10.0%
Large Cap US Midstream (2015 – 2017 Growth Rates)				
Williams Companies, Inc.	Oil & Gas Pipelines	$59,936	3.8%	14.8%
Enterprise Products Partners L.P.	Oil & Gas Pipelines	$76,475	3.5%	7.6%
S&P 500 High Dividend Companies[(b)] (2014 – 2016 Growth Rates)				
General Electric Company	Industrial Conglomerates	$260,681	3.4%	6.0%
Chevron Corporation	Integrated Oil	$245,817	3.3%	4.7%
Procter & Gamble Company	Household/Personal Care	$225,033	3.1%	6.7%
Coca-Cola Company	Beverages: Non-Alcoholic	$182,981	2.9%	7.0%
Philip Morris International Inc.	Tobacco	$133,687	4.4%	5.2%
Cisco Systems, Inc.	Computer Communications	$128,016	3.0%	7.4%
McDonald's Corporation	Restaurants	$92,026	3.5%	7.4%
AbbVie, Inc.	Pharmaceuticals: Major	$87,989	3.0%	8.8%
Altria Group, Inc.	Tobacco	$85,447	4.5%	7.4%

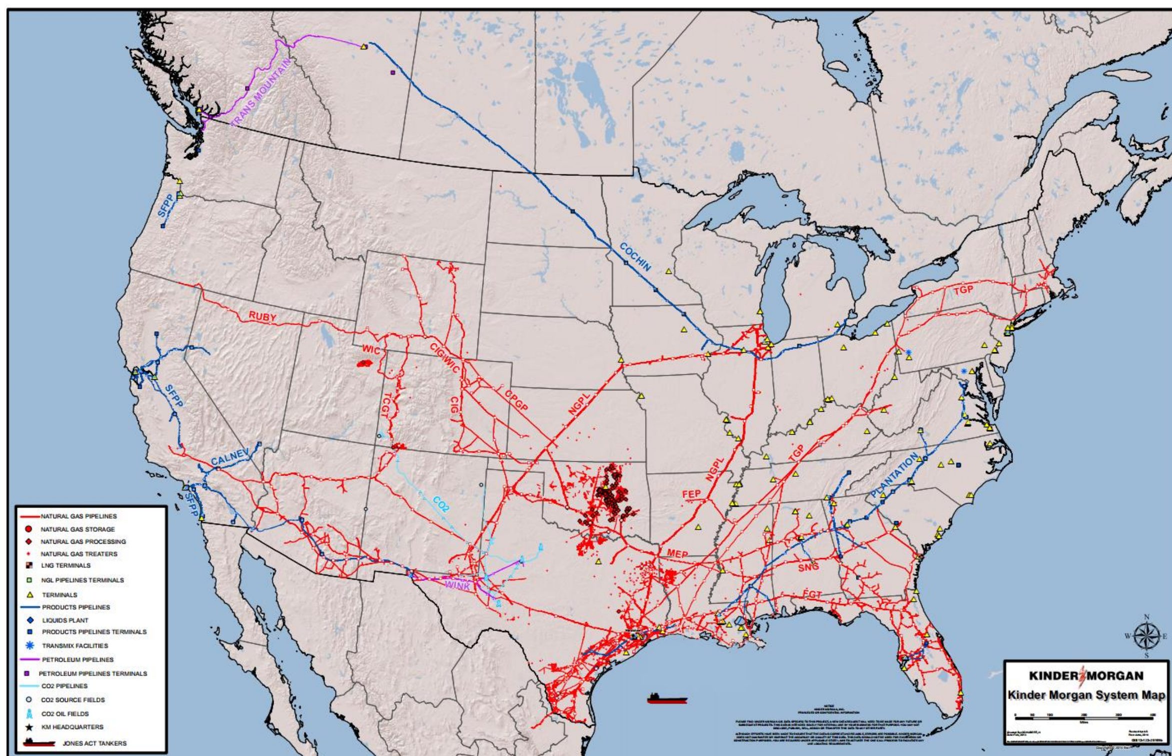
Timeline (Major Events over Time)

Year	Event
1997	KMP was founded when a group of investors led by Chairman and CEO Richard D. Kinder and former Vice Chairman William V. Morgan acquired Enron Liquids Pipeline, L.P.
1997	KMP acquires Santa Fe Pacific Pipeline for $1.8 billion.
1999	Kinder and his team acquired KN Energy, an integrated natural gas pipeline company based in Colorado. One of the main assets that came from this deal was Natural Gas Pipeline Company of America (NGPL), which serves the Chicago market. KN became KMI following the transaction.
2000	KMP acquires GATX Terminals Corporation and CALNEV Pipeline System from GATX Corp. for $2.3 billion.
2001	KMR, a third publicly traded Kinder Morgan company, was formed to facilitate institutional ownership of KMP equity. KMR is a limited liability company and its only significant assets are the partnership units it owns in KMP.
2006	Mr. Kinder organized a buyout to take KMI private.
2011	KMI once again began trading on the New York Stock Exchange following the largest private equity-backed U.S. initial public offering (IPO) in history at 110 million shares, raising approximately $3.3 billion.
2011	KMI announced it would acquire El Paso Corporation for $38 billion. The transaction made Kinder Morgan the largest midstream and the third largest energy company (based on combined enterprise value) in North America. Kinder Morgan added a fourth publicly traded entity, EPB, as a result.
2012	KMP divests of Kinder Morgan and Trailblazer and Casper-Douglas Pipeline and 50% interest in Rockies Express for a total of $3.3 billion.
2012	KMP acquires Tennessee Gas Pipeline Company, LLC and 50% of El Paso Natural Gas Company for a total of $6.2 billion.
2012	KMP sells the Express-Platte Pipeline System to Spectra Energy Corp. for $1.5 billion.

2013	KMP acquires Copano Energy LLC for $4.5 billion.
2013	KMP acquires the remaining 50% of El Paso Natural Gas Company, LLC and 50% of El Paso Midstream Investment Company LLC for $1.7 billion total.
2014	August 10: KMI announces that it will purchase KMP, KMR and EPB, dissolving MLPs and becoming a traditional publicly-traded corporation. August 25: KMI receives Hart-Scott-Rodino clearance for the acquisition of KMP. Clearance was not required for KMR and EPB.

From http://www.kindermorgan.com

Current Scope of Operations (Industrial and Geographical Segments)



CO_2

Leading transporter of CO2 in North America. CO2 is used heavily in oil fields to facilitate an enhanced oil recovery (EOR) process called CO2 flooding. KMP provides the CO2 transportation and has a working interest in a number of West Texas fields that use this EOR process.

Natural Gas Pipelines

Largest NG transporter and storage operator in North America with connections in all NG plays of any significance.

Products Pipelines

Largest carrier of refined petroleum and petrochemical products in North America. Also a leader in transporting alternative fuels.

Terminals

Largest terminal operator in North America. Terminals include a significant amount of storage capacity for crude oil, refined products, and coal as well.

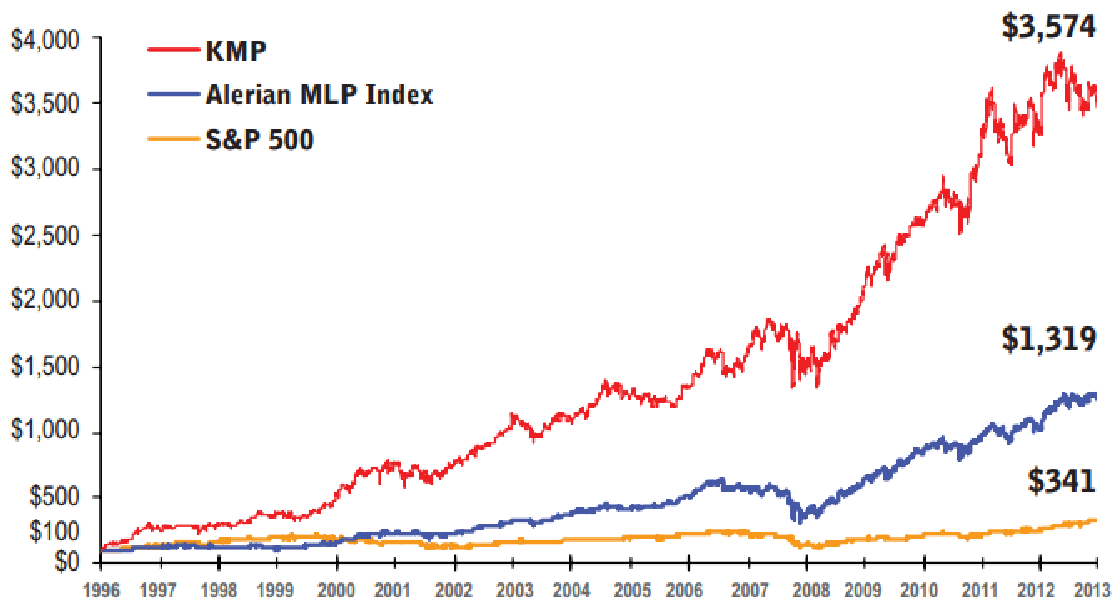
Kinder Morgan Canada

Large player in both the pipeline and terminal industries in Canada. Uniquely positioned to support the west coast.

From http://www.kindermorgan.com

Shareholder Value Creation

23% AVERAGE ANNUAL RETURN TO UNITHOLDERS

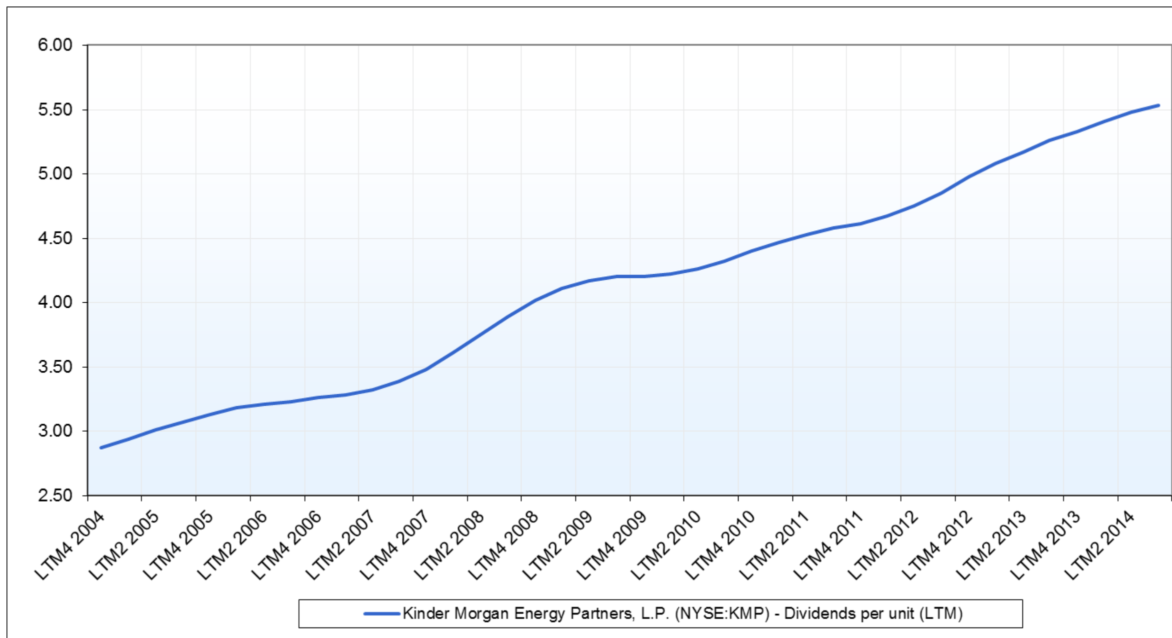


Source: Bloomberg. Total returns calculated on a daily basis through Dec. 31, 2013, assuming dividends/distributions reinvested in index/stock/unit.

From http://www.kindermorgan.com

Since its inception KMP has done exceedingly well versus the Alerian MLP Index, a common comparison for MLPs and also versus the S&P 500 companies. The 2008 drop can be seen here as well. Also, as mentioned earlier, there is instability in the growth starting in 2011 due to compounding issues related to geopolitical unrest around the world, market uncertainty, and resulting instability in oil and gas consumption.

Zooming in on the last 10 years we can see that KMP was tracking closely with the Alerian and the S&P 500 until late 2007, where it diverged and never looked back. It's interesting that the only major change that happened during this time is that Rick Kinder took KMI private.

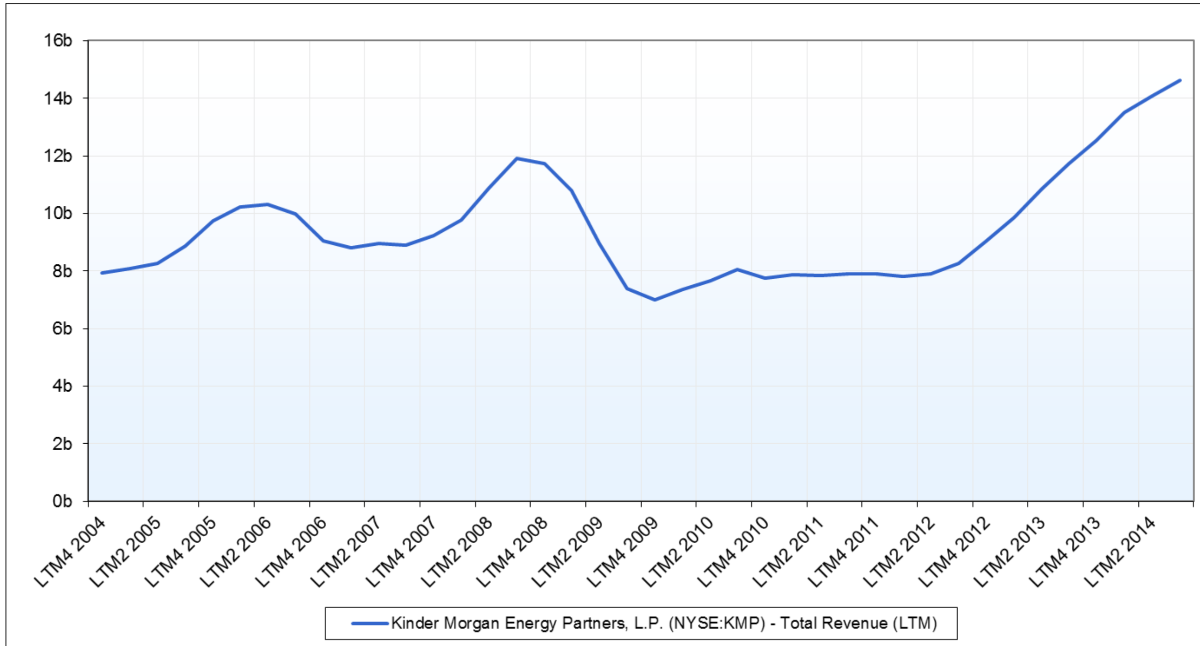


KMP's dividends per unit has shown continuous growth to 2x over the last 10 years.

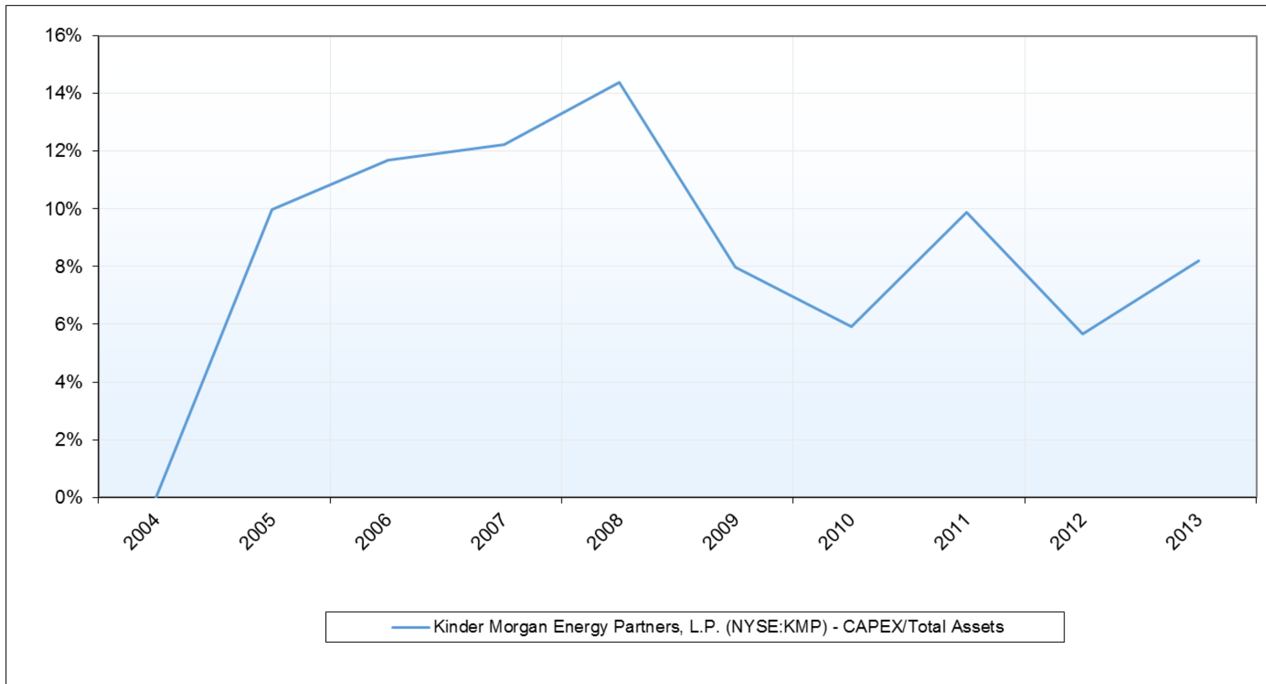
KMPs shareholder returns have been strong, resulting in a 4 fold increase in value over ten years versus a 2.5 fold increase for the Alerian MLP index and a 1.75 fold increase for the S&P 500 over the same time period. This is a testament to the management team's ability to make investors and analysts comfortable that they are doing what they say they will do. Note the drop in 2008 matching the drops in the overall economy at that same time. A large increase can be seen in 2014 correlating to Rich Kinder's announcement that he would merge the four publicly traded corporations and dissolve the MLPs. The implication is that investors believe he will buy the limited partner units at a price that will compensate for the capital gain liability that will be incurred.

Financial and Operating Results

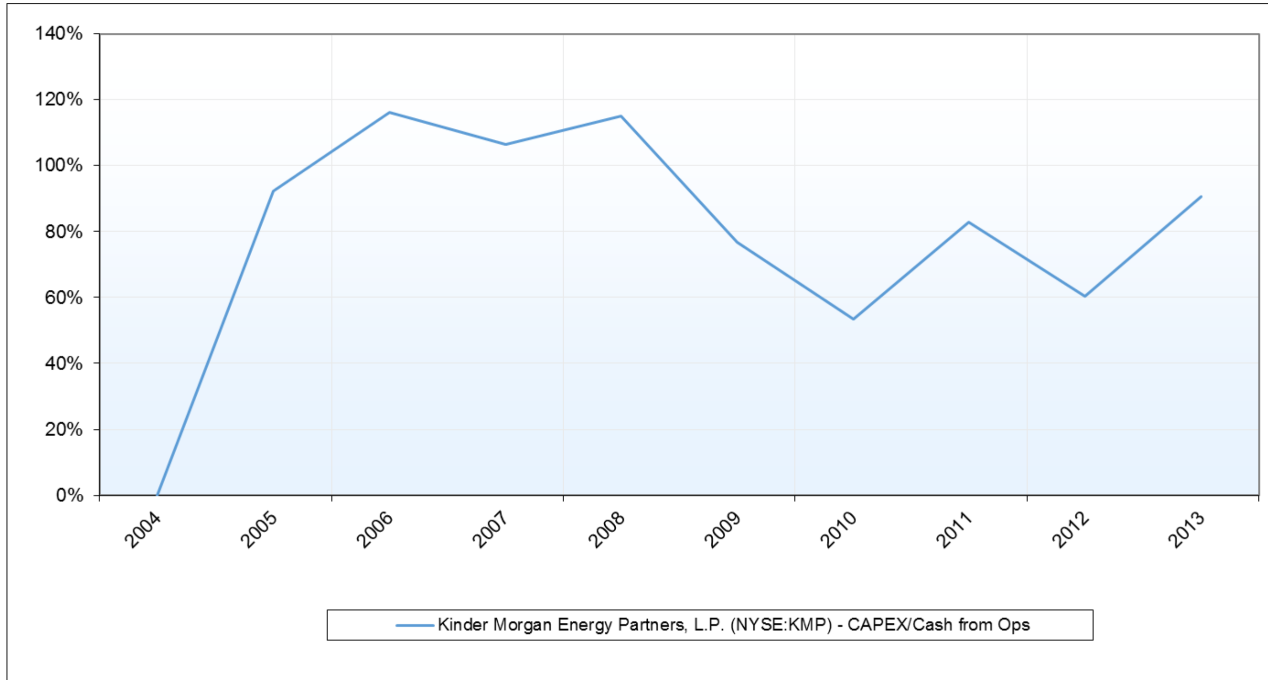
Growth



Revenue has nearly doubled over the last 10 years. Taking away the expected drop in to 2008-2009 timeframe, KMP has shown steady growth.

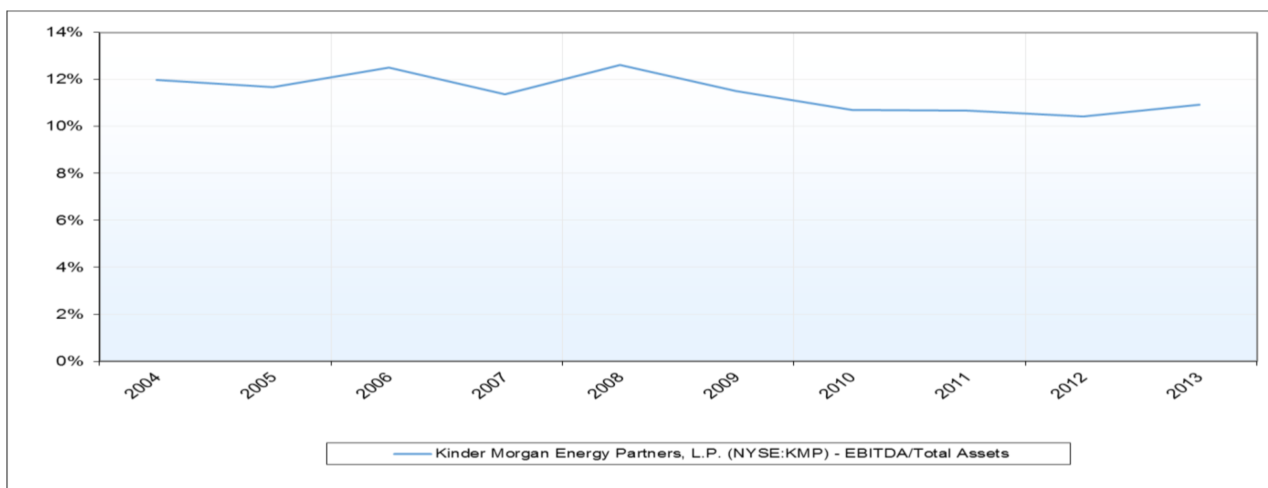


CAPEX/Total Assets is a ratio that is used as a representation to opportunities for organic growth. We will discuss specific projects later. Suffice it to say that KMP has a significant backlog that will keep them building their asset base far into the future.



CAPEX/Cash from Operations measures a company's ability to fund capital projects from free cash flow. Over the past 10 years KMP has managed to move from 110% to 70%, providing greater financial flexibility.

Returns

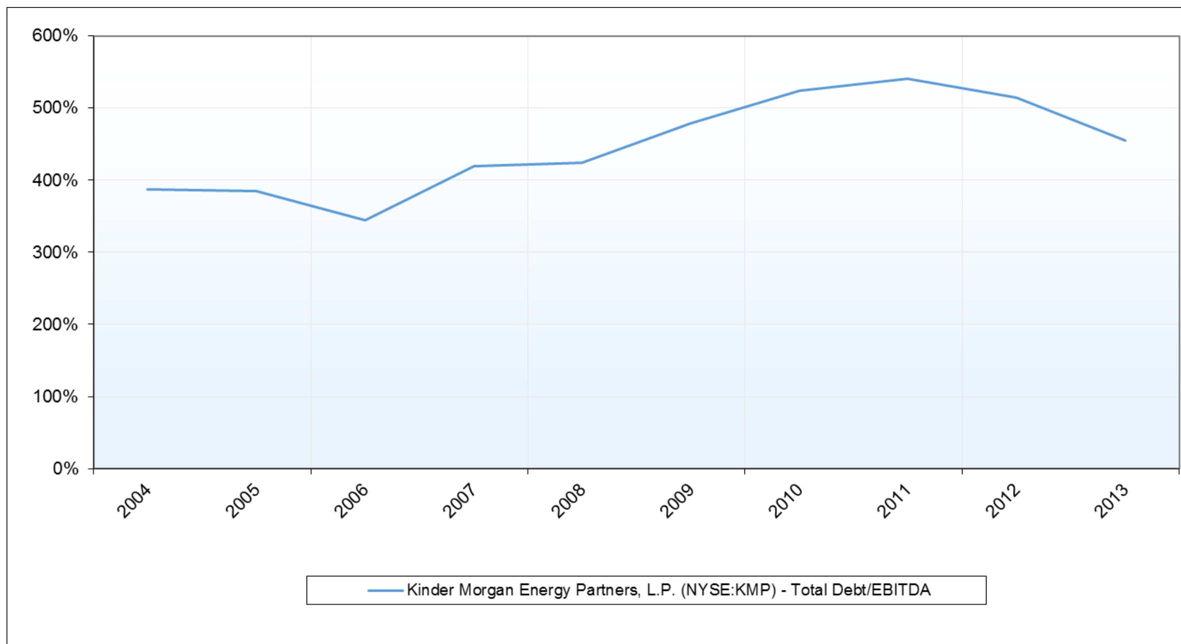


KMPs EBITDA return on total assets are relatively consistent, staying in the 10-12% range

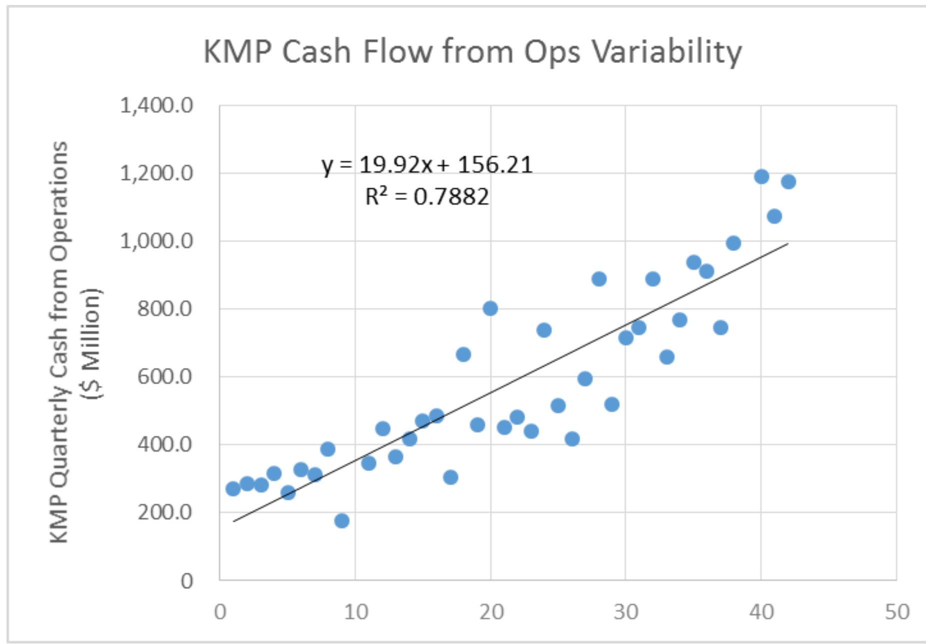
Risks

Beta	KMP
10 Year	0.36
5 Year	0.51
3 Year	0.59
1 Year	0.53

KMP is at or near the top of all midstream MLPs in beta performance, indicating that shareholder returns are less likely to respond to swings in the market.



According to Investopedia Total Debt to EBITDA is an indication of a company's ability to pay off its incurred debt. KMP has been relatively stable with this metric, within the range of other MLPs.



Cash from operations has grown 6x over 10 years, showing a stronger increase than shareholder returns over the same period. Compared to peers, KMP shows less quarterly variability than other MLPs.

Business Risks

There is a very large amount of fluid federal, state, and local regulation in all areas of Kinder Morgan's business.

There are large risks inherent in any midstream company because they are moving minerals and chemicals around via rail, pipeline, truck, ship, etc.

The weather has a major impact both on the transportation and storage of resources, but, also on the consumption of them.

Pipelines run through neighborhoods, farms, etc. This creates risks, not only related to potential environmental disasters, but, related to keeping landowners happy.

Financial Risks

There may be an increase in the cost of capital or a decrease in the availability of credit at any time.

KMP's large debt could make them especially vulnerable to large downswings in the economy.

Geopolitical Risks

A real threat of terrorism in the form of cyber-attacks exists and the types of assets KMP owns are a real target.

Changes in relations between Canada and the US could cause negative financial impacts.

Changes in world and local petrochemical demand due to geopolitical events could negatively impact KMP.

Business Strategies Going Forward

Restructure

1) Simplifies structure; creates one public equity class.
2) Lowers cost of capital and creates a more competitive acquisition currency.
3) Significant income tax savings from the acquisition amounting to ~$20 billion over ~14 years.
4) Over half of combined KMP and EPB cash flows are already taxed at KMI under current structure.
5) Broader pool of capital available to C-corp.

From the 2013 Annual Report

1) Focus on stable, fee-based energy transportation and storage assets that are central to the energy infrastructure of growing markets within North America.
2) Increase utilization of our existing assets while controlling costs, operating safely, and employing environmentally sound operating practices.
3) Leverage economies of scale from incremental acquisitions and expansions of assets that fit within our strategy and are accretive to cash flow.
4) Maximize the benefits of our financial structure to create and return value to our unitholders.

Focus on Natural Gas (from latest Barclays presentation)

1) Kinder Morgan's unparalleled natural gas footprint is well-positioned to address North America's need for more infrastructure.
2) Natural gas a significant, growing component of backlog.
3) Significant recent demand for long-term natural gas capacity across all KM entities.

Projects

5-year Growth Capex Backlog ($B)

	2H 2014	2015	2016	2017+	Total
Natural Gas Pipelines	$0.6	$0.4	$1.0	$2.6	$4.6
Products Pipelines	0.7	0.3			1.0
Terminals	0.7	0.5	0.8	0.2	2.2
CO_2 – S&T[(b)]	0.1	0.3	1.0	0.4	1.8
CO_2 – EOR[(b)] Oil Production	0.2	0.4	0.4	1.0	2.0
Kinder Morgan Canada				5.4	5.4
Total	$2.3	$1.9	$3.2	$9.6	$17.0

88% of backlog is for fee-based pipelines, terminals and associated facilities

Leadership and Governance

From the 2013 Annual Report:

Leadership

Name	Age	Position with our General Partner and KMR	Score*
Richard D. Kinder	69	Director, Chairman and Chief Executive Officer	1
Steven J. Kean	52	Director, President and Chief Operating Officer	3
Ted A. Gardner	56	Director	1
Gary L. Hultquist	70	Director	1
Perry M. Waughtal	78	Director	1
Kimberly A. Dang	44	Vice President and Chief Financial Officer	
David R. DeVeau	48	Vice President and General Counsel	
Thomas A. Martin	52	Vice President (President, Natural Gas Pipelines)	
Ronald G. McClain	61	Vice President (President, Products Pipelines)	
Dax A. Sanders	38	Vice President, Corporate Development	
John W. Schlosser	50	Vice President (President, Terminals)	
Lisa M. Shorb	55	Vice President, Human Resources, Information Technology and Administration	
James P. Wuerth	57	Vice President (President, CO2)	
		Board Score out of 15 possible points ->	7

* Board score is calculated based on the following points given to each board member based on experience in particular industries/sectors: Midstream – 3, Oil and Gas – 2, Financial – 1, Environmental – 1.

Governance

“We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 comprised of Messrs. Gardner, Hultquist and Waughtal. Mr. Waughtal is the chairman of the audit committee and has been determined by the board to be an “audit committee financial expert.” The board has determined that all of the members of the audit committee are independent as described under the relevant standards.”

Standing Commitiees:

Audit committee

Compensation committee

Nominating and governance committee

KMP also maintains a Code of Business Conduct and Ethics that management and all employees are expected to sign and follow in their daily business dealings.

Valuation

The value of a share of Kinder Morgan Energy Partners L.P. at the end of 2013 was $75.48; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $90.36, suggesting a market undervaluation of 16%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $162.16, suggesting a market undervaluation of 53% before IDRs. KMI's General Partner received over 45% of total KMP distributions as IDRs. Kinder Morgan has since consolidated all its companies into a single C-Corporation, citing IDRs as a reason.

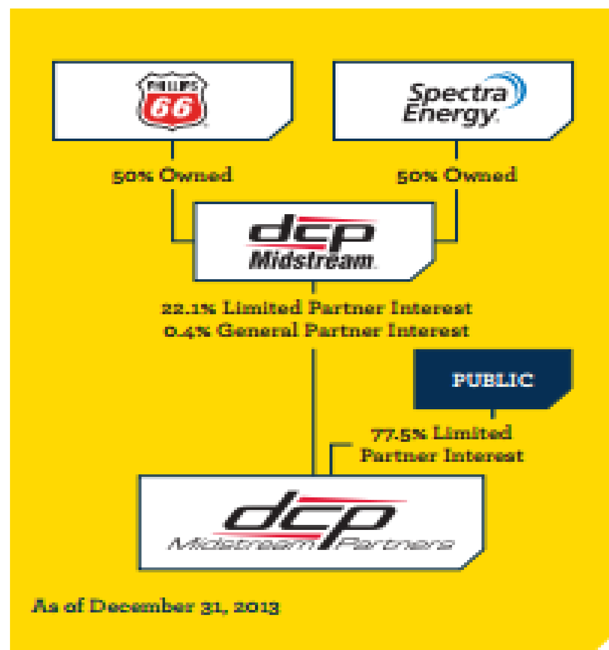
Deficit Funding MLPs

DCP Midstream Partners, L.P.

History

DCP Midstream Partners, LP (NYSE DPM), incorporated on August 5, 2005, is engaged in the business of gathering, compressing, treating, processing, transporting, storing and selling natural gas; transporting, storing and selling propane in wholesale markets, and producing, fractionating, transporting, storing and selling natural gas liquids (NGLs) and condensate. Its operations are organized into three business segments: Natural Gas Services, Wholesale Propane Logistics and NGL Logistics. In April 2012, it completed the dropdown of the remaining 66.67% interest in DCP Southeast Texas Holdings, GP from the owner of its general partner, DCP Midstream, LLC. In July 2012, the Company completed the acquisition of the Crossroads system from Penn Virginia Resource Partners, L.P. In April 2013, it raised its stake in DCP SC Texas GP to 80% from 33.33% by acquiring a further 46.67% interest. In January 2012, DPM acquired the remaining 49.9% of the limited liability company interests in East Texas from DCP Midstream, LLC.

Figure 1 Corporate Ownership Structure



The general partner, DCP Midstream, LLC, is equally owned by Phillips 66 and Spectra Energy. Headquartered in Denver, Colo., DCP Midstream leads the midstream industry as one of the nation's largest natural gas gatherers and processors, and one of the largest producers and marketers of NGL in the United States. Operations include gathering and transporting raw natural gas through approximately 63,000 miles of pipeline. The collected gas is processed at 62 owned or operated plants and treaters. Additionally, DCP Midstream owns or operates 12 fractionators.
DCP Midstream, LLC was originally started as a joint venture between Duke Energy Field Services and

Phillips Petroleum. In July 2005, ConocoPhillips and Duke Energy Corporation (Duke) restructured their respective ownership levels in DCP Midstream, which resulted in DCP Midstream becoming a jointly controlled venture, owned 50 percent by each company. Duke Energy Field Services, LP had a change of ownership on 1/1/2007 when Duke Energy sold its 50% interest in its named Field Services division (DEFS). At the same time Duke Energy spun off its Gas Transmission division (DEGT) to be a publicly traded company named Spectra Energy. Spectra then took the 50% ownership position in the Field Services division. With this change in ownership the Duke brand name could no longer be used and DCP Midstream, LLC was formed.

The aforementioned restructuring in July of 2005 increased ConocoPhillips' ownership in DCP Midstream to 50 percent from 30.3 percent through a series of direct and indirect transfers of certain Canadian Midstream assets from DCP Midstream to Duke, a disproportionate cash distribution from DCP Midstream to Duke from the sale of DCP Midstream's interest in TEPPCO Partners, L.P., and a combined payment by ConocoPhillips to Duke and DCP Midstream of approximately $840 million. In 2012, Conoco Phillips split off their refining and chemicals divisions to create Phillips 66, and Phillips 66 took the 50% ownership of DCP Midstream, LLC.

In July of 2013 Phillips 66 formed a new MLP Phillips 66 Partners, LP, realized a successful IPO. This company will house Phillips 66 investments in midstream assets related to its refining and petrochemical businesses.

Current Scope of Operations

DCP Midstream Partners, LP, together with its subsidiaries, owns, operates, acquires, and develops a diversified portfolio of midstream energy assets in the United States. It operates in three segments: Natural Gas Services, NGL Logistics, and Wholesale Propane Logistics. The Natural Gas Services segment is engaged in gathering, compressing, treating, processing, transporting, storing, and selling natural gas. This segment holds approximately 11,500 miles of pipelines; 20 plants; 5 fractionators; approximately 3.2 billion cubic feet per day of processing capacity; and 15 billion cubic feet of natural gas storage capacity. The NGL Logistics Segment is involved in producing, fractionating, transporting, storing, and selling natural gas liquids (NGLs), and recovering and selling condensate. This segment operates 4 fractionators; approximately 1,500 miles of NGL pipelines; and 7 MMBbls of NGL storage capacity. The Wholesale Propane Logistics segment is engaged in transporting, storing, and selling propane in wholesale markets. This segment owns/leases terminals: 6 rail, 1 pipeline, and 2 marine with 975 thousand barrels net storage capacity. The company serves retail and wholesale propane customers, refining and petrochemical companies, and NGL marketers operating in the liquid hydrocarbons industry. DCP Midstream Partners, LP was founded in 2005 and is based in Denver, Colorado. DCP Midstream Partners LP operates as a subsidiary of DCP Midstream LLC.

Figure 2 DCP Midstream Partners LP, current map of operations

The relationship between DCP Midstream Partners, LP, and DCP Midstream, LLC, and its owners, Phillips 66 and Spectra Energy, is a competitive strength for the company as DCP Midstream Partners, LP is an important element of their strategy for midstream energy infrastructure investment and development.

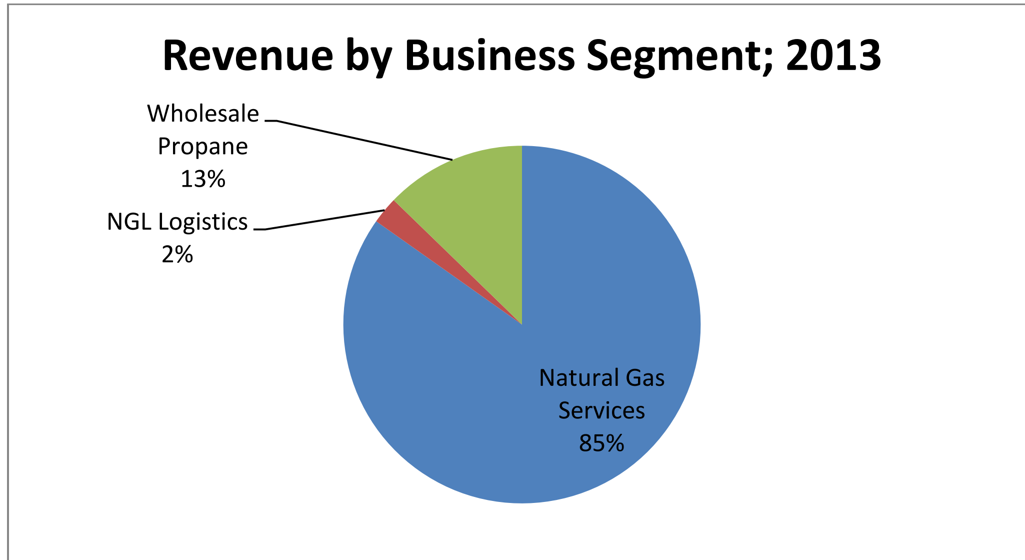
DCP Midstream, LLC is the largest producer of natural gas liquids (NGLs), the largest gas processor and the third largest operator of NGL pipelines in North America and is one of the nation's largest gatherers of

Natural gas and marketers of NGLs. DCP Midstream, LLC has a significant ownership interest in DCP Midstream Partners, LP through its ownership as general partner and some of the limited partner interests, as well as ownership of DCP Midstream Partners, LP incentive distribution rights.

Business Segments

The company's operations are organized into three business segments: Natural Gas Services, NGL Logistics and Wholesale Propane Logistics.

Figure 3 DCP Midstream Partners LP, Revenue by Business Segment for 2013



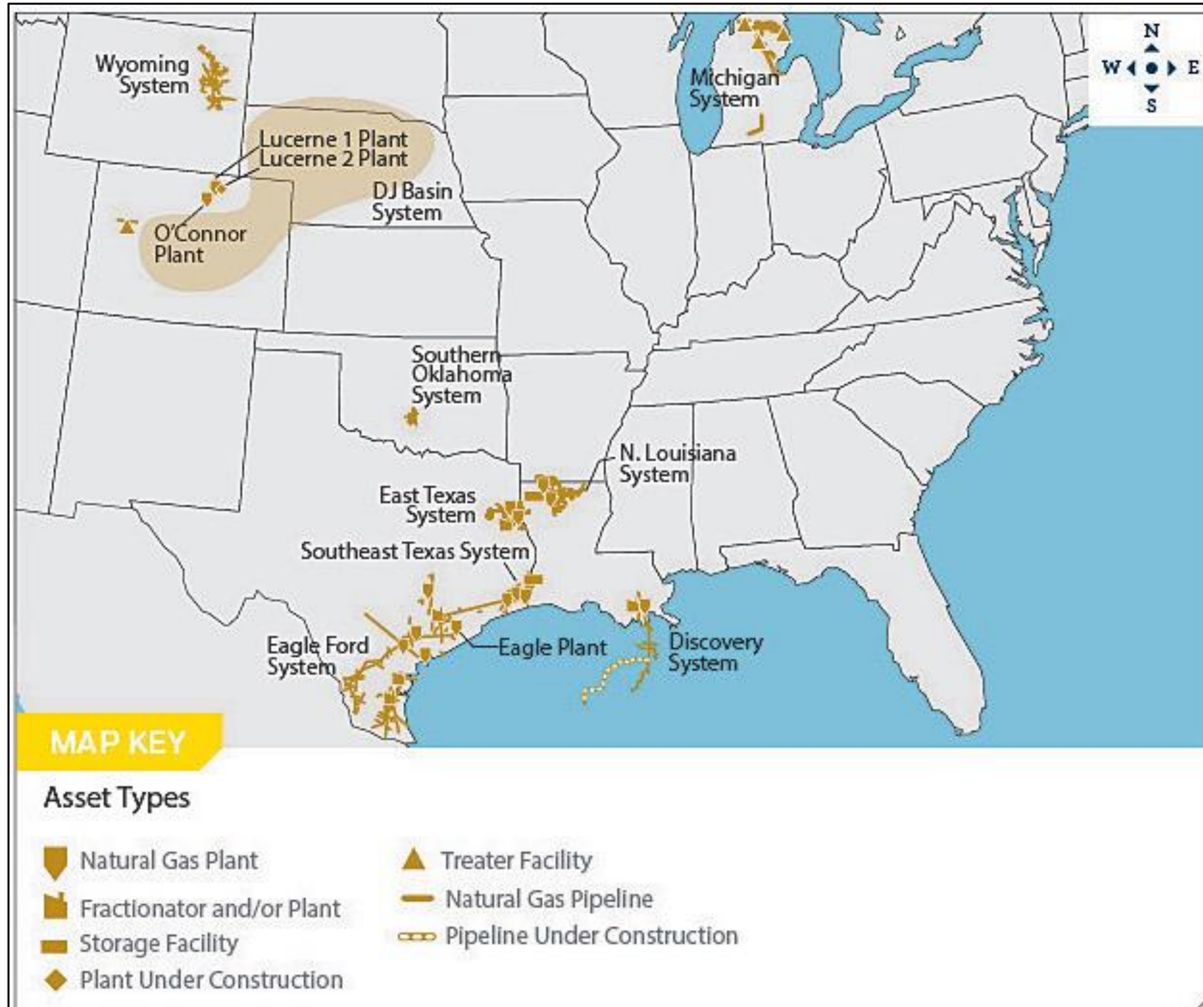
Natural Gas Services segment

The Natural Gas Services segment consists of a geographically diverse complement of assets and ownership interests that provide an array of wellhead to market services for its producer customers. These services include gathering, compressing, treating, processing, transporting and storing natural gas, and fractionating NGLs.

Natural Gas and NGL Markets: The Eagle Ford system has natural gas outlets including interstate and intrastate pipelines. The system delivers NGLs to the Gulf Coast petrochemical markets and to Mont Belvieu through the Sand Hills pipeline, owned approximately one-third each by DCP Midstream, LLC, Phillips 66 and Spectra Energy Partners, LP, and through other third party NGL pipelines. The 100% owned Eagle plant has delivery options into the Trunkline and Transco gas pipeline systems. In February 2014, the company entered into an agreement with DCP Midstream, LLC for the contribution of its one-third interest in the Sand Hills pipeline.

Customers: The primary suppliers of natural gas to its Natural Gas Services segment are a cross-section of the natural gas producing community.

Figure 4 Natural Gas Services footprint



<u>NGL Logistics segment</u>

The company's NGL pipelines transport NGLs from natural gas processing plants to fractionation facilities, a petrochemical plant and a third party underground NGL storage facility. DCP Midstream has joint venture ownership interests in several pipelines and transportation agreements with those and other pipelines. Thus, DPM aggregates and takes title to NGLs from various sources, receives transportation fees for transporting the NGLs and sells the NGLs to customers mainly on the Gulf Coast. Depending on the structure of DPM's contracts with producers and their ability to hedge NGL prices, DPM may be exposed to commodity price risk.

The Wattenberg pipeline is an open access pipeline with access to gas processing facilities in the DJ Basin. The Wattenberg pipeline is supported by a 10-year dedication and transportation agreement with a subsidiary of DCP Midstream, LLC.

The Wilbreeze pipeline is supported by an NGL product dedication agreement with DCP Midstream, LLC.

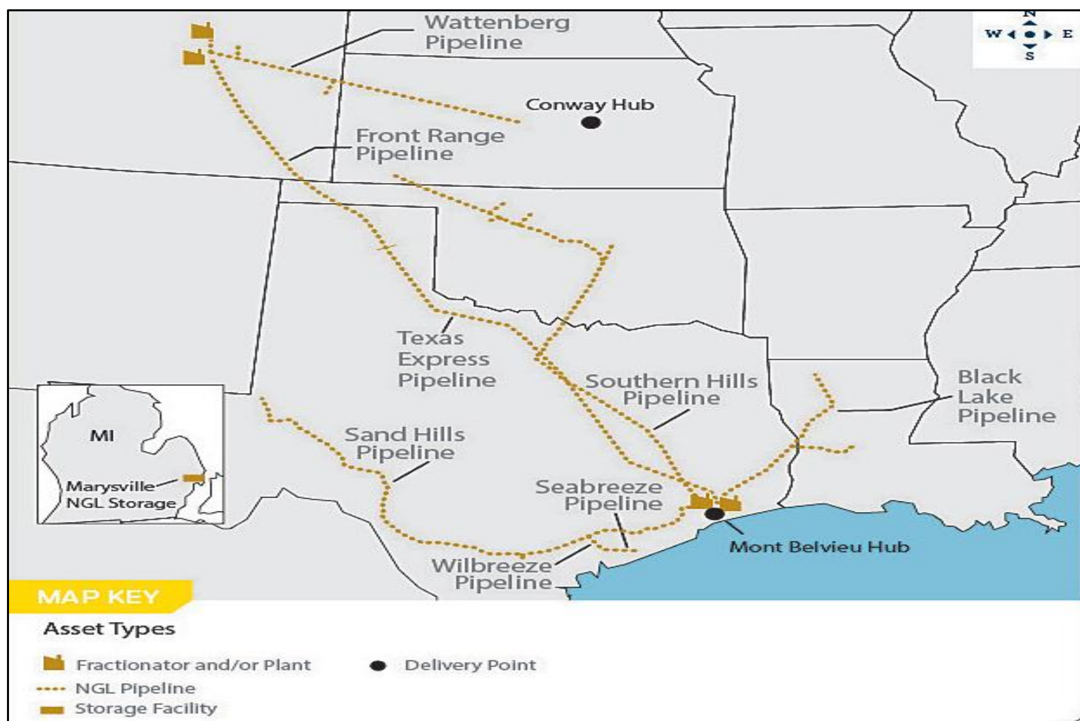
DCP Midstream, LLC is the sole shipper on the Seabreeze pipeline under a long-term transportation agreement.

DCP Midstream, LLC is a shipper on the Black Lake pipeline.
The Texas Express pipeline has long-term ship-or-pay transportation agreements in place with affiliates of DCP Midstream, LLC and others.

The Front Range pipeline has ship-or-pay transportation agreements in place with affiliates of DCP Midstream, LLC and others.

The Marysville NGL storage facility serves retail and wholesale propane customers, as well as refining and petrochemical customers, under one to three-year term storage agreements.

Figure 5 NGL Logistics footprint



Wholesale Propane Logistics segment

The company's operations serve the large propane markets in the northeastern, mid-Atlantic, and upper Midwestern states.

Propane Supply: The company's wholesale propane business has a strategic network of supply arrangements under annual and multi-year agreements with index-based pricing. For its rail terminals, the company contracts for propane at various major supply points in the United States and Canada, and transports the product to its terminals under long-term rail commitments, which provide fixed transportation costs that are subject to prevailing fuel surcharges.

Customers: The company sells propane to propane distributors under annual sales agreements.

Figure 6 Wholesale Propane operations

Geographic Segments

Natural Gas Services

The Natural Gas Services segment operates in seven states in the continental United States: Arkansas, Colorado, Louisiana, Michigan, Oklahoma, Texas and Wyoming.
The assets in these states include 80% interest in the Eagle Ford system, 100% owned Eagle plant, East Texas system, Southeast Texas system, Michigan system, Northern Louisiana system, Southern Oklahoma system, Wyoming system, 75% operating interest in the Piceance system, 40% limited liability company interest in the Discovery system located off and onshore in southern Louisiana and O'Connor plant.

NGL Logistics

The company operates its NGL Logistics business in the states of Colorado, Kansas, Louisiana, Michigan, and Texas.
The company's NGL fractionation facilities in the Denver-Julesburg Basin, or DJ Basin, in Colorado and its partially owned facilities in Mont Belvieu, Texas, separate NGLs received from processing plants into their individual component parts. The fractionation facilities provide services on a fee basis.

The Wattenberg interstate NGL pipeline originates in the DJ Basin in Colorado and terminates near the Conway hub in Bushton, Kansas. The pipeline is connected to DCP Midstream, LLC plants and O'Connor plant in the DJ Basin.

The Seabreeze intrastate NGL pipeline is located in Matagorda, Jackson and Calhoun counties, Texas. The Seabreeze pipeline receives NGLs from the Wilbreeze NGL pipeline and a third party plant and pipeline.
The Wilbreeze intrastate NGL pipeline is located in Lavaca and Jackson counties, Texas. The Wilbreeze pipeline receives NGLs from the Eagle Ford system, the Sand Hills pipeline, as well as a third party plant, and delivers the NGLs it receives from these sources to the Seabreeze pipeline and Enterprise Products Partners L.P. (Enterprise)'s pipeline.

The Black Lake interstate NGL pipeline originates in northwestern Louisiana and terminates in Mont Belvieu, Texas. Black Lake receives NGLs from gas processing plants in northwestern Louisiana and southeastern Texas, including Northern Louisiana system and multiple third party plants, the Sand Hills pipeline and a third party storage facility.
The Texas Express intrastate NGL pipeline, of which the company owns 10%, originates near Skellytown in Carson County, Texas, and extends to natural gas liquids fractionation and storage complex at Mont Belvieu, Texas.

The Front Range interstate NGL pipeline, of which the company owns 33.33%, is a new raw NGL mix pipeline that originates in the DJ Basin and extends approximately 435 miles to Skellytown, Texas. The Front Range pipeline connects to the O'Connor plant as well as third party and DCP Midstream, LLC plants in the DJ Basin.

NGL Fractionation Facilities: The DJ Basin NGL fractionators in Colorado are located on DCP Midstream, LLC's processing plant sites and are operated by DCP Midstream, LLC, which delivers NGLs to the fractionators under a long-term fractionation agreement. NGL fractionation facilities in Mont Belvieu, Texas consist of a 12.5% interest in the Enterprise fractionator operated by Enterprise Products Partners L.P., and a 20% interest in the Mont Belvieu 1 fractionator operated by ONEOK Partners.

NGL Storage Facility: The NGL storage facility is located in Marysville, Michigan and includes nine underground salt caverns with approximately 7 MMBbls of storage capacity and rail, truck and pipeline connections providing a supply point for refiners, petrochemical plants and wholesale propane distributors in the Sarnia, midwestern and northeastern markets.

Wholesale Propane Logistics

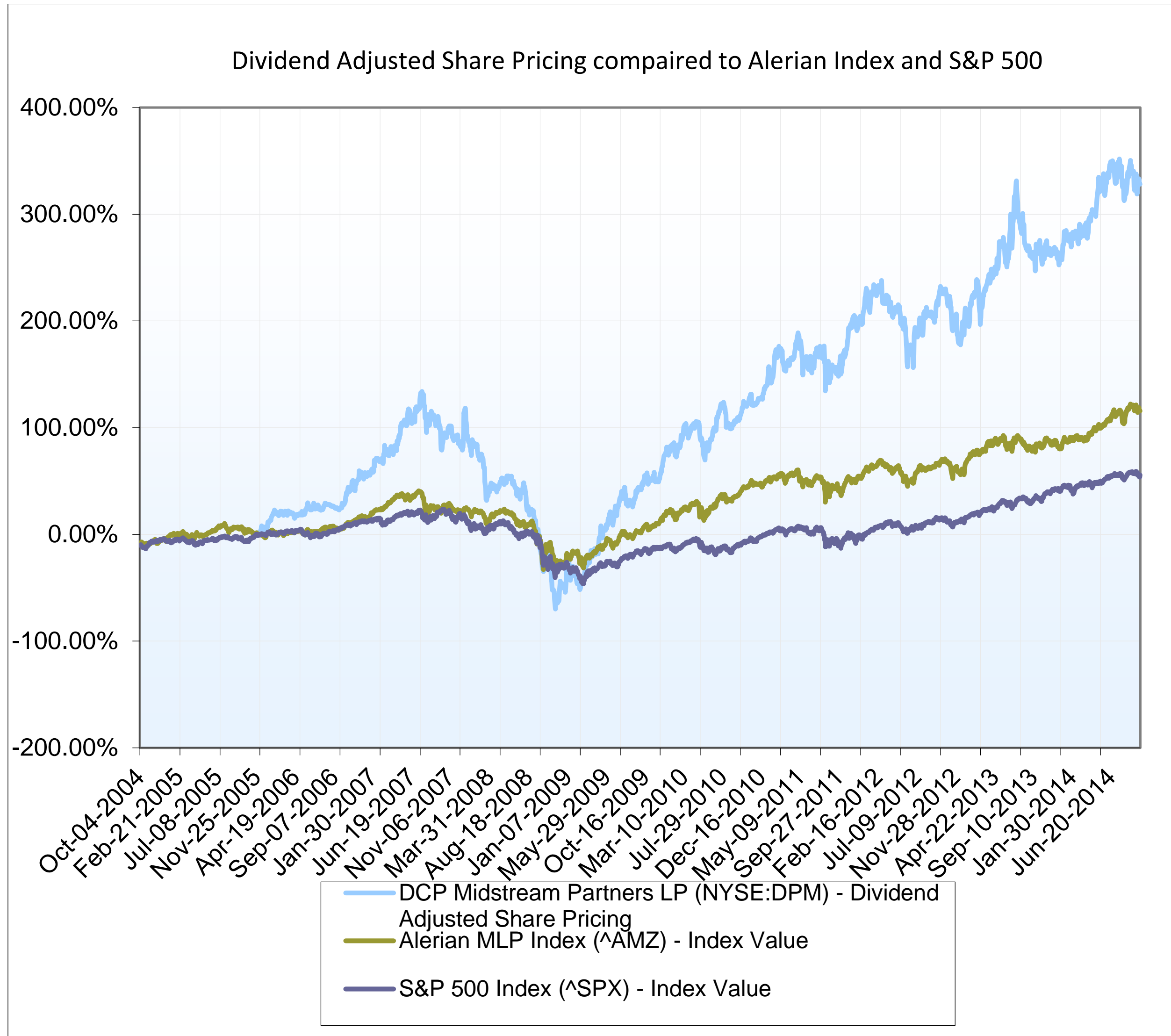
The company operates a wholesale propane logistics business in the states of Connecticut, Maine, Massachusetts, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, Vermont and Virginia.

Terminals: The company's operations include one owned and one leased propane marine terminal, one propane pipeline terminal and six owned propane rail terminals, with a combined capacity of approximately 975 MBbls (thousand barrels), and access to open access pipeline terminals. The company owns rail terminals and leases the land on which the terminals are situated under long-term leases, except for the York terminal where the company owns the land. Each of its rail terminals consist

of two to three propane tanks that provide additional capacity for storage, and two high volume racks for loading propane into trucks.

Shareholder Value Creation

Figure 7 DCP Midstream Partners, LP; Dividend Adjusted Share Pricing compared to Alerian MLP Index, and S&P 500 Index

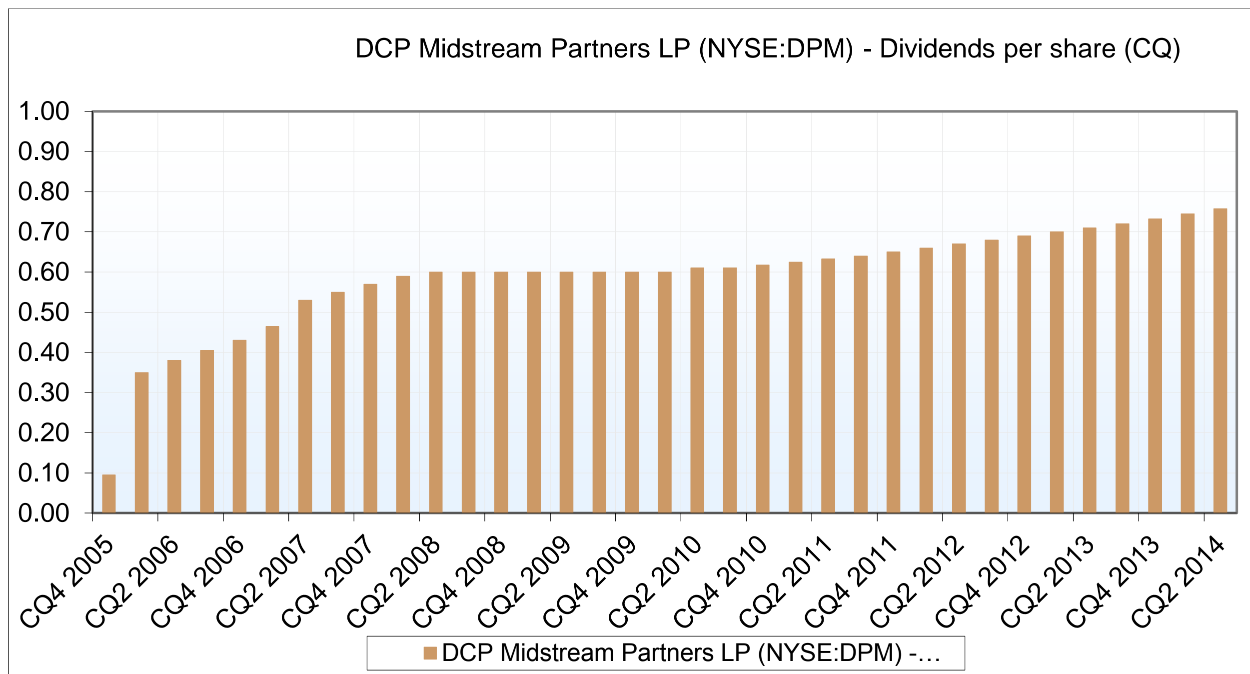


DPM total shareholder return has substantially outperformed the Alerian MLP index since its formation.

- In November 2006, DCP Midstream Partners, LP acquired the Gas Supply Resources wholesale propane logistics business from DCP Midstream, LLC for approximately $77 million and built the Wilbreeze NGL pipeline for $12 million to deliver volumes from a DCP Midstream, LLC plant.

- In 2007, acquired gathering and compression assets in southern Oklahoma for approximately $180 million from Anadarko Petroleum Corporation on May 9 to form our Lindsay system. Lindsay is located near existing DCP Midstream-owned facilities, providing current operating synergies and a future opportunity to process the gas at a DCP Midstream plant.
- August 29, 2007, executed a transaction with DCP Midstream valued at approximately $635 million, acquiring certain gathering and processing assets of Momentum Energy Group for approximately $165 million on their Collbran and Douglas systems mark the partnership's entry into the Rockies. Our joint pursuit of the transaction allowed the partnership to purchase assets currently generating stable and increasing cash flows — providing immediate accretion to unit holders — and let DCP Midstream retain assets requiring near-term investment.
- November 2009 -closed a $45 million acquisition of fee-based gathering and treating assets in Michigan.
- In January 2010, announced a $22 million fee-based NGL pipeline acquisition and a related $18 million capital project that is part of a larger strategic investment by the DCP Enterprise in the Denver Julesburg Basin of Colorado
- In 2012 DCP Midstream Partners, LP constructed a 200 MMcf/d Eagle natural gas processing plant in the prominent Eagle Ford shale. This joint venture gives the Partnership a significant position in the Eagle Ford basin with over 900,000 acres supporting long-term agreements.

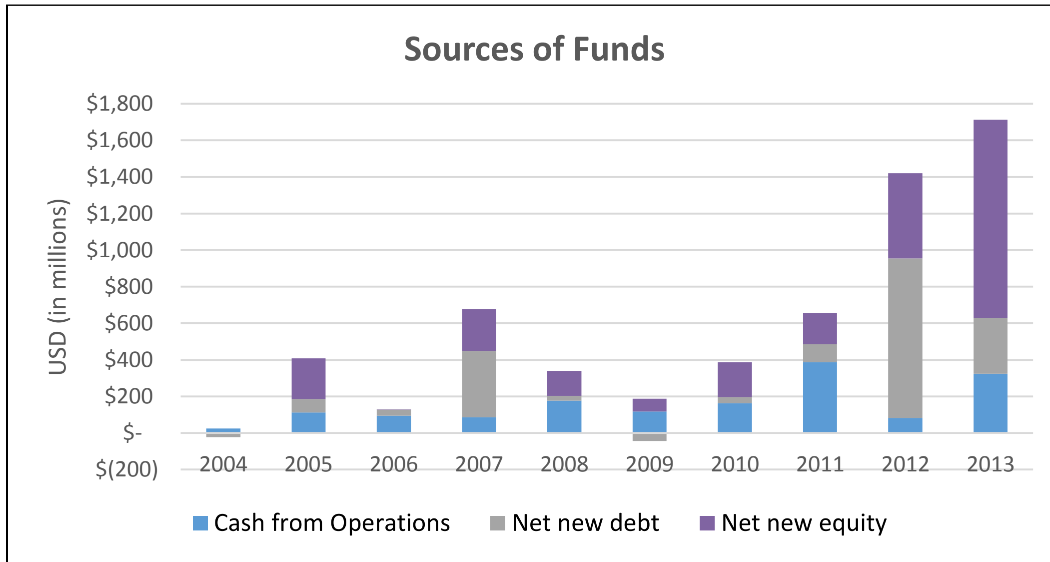
Figure 8 Dividends per share from CQ2005-CQ22014



Dividends per share have risen slowly but steadily.

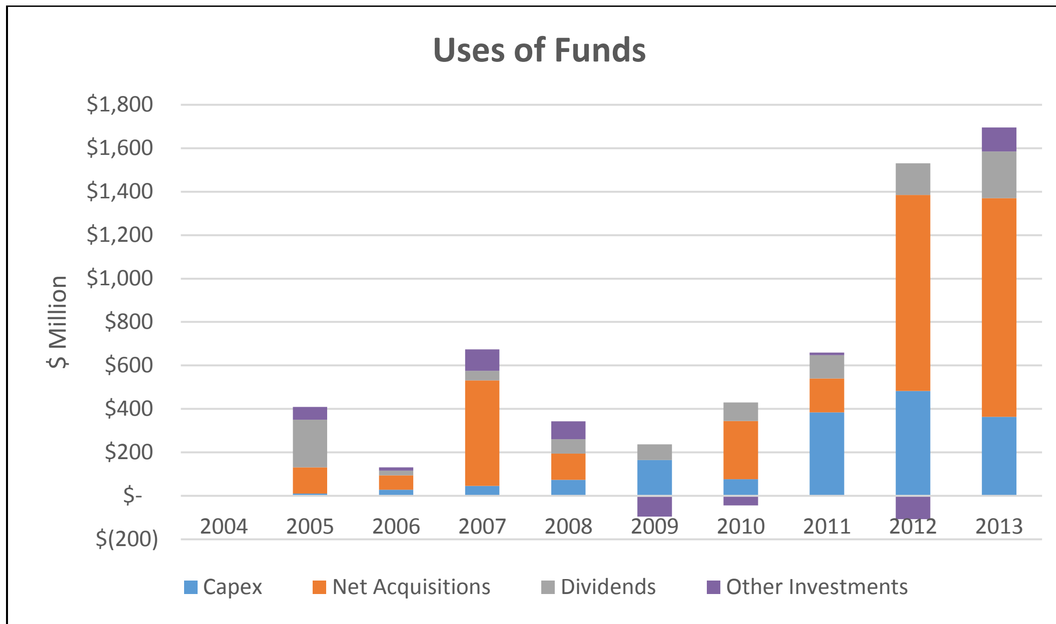
DPM's cash from operations has been variable and the company has issued new debt and equity to fund its growth.

Figure 9 DPM's Sources of funds



Growth investments have been largely in acquisitions during 2012 and 2013

Figure 10 DCP Midstream Partners, LP; allocation of spending (in millions)



Growth

Figure 11 Map of growth and scheduled growth

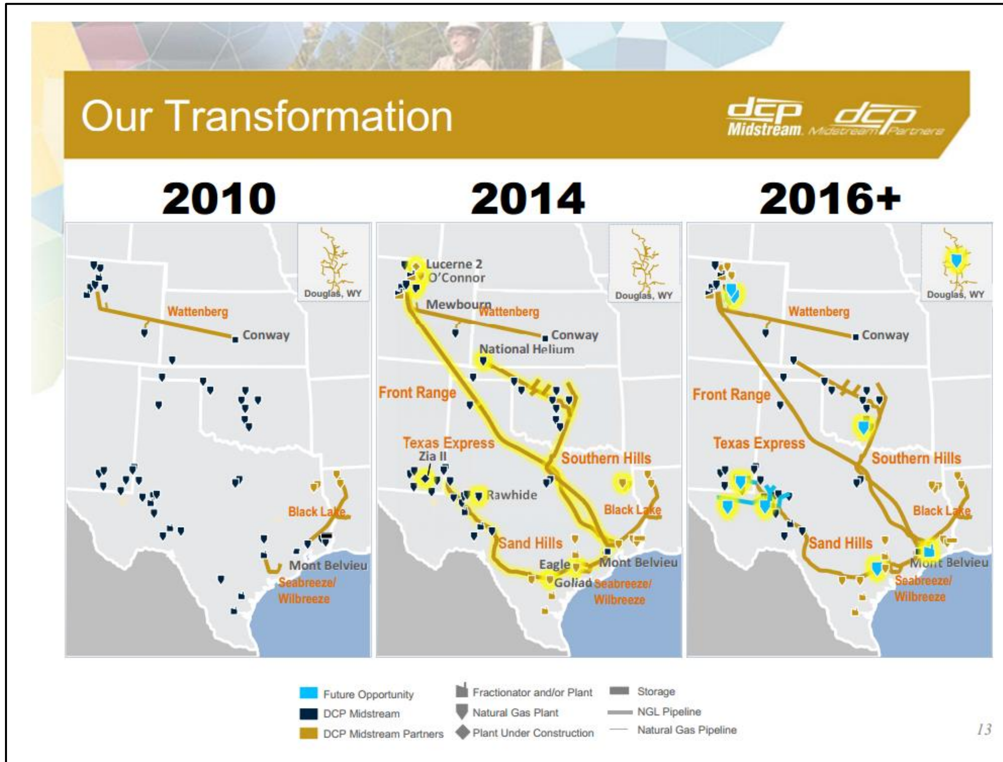
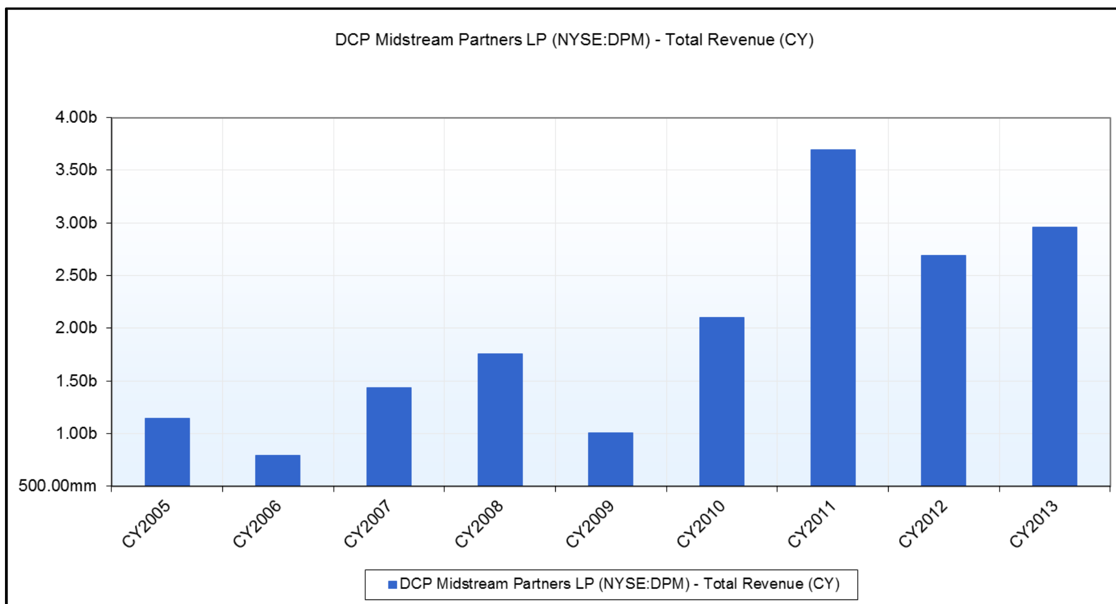


Figure 12 DCP Midstream Partners LP; Total Revenue



As figure 13 depicts, the overall trend has been a growth in revenue for the company since its IPO in 2005. There was a decrease in revenues in 2006 and in 2009; those can be attributed to factors beyond the control of DCP, but illustrate the company's exposure to commodity price variations.

DCP has invested aggressively in new capital projects, with capital spending increasing relative to total assets and exceeding cash from operations since 2009.

Figure 13 DCP Midstream Partners LP; CAPEX/Total Assets

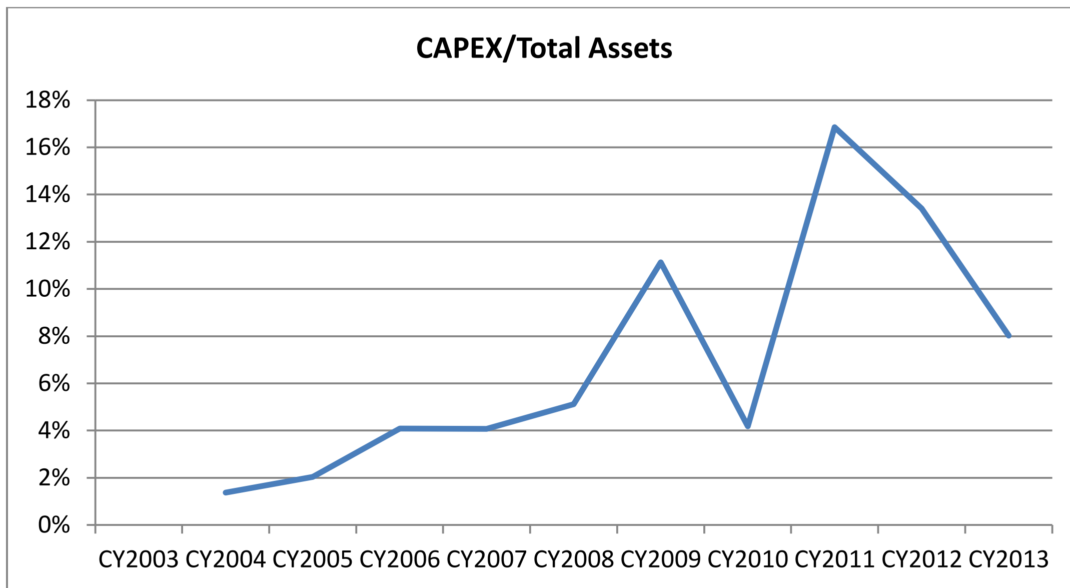
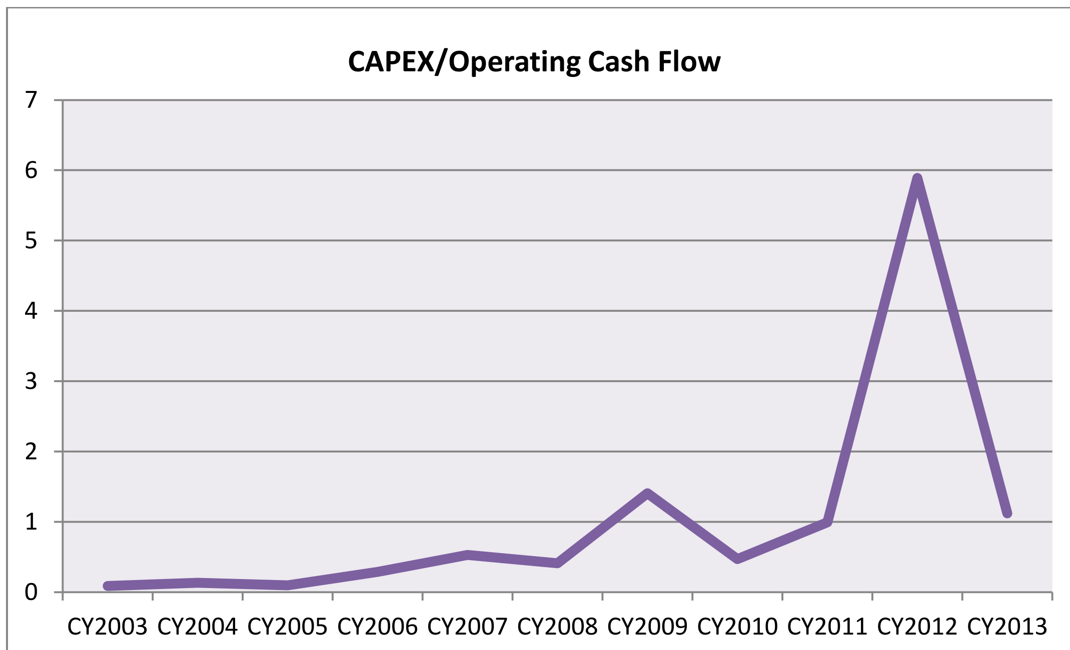
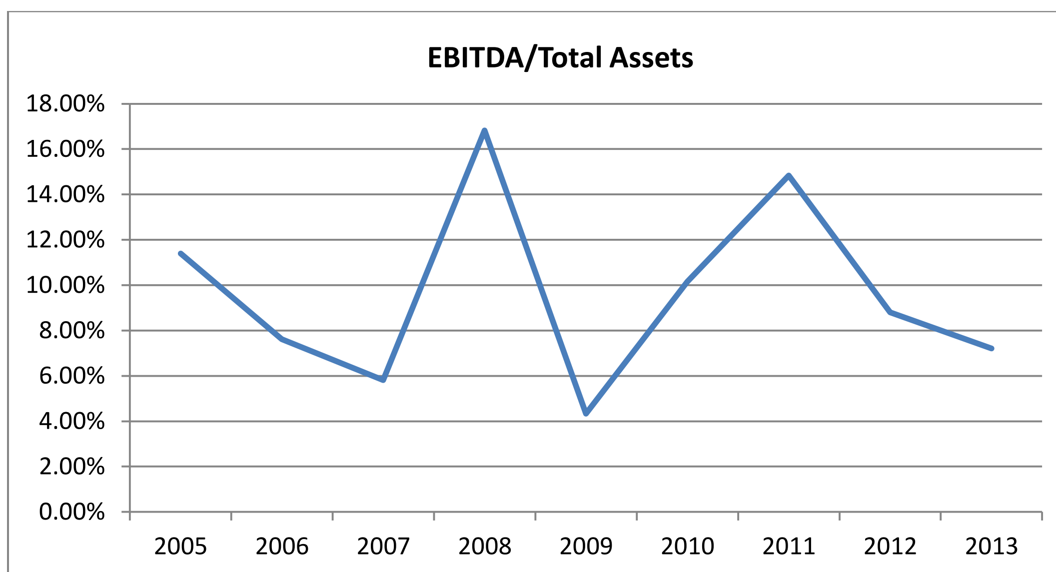


Figure 14 DCP Midstream Partners LP; CAPEX/Operating Cash Flow



Returns

Figure 15 DCP Midstream Partners LP, EBITDA/ Total Assets



In 2009 we see the slump, but in reviewing the figure above we deduce that DCP's assets are increasing which leads to a slightly lower percentage returns in the last couple of years. The company is maintaining its growth strategy at the expense of lower EBITDA/ Total Assets returns in the near term.

Risk

DCP Midstream Partners LP's largest concern is maintaining their distributable cash flow to their investors. This amount can fluctuate with a range of issues but are based on the amount of cash that is generated from operations. These can be influenced by a number of factors, according to DCP's 2013 Annual Report, the following are the largest contributors to risk.

• The fees charged and the margins realized for services;
• The prices of, level of production of, and demand for natural gas, condensate and NGLs, and propane;
• The success of their commodity and interest rate hedging programs in mitigating fluctuations in commodity prices and interest rates;
• The volume and quality of natural gas gathered, compress, treat, process, transport and sell, and the volume of NGLs processed, transported, sold, and stored and the volume of propane transported, sold, and stored;
• The operational performance and efficiency of their assets, including plants and equipment;
• The operational performance and efficiency of third-party processing, fractionation or other facilities that provide services to DCP;
• The relationship between natural gas, NGL and crude oil prices;
• The level of competition from other energy companies;
• The impact of weather conditions on the demand for natural gas, NGLs and propane;

Figure 16 DCP Midstream Partners LP, Total Debt/ Total Assets

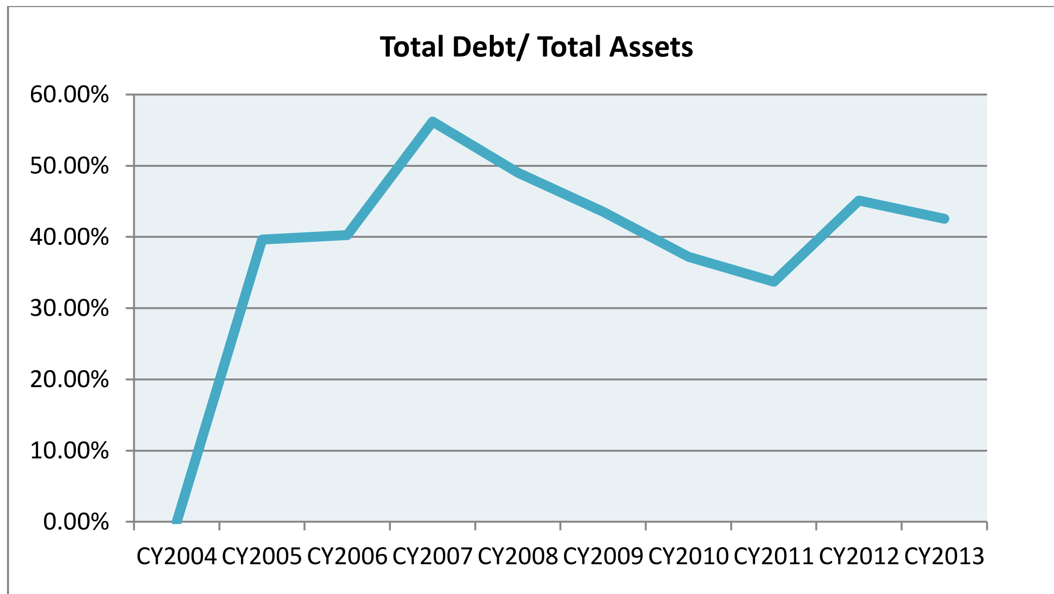
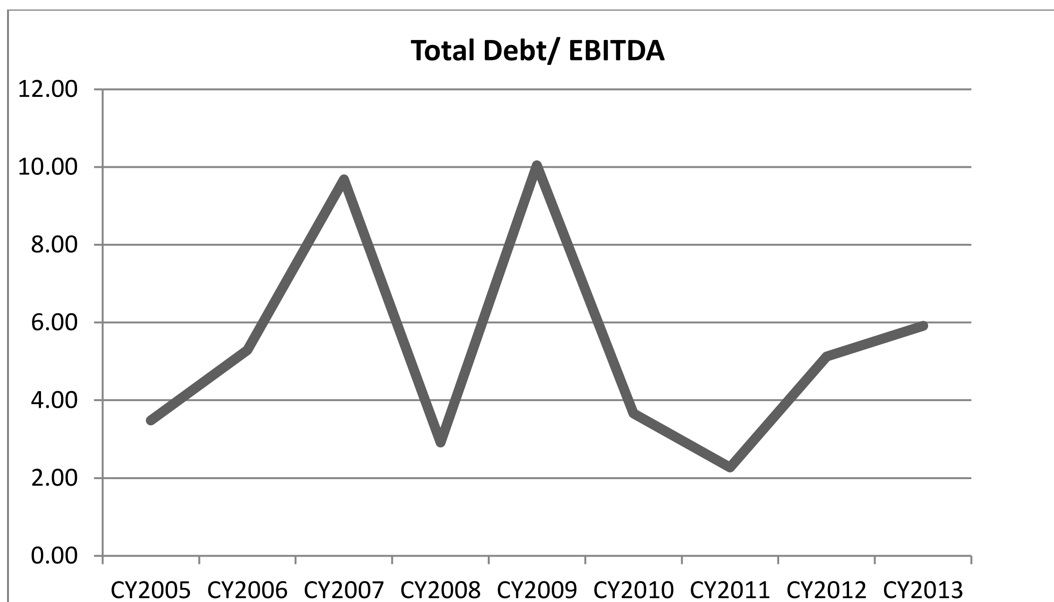


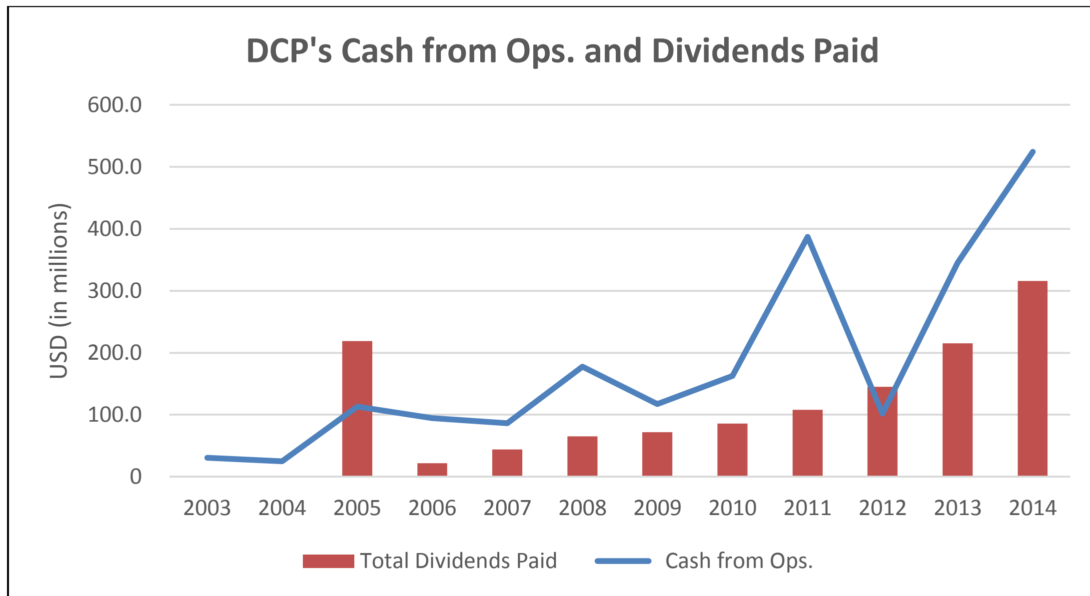
Figure 16 reflects the Total Debt-Total Assets ratio for the past nine years. These figures can look like high percentages, however most MLP's carry a high debt load. These high numbers are acceptable in an MLP with predominantly fee-based income but less so when there is high exposure to commodity prices.

Figure 17 DCP Midstream Partners LP, Total Debt/ EBITDA (2005-2013)



Below is a chart comparing the annual cash distributions made by DCP Midstream Partners to the distributable cash flow on hand within the company. This illustrates the correlation between the amount of money generated by the company and the amount passed on to the investors.

Figure 18 DCP Midstream Partners, LP: Distributable Cash and Gross Dividends, 2003-2013



The reccurring issues involving the down economy in 2009 is evident in this chart, as it has been throughout. DCP is doing a good job at increasing the amount distributed to investors each year, but concern can be raised if the distributions exceed cash from operations as in 2012.

Notwithstanding its reliance on placing new debt and partnership units each year, DCP is a relatively low risk investment, perhaps because of the financial strength of its parent companies.

Figure 19 DCP Midstream Partners, LP; Beta for last one, three, five, and eight years

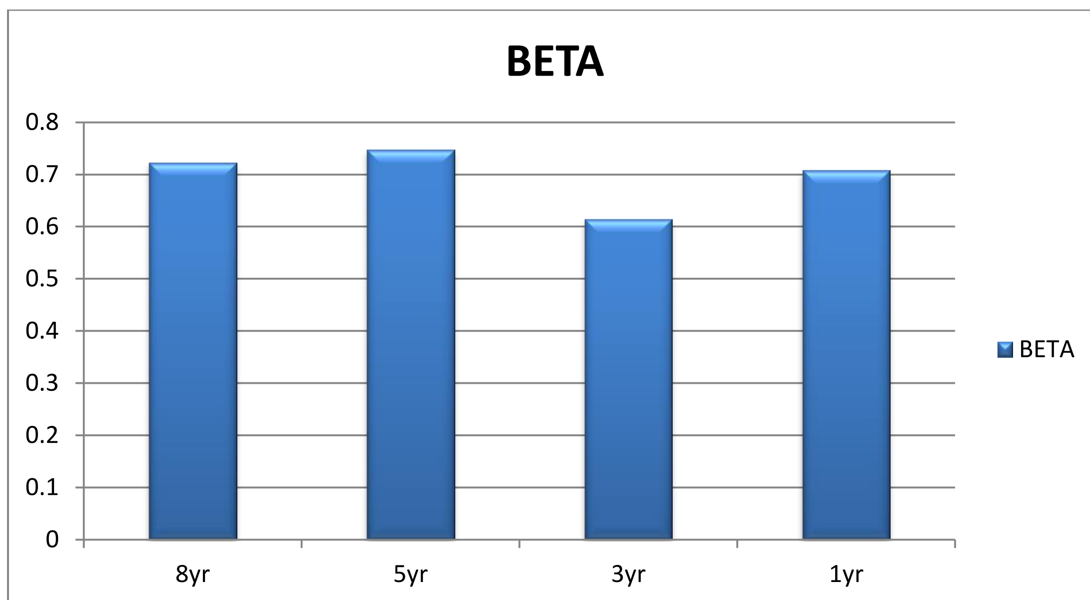
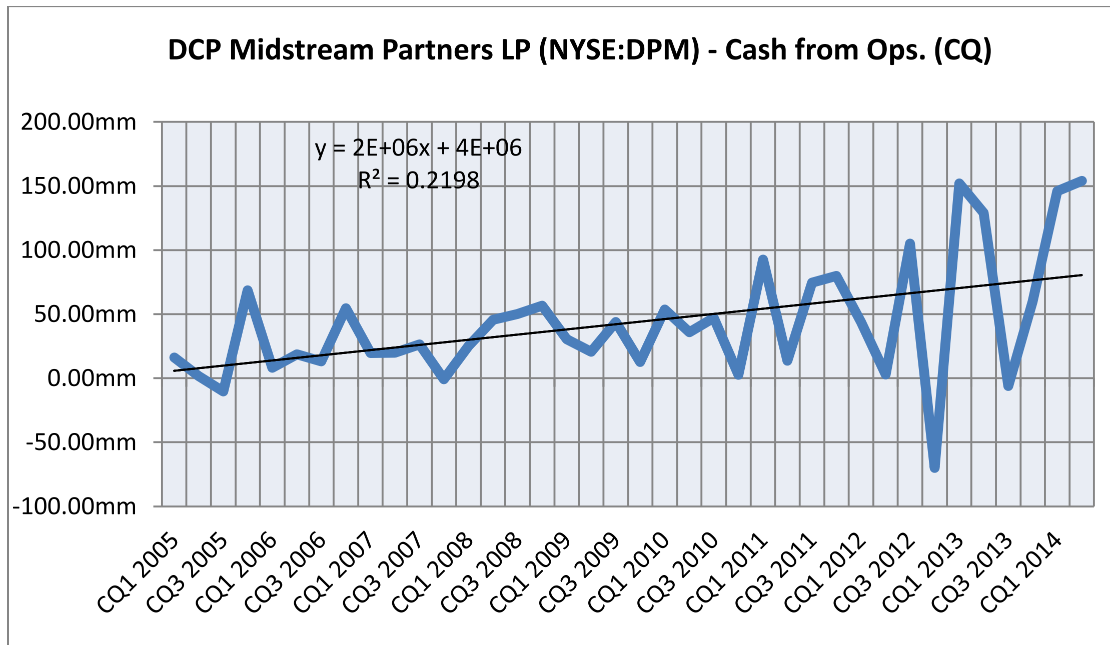


Figure 20 DCP Midstream Partners LP-Cash from Operations



Future Business Strategies

The company's primary business objectives are to have sustained company profitability, a strong balance sheet and profitable growth thereby increasing its cash distribution per unit over time. The company intends to accomplish these objectives by executing the following business strategies: maximizing opportunities provided by partnership with DCP Midstream, LLC; capitalizing on organic expansion opportunities; and pursuing strategic third party acquisitions.

Past Portfolio Strategy

DCP Midstream Partners LP has focused their business in North America with a particular interest in the hydro-carbon rich area. Through growth steps they have acquired and built more of a presence in NGL's and gas processing, with Natural Gas Services always being the majority of their business. They have begun to acquire various processing plants and expanding their footprint in the Northeast, Mid-continent, and Gulf Coast Regions, where they have maintained a presence since their creation in 2005.

Future Portfolio Strategy

DCP is a fully integrated midstream service provider. They continue to identify and develop midstream growth opportunities including natural gas processing plants, storage, NGL fractionators and NGL pipelines which provide much needed processing and takeaway capacity for producers in the various regions in which they operate. According to their website they have two projects underway at present.
Lucerne 2 Plant

The Lucerne 2 Plant will be a deep-cut cryogenic plant situated in the growing Niobrara shale play that is part of the rapidly expanding liquids-rich DJ Basin. It will become part of a nine plant system owned by the DCP enterprise and will increase total capacity of the system to approximately 800 million cubic feet per day (MMcf/d).

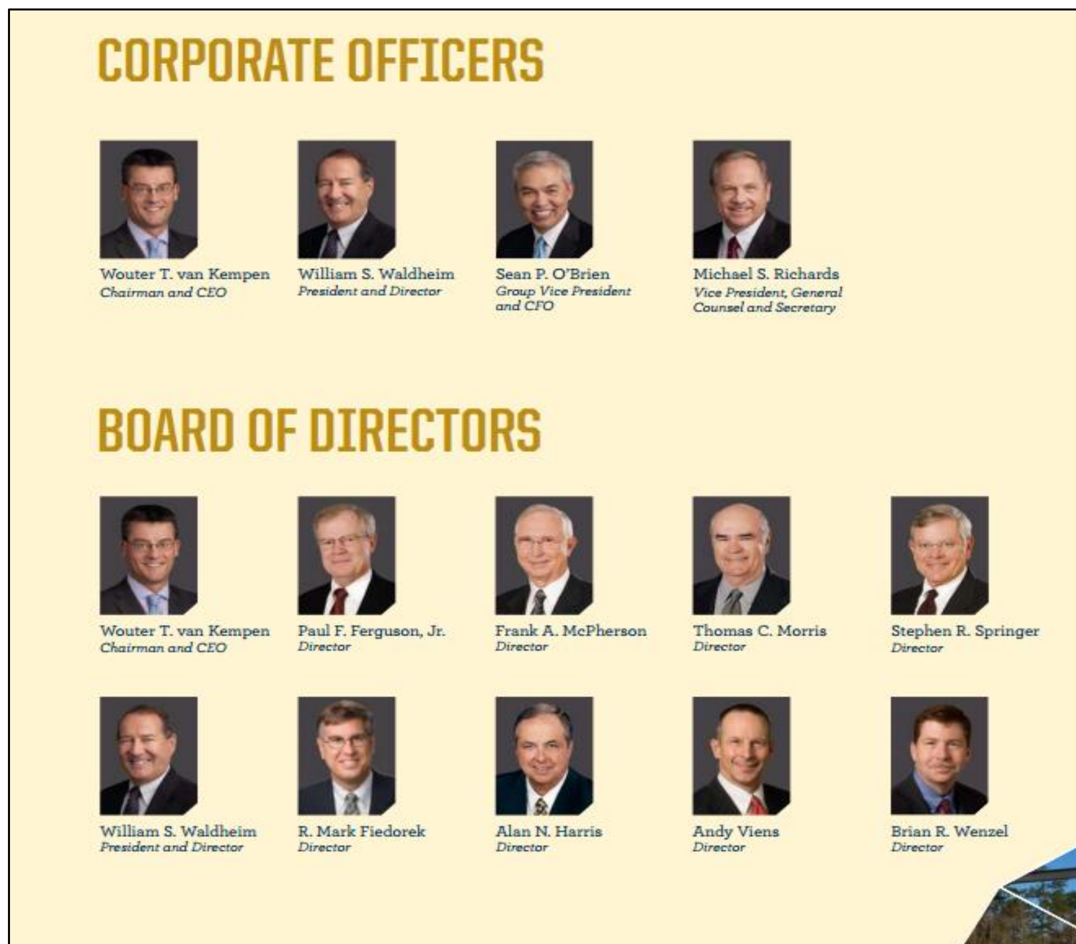
Keathley Canyon Connector (Joint Venture)

The Keathley Canyon Connector expansion is part of the Discovery joint venture, which includes the Larose natural gas processing plant and Paradis fractionation facility. The pipeline will provide reliable and cost-effective deepwater gathering services.

Leadership and Governance

Corporate Social Responsibility

Figure 23 Leadership within DCP Midstream Partners LP



DCP's website claims that they partner with their communities in order to enhance the world and has the following posted on its web site:

"The safe, reliable and responsible operation of our assets is always our first consideration. Being the provider of choice in our markets and being a responsible steward in our communities go hand-in-hand. These long-term community relationships are an integral force in driving our business activities to meet our nation's energy needs.

We work with all stakeholders to ensure our business activities are in compliance with applicable rules and regulations, and our employees and operators are committed to public safety and the environment. We have a legacy of operational excellence and taking a leadership role as stewards."

Ethics

The CEO strives to encourage the employees of DCP to do the following with a letter he wrote concerning ethics and integrity.

DCP's commitment to honest, fair and open business conduct is one of the keys to its future business success. DCP's Code of Business Ethics contains the standards and ethical business principles that are intended to guide the decisions we make and the service and solutions we deliver wherever we operate. These standards enable us all to make good decisions that will stand the test of time, fulfill the letter and spirit of the law, and support DCP's character and integrity. The decisions and judgment calls we make aren't always easy or clear-cut. Included in the Code is a list of resources to which you can turn when you need help or have questions.

DCP's values direct us in situations that aren't specifically addressed by the Code of Business Ethics. These values represent our foundation as well as our future. They form the basis of our behavior, our business decisions, our brand and our reputation. They are intentionally broader and more conceptual than the Code of Business Ethics, providing a strong and enduring framework for dealing with the ethical dilemmas that may arise in the course of our business dealings.

Each one of us within DCP is responsible for upholding our tradition of business integrity. It is a responsibility we share and a tradition we honor every day – with every decision and action.

Board of Directors

The board of Directors for DCP Midstream Partners is a valuable commodity. Each has a plethora of experience in the industry and each have been successful in their own right. However, they are largely insiders with ties to the parent companies. Following is a list along with brief description.

Wouter T. Van Kempen - He has been Chief Executive Officer and President at DCP LP Holdings, LLC, DCP Midstream, LP, and DCP Midstream GP, LLC, the General Partner of DCP Midstream Partners LP since January 1, 2013. Mr. Van Kempen has been the President at DCP Midstream LLC since September 4, 2012 and has been its Chief Executive Officer since January 1, 2013. He served as the President of Gathering and Processing at DCP Midstream LLC. Previously, Mr. Van Kempen served as President of DCP's Midcontinent Business Unit and Chief Development Officer of the Combined Enterprise. He served as Chief Operating Officer of DCP Midstream LLC since September 04, 2012. Prior to joining DCP in 2010, he served as President of Duke Energy Generation Services, Inc at Duke Energy Corporation. He joined GE Plastics in 1993 in the Netherlands, where he managed European manufacturing productivity programs.
After a series of promotions within GE International, GE Lighting and GE Plastics in Belgium, the Netherlands, London, and Pittsfield, Mass., Mr. Van Kempen served as GE Plastics Audit Manager of Europe and Asia since 1996. He served as a Senior Analyst of Corporate Financial Planning and Analysis of GE's headquarters in Connecticut since 1998. He served as Staff Executive of Corporate Mergers and Acquisitions since 1999. He was responsible for managing all aspects of acquisitions and dispositions, including deal activity for GE Power Systems, GE Plastics, GE Industrial Systems and GE Specialty Materials. Mr. van Kempen serves as the Chairman at DCP Midstream, LP. He has been the Chairman of the Board of Dcp Midstream Gp, LLC at DCP Midstream Partners LP since January 1, 2014. He has been the Chairman at DCP Midstream LLC since March 1, 2013.

Paul F. Ferguson, Jr. - serves as Vice President of Finance and Treasurer at Panenergy Corp. Mr. Ferguson served as Senior Vice President and Treasurer of Duke Energy from June 1997 to June 1998 and Senior Vice President and Chief Financial Officer of PanEnergy Corp. from September 1995 to June 1997. Mr. Ferguson held various other financial positions with PanEnergy from 1988 to 1995, and served as treasurer of Texas Eastern Corporation from 1988 to 1989. Mr. Ferguson has been a Director of DCP Midstream GP, LLC, the General Partner of DCP Midstream Partners LP since November 2005. He served as Director of Texas Eastern Products Pipeline Company LLC, the General Partner of Teppco Partners LP, from October 2004 to 2005.

R. Mark Fiedorek – He has been the President of Set West at Spectra Energy Corp. since January 1, 2013. Mr. Fiedorek has been the Chairman of the Board and President of Westcoast Energy Inc. since January 2013. He served as Group Vice President of US Southeast Transmission & Storage at Spectra Energy Corp. from 2007 to January 1, 2013. He served as Group Vice President of Spectra Energy, Transmission & Storage - Southeast at Spectra Energy Corp. from April 25, 2012 to January 1, 2013. He served as the President of Moss Bluff Hub, LLC. He joined Spectra Energy in 1988 as a supply planning and evaluation analyst for Texas Eastern Transmission. He gained broad leadership experience with Spectra Energy's natural gas transmission business, primarily in the supply, planning, operations and marketer services areas. He served as General Manager of Marketer Services at Spectra Energy since 2000. He served as Vice President of Asset Optimization and Marketer Services at Westcoast Energy since 2002. He worked for Price Waterhouse and Coca Cola Foods. He has been a Director of DCP Midstream GP, LLC, the General Partner of DCP Midstream Partners LP since April 25, 2012. He served as a Director of Spectra Energy Partners GP, LLC from December 2008 to August 2012.

Stephen R. Springer - He served as Senior Vice President and General Manager of the Midstream Division of The Williams Companies, Inc. in Tulsa, Oklahoma from January 1999 to February 2002. Mr. Springer served as Vice President of Business Development, International of Williams Field Services Group LLC from 1995 to 1999. He served at Williams from 1995 to 2002. Mr. Springer joined Texas Gas Transmission Corporation in 1970 and served as its Vice President of Gas Acquisitions and President of TXG Intrastate Pipeline since 1981. He later served at Texas Gas as Vice President of Marketing with responsibilities for gas acquisition and marketing, as Senior Vice President of Marketing and Senior Vice President of Customer Services. He directed the gas acquisition, marketing, transportation, control and storage functions at Texas Gas. Mr. Springer served as the President of Transco Gas Marketing Company since 1993. He served as the Head of Midstream Division of Williams since 1999. He has been a Director of DCP Midstream GP LLC, the General Partner of DCP Midstream Partners Lp since July 11, 2007 and of Atmos Energy Corporation since September 1, 2005. He serves as a Director of DCP Midstream GP LLC of DCP Midstream Partners LP. He serves as a Director of DCP Midstream LLC.

Alan N. Harris - He served as the Chief Development Officer and Chief Operations Officer of Spectra Energy Corp since November 1, 2008 until January 1st 2014. Mr. Harris served as the Group Vice President of Duke Energy Corporation. He served as Group Vice President and Chief Financial Officer of Duke Energy Gas Transmission Services(DEGT), LLC, the General Partner of Texas Eastern Transmission LP (known as Texas Eastern Transmission Corp.) since February 2004. He served as an Executive Vice President, Chief Financial Officer and Group Vice President of Union Gas Ltd. Mr. Harris joined Duke Energy in 1982 as a Director of Gas Accounting for Panhandle Eastern Pipeline and Trunkline Gas. He served as Head of Business Development/Corporate Development at Spectra Energy Corp. He served as a Group Vice President and Chief Financial Officer of Westcoast Energy Inc. He has been a Director of DCP Midstream GP, LLC at DCP Midstream Partners LP since January 1, 2014. Mr. Harris serves as a Director of Duke Energy Gas Transmission Services, LLC. He served as Director of DCP Midstream GP, LLC at DCP Midstream Partners LP from January 1, 2009 to May 1, 2012. He is a member of American institute of Certified Public Accountants, the Oklahoma state board of public accountancy and the Financial Executives Institute.

Frank A. McPherson III – He served as the Chief Executive Officer and Chairman of Kerr-McGee Corp. from 1983 to February 1997. Mr. McPherson joined Kerr-McGee in 1957 and held many technical, operational and managerial positions and served as President from 1980 to 1983. He serves as Member of Advisory Board of Clean Energy Systems, Inc. He has been a Director of DCP Midstream GP LLC, General Partner of DCP Midstream Partners LP since December 2005. Mr. McPherson has been a Director of MAPCO Inc. since 1997 since 1995. He served as a Director of ConocoPhillips, integrated international oil corporation from August 2002 to May 5, 2005. Mr. McPherson served as a Director of BOK Financial Corp., bank holding company, since 1996. He served as a Director of Conoco Inc., from October 1998 to 2002 and the Federal Reserve System's Kansas City Reserve Bank from 1990 to 1994. He served as a Director of Kimberly-Clark Corporation (consumer products). Mr. McPherson served as a Director of the Federal Reserve Bank of Kansas City and the Oklahoma State University Foundation Board of Trustees.

Thomas C. Morris – He served as Vice President and Treasurer of Phillips Petroleum Company and served as its Senior Vice President and Chief Financial Officer from 1994 to 2001. Mr. Morris worked for 34 years with Phillips Petroleum Company. Mr. Morris served as Vice Chairman of the board of OK

Mozart. He has been a Director of DCP Midstream GP, LLC, General Partner of DCP Midstream GP LP of DCP Midstream Partners LP since December 16, 2005.

Andrew E. Viens - serves as the President of Global Marketing for Phillips 66. Mr. Viens served as the President of Global Marketing for ConocoPhillips since 2010. He served in a variety of capacities at ConocoPhillips including as President, U.S. Marketing and General Manager, Commercial Marine. Prior to joining ConocoPhillips he was with Tosco where Mr. Viens served in various marketing roles. Mr. Viens has been a Director of DCP Midstream GP, LLC, the General Partner of DCP Midstream Partners LP and of Phillips 66 since July 19, 2012. He serves as a Director of DCP Midstream Partners LP.

William S. Waldheim – He served as President of DCP Midstream Partners at DCP Midstream LLC. Mr. Waldheim served as the President of DCP Midstream GP, LLC, the general partner of DCP Midstream Partners, LP from August 2012 to January 1, 2013. From 1999 to 2006, Mr. Waldheim served as President of Duke Energy NGL Services. He served as President of NGLs, Gas and Crude Oil Logistics at DCP Midstream, LLC. from 2011 to September 1, 2012. He served as President of DCP Midstream, LLC's northern business unit since 2009 and was responsible for executive management of commercial and operations of assets in the Midcontinent, Rocky Mountain, Michigan and Gulf Coast regions as well as being responsible for downstream marketing of gas, NGLs and condensate. Mr. Waldheim started his career with DCP Midstream, LLC in April 1999. He has more than 20 years of knowledge in the energy industry, leading commercial, trading and business development teams. He was responsible for developing and implementing strategy to grow its NGL asset based business and create value chain income through marketing and trading around its asset infrastructure. Mr. Waldheim is a member of the American Institute of Certified Public Accountants and has served on the boards of various industry groups such as the National Propane Gas Association and the Propane Education Research Council. Mr. Waldheim has over 30 years of experience in the energy industry and has previously served on the boards of various energy industry groups including the National Propane Gas Association and the Propane Education & Research Council.

Brian R. Wenzel – He has been Vice President and Treasurer of Phillips 66 Partners Gp Llc - General Partner of Phillips 66 Partners LP since May 2012. Mr. Wenzel devotes the majority of his time to his roles at Phillips 66 and spends time, as needed, devoted to Phillips 66's business and affairs. Prior to joining Phillips 66, he served at ConocoPhillips as General Manager of Corporate Planning & Strategy since July 2010. Previously, he served as Vice President of Finance for ConocoPhillips Alaska. He served as President, ANS Gas Development until May 2009. He serves as Director of DCP Midstream Partners LP. He joined ConocoPhillips Alaska in 2005 as Vice President of Finance and Administration. Since 2003, Mr. Wenzel served as Manager of Treasury Services of ConocoPhillips in Bartlesville, Oklahoma. In 2001, he served as the Finance Manager for Phillips Petroleum Company’s Australasia division and in Perth, Australia. Mr. Wenzel joined Phillips Petroleum Company in 1991 as a Financial Analyst. He has been a Director of DCP Midstream GP, LLC since June 19, 2013.

Greg C. Garland – He has been the Chairman and Chief Executive Officer at Phillips 66 Partners GP LLC, the general Partner of Phillips 66 Partners LP since March 2013. Mr. Garland has been the Chairman of the Board and Chief Executive Officer of Phillips 66 since April 30, 2012. He serves as a Vice President at American Fuel & Petrochemical Manufacturers. He served as President of Phillips 66 from April 30, 2012 to May 30, 2014. He served as a Senior Vice President of Exploration & Production-Americas at ConocoPhillips from October 6, 2010 to April 2012. He served as Chief Executive Officer and President of Chevron Phillips Chemical Co. LLC from April 1, 2008 to February 8, 2011. He served the Chief Executive Officer and President of Americas Styrenics LLC. His extensive experience in the energy industry, including his more than 30-year career with Phillips Petroleum Company from 1980 to 2000, CPChem and ConocoPhillips. Mr. Garland served as Senior Vice President of Planning & Specialty Products at Chevron Phillips Chemical Company LLC from October 2001 to April 2008. From July 2000 to October 2001, he served as a Senior Vice President of Planning & Strategic Transactions of Chevron Phillips Chemical Company LLC. He served as a General Manager of Qatar/Middle East for Phillips, since 1997. He has been a Director of Phillips 66 since April 30, 2012 and Amgen Inc. since October 16, 2013. He serves as a Director of DCP Midstream LLC and Phillips 66 Partners GP LLC. He serves as a Director of DCP Midstream LLC at DCP Midstream Partners LP.

	Midstream	**Energy Related**	**Finance; Other Industry**	**HSE**	**Politicians & Lawyers**	**Other**	**Score per Director**
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Wouter T. Van Kempen	3						**3.0**
Paul F. Ferguson, Jr			1				**1.0**
R. Mark Fiedorek		2					**2.0**
James R. Montague	3						**3.0**
Alan N. Harris			1				**1.0**
Frank A. McPherson III			1				**1.0**
Thomas C. Morris		2					**2.0**
Andrew E. Viens		2					**2.0**
William S. Waldheim		2					**2.0**
Brian R. Wenzel			1				**1.0**

Greg C. Garland		2					2.0
					Average		1.82

Conclusion

With the company maintaining stable cash flows, it creates an attractive position for investors to consider. The stability in which DCP operates with Spectra and Phillips 66 as the general partners makes for enormous potential and opportunity to capitalize on drop downs and organic growth. The NGL market is picking back up, and there is forecast to be a bright future in Natural Gas operations in the domestic market. The shale boom has increased natural gas production and given the societal pressures on energy, cleaner burning natural gas is becoming a more attractive hydrocarbon to use. This will create huge opportunity in the market in which DCP is currently operating. The real challenge for DCP Midstream Partners, LP in the future will be two-fold. One is likely shared by all MLP's, and corporate structures depending on debt for growth and sustainability. That factor is the anticipation of climbing interest rates. With Quantitative Easing nearing an end, predictions abound regarding an escalation in interest rates, making it more expensive to borrow money. MLP's necessitate debt for growth in many cases. This will be a challenge in years to come.

The second hurdle for DCP comes from the fact that the majority of their workflow comes via drop-downs from the general partners, Spectra and Phillips. Phillips 66 recently created its own MLP, and will probably no longer drop business in the lap of DCP, which means that they will have to generate new deal flows and business. This is not an insurmountable feat, but is going to be a challenge. It seems as though there will be a significant shift in the company's style in going from a company that services their general partners into a company that generates business. To use an analogy, shifting from a gatherer to a hunter.

The company seems to be positioned well, and they have grown TSR over the previous years. To maintain this growth in challenging times like increasing the cost of capital, they will have to be aggressive and strategic.

Valuation

The value of a share of DCP Midstream Partners L.P. at the end of 2013 was $50.35; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $56.04, suggesting a market undervaluation of 10%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $67.19, suggesting a market undervaluation of 25% before IDRs. DCP's General Partner is owned 50/50 by Spectra and Phillips 66 and received about 25% of total distributions paid by DCP Partners.

1. Western Gas Partners, L.P.

WES Major events

2006 - Anadarko acquired both Kerr-McGee and Western Gas

2008 - Anadarko formed Western Gas Partners, LP a limited partnership to own, operate, acquire and develop midstream energy assets.

February 1, 2010 - WES announced that it has acquired certain midstream assets located in southwest Wyoming from Anadarko Petroleum Corporation for total consideration of $254.4 million

Jan 18, 2011 - Western Gas Partners, LP announced that is has agreed to acquire certain midstream assets located in the DJ Basin of northeaster Colorado from Encana Oil&Gas Inc. $303.3 million.

February 2011 - WES acquired the Platte Valley assets – a natural gas gathering system and cryogenic gas processing facilities for $800 million.

March 29, 2011 - The Wattenberg Plant, when combined with Western Gas Partners LP's ownership position in the Fort Lupton Plant and the recently acquired Platte Valley Plant, gives Anadarko and other area producer's exceptional midstream options for development with the Wattenberg field and growth in the greater DJ basin.

July 5, 2011 - WES announced that it has agreed to acquire the Bison gas treating facility and related assets located in the Powder River Basin from Anadarko Petroleum Corporation for $130 million

December 16, 2011 - Anadarko Petroleum agreed to sell its Red Desert Complex to WES. WES will pay $483 million for the midstream assets in the Green River Basin, Wyoming. It includes 2 processing plants, with a combined capacity of 173 mcf/d, and about 1,300 miles of gathering pipelines.

March 23, 2012 - NET Midstream said that Eagle Ford Midstream LP, will build a 105-mile, 24-inch to 30-inch diameter extension of its existing gas pipeline. The extended pipeline will transport residue gas from Western Gas Partners LP's Brasada natural gas processing plant in Laselle County, Texas, to interstate and intrastate pipelines at the Agua Dulce Hub in Nueces County.

August 1, 2012 - WES announced that it has acquired an additional 24% membership interest in Chipeta Processing LLC from Anadarko for total consideration of $135 million.

June 12, 2013 - Enterprise Products Partners LP announced that it has entered into a joint venture with WES to own natural gas liquid fractionation trains 7 and 8, which are currently under construction at Enterprise's complex in Mont Belvieu, Texas. WES acquired 25% ownership.

2013 - Western Gas has a facility located in North Central Pennsylvania. Western Gas acquired a 33.75%

interest in the Liberty and Rome Gas gathering systems from Anadarko. This acquisition consisted of a purchase price of $490 million.

March 2014 - WES acquired a 20% interest in Texas Express Gathering LLC(TEG) and Texas Express Pipeline LLC (TEP) each, and a 33.33% interest in Front Range Pipeline LLC (FRP), from Anadarko.

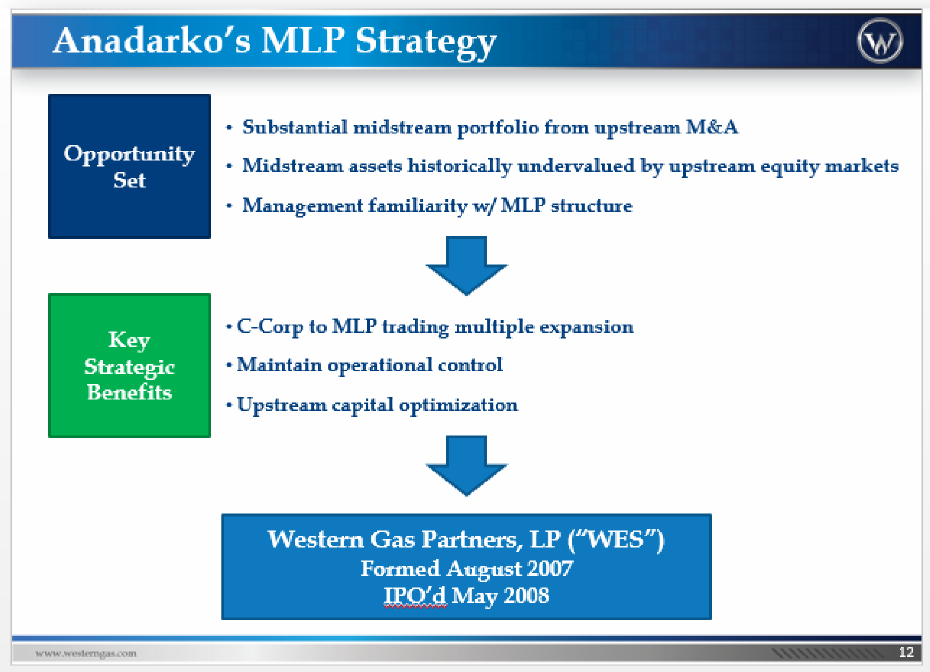
Anadarko Petroleum Corporation announced in 2006 that it has agreed to acquire Kerr- McGee Corporation and Western Gas Resources, Inc. in separate all-cash transaction totaling $21 billion, plus the assumption of debt estimated $2.2 billion.

The two deals came as part of a wave of consolidation among gas producers, even as commodity prices for the fuel stayed high by historical measures. Many of these acquisitions were being driven by the desire of companies to own more U.S assets at a time when overseas governments were aggressively demanding higher payments and raising taxes.

Current Scope of Operations

Western Gas Partners, LP is a master limited partnership operating in the midstream energy sector.. WES's general partner is owned by Anadarko Petroleum Corporation. Western Gas Partners, LP owns, operates and develops midstream energy assets in east, west, and south Texas. Western Gas Partners is engaged in gathering, compression, processing, treating, and transporting natural gas, condensate, natural gas liquids, and crude oil. Western Gas headquarter is located in The Woodlands, Texas.

Figure 1 MLP Strategy of Andarko



WES assets

- 13 Gathering systems
- 9 Natural gas processing facilities
- Natural Gas pipelines
- 10,810 miles of pipeline
- 500,882 Hp of compression
- 8 Natural Gas treating facilities
- NGL pipeline
- 1 crude pipeline
- 125 compressor stations

Current product and services for WES

- Gathering - Gathering systems transport raw, untreated, natural gas to a central location for treating and processing.
- Compression - is a mechanical process in which natural gas at a given pressure is compressed so it can flow efficiently and delivered to a processing plant or pipeline.
- Treating and dehydration - natural gas is dehydrated to remove the saturated water and treated to separate the carbon dioxide and hydrogen sulfide from the gas.
- Processing - removes the heavier and more valuable hydrocarbon components.
- Fractionation - is the separation of the mixture of extracted NGL's into solo components for the end users.
- Storage, transportation, and marketing

Shareholder value creation

Figure 2 Dividend adjusted share pricing for WES

1. Western Gas Partners was founded and IPO was done. Western Gas Partners has been steadily increasing due to Natural Gas developing into a useful source of energy instead of a byproduct.

2. Anadarko announces that it is going to acquire Western Gas Partners. Western Gas Partners will now own and operate Anadarko's midstream assets.

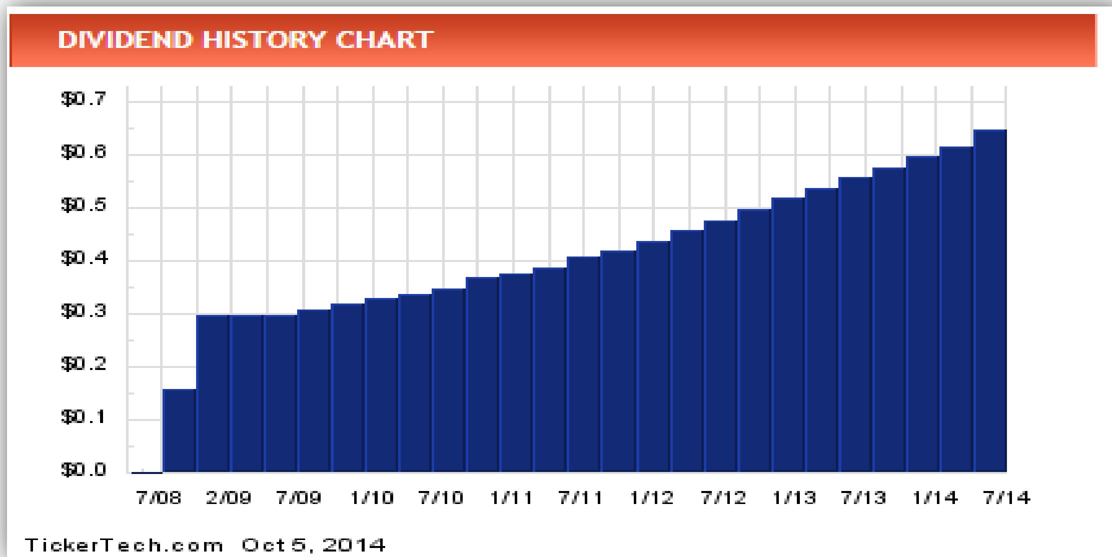
3. Western Gas Partners announced that it has acquired an additional 24% membership interest in Chipeta Processing LLC from Anadarko for total consideration of $135 million.

4. Natural Gas becomes a hot topic. Natural Gas becomes and abundant source; supply exceeds demand.

5. Western Gas Partners is to start the development of a second fractionation train in the DJ basin and has also expressed significant interest in the Marcellus shale.

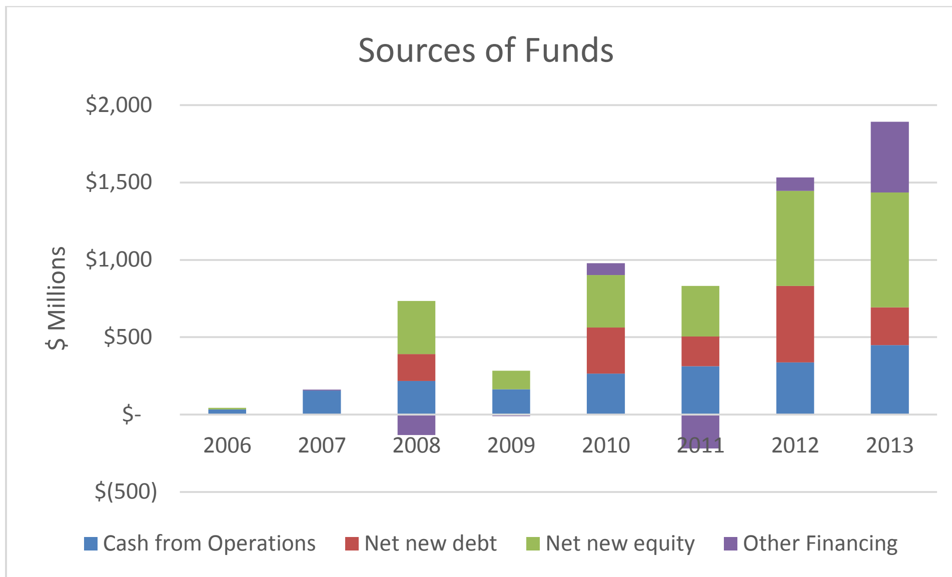
WES Dividend per unit

Figure 3 Dividend History of WES



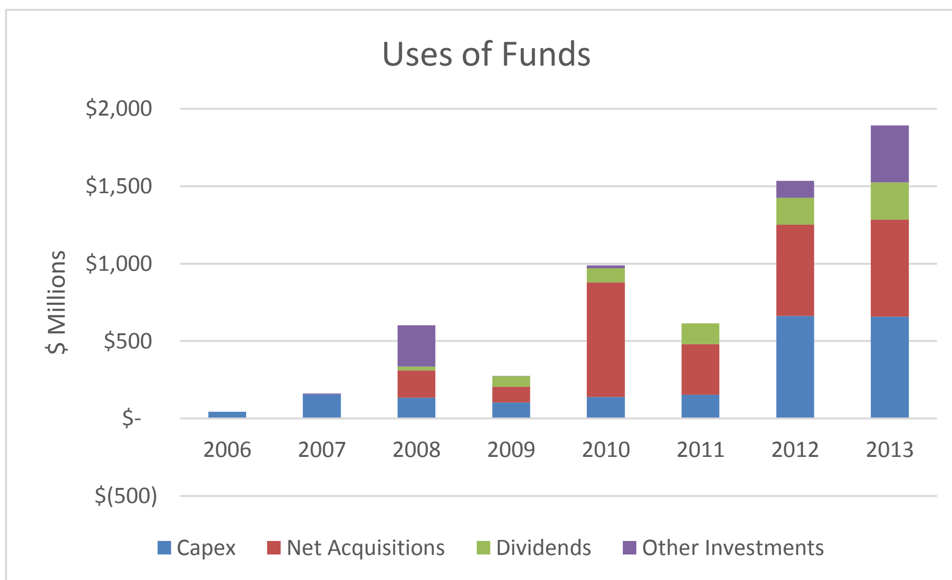
- WES announced that the board of directors of its general partner has declared a cash distribution of $.56 per unit for the second quarter of 2013, representing a 4% increase over the prior quarter and a 17% increase over the second quarter of 2012.
- Western Gas Partners declared a cash distribution of $.58 per unit for the third quarter of 2013, representing a 4% increase over the prior quarter and a 16% increase over the third quarter of 2012.
- Western Gas Partners announced that the board of directors of its general partner declared a quarterly cash distribution of $.625 per unit for the first quarter of 2014.
- WES also announced that the board of directors of its general partner declared a quarterly cash distribution of $.25 per unit for the first quarter of 2014. The distribution represents an 8% increase over the prior quarter of 2014.
- Western Gas Partners previously declared a quarterly distribution of $.650 per unit for the second quarter of 2014, representing a 4% increase over the prior quarter's distribution and a 16% increase over the second-quarter 2013 distribution of $.56 per unit.

Figure 4 Sources of funds of WES



WES has issued substantial new debt and partnership units from 2008 through 2013 to fund acquisitions and capital expenditures

Figure 5 Use of funds by WES

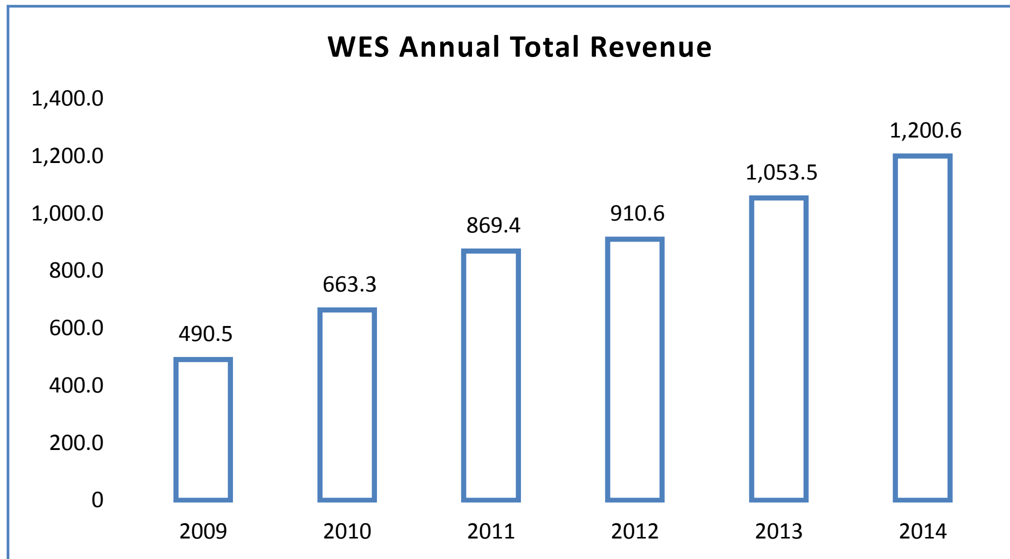


WES made a series of acquisitions, mainly from Anadarko. Capital expenditure has been increasing

sharply from 2011- 2013 and exceeded operating cash flow in 2012 and 2013. Dividends paid to unit holders have increased steadily.

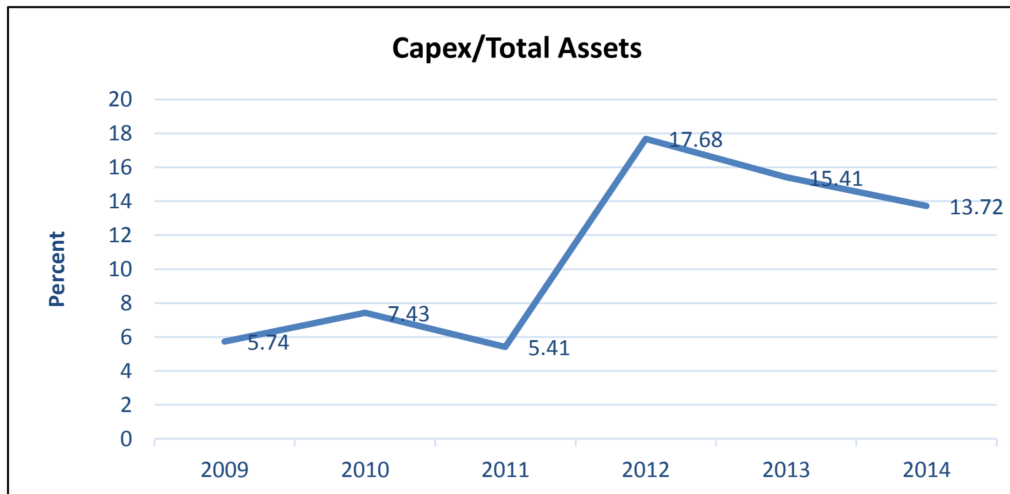
Growth

Figure 6 Annual total revenue of WES



Western Gas Partners has been increasing revenue steadily since 2009. Western Gas Partners 5 year revenue growth is 15.5% per year.

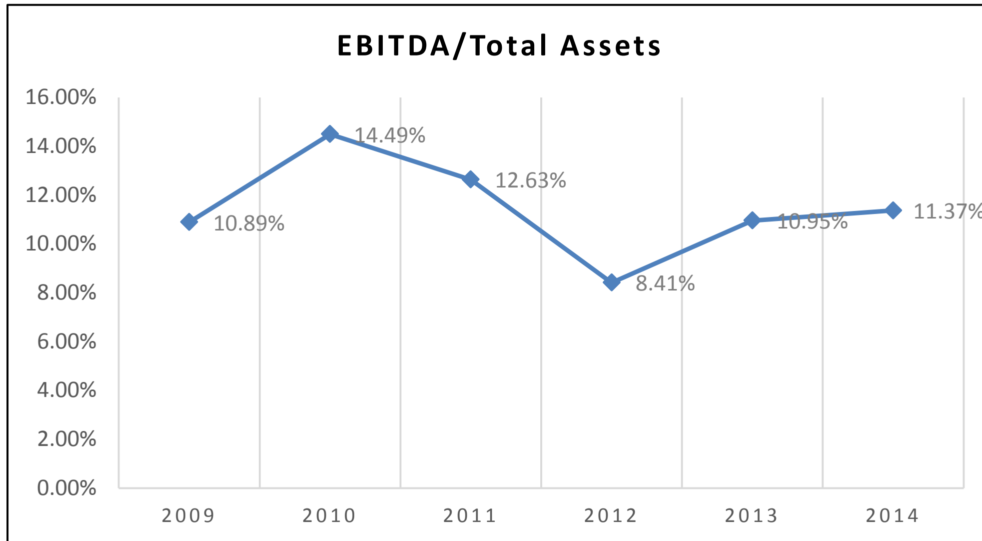
Figure 7 CAPEX/Total Assest of WES



Western Gas Partners has been investing aggressively in organic growth relative to its total assets through capital projects.

Return

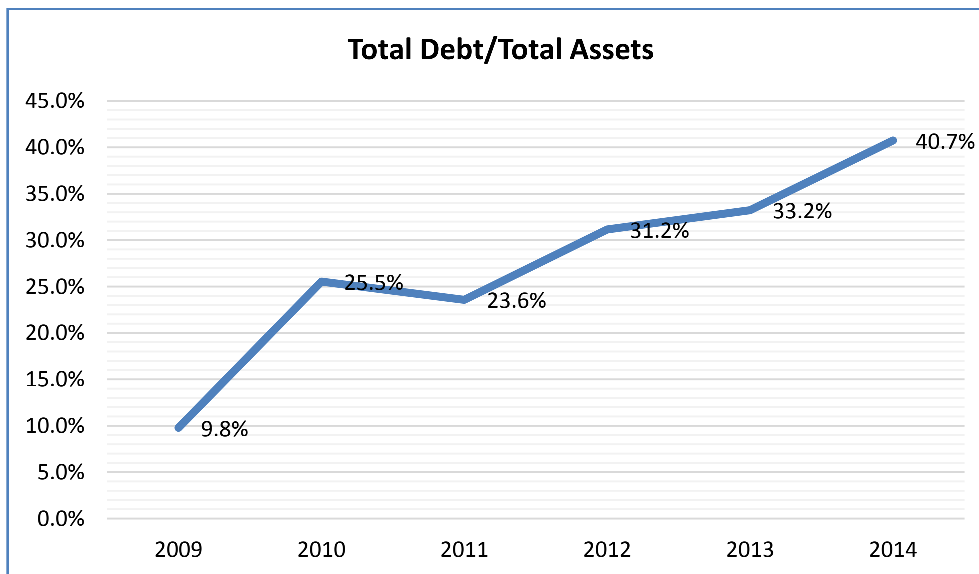
Figure 8 EBITDA/Total Assets of WES



Western Gas Partners has generated solid returns with the exception of 2012, when natural gas prices were extremely low.

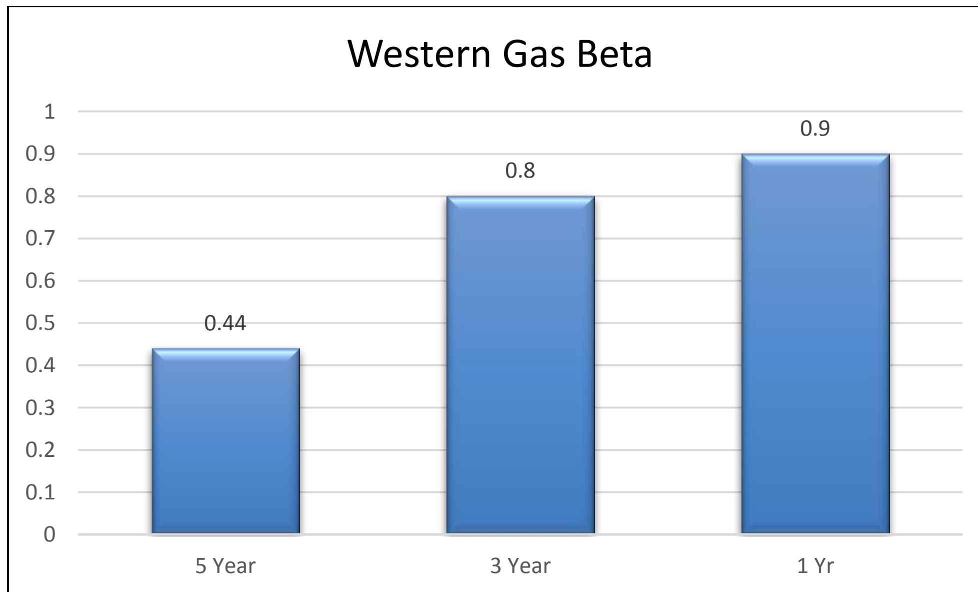
Risk

Figure 9 Total Debt/Total Assest of WES



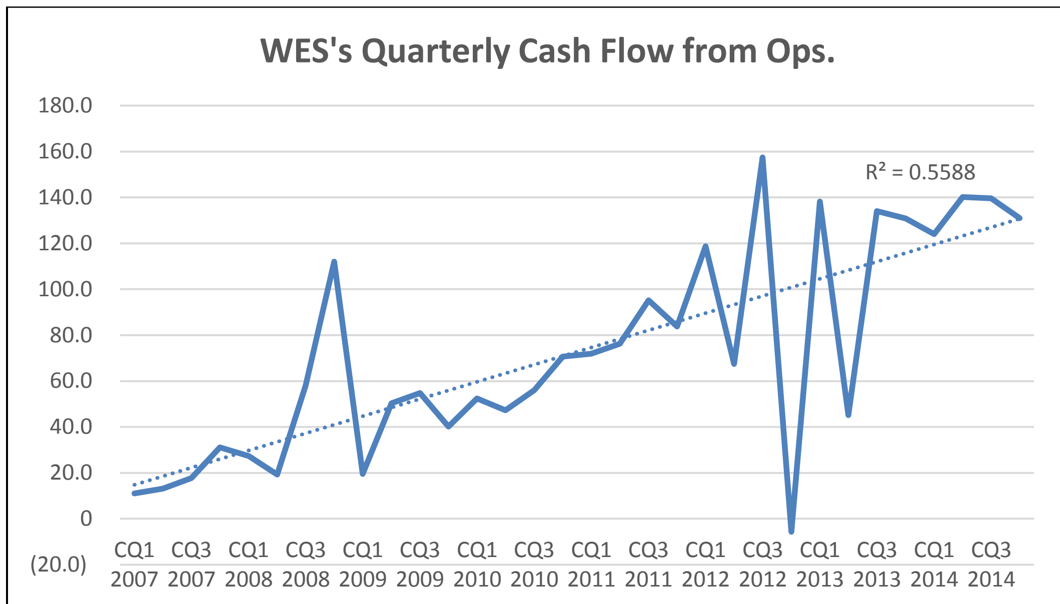
Western Gas Partners debt ratio has been progressively increasing since 2009 but remains at levels consistent with its peers.

Figure 10 Value of Beta for different years for WES



Western Gas Partners recent beta relative to the S&P 500 has been higher in recent years.

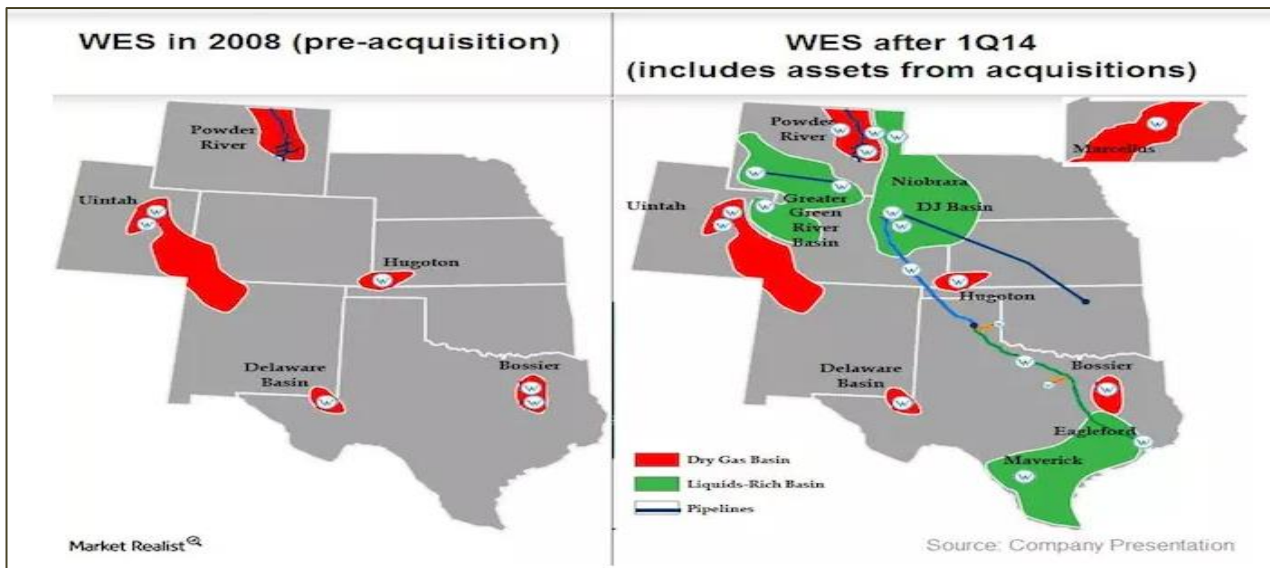
Figure 12 WES's Cash from operations from 2007-14



Western Gas Partners' cash flow shows considerable variability around a linear trend of increasing cash from operations particularly around the financial crisis when oil and gas prices were highly volatile and in 2012-13 when natural gas prices were volatile. WES exposure to commodity price swings is cause for concern.

Future plans for WES

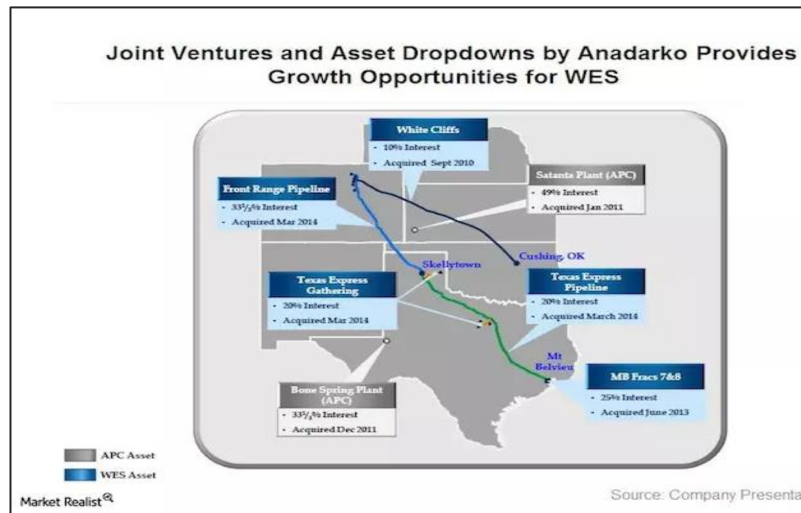
Figure 13 WES's Geographical Location



Yahoo.com/Images WES midstream geographical locations.

Through many mergers and acquisitions WES has been able to diversify its assets. WES now owns and operates more than 10 gathering stations, 8 natural gas treating facilities, 9 natural gas processing facilities, 3 natural gas liquids (NGL), and 3 natural gas pipelines. Western Gas began operations in the Rocky Mountains areas but now has expanded operations across the United States. Some operations are located in NE Wyoming, SW Wyoming, Utah, Colorado, and just recently north central Pennsylvania. Western Gas Partners, LP has executed 13 acquisitions, including eight related – party and five third-party acquisitions, for an aggregate value of about $3.2 billion from its IPO in 2008 until1Q14.

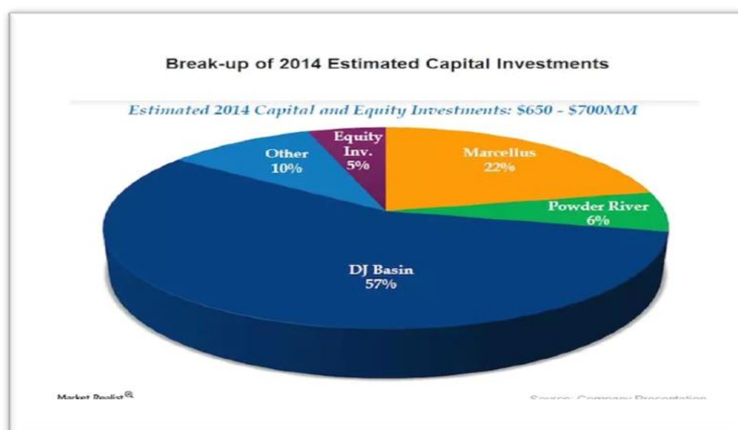
Figure 14 WES's Growth opportunities



Expected 2014 projects include the expansion of a second train at the Lancaster plant and to continue improve wells in the Denver-Julesburg basin and the Marcellus shale. Marcellus shale stretches from upstate New York south through Pennsylvania to West Virginia and to parts of Ohio. As you can see the Marcellus shale has huge potential and it's a great investment for Western Gas. Marcellus Shale is a sedimentary of rock buried hundreds of years beneath the earth's surface. The natural gas created over thousands of years is trapped as a byproduct of decomposition in small spaces within rocks. Due to innovated technologies as fracking and horizontal drilling it has enabled companies to extract natural gas at an economical value.

The main focus for WES as of May 27, 2014 is going to be the DJ Basin. It aims to combine the Wattenberg Gathering System with Platte Valley and Lancaster Plants into a single integrated complex. This provides flexibility in managing and optimizing natural gas assets for Western Gas Partners. WES will invest around $380 million in the DJ basin.

Figure 15 WES's 2014 estimated break down of capital investments



Governance

WES Board is populated equally by Anadarko executives and outside directors, suggesting that the company may be focused at least as much on Anadarko's interests than those of the Limited Partners.

Gwin, Robert G.	Non-Executive Chairman of Western Gas Holdings LLC Has been the Chief Financial Officer at Anadarko Petroleum since 3/1/09. President of Western Gas Holdings from 8/2007-1/2010
Sinclair, Donald R.	Chief Executive Officer of Western Gas Holdings LLC, President of Western Gas Holdings LLC , SVP of Anadarko
Carroll, Milton	Independent Director of Western Gas Holdings, LLC and Chairman of Special Committee
Tudor, David J.	Independent Director of Western Gas Holdings LLC and Chairman of Audit Committee
Arnold, Steven D.	Independent Director of Western Gas Holdings, LLC, Member of Audit Committee and Member of Special Committee
Crane, James R.	Independent Director of Western Gas Holdings, LLC, Member of Audit Committee and Member of Special Committee

Meloy, Charles A.	Vice president of Onshore exploration for Anadarko since 2012.
Reeves, Robert K.	Executive general council for Anadarko

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Gwin, Robert G.		2					**2.0**
Sinclair, Donald R.	3						**3.0**
Carroll, Milton	3						**3.0**
Tudor, David J.		2					**2.0**
Arnold, Steven D.			1				**1.0**
Crane, James R.						0	**0.0**
Meloy, Charles A.		2					**2.0**
Reeves, Robert K.		2					**2.0**
					Average		**1.88**

Valuation

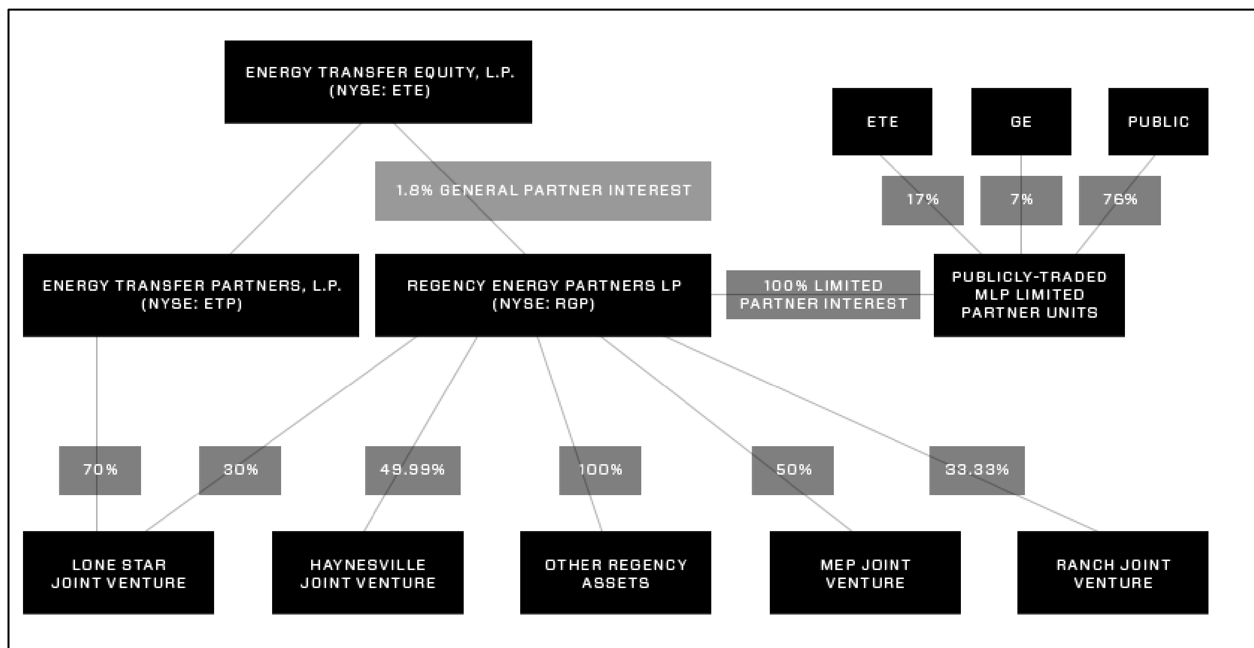
The value of a share of Western Gas Partners L.P. at the end of 2013 was $61.69; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $65.59, suggesting a market undervaluation of 6%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $186.39, suggesting a market undervaluation of 67% before IDRs. WES General Partner Anadarko receives about 25% of total MLP distributions as IDRs.

2. Regency Energy Partners, L.P.

Company Overview

Regency Energy Partners LP is engaged in the gathering and processing, compression, treating and transportation of natural gas; and the transportation, fractionation, and storage of natural gas liquids (NGLs). It operates in Gathering and Processing, Natural Gas Transportation, NGL Services, and Contract Services segments. The Gathering and Processing segment transports raw natural gas from the wellhead through gathering systems; processes raw natural gas to separate NGLs; and sells or delivers the pipeline-quality natural gas and NGLs to various markets and pipeline systems. The Natural Gas Transportation segment owns a 450 mile intrastate pipeline that delivers natural gas from northwest Louisiana to downstream pipelines and markets; a 500-mile interstate natural gas pipeline stretching from southeast Oklahoma through northeast Texas, northern Louisiana, and central Mississippi to an interconnect with the Transcontinental Gas Pipe Line system in Butler, Alabama; and a 10-mile interstate pipeline that extends from Harrison County, Texas to Caddo Parish, Louisiana. The NGL Services segment owns midstream energy assets, including NGL pipelines, storage, fractionation, and processing facilities located in the states of Texas, New Mexico, Mississippi, and Louisiana. The Contract Services segment owns and operates a fleet of compressors used to provide turn-key natural gas compression services for customer specific systems; and also owns and operates a fleet of equipment that provide treating services, such as carbon dioxide and hydrogen sulfide removal, natural gas cooling, dehydration, and BTU management. Regency GP LP serves as the general partner of Regency Energy Partners LP. The company was founded in 2003 and is headquartered in Dallas, Texas.

Figure 1 RGP and its ventures



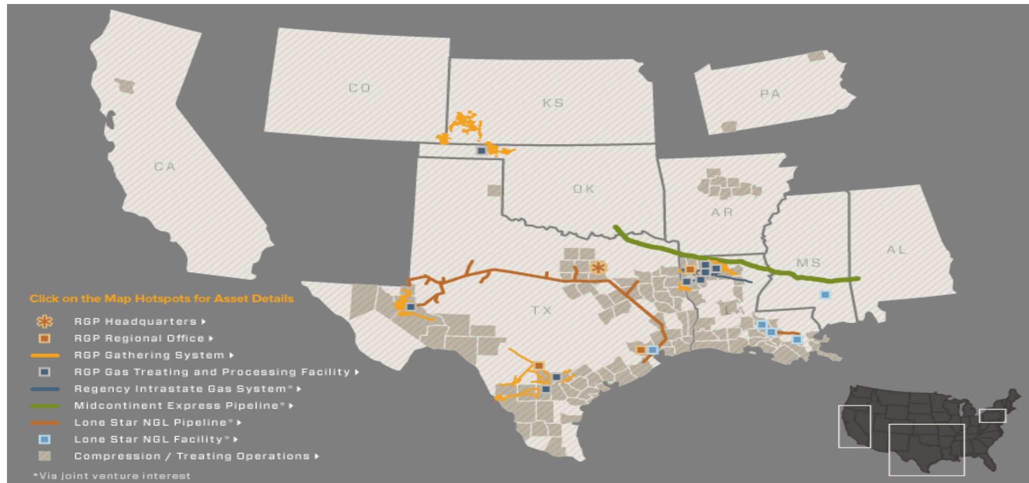
Timeline

April 1, 2003:	Regency Energy Partners is established as a standalone company.
June 1, 2003:	Regency acquires natural gas gathering, processing and transportation assets located in North Louisiana and the mid-continent region of the United States from subsidiaries of El Paso Corporation for $120 million.
March 1, 2004:	Regency acquires midstream assets in West Texas from Duke Energy Field Services for $67 million. The assets comprised of 600 miles of pipeline, along with gas processing and treating capacities of more than 125 million cubic feet of gas per day.
December 1, 2004:	HM Capital acquires Regency energy Partners in a transaction valued at $405 million. HM Capital also announced the addition of James W. Hunt and Michael L. Williams to the senior management team as president and chief executive officer, and as chief operation officer, respectively.
December 1, 2005:	Regency completes construction of the Regency Intrastate Enhancement Project in North Louisiana. The $157 million project was designed to enable customers to reach markets offering more favorable prices by connection existing systems to other pipelines in Northern Louisiana.
January 31, 2006:	Regency completes its initial public offering.
August 15, 2006:	Regency acquires TexStar Field Services for a purchase price of 5.2 million class B common units and $230 million of cash and assumed debt. Based on the closing price of units on August 14, 2006, the purchase price is $349 million.
April 2, 2007:	Regency acquires Pueblo Midstream Gas Corporation for $65 million. In the transaction they received 75 MMcf/d gas processing and treating facility, 33 miles of gathering pipelines and approximately 6,000 horsepower of compression.
June 19, 2007:	GE Energy Financial Services, acquires interests in Regency Energy Partners from HM Capital for $603 million.
January 7, 2008:	Regency acquires FrontStreet Hugoton LLC for $152 million from FrontStreet EnergyOne LLC
January 7, 2008:	Regency acquires Houston based CDM Resource Management Ltd., a provider of natural gas compression services for $698 million.
September 9, 2008:	Regency announces $1.1 billion expansion plans for the Regency Intrastate Gas System in North Louisiana to bring to market gas in the Haynesville Shale.
February 27, 2009:	Regency announces the formation of the Haynesville Joint Venture with an affiliate of GE Energy Financial Services and Alinda Capital Partners LLC to finance and construct the Haynesville Expansion Project.
September 11, 2009:	Regency announces plans to construct a $44 million pipeline extension of Regency's Logansport Gathering System in North Louisiana. The Logansport Expansion would add 300 MMcf/d of gathering capacity to the existing system by adding a 17 miles of 20 inch pipe, as well as associated compression and dehydration facilities.

September 14, 2009:	The Haynesville Joint Venture announces plans to construct a $47 million pipeline extension of the Haynesville Expansion Project in North Louisiana to increase capacity on the Regency Intrastate Gas System.
January 27, 2010:	The Haynesville Joint Venture announces the Haynesville Expansion project and the Red River Lateral are completed under budget and are in service. The Haynesville Expansion project, in conjunction with the Red River Lateral, increases the total pipeline capacity of the Regency Intrastate Gas System to approximately 2.1 Bcf/d.
May 26, 2010:	Regency announces that Energy Transfer Equity has purchased 100% of Regency's general partner from an affiliate of GE Energy Financial Services for ETE preferred units with a value of $300 million.
May 26, 2010:	Regency completes purchase of a 49.9% ownership interest in the Midcontinent Express Pipeline (MEP), a 500-mile natural gas pipeline system that extends from southeast corner of Oklahoma, across Northeast Texas, Northern Louisiana, and Central Mississippi and into Alabama.
August 4, 2010:	Regency announces that it has completed the Phase I and Phase II Expansions of its Logansport Gathering System located in the Haynesville Shale. The Logansport Expansions, which add an incremental 485 MMcf/d of gathering capacity to Regency's existing system.
September 1, 2010:	Regency announces that it has purchased Zephyr Gas Services for $185 million. The transaction adds fee-based margins to Regency's business mix.
May 2, 2011:	Energy Transfer Partners and Regency Energy Partners announce that they, though their joint venture, Lone Star NGL LLC, have acquired midstream assets from Louis Dreyfus Highbridge Energy for approximately $1.925 billion in cash, before purchase price adjustments.
June 2, 2011:	Regency announces it will construct a gas and condensate wellhead gathering system in the Eagle Ford Shale for $450 million. Upon completion, Regency's entire south Texas system will be capable of gathering, compression, treating and transporting up to 1Bcf/d of natural gas and 26,500 bbls/d of condensate to downstream outlets.
June 22, 2011:	Energy Transfer Partners and Regency Energy Partners announce the Lone Star NGL LLC will construct a 530-mile natural gas liquids pipeline that extends from Winkler County in West Texas to the Jackson County processing plant in Jackson County, Texas.
August 9, 2011:	Regency Energy Partners common units begin trading on the NYSE under the ticker symbol "RGP."

Scope of Operations

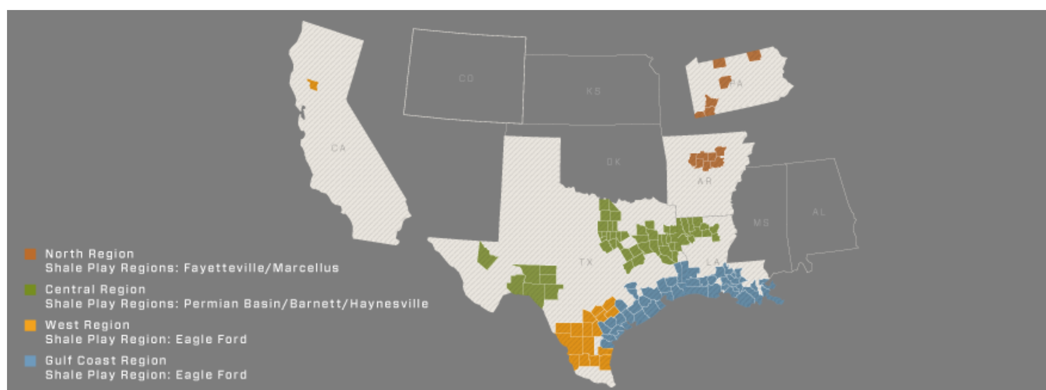
Figure 2 RGP's operations



Contract Services

Regency's contract compression business, CDM Resource Management LLC (CDM), provides customers with superior natural gas contract compression services. CDM designs, builds and operates a CAT/Ariel standard fleet with total horsepower in excess of 1 million horsepower. For more than 10 years CDM guarantees and delivers 98% mechanical availability of compression units for land installations and 96% mechanical availability for over-water installations per month.CDM's integrated natural gas compression solutions include a comprehensive assessment of location conditions and customer needs, followed by the design, development and installation of a site-specific compression system. As a true contract service provider, CDM owns the responsibility for installation and ongoing operations, service and repair of its compression packages. CDM distinguishes itself from other providers by conducting due diligence to ensure each facility is set with the right equipment and optimized for maximum production and efficient operation. CDM's operations are located primarily in Texas, Louisiana, Arkansas and Pennsylvania.

Figure 3 Shale play regions



Gas Gathering & Processing

Regency's gathering and processing assets are located in south and west Texas, north Louisiana, Oklahoma and Kansas. These assets include nineteen active treating and processing plants, and more than 18,000 miles of natural gas gathering pipeline. In addition to gathering and processing, this segment provides natural gas compression, dehydration, treating and condensate stabilization services.

Regency's gathering and processing assets are strategically positioned in some of the top pas-producing regions in the United States, including the Permian Basin in west Texas, the Eagle Ford, Haynesville, Barnett, Marcellus and Utica shales, and the Granite Wash in the Mid-Continent.

A 530-mile NGL pipeline from Winkler County in west Texas to the Jackson County processing plant in Jackson County, Texas went into service December 2012.

Figure 4 RGP's gas gathering facilities

Natural Gas Liquids

Regency added a natural gas liquids (NGL) platform to its service offerings in early 2011 when it formed the Lone Star Joint Venture with Energy Transfer Partners. Today, Regency owns a 30% interest in Lone Star, whose assets center around Mont Belvieu, Texas – the largest NGL hub in North America. Lone Star moves, treats and stores NGLs from west and central Texas to the Gulf Coast, serving customers in the southern and eastern U.S. Energy Transfer Company operates the assets on behalf of the joint venture.

Lone Star's Assets:

Transportation

- West Texas Pipeline – a long-haul, 1,066-mile intrastate pipeline that transports mixed NGLs from the Permian Basin and Barnett Shale to Mont Belvieu; provides an outlet for Regency's Waha Processing Plant.
- Storage facility in Midland, Texas used for system balancing.

- Energy Transfer530-mile NGL pipeline from Winkler County in West Texas to the Jackson county processing plant in Jackson County, Texas which went into service December 2012.
- West Texas Gateway NGL Pipeline – 209,000 Bbls/d pipeline that transports NGLs from the Permian Basin and Eagle Ford Shale to fractionation facilites in Mont Belvieu; went into service in December 2012.

Fractionation and Processing

- Two cryogenic, off-gas processing plants co-located with third-party crude refinery complex that connect to a fractionator near Baton Rouge, Louisiana.
- Sea Robin processing plant (20% interest) – a cryogenic, wet-gas processing plant in southern Louisiana.
- Completed construction of a 100,000 Bbls/d fractionator at Mont Belvieu in December 2012; A second 100,000 Bbls/d fractionator is under construction and expected to be complete in Q4 2013.

Storage

- Storage facility at Mont Belvieu, Texas serving customers in the Houston Ship Channel
- Underground, bulk storage facility in Hattiesburg, Mississippi (the only one east of the Mississippi River; connects to the Dixie pipeline to serve customers in the southern U.S.).

Transportation

Regency's transportation assets consist of interstate and intrastate pipelines that receive gas from Regency-owned and third-party gathering systems, processing plants and pipelines. The gas is then delivered to end-users, local distribution companies and other transmission pipelines.

- Regency Intrastate Gas System - Regency owns a 49.99% general partnership interest in the RIGS Haynesville Joint Venture, which includes a 450-mile intrastate pipeline known as the Regency Intrastate Gas System that is operated by Regency

- Midcontinent Express Pipeline - Regency owns a 50% interest in the Midcontinent Express Pipeline LLC (MEP), a 500-mile interstate pipeline operated by Kinder Morgan Partners that moves supply from existing production and the more recently-developed Woodford Shale in Oklahoma and Barnett Shale in Texas into high-demand eastern U.S. markets

- Gulf States Transmission LLC - Regency owns a 10-mile interstate natural gas pipeline, known as Gulf States, that extends from Harrison County, Texas to Caddo Parish, Louisiana, which ties into the RIGS Legacy System.

Figure 5 Regency Intrastate Gas System (RIGS)

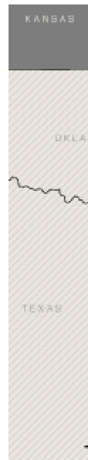
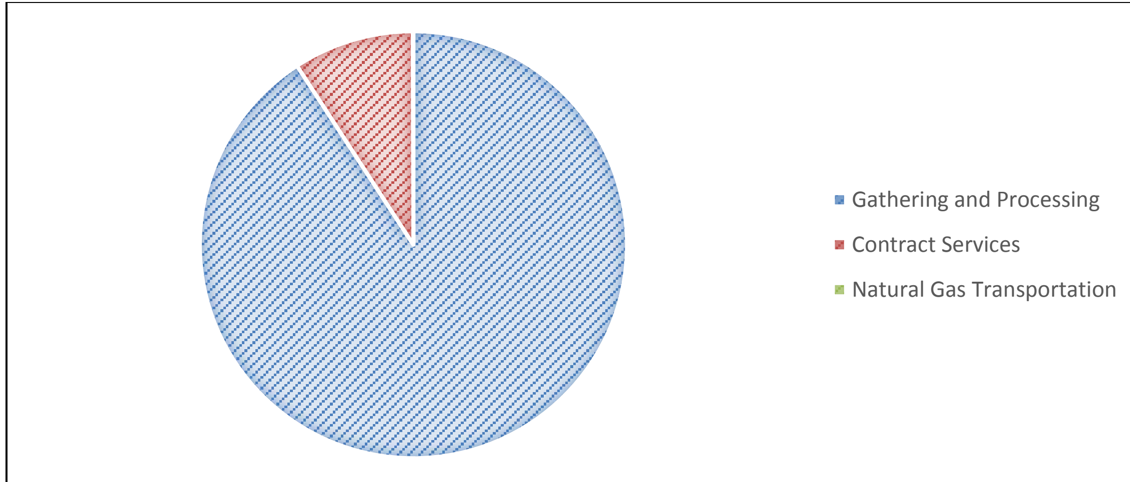


Figure 6 Midcontinent Express Pipeline (MEP)

Coal and Natural Resource Management

Regency's coal and natural resource management segment primarily involves the management and leasing of coal properties and the subsequent collection of royalties. Regency also earns revenues from other land management activities, such as selling standing timber, leasing fee-based coal-related infrastructure facilities to certain lessees and end-user industrial plants, collecting oil and gas royalties and from coal transportation, or wheelage, fees. As of December 31, 2013, Regency owned or controlled approximately 847 million tons of proven and probable coal reserves in Central and Northern Appalachia and the Illinois Basin. Regency enters into long-term leases with experienced, third-party mine operators, providing them the right to mine their coal reserves in exchange for royalty payments. Regency does not operate any mines.

Figure 7 Revenue by Business Segment



Note: Natural gas transportation revenues for 2013 were only $1 Million, representing less than 1% of revenues.

Shareholder Value Creation

Figure 8 Dividend adjusted share pricing for RGP

1. Regency Energy Partners completes its initial public offering at $20 per share with 13.75 units offered. Its initial common unit distribution was $1.40 per unit annually.
2. GE Energy Financial Services acquired interests in Regency Energy Partners LP from HM Capital LLC for $603 million. GE Financial Services now owns 37% of the outstanding limited partner units. Affiliates of HM Capital elected to retain 8 million common limited partner units, making them the second largest investor in Regency.
3. Stock market crash; commodities prices drop
4. Energy Transfer Equity L.P. acquired 100% interest in Regency's limited partner from an affiliate of GE Energy Financial Services for ETE preferred units at a value of $300 million. Affiliates of GE retained their 24.7 million general limited units in Regency, which represented 21% of Regency's

outstanding limited partner units. In addition, John W. McReynolds was appointed to Regency's Board of Directors. McReynolds served as a Director of ETP since August 2004 and is the President and Chief Financial Officer of ETE. McReynolds has served as the President of ETE since March 2005 and as a Director and the Chief Financial Officer of ETE since August 2005. Prior to becoming President of ETE, McReynolds was a partner with an international law firm for over 20 years.

5. Energy Transfer Partners, L.P. and Regency Energy Partners LP through their joint venture, ETP-Regency Midstream Holdings, LLC completed the acquisition of LDH Energy Asset Holdings LLC from Louis Dreyfus Highbridge Energy LLC for approximately $1.925 billion in cash, before purchase price adjustments. ETP contributed approximately $1.348 billion in exchange for a 70-percent ownership interest in ETP-Regency LLC, while Regency contributed approximately $577.5 million in exchange for a 30-percent ownership interest in ETP-Regency LLC. ETP-Regency LLC will be managed by a two-person board of directors, with ETP and Regency each having the right to appoint one director. ETP will operate the assets on behalf of the joint venture with the assistance of certain existing LDH employees. The acquisition of LDH is expanded ETP's and Regency's asset portfolios, adding an NGL platform with storage, transportation and fractionation capabilities. Additionally, this acquisition will provide both ETP and Regency with additional consistent fee-based revenues.
6. RGP acquires PVR partners in October 2013 for $5.6 Billion. "This acquisition enhances our overall geographic diversity by providing Regency with a strategic presence in two prolific producing areas, the Marcellus and Utica shales in the Appalachian Basin and the Granite Wash in the Mid-Continent region," said Michael J. Bradley, president and chief executive officer of Regency. "These are tremendously complementary businesses, and as a result, we expect the increased footprint and scale to create significant synergies and provide substantial organic growth opportunities that will continue to support our goal of increasing distributions and creating unitholder value."

Figure 9 Dividend adjusted share pricing for RGP Vs KMP & DCP

Figure 10 Dividend adjusted share pricing for RGP w/ S&P and Alerian MLP Index

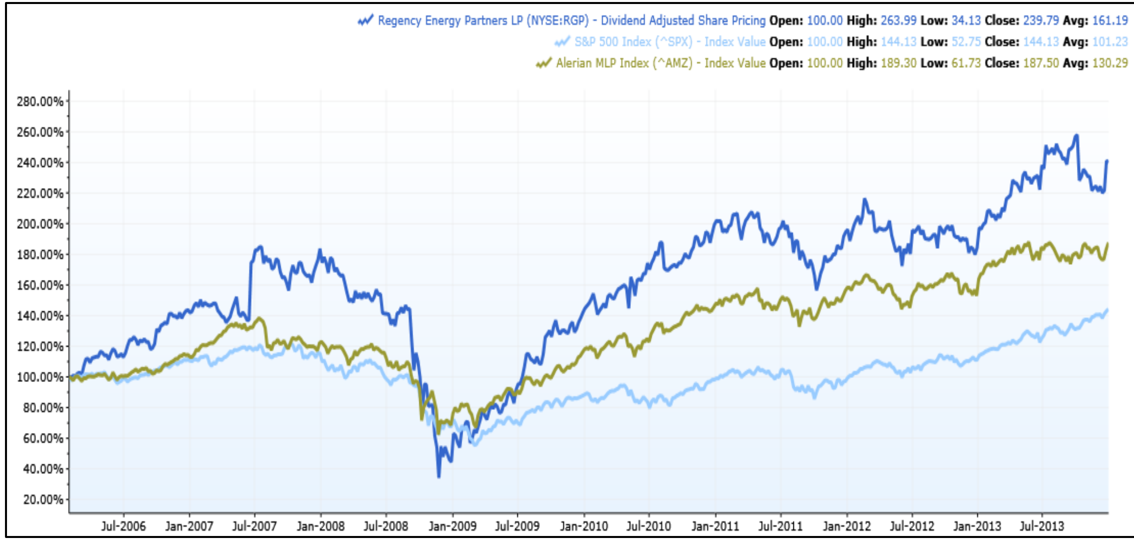


Figure 11 Sources of Funds for RGP

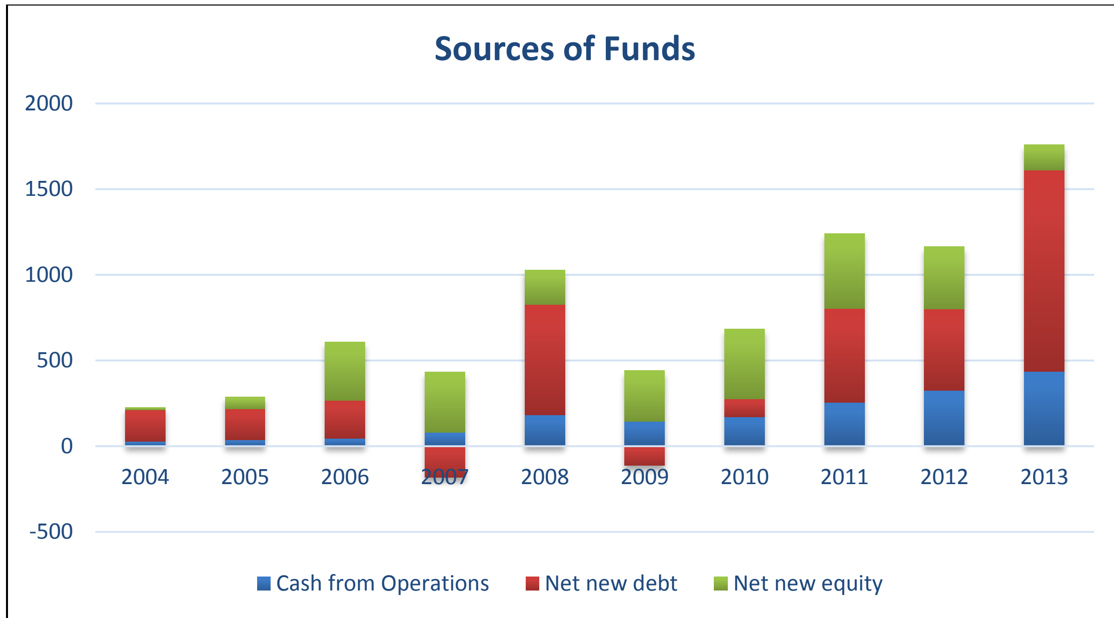
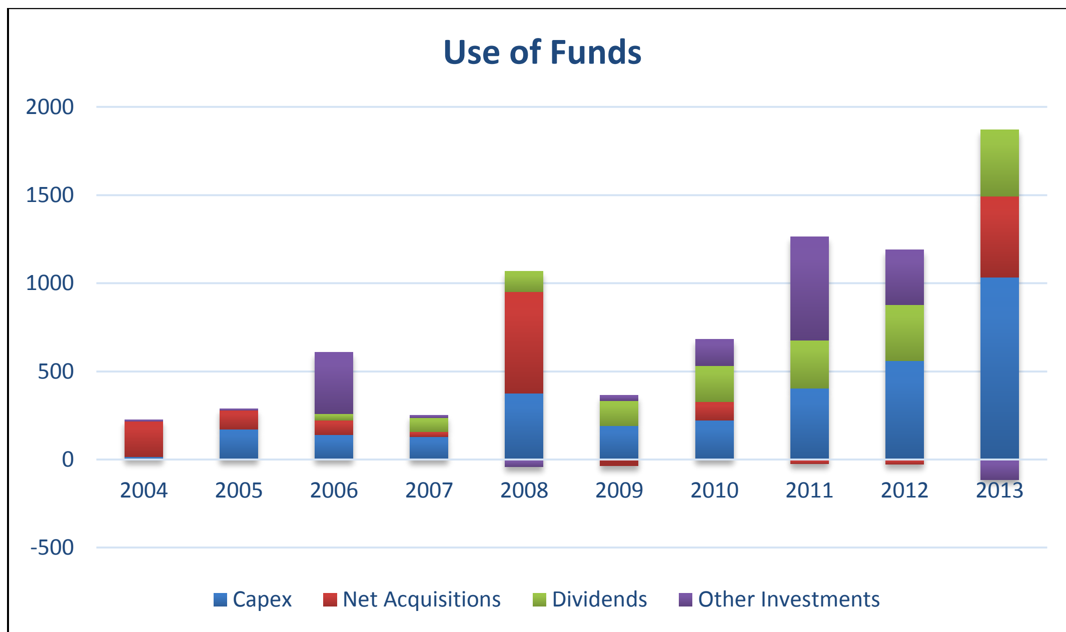


Figure 12 Use of Funds by RGP

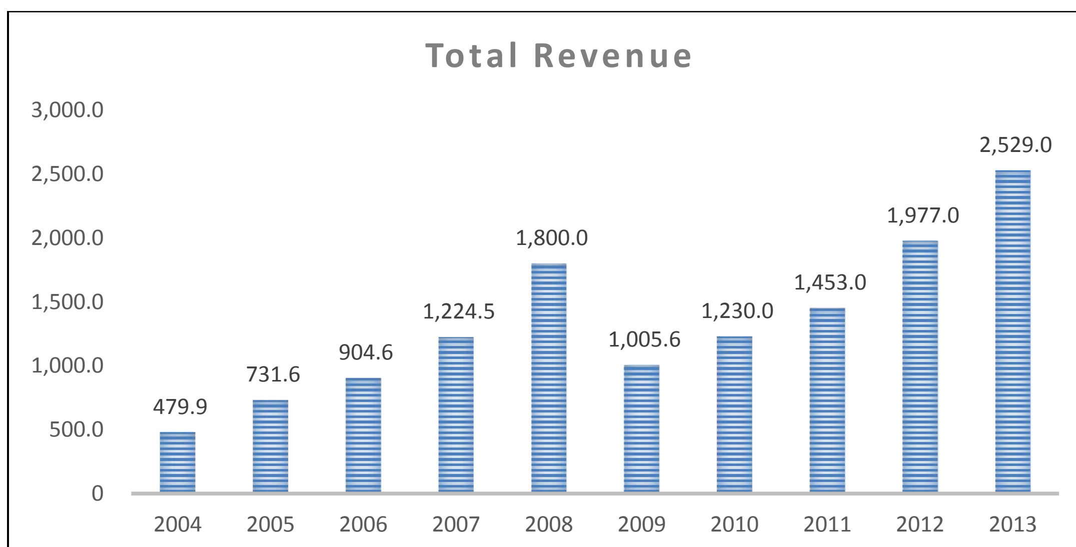


Regency has been one of the strong performers in Total Shareholder Returns, comparable to Kinder Morgan Partners and DCP Midstream and beating the Alerian MLP Index. More recently, RGP has accelerated growth through increased capital spending funded by new debt. Nevertheless, its debt burden appears manageable (see below).

Financial and Operating Results

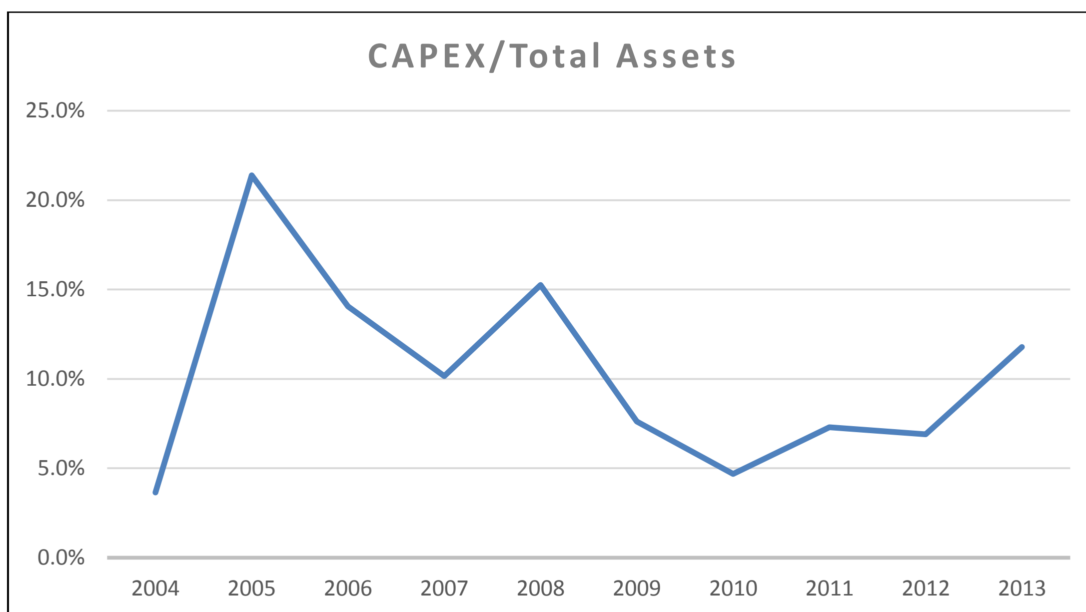
Growth

Figure 13 Total Revenues for RGP



Regency Energy Partners saw consistent growth in their revenues for their first five years in operation leading up to the commodity price bubble that formed in 2008. In 2009, Regency saw a 44% decline in revenues primarily due to falling commodity prices with the biggest impact coming within their transportation business. Most of the lost revenues were attributed to declining volumes since 71% of Regency's business consisted of a fee-based model. In 2010, Regency was back on track with revenue growth primarily due to the increase volume flows in the Eagle Ford and Permian Basin in Texas. The growth in these two shales led to record total revenues for Regency in 2013. After 2008, due to a focus on fee based services, Regency continued to grow their top line and was not unduly impacted by lagging energy prices.

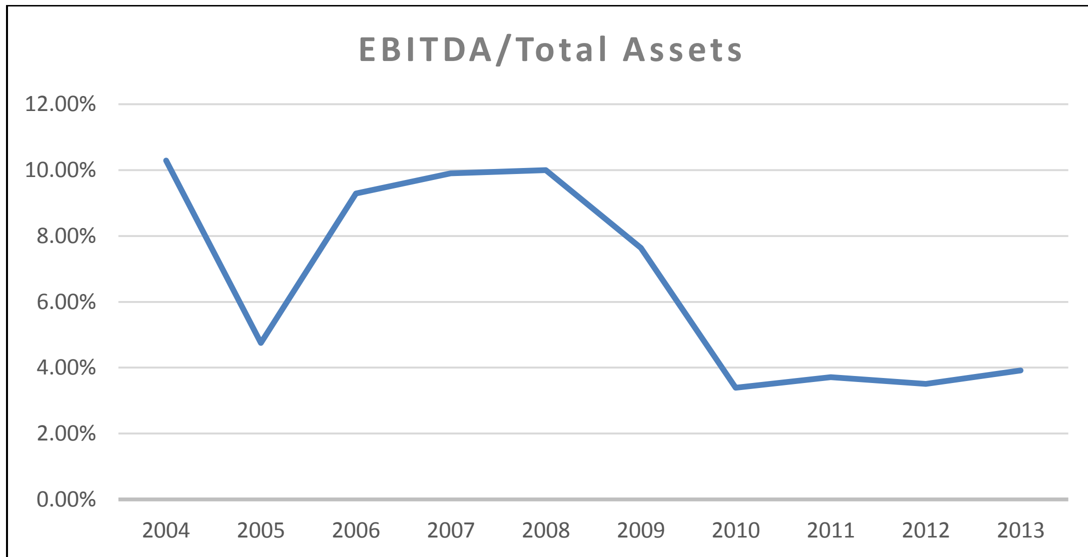
Figure 14 CAPEX/Total Assets for RGP



Regency's capital expenditure / total assets peaked in 2005 at 21.39% when Regency began construction on its Regency Intrastate Pipeline Project. In 2006 and 2007 Regency's capital expenditures decreased by $30 million from 2005 mainly due to lower level of spending on asset purchases. In 2008, Regency increased its capital expenditure by 188% or $245 million primarily due to their organic growth in the gathering and processing segment and contract compressions segment. In 2009 and 2010, Regency pared back on their capital expenditure with no major acquisitions. From 2011 to 2013, Regency continued to increase its capex to new highs in each respective year. Most of this was due to organic growth in their gathering & processing and contract services segments. Regency Western and Southern Union also acquired Southern Union Gathering Company for $1.5 billion in 2012.

Returns

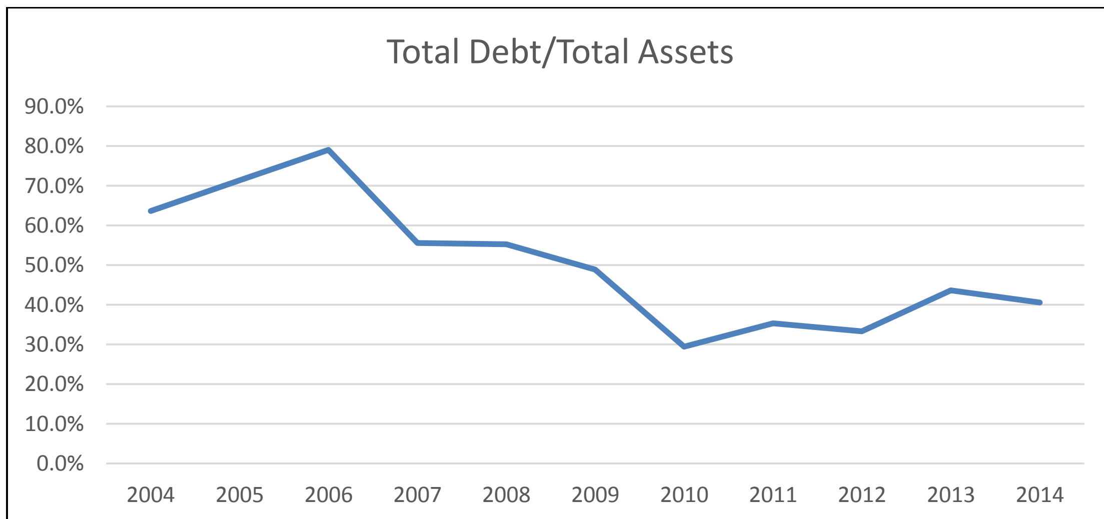
Figure 15 EBITDA/Total Assets for RGP



From 2008 to today asset growth has outpaced EBITDA growth causing a decline in the EBIDTA/Total Assets metric. However, Regency's EBITDA has continued to increase after the initial slow down post the commodity price crash to levels not seen before the crash. Regency continues to grow its asset base primarily through organic growth in their gathering & processing and contract services business segments.

Risk

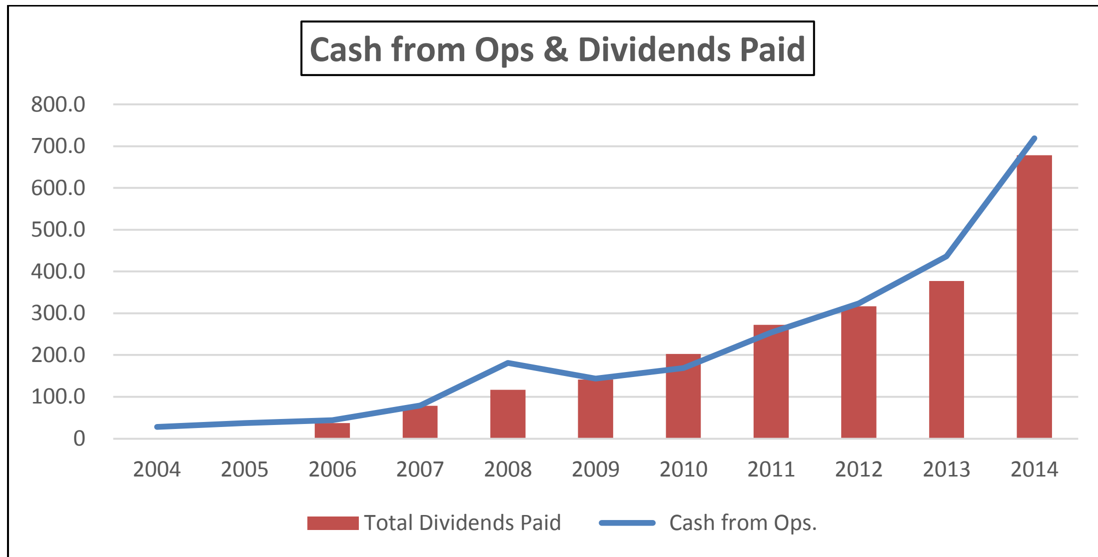
Figure 16 Total Debt/Total Assets for RGP



The figure above shows Regency's 10-year historical total liabilities to total assets ratio or quick ratio. Being a new firm in 2004, Regency took on more debt as a percentage of total assets in their early years to fuel the company's strategic acquisitions of various midstream assets. As the company grew, so did the liabilities. However, the debt ratio continued to fall due to the growing asset base and therefore reducing some of the risk involved in the company.

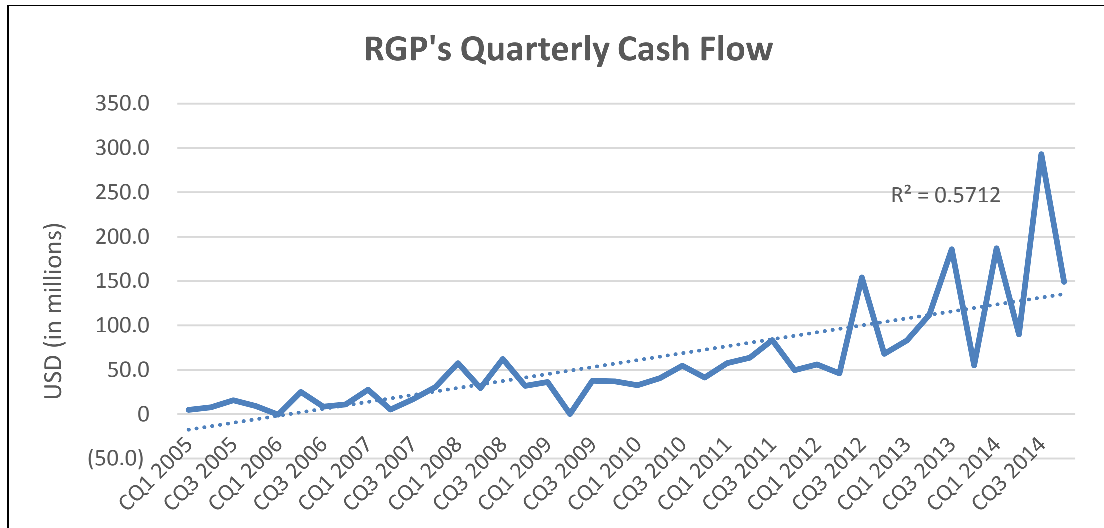
Risk

Figure 17 Dividends paid w/ Cash from Ops. For RGP



Regency has consistently increased their unit holder payout over the life of the company. They have been the beneficiaries of a low cost of capital historically. Currently, their cost of capital is between 6-8% making it easier for them to find new acquisitions. The chart above represents the Cash from Operations according to the numbers reported by Capital IQ.

Figure 18 Quarterly cash from Operations for RGP



Regency has been able to consistently been able to grow their quarterly cash from operations primarily attributed to their continued growth through acquisition and organic growth. Volatility appears to have increased since 2012.

Financial Risk

Regency's cash flow is affected by supply and demand for natural gas and NGL products and by natural gas and NGL prices, and decreases in these prices could affect their results of operations and financial condition. Natural gas, NGLs and other commodity prices are volatile, and an unfavorable change in these prices could adversely affect cash flow and operating results.

Regency may have difficulty financing their planned capital expenditures, including in their joint ventures, which could adversely affect their results and growth.

Regency expects to distribute all available cash to unit holders and will rely primarily upon external financing sources, including borrowings under their credit facility and the issuance of debt and equity securities, to fund future acquisitions and expansion capital expenditures. If they are not able to obtain adequate financing from the capital markets, their ability to grow their results of operations could be adversely impacted.

Commodity Risk

Regency is subject to risks due to frequent and often substantial fluctuations in commodity prices. NGL prices generally fluctuate on a basis that correlates to fluctuations in crude oil prices as well as global demand of petrochemical products. In the past, the prices of natural gas, NGLs and crude oil have been extremely volatile, and this volatility could continue. Volatility in crude oil, natural gas and NGL prices can impact Regency's customers' activity levels and spending for their products and

services, as well as their margins under keep- whole and percentage- of- proceeds natural gas gathering and processing contracts.

Regency's natural gas gathering and processing businesses operate under two types of contractual arrangements that expose their cash flows to increases and decreases in the price of natural gas and NGLs: percentage- of- proceeds and keep- whole arrangements.

Production Risk

Regency's gathering and processing and transportation pipeline systems are dependent on the level of production from natural gas wells that supply their systems and from which production will naturally decline over time. As a result, their cash flows associated with these wells will also decline over time. In order to maintain or increase throughput volume levels on gathering and transportation pipeline systems and the asset utilization rates at natural gas processing plants, Regency must continually obtain new supplies. The primary factors affecting their ability to obtain new supplies of natural gas and attract new customers to their assets are: the level of successful drilling activity near our systems and their ability to compete with other gathering and processing companies for volumes from successful new wells.

Geographic Risk

Revenues from Regency's off- gas processing and fractionating system in south Louisiana is exposed to risks due to the low concentration of suppliers near the facility and the possibility that connected refineries may not provide them with sufficient off- gas for processing at the facility. Regency receive revenues primarily through a percent- of- proceeds arrangements, as well as from transportation and fractionation fees.

Counter-Party Risk

Regency is exposed to the credit risks of their key customers, and any material nonpayment or nonperformance by their key customers could adversely affect their cash flow and results of operations.

Supplier Risk

The principal manufacturers of components for Regency's natural gas compression equipment include Caterpillar, Inc. for engines, Air- X- Changers for coolers, and Ariel Corporation for compressors and frames. Regency's reliance on these suppliers involves several risks, including price increases and a potential inability to obtain an adequate supply of required components in a timely manner. They also rely primarily on one vendor, SEC Energy Products & Services, L.P., a subsidiary of ETP, to package and assemble their compression units. Regency does not have long-term contracts with these suppliers or packagers, and a partial or complete loss of certain of these

sources could have a negative impact on our results of operations and could damage our customer relationships. Regency's contract treating business' ability to manufacture new equipment used to provide treating services, and to obtain replacement components, depends on particular suppliers and is sensitive to equipment shortages and price increases. Spitzer Industries, the principal manufacturer and packager of amine plants, determines the cost of their contract treating equipment based primarily on the price and availability of commodities (i.e. steel), components and labor. If a significant increase in the cost of manufacturing were to occur, the contract treating business could see a reduced rate of return on its capital investments absent offsetting increases in revenue rates.

Operational Risk

Regency's business involves many hazards and operational risks, some of which may not be fully covered by insurance. If a significant accident or event occurs that is not fully insured, our operations and financial results could be adversely affected. Their operations are subject to the many hazards inherent in the gathering, processing and transportation of natural gas and the transportation, fractionation and storage of NGLs, including:

• Damage to our gathering and processing facilities, pipelines, fractionation and storage related equipment and surrounding properties caused by tornadoes, floods, hurricanes, fires and other natural disasters and acts of terrorism;

• Inadvertent damage from construction and farm equipment's;

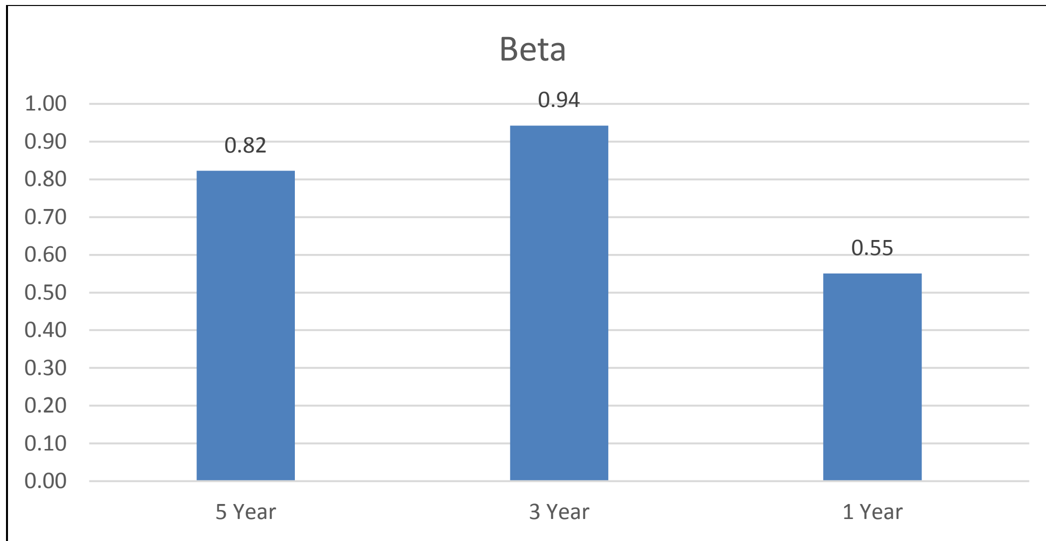
• leaks of natural gas, NGLs and other hydrocarbons or losses of natural gas or NGLs as a result of the malfunction of pipelines, measurement equipment or facilities at receipt or delivery points;

• Fires and explosions

•Weather related hazards, such as hurricanes and extensive rains which could delay the construction of assets and extreme cold which could cause freezing of pipelines, limiting throughput.; and

• Other hazards, including those associated with high- sulfur content, or sour gas, such as an accidental discharge of hydrogen sulfide gas, that could also result in personal injury and loss of life, pollution and suspension of operations.

Figure 19 Beta for RGP


Beta
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0.82
0.94
0.55
5 Year
3 Year
1 Year

Business Strategy

- **Execution**
  - Deliver on our DCF plan
  - Close and integrate PVR, Hoover and EROC assets
    - Achieve synergy growth and performance expectations
  - Successfully execute on organic growth projects
    - Complete on time and on budget
    - Achieve performance expectations
- **Invest In Future Growth**
  - Utilize integrated platform of assets to capture additional creative investment opportunities
  - Continue to pursue strategic acquisition opportunities to expand portfolio and diversify into new plays
- **Leverage Integrated Midstream Platform**
  - Offer fully integrated midstream services to customers
  - Leverage expertise between business segments
  - Package services utilizing all business segments and creating new growth opportunities
- **Maintain Stable Cash Flows**
  - Maintain high percentage of fee-based bash flows
  - Strategically target growth opportunities backed by fee-based commitments

Hoover System

Expanding footprint by constructing 60 miles of gas gathering pipeline. Along with adding pump stations to increase oil gathering capability.

Eagle Ford

Phase II of Edwards Lime JV will add compression and include upgrades to liquids handling facilities. Regency is also considering further expansion in their Eagle Ford gathering system due to strong drilling.

Dubberly

Completed Dubberly plant upgrade, and announced new 200 MMcf/d cryogenic processing plant and NGL pipeline expansion at Dubberly. Constructing new 25,000 BBls/d NGL pipeline from Dubbery to fractionation facilities.

Permian Basin

Regency is currently evaluating the opportunity to expand their NGL transportation capacity from the Permain Basin.

Leadership and Governance

Corporate Management Team

- Michael J. Bradley, President and CEO
- Thomas E. Long, EVP and CFO
- Jim Holotik, EVP and CCO
- Richard Rehm, EVP of Operations
- Todd Carpenter, SVP and General Counsel
- Chad Lenamon, President and COO of Contract Services
- Troy Sturrock, VP and Controller

Board of Directors

Michael J. Bradley, elected to the Board of Directors of Regency GP LLC in January 2008. In November 2010, he was also elected president and chief executive officer of Regency. Prior to joining Regency, he served as president, chief executive officer and a director of Matrix Service Company since November 2006. Prior to joining Matrix Service Company, Mr. Bradley served as President and CEO of DCP Midstream Partners and was a member of the board of its general partner.

James W. Bryant, elected to the Board of Directors of Regency GP LLC in June 30, 2010. Mr. Bryant is a chemical engineer and has more than 40 years of experience in all phases of the natural gas business, specifically in the engineering and management of midstream facilities. Mr. Bryant served as a partner and member of the Board of Directors for Cardinal Midstream, LLC from September 2008 to April 2013.

Rodney L. Gray, elected to the Board of Directors of Regency GP LLC on March 1, 2008. From June 2010 to present, Mr. Gray is the co-founder and Management Committee Member of TerraHaven Holdings Ltd. Co, a manager and aggregator of renewable natural resources focused on forestry and agricultural business. From June 2009 to June 2010, Mr. Gray served as Chief Financial Officer and Executive Vice President of Cobalt International Energy, Inc.

John W. McReynolds, elected to the Board of Directors of Regency GP LLC in May 2010. Mr. McReynolds is a Director and the President of Energy Transfer Equity. Mr. McReynolds has served as the President of ETE since March 2005 and as a Director and the Chief Financial Officer of ETE since August 2005. He has previously served as a director of Energy Transfer Partners from August 2001 through May 2010. Prior to becoming President of ETE, Mr. McReynolds was a partner with the international law firm of Hunton & Williams LLP for over 20 years.

Matthew S. Ramsey, Matthew S. Ramsey was elected to the Board of Directors of Regency GP LLC on April 9, 2014. Mr. Ramsey is presently President of RPM Exploration, Ltd., a private oil and gas exploration partnership generating and drilling 3-D seismic prospects on the Gulf Coast of Texas. Mr. Ramsey is also President of Ramsey Energy Management, LLC, the General Partner of Ramsey Energy Partners, I, Ltd., a private oil and gas partnership and as President of Dollarhide Management, LLC, the

General Partner of Deerwood Investments, Ltd., a private oil and gas partnership. Additionally, Mr. Ramsey is President of Gateshead Oil, LLC, a private oil and gas partnership.

The Regency Board is small and reasonably experienced. However, Governance is now lodged in Energy Transfer Partners since Regency was merged into ETP.

	Mid-stream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Michael J. Bradley	3						**3.0**
James W. Bryant	3						**3.0**
Rodney L. Gray			1				**1.0**
John W. McReynolds					0		**0.0**
Matthew S. Ramsey	2						**2.0**
					Average		**1.80**

Valuation

The value of a share of Regency Energy Partners L.P. at the end of 2013 was $26.26; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $30.54, suggesting a market undervaluation of 14%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $8.71, suggesting a market overvaluation of 201% before IDRs. Regency's General Partner, Energy Transfer receives less than 5% of RGP's total distributions as IDRs. Regency has now been absorbed by Energy Transfer Partners.

3. MarkWest Energy Partners, L.P.

Timeline

MarkWest is a midstream energy company founded in 1988 in Denver, Colorado. It wasn't until 2002 that the company completed its IPO at an initial price of $10.25.

Table 1. Corporate timeline compiled from capital IQ and MarkWest website

Year	Event
9/26/2006	Newfield Exploration and MarkWest Energy Partners Sign Agreement to Develop Mid-Stream Assets for Woodford Shale Play
10/2/2007	MarkWest Energy Partners Acquires Gathering Assets from Canaan Resources; MarkWest to Invest Up to $30 M to Expand Existing Gathering System
10/4/2007	MarkWest to Construct $100 Million Expansion of Javelina Project
11/20/2007	MarkWest Energy Partners Announces $60 Million Expansion in Appalachia
12/12/2007	MarkWest Energy Partners Announces $50 Million Expansion in East Texas
8/6/2008	MarkWest Acquires Gathering Assets from Petroquest Energy for $41.3 Million
5/7/2009	MarkWest Liberty Midstream & Resources Announces Successful Launch of Marcellus Shale Cryogenic Processing Plant
8/10/2009	MarkWest Energy Partners and Midstream & Resources Announce Expansion of Marcellus Projects and Amendment to Marcellus Shale Joint Venture
4/15/2010	MarkWest Liberty Midstream & Resources Executes New Producer Agreements and Expands Processing and Fractionation in the Marcellus
6/1/2010	MarkWest Liberty Midstream & Resources and Sunoco Logistics Announce New Marcellus Ethane Pipeline and Marine Project
10/4/2010	NiSource Midstream Services and MarkWest Liberty Midstream & Resources Announce Commencement of Majorsville Processing Complex
1/4/2011	MarkWest Announces Construction of 120 Mcf/d Processing Complex in Logansport, WV to Serve EQT Corporation and Other Marcellus Producers
2/1/2011	MarkWest Energy Partners Announces Completion of Acquisition of Langley Natural Gas Processing Complex from EQT Corporation
9/7/2011	MarkWest Liberty Announces Major Milestones with Successful Open Season for Mariner West, Completion of the Next Phase of Fractionation at the Largest Northeast U.S. Fractionator, and Construction of Mariner West Ethane Fractionation Capacity
5/4/2012	MarkWest Energy Partners Announces Significant Long-Term Fee-Based Agreements with Chesapeake Energy and Antero Resources to Expand its Marcellus Shale Midstream Facilities in West Virginia
7/31/2012	MarkWest Energy Partners Announces a Long-Term, Fee-Based Agreement with XTO Energy to Transport, Fractionate and Market NGLs originating from XTO Plant in Butler County, Pennsylvania
10/31/2012	MarkWest Energy Partners and Antero Resources Announce Start-Up of Sherwood Gas

	Processing Complex
11/6/2012	MarkWest Utica and Antero Resources Announce Agreement to Construct Midstream Infrastructure in the Utica Shale
12/13/2012	MarkWest Energy Partners Announces Commencement of Mobley Processing Facility in Wetzel County, West Virginia
5/8/2013	MarkWest Energy Partners Announces Acquisition of Granite Wash Assets from Chesapeake Energy in Texas Panhandle and Western Oklahoma
8/7/2013	MarkWest Energy Partners Reports Record Second Quarter Results and Announces Plans to form a Joint Venture with Kinder Morgan to Support Northern Ohio Rich-Gas Development and NGL Pipeline to Gulf Coast
11/7/2013	MarkWest Announces Completion of Agreements with Antero Res. to Expand its Sherwood Processing Complex in the Marcellus Shale to 1 Bcf/d
11/8/2013	MarkWest announces startup of Two New Cryogenic Processing Plants Increasing Total Capacity in the Marcellus and Utica Shales to Over 2.2 Bcf/d
1/30/2014	MarkWest completes 7 Major Projects Totaling 1 Bcf/d of Additional Cryogenic Processing Capacity and 98,000 Bbl/d of New C2+ Fract. Capacity
6/4/2014	MarkWest Energy Partners and The Energy & Minerals Group Announce Major Expansion of Hopedale Fractionation Complex
8/6/2014	MarkWest Energy Partners Announces Major Expansion Projects and Reports Record Financial and Operational Results for Second Quarter 2014
8/26/2014	MarkWest Announces Major Expansion of Processing and Fractionation Infrastructure in Butler County, PA

Current Scope of Operations

MarkWest Energy Partners is a publicly traded enterprise with a value over $12 billion. The company is a leading provider of midstream services in the natural gas industry with strategically located assets in emerging natural gas plays located in the U.S.

MarkWest main services include: gathering, processing, and transporting natural gas; Fractionation, storage and marketing of NGLs, and gathering and transportation of crude oil. Currently MarkWest has fractionation capacity of 240,000 barrels per day of NGL with an additional 170,000 barrels per day coming online. They also have the capacity of processing 3.2 Bcf/d of rich gas in six states.

MarkWest divides its business into four major segments: Southwest, Northeast, Utica and Marcellus as illustrated by Figure 1.

Figure 1 MarkWest Four Major Segment Business Structures

Southwest Segment

In this segment the company gathers, processes, treats, fractionates, and transports off-gas, natural gas, and NGLs. The southwest region is composed of East Texas, Southeast Oklahoma, Western Oklahoma, Gulf Coast and several small systems in the Southeast.

Northeast Segment

The northeast segment is divided into the Appalachian asset which includes five natural gas processing complexes, and one fractionation and storage facility. In Michigan the company operates a crude oil transportation pipeline.

Marcellus Segment

MarkWest is the largest processor of natural gas in the Marcellus Shale with fully integrated processing, fractionation, storage, and marketing operations. The segment is composed of five processing complexes with an approximate capacity of 2.2Bcf/d. This segment also operates two gathering systems totaling approximately 550MMcf/d.

Utica-Ohio Segment

In the Utica-Ohio segment, MarkWest provides gathering, processing, fractionation, and marketing services. The Utica segment operates two processing complexes with a total capacity of 585 MMcf/d and a fractionation capacity approximately 60,000 Bbld/d.

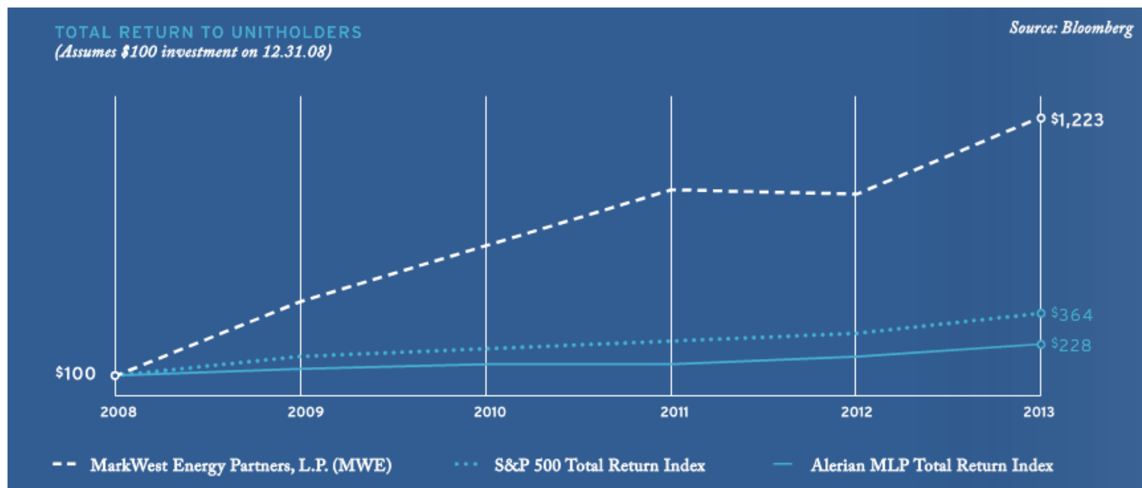
The company has experienced continuous growth since its IPO inception in 2002. In recent years, the growth can be attributed to the development of natural gas supplies in Marcellus shale, Huron/Berea Shale, Woodford Shale/Granite Wash, and Haynesville Shale plays.

Shareholder Value Creation

MarkWest has provided positive financial results to its shareholders over the past five years as illustrated by Figure 2. Their business strategy has been "to provide top-tier midstream services by developing and operating strategically located assets in liquids-rich areas of gas producing resources plays in the United States" [1]. They've accomplished success by building partnerships, increasing asset utilization, and incrementing their assets through acquisitions and/or asset expansions. Technological advancements of shale gas production have also contributed to MarkWest success.

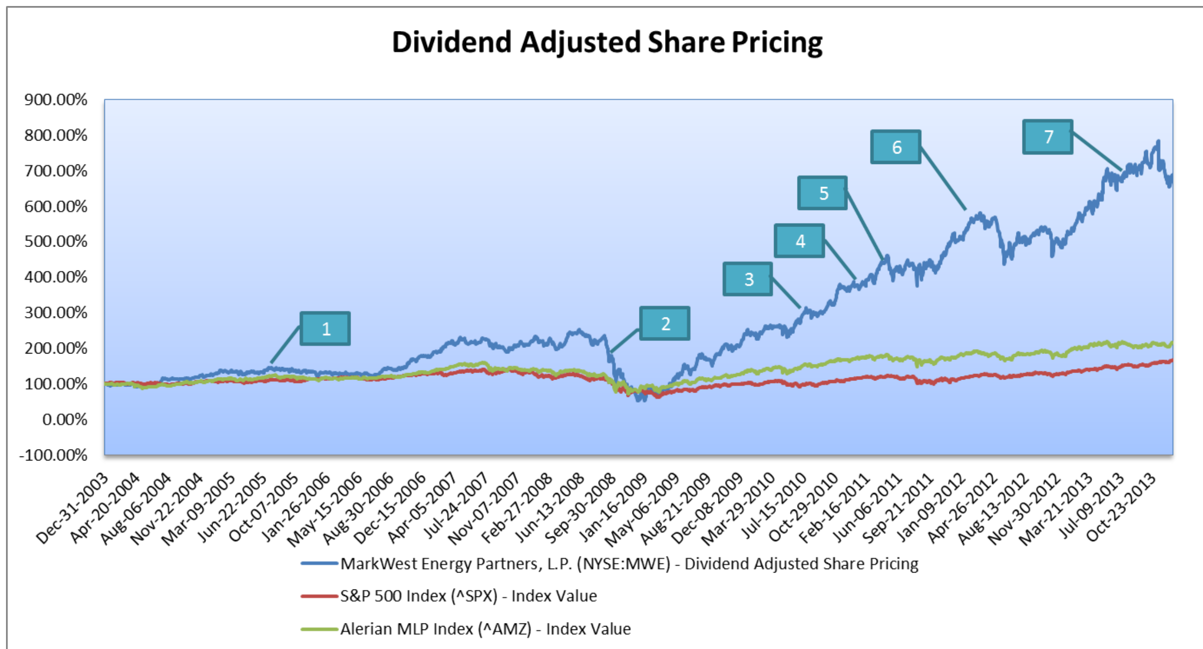
Figure 2 Total Return of Unit holders

[1] S&P Capital IQ Company Information



The following graph illustrates the percentage change of adjusted share price vs. time for MarkWest. Over the past 10 years the company has seen positive performance except for the recession of 2008 that affected several U.S. markets including the oil and gas industries. Other significant changes that have affected MarkWest include seasonal fluctuations due to increase/decrease of supply and demand.

Figure 3 Divided Adjusted Share Pricing from 12/2003 to 1/2013



1. MarkWest acquires Javelina gas processing and fractionation facility
2. U.S. suffers a significant economic recession affecting several markets including oil and gas sectors
3. MarkWest expands processing and fractionation in Marcellus
4. MarkWest announces: New Marcellus Ethane pipeline and commencement of Majorsville processing complex.
5. MarkWest announces several investments in 2011 including Construction of 120 Million cf/d processing complex in West Virginia, long term agreement to provide midstream services in Marcellus Shale, acquisition of Langley Natural Gas processing Complex, and completion of largest northeast U.S fractionator.
6. MarkWest announces several investments in 2012 including startup of Sherwood gas processing complex, Expansion of Mobley Processing Complex.
7. MarkWest announces several investments in 2013 including startup of two new Cryogenic processing plants, expansion of Sherwood Processing Complex, and joint venture with Kinder Morgan to support Ohio Rich-Gas Development and NGL Pipeline to the Gulf.

Figure 4 illustrates the dividends per share MarkWest has paid per quarter over the past ten years. Other than the upset of 2007-2008, MarkWest has consistently incremented there dividends paid to stockholders. Over the past ten years the amount has approximately doubled from $1.50 to $3.00 a share.

Figure 4 MarkWest Quarterly Dividends per Share 2003-2013

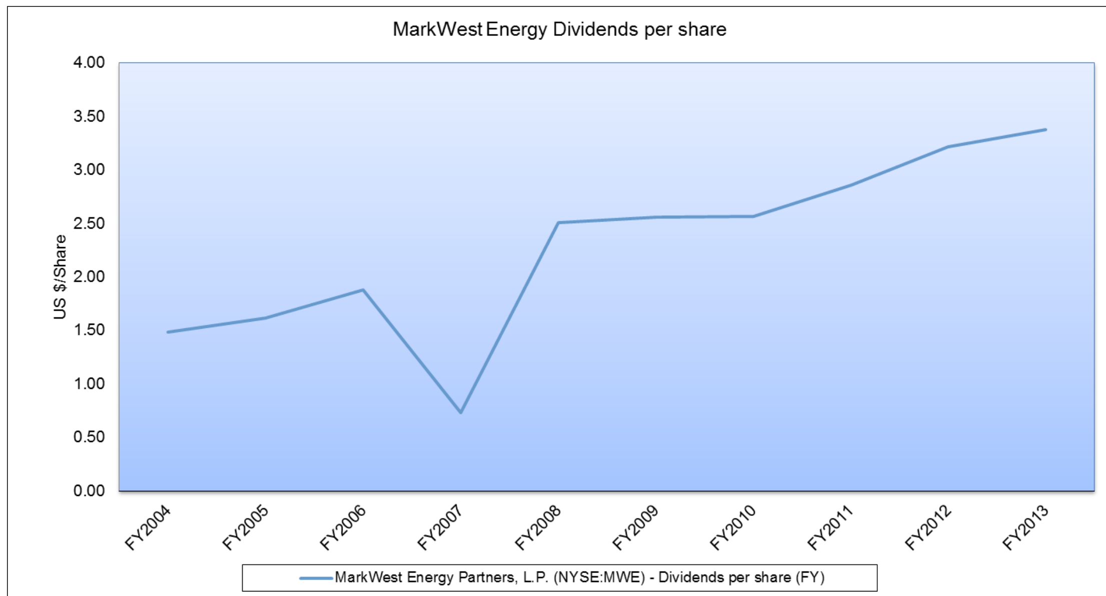


Figure 5 illustrates that sources of where MarkWest has funded its operations from beginning to 2004 to end 2013. The graph illustrates that largest funding comes from equity or issuance of new partnership units. Second source of funding comes from the issuance of debt and third is cash from operations.

Figure 5 Souces of Funds MWE

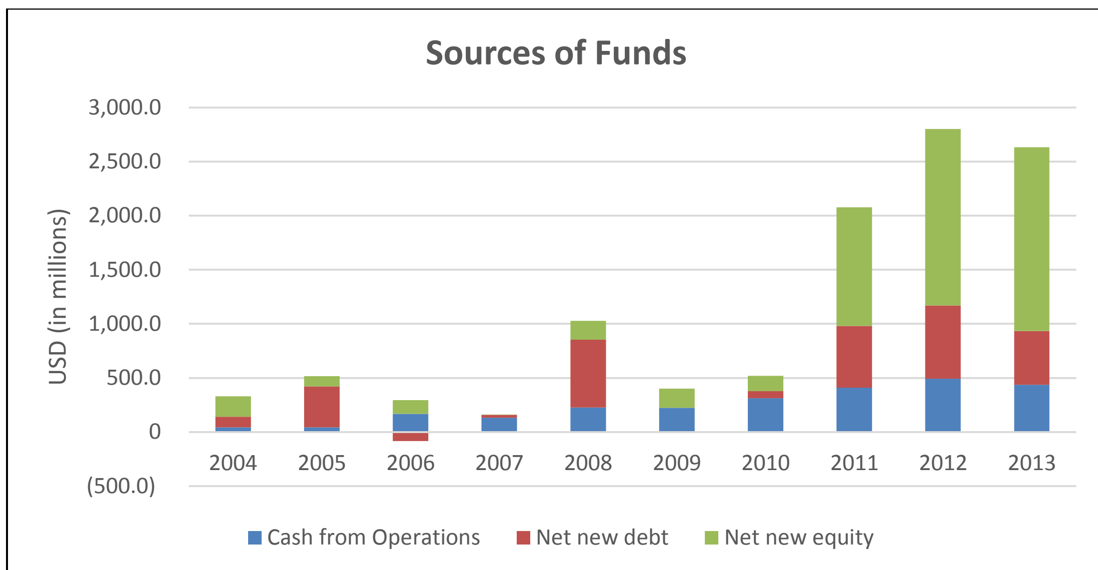
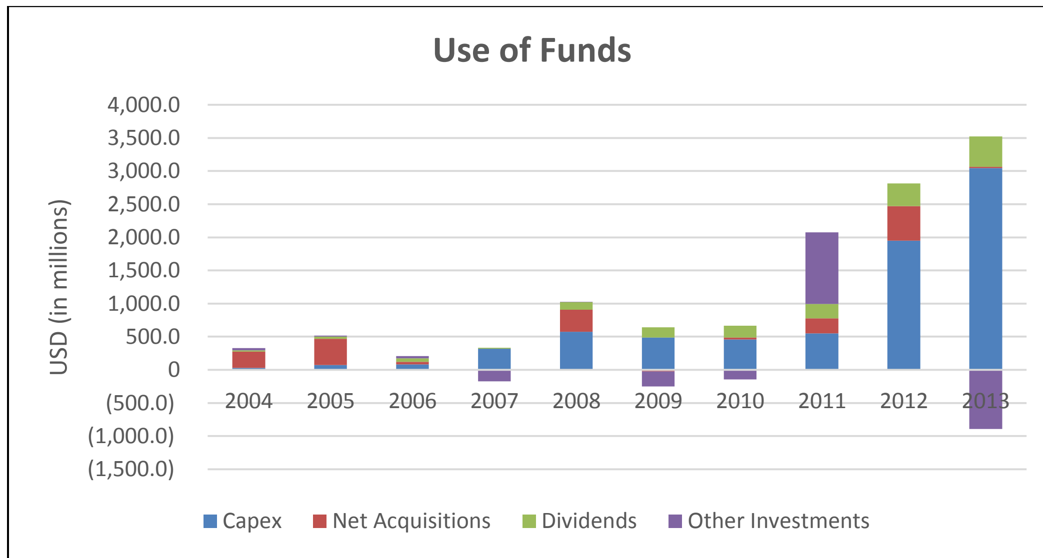


Figure 5 displays MarkWest uses of funds and illustrates that Markwest has spend a large portion of funds in capital expenditures. As discussed the company has plans to grow and it has accomplished

most of it through expanding and building new assets. The company has also increased distributions to unitholders.

Figure 6 Uses of Funds MWE



Financial and Operating Results

Growth

Technological advancements in the late 2000's have assisted MarkWest achieve growth over the past few years. MarkWest is aggressively spending capital to increase their assets utilization and increment their overall assets through acquisitions and/or asset expansions.

The company has successfully been able to increase their revenue stream fairly consistently, with setbacks in 2009 and 2014 as natural gas and NGL prices were highly volatile, which hihjlighted MarkWest's exposure to commodity prices.

Figure 7 MarkWest's Revenue over past 10 years

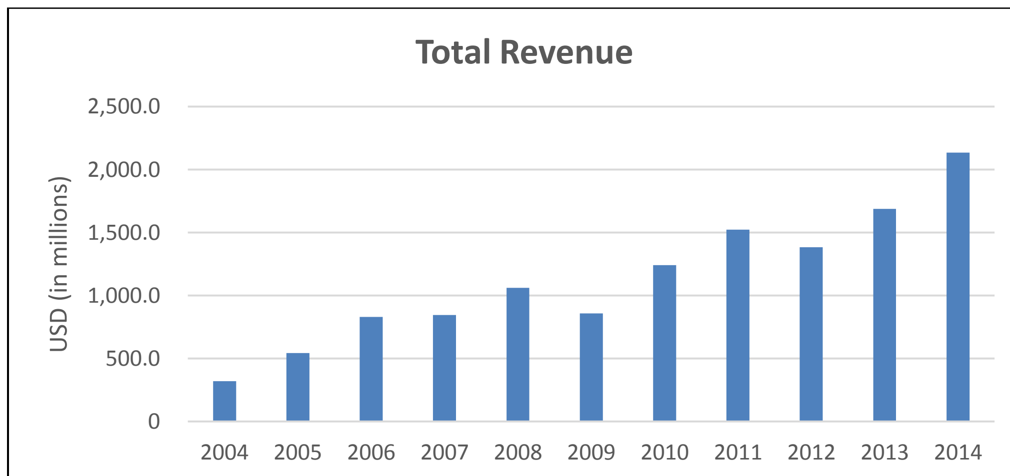
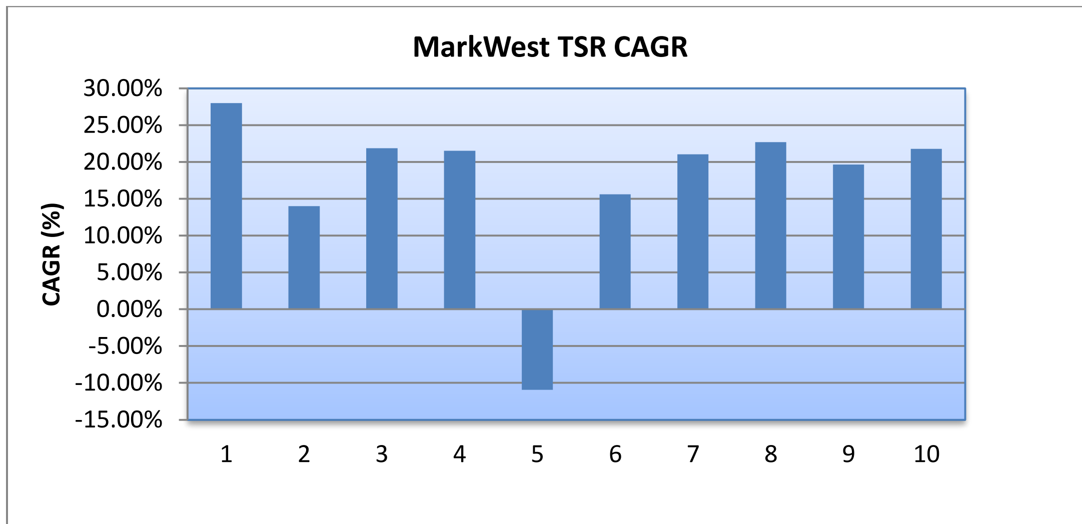


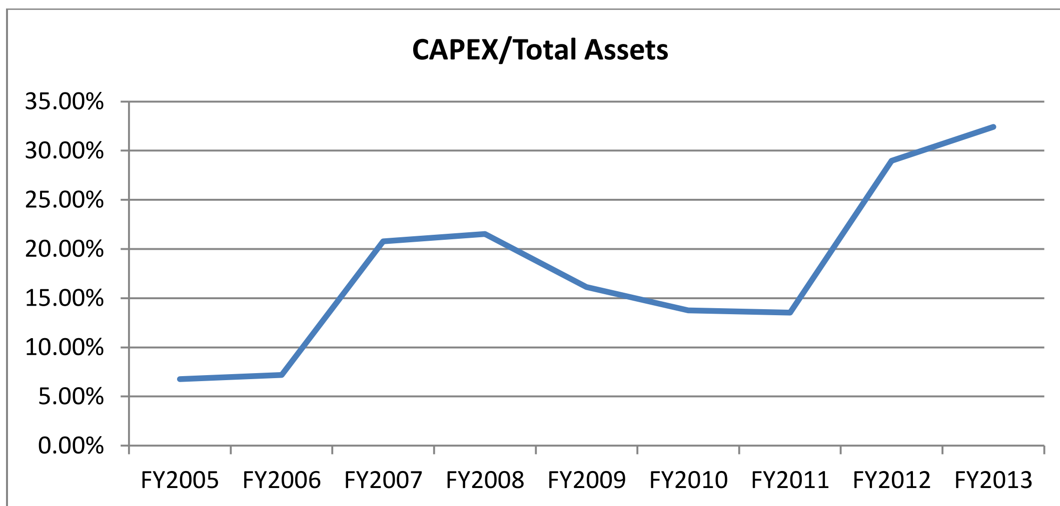
Figure 8 illustrates shareholder return assuming investment began in 2004 (year 1). An investor would have gained the largest percent return during the first year as a shareholder of MarkWest with a return of 28%. In 2008 (year 5), CAGR was -11% due to the recession that affected several U.S industries. Overall the company has experienced a CAGR of approximate 18% over the 10 year span. Based on the company's portfolio, the value is expected to grow as they acquire or build additional assets.

Figure 8 MarkWest TSR CAGR starting 2004 to end of 2013



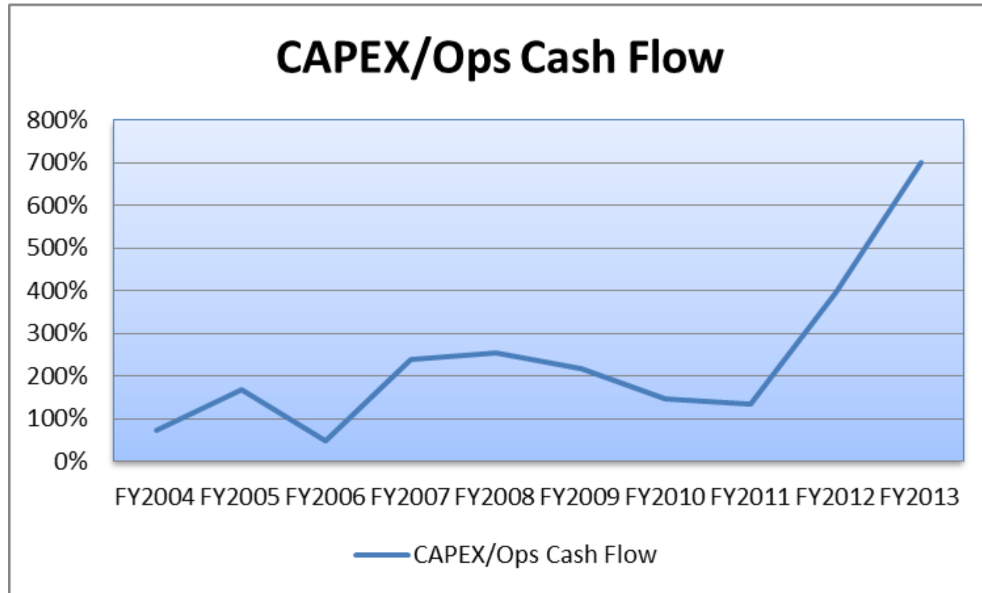
In 2007 advancements made in horizontal drilling opened opportunities for MarkWest to invest heavily in supportive infrastructure as illustrated in Figure 9. Due to the recession in 2008, most companies including MarkWest lowered these investments. In 2011, MarkWest started to increase their investments and are currently expected to continue investing for the next several years due the vast availability of natural gas and need for new transportation options to access markets.

Figure 9 MWE's CAPEX/Total Assets



MarkWest Operating Cash flow has increased ten times over the past ten years. Although cash flow has increased significantly figure 10 demonstrates that capital expenditure was seven times operating cash flow in 2013. MarkWest has financed their capital expenses through debt and equity financing as illustrated in Figure 6.

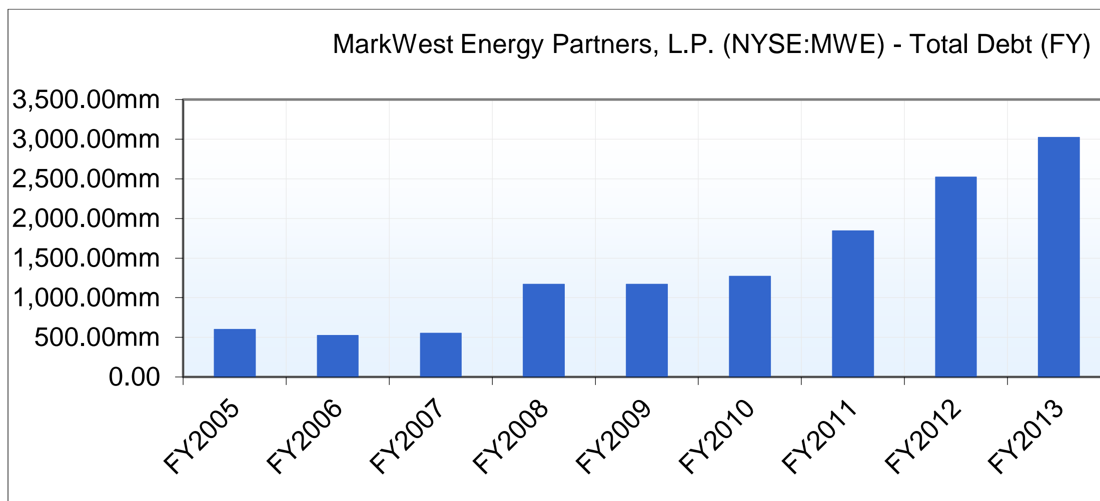
Figure 10 CAPEX/Ops Cash Flow 2003-2013



Return

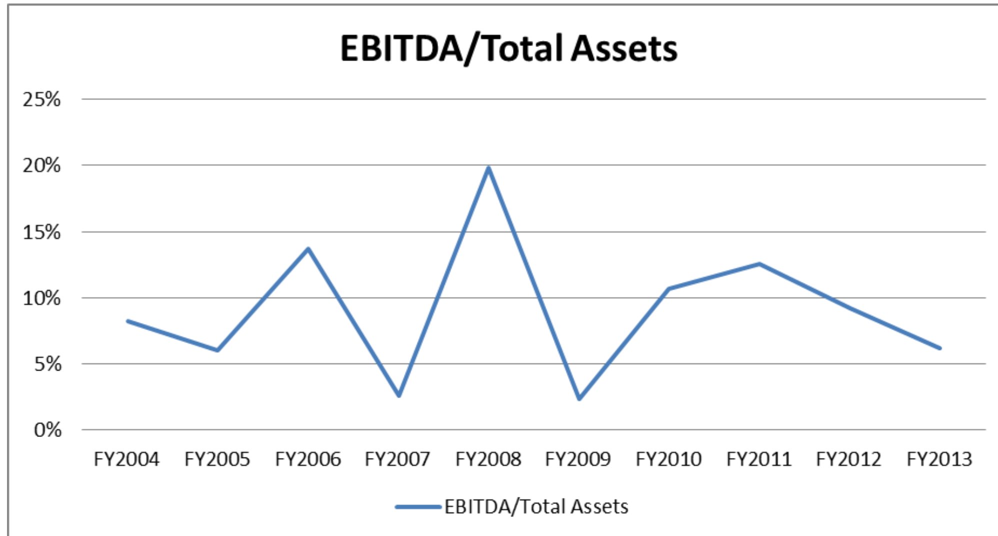
MarkWest has announced they are funding there expansions through lending which has increased their debt significantly over last two years as illustrated by Figure 11.

Figure 11 MarkWest Total Debt over the past 10 years



MarkWest has accomplished growth over the past four years, however they have not maintained consistent EBITDA vs. Total Assets returns as depicted on Figure 12. In addition the returns on Total Assets have lowered significantly over a two year time frame from 2011 to 2013 as capex has increased total assets in advance of earnings from the new investments.

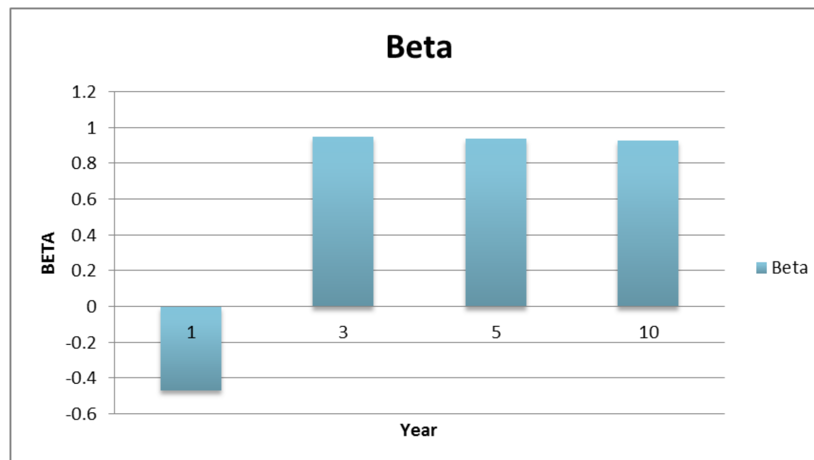
Figure 12 MarkWest EBITDA/Total Assets 2003-2013



Risk

Figure 13 indicates that the beta ratio for MarkWest is slightly above0 .9 making it volatile to changes in the market. MarkWest is one of the more risky MLP investments.

Figure 13 BETA Ratios for 1, 3, 5 and 10 years



Although this value would lead to a concern Figure 14 illustrates that MarkWest has acquired and built new assets while maintaining a consistent Debt/Total Assets ratio. The ratio of total debt to EBITDA is not particularly elevated.

Figure 14 MarkWest Total Debt/Total Assets

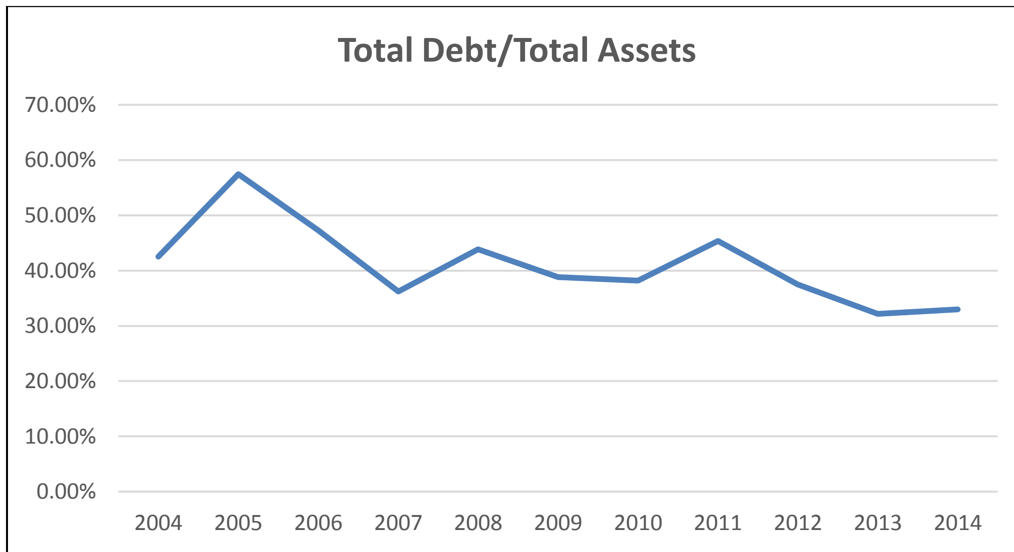


Figure 15 MarkWest Total Debt/EBITDA

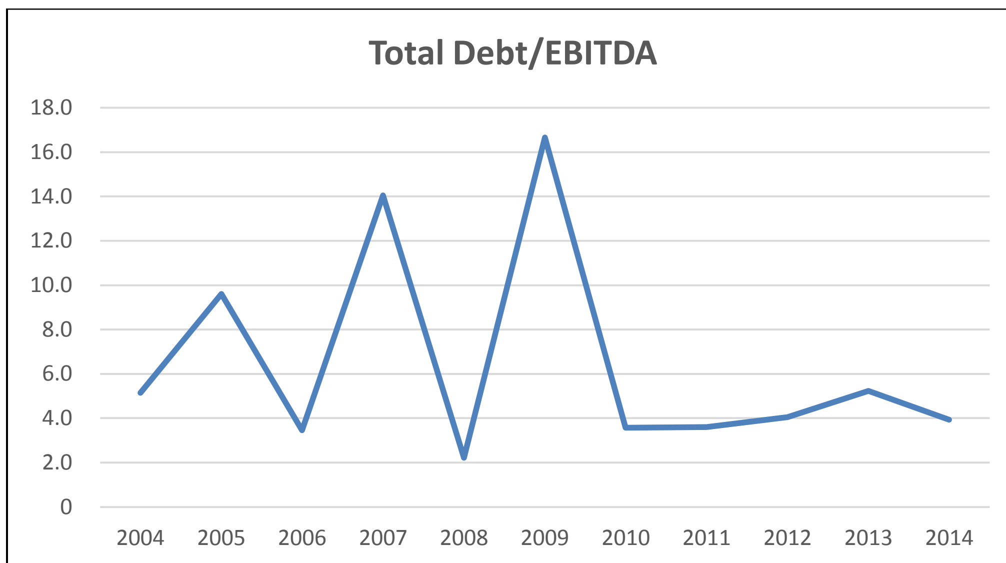


Figure 16 illustrates the Dividends Paid and the Cash from Operations for MarkWest. The company has done a good job on continuously paying higher dividends every year, although distributions are consuming almost all operating cash flow, requiring new debt and partnership unit sales to fund capital expenditures and acquisitions.

Figure 16 Dividends Paid and Cash from Ops. For MWE

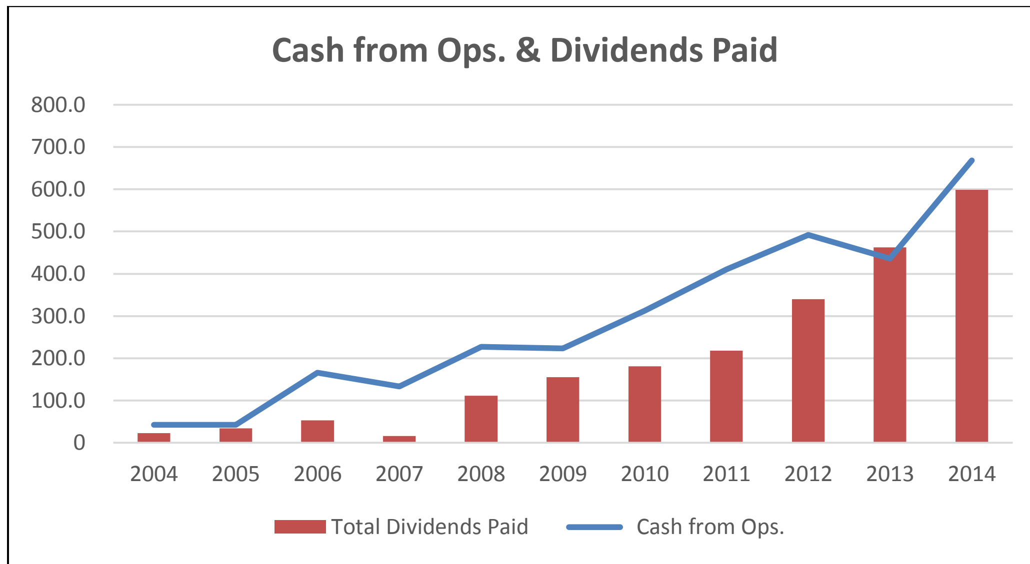
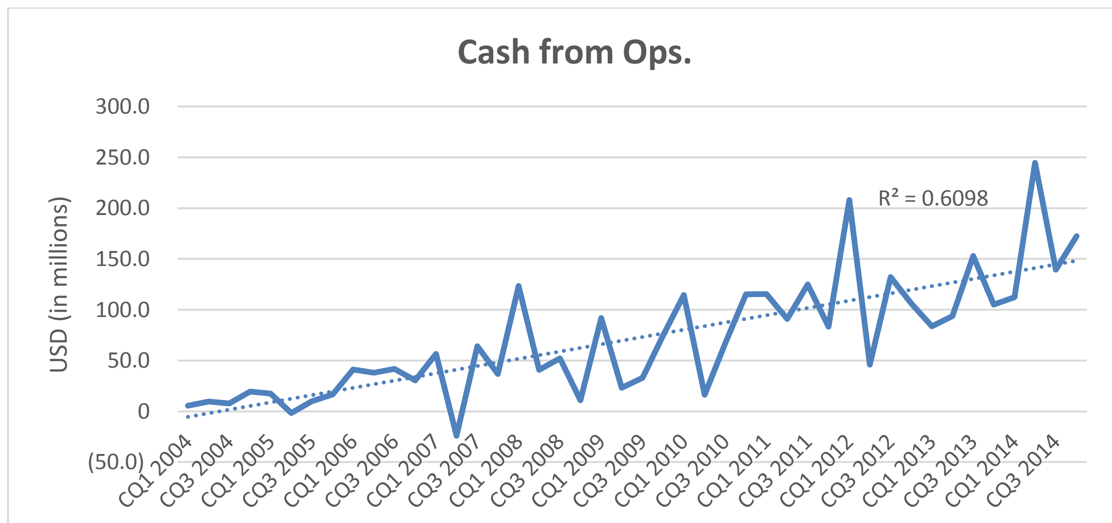


Figure 17 illustrates quarterly cash from operations around a linear trend. Quarterly variations are quite high.

Figure 17 Quarterly Cash Flow from Ops. For MarkWest 2004-2014



There are various risks and uncertainties that can affect MarkWest business. Political, environmental, and economic changes are unknown and can contribute to production and price volatility. Although they operate in the U.S., products, such as NGLs, are exported to foreign countries and require tanker and/or rail car availability. Due to MarkWest being a large midstream company, upstream and downstream changes affect MarkWest's business significantly. A shortage in production of natural gas due to weather or an underestimated wale size is risks that the company has to continuously manage. The following list is an overview of items the MarkWest listed as risks on their 2013 annual report:

- Level of domestic oil, natural gas, and NGL production
- Demand for natural gas and NGL products in localized markets
- Changes in interstate pipeline gas quality specifications
- Imports and exports of crude oil, natural gas, and NGLs
- Seasonality and weather conditions
- Condition of U.S. and global economies
- Political conditions in other oil-producing and natural gas-producing countries
- Government regulations, legislation, and policies
- Operating cost including repairs and maintenance
- Terrorist attacks directed at MarkWest facilities or related facilities

Business strategies going forward

Portfolio

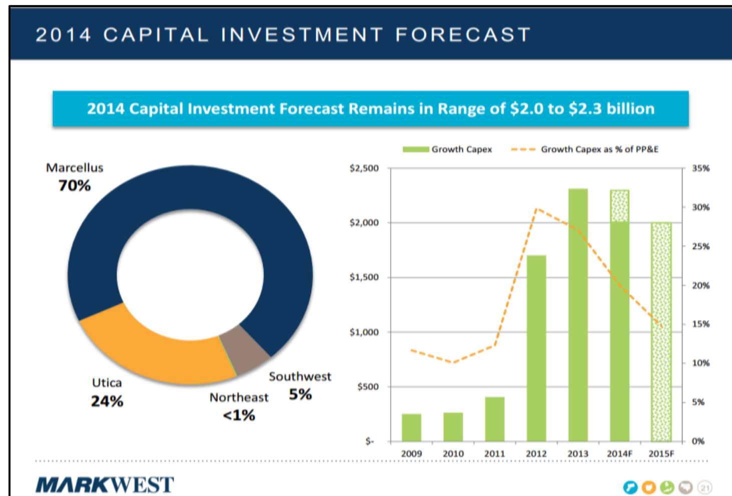
MarkWest slogan for 2014 is "Leading the Way." Their vision is to lead the industry in customer satisfaction, bring consistent growth to unit holder value, and develop midstream shale infrastructure. In 2013 there vision was "Ahead of the Curve" with the essence that they were going to lead the midstream industry.

Table 2 Current On-Going MarkWest Projects

Under Construction			
Marcellus	PROCESSING: 1.5 Bcf/d capacity	FRACTIONATION: 136,000 Bbl/d	C2+ Capacity
Utica	PROCESSING: 600 MMcf/d capacity	FRACTIONATION: 78,000 Bbl/d C2	Capacity
Northeast	N/A	N/A	N/A
Southwest	PROCESSING: 120 MMcf/d	Capacity at Centrahoma	Joint Venture in the Woodford Shale

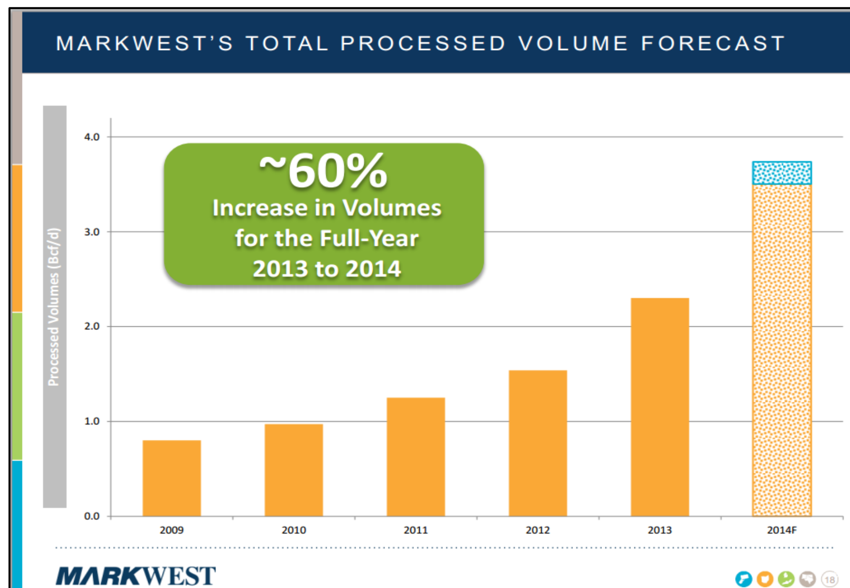
MarkWest plans to lead the way and stay ahead of the curve by improving assets utilization and increase their overall assets through acquisitions and/or asset expansions. The company has strong capital budget of 2.0-2.3 Billion for 2014 and an estimated 2.0 Billion for 2015. The company currently has 21 major processing and fractionation projects under construction. 70% of the capital expense is allocated to the Marcellus segment and 24% to Utica segment as illustrated by Figure 18.

Figure 18 MarkWest Capital investment from 2009-2015



The company's growth is currently exponential with expected increase in volumes of 60% for 2014 as illustrated by Figure 19. According to a presentation given to investors in 2014, MarkWest has a strong balance sheet with $1.1 billion of available liquidity, and a debt to capital of 39%. The company plans to fund capital requirements using a combination of long-term debt and equity funding.

Figure 19 MarkWest Process Volume Forecast



Capabilities

The company's capabilities are based on the assets in their portfolio as follows for each segment:

Segment	Marcellus	Utica	Northeast	Southwest
Area of Operation	Pennsylvania and West Virginia	Ohio	Kentucky, West Virginia, and Michigan	Oklahoma, Texas, and New Mexico
Resource Play	Marcellus Shale	Utica Shale	Appalachian Basin, Huron/Berea Shale, and the Niagaran Reef	Anadarko Basin, Haynesville Shale and Cotton Valley Formation, Woodford Shale, Permian Basin, and Eagle Ford Shale
Gathering	615 MMcf/d capacity	385 MMcf/d capacity	652 MMcf/d capacity	1.9 Bcf/d capacity
Processing	2.2 Bcf/d capacity	585 MMcf/d capacity	24,000 Bbl/d capacity	1 Bcf/d capacity
Fractionation	172,000 Bbl/d total C2+ capacity: 98,000 Bbl/d C2 and C3+ capacity at Houston, 38,000 Bbl/d C2 capacity at Majorsville, and 60% of 60,000 Bbl/d C3+ capacity at Hopedale	40% of 60,000 Bbl/d C3+ capacity at Hopedale	285,000 Bbls NGL storage capacity at Siloam and access to over 900,000 Bbls of shared third-party propane storage	29,000 Bbl/d capacity
Storage	140,000 Bbls NGL storage capacity at Houston, NGL storage capacity at Hopedale, and access to over 900,000 Bbls of shared third-party propane storage	NGL storage capacity at Hopedale and access to over 900,000 Bbls of shared third-party propane storage	Pipeline, rail, truck, and barge	N/A
NGL Marketing	Pipeline, rail, and truck	Pipeline, rail, and truck	N/A	N/A

Safety and Environmental

MarkWest is committed to public safety, protection of the environment, and compliance with applicable rules and regulations. According the MarkWest the primary cause of pipeline leaks is damage occurring from construction. Public awareness and education are of primary importance to MarkWest.

Ethics and Customer Focus

According to MarkWest website, “MarkWest's reputation rests on our ability to act with honesty, integrity, and trustworthiness. To that end, we have adopted and communicated our Code of Conduct & Ethics as the cornerstone of our business.”

Board of Directors

MarkWest’s Board of Directors is comprised of members of diversified backgrounds including engineering, law, finance, banking, and investing. However, three out of the six board members do not reference their profession on the company website. One important key trait is the most have energy experience.

Mr. Frank M. Semple – He is the President at MarkWest Energy GP, LLC since November 1, 2003 and has been its Chief Executive Officer since January, 1, 2004. Mr. Semple is the Chief Executive Officer at MarkWest Hydrocarbon, Inc. since January 1, 2004 and has been its President since November 1, 2003. He served as Senior Vice President of WilTel Communications Group Inc. and its Chief Operating Officer from 1997 to 2003. He served at Williams for more than 20 years. Prior to his tenure at WilTel Communications, he served as Senior Vice President and General Manager of Williams Natural Gas from 1995 to 1997 as well as Vice President of Marketing and Vice President of Operations and Engineering of Northwest Pipeline and Director of Product Movements and Division Manager of Williams Pipeline during his 22-year career with the Williams Companies.

Michael L. Beatty – He serves as the Chairman and Chief Executive Officer of the law firm of Beatty & Wozniak, P.C. Mr. Beatty is an owner of The Beatty Law Firm in Denver, Colorado since October 1, 1998 specializing in energy litigation. He served as a Chief of Staff to Colorado Governor Roy Romer from 1993 to 1995. He has handled numerous energy related cases in his career, including successfully arguing a case before the U. S. Supreme Court. Mr. Beatty was a tenured law professor at the University of Idaho, and visiting law Professor at the University of Wyoming. He has been a Director of MarkWest Energy GP LLC - General Partner of MarkWest Energy Partners, L.P. since February 2008.

Mr. Donald C. Heppermann – He served as the Chief Financial Officer and Secretary of MarkWest Energy GP, L.L.C., the General partner of MarkWest Energy Partners, LP from January 2003 until his resignation on March 2004 and also served as its Principal Accounting Officer and Senior Executive Vice President. Mr. Heppermann was a private investor and a career executive in the energy industry with major responsibilities in operations, finance, business development and strategic planning. From 1990 to 1997, he served as President and Chief Operating Officer for InterCoast Energy Company, an unregulated subsidiary of Mid American Energy Company and Iowa-Illinois Gas & Electric Co. From 1987 to 1990, he was with Pinnacle West Capital Corporation, the holding company for Arizona Public Service Company, where he was Vice President of Finance and Treasurer. Prior to 1987, Enron Corporation as Vice President of Finance and Administration and its predecessors employed him in a variety of positions, including Executive Vice President, Gas Pipeline Group and Vice President of Finance and

Administration. He has been a Director of MarkWest Energy GP LLC, a General Partner of MarkWest Energy Partners, L.P. since May 2002.

Mr. Randall J. Larson - He served as Chief Executive Officer at Formcap Corp. He served as an Executive Vice President of TransMontaigne GP L.L.C from February 2005 to September 2006. He served as Controller of Transmontaigne Inc. of Transmontaigne Partners L.P. from May 1, 2002 to January 2003, Chief Accounting Officer and Executive Vice President from May 1, 2002 to August 5, 2009 and Chief Financial Officer from January 1, 2003 to August 5, 2009. He began his Accounting Career with KPMG in 1981 in the Denver, Colorado Office. He has been an Independent Director of MarkWest Energy GP LLC, the General Partner of MarkWest Energy Partners, L.P. since July 2011. He has been an Independent Director of Valero Energy Partners GP LLC, General Partner of Valero Energy Partners LP since December 10, 2013. He served as a Director of OTLP GP LLC of Oiltanking Partners, L.P. from August 4, 2011 to February 19, 2014. He served as a Director of Formcap Corp. until February 2001. From July 1992 to June 1994, he served as a Professional Accounting Fellow in the Office of Chief Accountant of The Securities and Exchange Commission.

Mr. Donald D. Wolf – He serves as the President of Aspect Energy LLC. Mr. Wolf has a diversified 35-year career in the oil and natural gas industry. He founded Quantum Resources Management, LLC and served as its Chief Executive Officer from 2006 to 2009. He served as the Chairman, Chief Executive Officer, President and Chief Operating Officer of UMC Petroleum Corporation from 1994 to 1996. He served as Chairman of the Board and Chief Executive Officer of Belco Oil & Gas Corporation. He served as Chief Executive Officer and President at Aspect Holdings, LLC from 2004 to 2006. He serves as Chairman of the Board at Enduring Resources, LLC. He serves as the Chairman of Quantum Resources Management LLC. He serves as the Chairman of Board of Directors at QRE GP, LLC, General Partner of QR Energy, LP. He has been a Director of BreitBurn GP, LLC, a General Partner of Breitburn Energy Partners LP since November 19, 2014. He has been a Director of MarkWest Energy GP, L.L.C since February 2008 and has been its Lead Director since January 2010. He has been a Director of Aspect Holdings, LLC since 1998 and Laredo Petroleum Holdings, Inc. since February 2010. He has been an Independent Director of Laredo Petroleum, Inc. since February 2010. He serves as a Director of Aspect Resources LLC and a Member of Board of Managers at Ute Energy, LLC.

Mr. William A. Bruckmann, III – He served as a Financial Advisor of UBS Securities, Inc. from September 9, 2002 to April 2004. Mr. Bruckmann has more than 25 years of banking experience. He served as Managing Director of Chase Securities Inc. Mr. Bruckmann served as Managing Director and Sector Head of Manufacturers Hanover's gas pipeline and midstream practices through the acquisition of Manufacturers Hanover by Chemical Bank and acquisition of Chemical Bank by Chase Bank. He has been a Director of Swift Energy Co. since February 16, 2015. He has been a Director of Markwest Energy GP LLC at MarkWest Energy Partners, L.P. - since June 6, 2014. He served as a Director of DEP Holdings LLC, a General Partner of Duncan Energy Partners LP since October 2006. He served as a Director of Magellan GP LLC since November 15, 2002. He served as a Director of Williams Energy Partners L.P. (now Magellan Midstream Partners LP) from May 2001 to June 2003 and its General Partner Magellan GP LLC

since November 15, 2002. Mr. Bruckmann served on the board of Duncan Energy Partners L.P. from 2007 to September 2011 where he served as the Chairman of the Audit and Conflicts Committee.

Mr. Charles K. Dempster – He has been the Chairman and Chief Executive Officer of UtiliCorp U.K., Inc. since November 29, 1995. Mr. Dempster served as the Chairman of Aquila Gas Pipeline Corp. from August 1993 to 2000 and Chief Executive Officer from August 1993 to August 1997. He served as the President of Aquila Energy Corporation, a wholly owned midstream, pipeline and energy-trading subsidiary of Utilicorp., Inc., since 1993. Mr. Dempster has more than 30 years of experience in the natural gas and power industry since 1969. He held various management and executive positions with Enron between 1969 and 1986 focusing on natural gas supply, transmission and distribution. Mr. Dempster has been a Director at MarkWest Energy GP LLC, the General Partner of MarkWest Energy Partners, L.P. since December 2002.

Ms. Anne E. Fox Mounsey – She served as Manager of Marketing and Business Development of Markwest Hydrocarbon Inc. From 1991 to 2003, Ms. Mounsey held various positions with Markwest Hydrocarbon Inc. Ms. Mounsey has been a Director of MarkWest Energy GP LLC - General Partner of MarkWest Energy Partners, L.P. since February 2008. Ms. Mounsey served as a Director of Markwest Hydrocarbon Inc. from October 2004 to February 2008.

Mr. William P. Nicoletti – He founded Nicoletti & Company Inc. in 1991 and has been its Managing Director since 1991. Prior to this, Mr. Nicoletti served as Managing Director and Head of Energy Investment Banking for PaineWebber Incorporated. Mr. Nicoletti served as a Senior Advisor to the Energy Investment Banking Group of McDonald Investments Inc. From March 1998 to July 1999, Mr. Nicoletti served as Managing Director and Co-Head of Energy Investment Banking for McDonald Investments Inc. Previously, he served as Senior Officer and Head of Energy Investment Banking at E.F. Hutton & Company Inc. He serves as Chairman of the board of Directors of Russell-Stanley Holdings Inc. He served as Non Executive Chairman of Star Gas LLC, a General Partner of Star Gas Partners LP since March 7, 2005. He served as Chairman of the Board of Directors at Amerac Energy Corp., since May 17, 1996. Mr. Nicoletti has been a Member of Board of Directors of MarkWest Energy GP, LLC, General Partner of MarkWest Energy Partners, L.P. since its inception in May 2002.

	Mid-stream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Frank M. Semple	3						**3.0**
Michael L. Beatty					0		**0.0**
Donald C. Heppermann	3						**3.0**
Randall J. Larson	3						**3.0**
Donald D. Wolf		2					**2.0**
William A. Bruckmann			1				**1.0**
Charles K. Dempster	3						**3.0**
Anne E. Fox	3						**3.0**
William P. Nicoletti			1				**1.0**
					Average		**2.13**

The average year of experience for the board members as a board member is seven and half years. Overall there is a strong level of relevant experience on the Board.

Conclusion

MarkWest has a strong financial portfolio as discussed in this report. Their revenues and shareholder value have risen dramatically over the past two to three years due the technological advancements in shale gas proving vast amounts of resources. MarkWest is planning on taking advantage of the additional production by investing in developing or acquiring assets to improve their portfolios. The Company is led by a team of experience board of directors who have been making good financial decisions.

Valuation

The value of a share of Markwest Energy Partners, L.P. at the end of 2013 was $66.13; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $69.47, suggesting a market undervaluation of 5%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $61.74, suggesting a market overvaluation of 7%.

4. Enbridge Energy Partners, L.P.

Background

Timeline

1947 – Major oil reserves are discovered near Leduc, Alberta

1949 – Interprovincial Pipe Line Company is officially incorporated

1950 – IPL's inaugural line begins moving oil eastward from Edmonton, Alberta to Superior, Wisconsin

1953 – The system is expanded to connect Superior, Wisconsin to Sarnia, Ontario

1960 – IPL's American Subsidiary, Lakehead Pipe Line Company, connects to the Detroit market

1963 – IPL becomes the largest crude oil carrier on a barrel-mile basis in North America

1972 – Average deliveries reach one-million bbd

1976 – IPL begins delivering oil to Montreal

1986 – IPL acquires Home Oil

1991 – Shareholders vote to split the company into publicly traded New Home Oil Company Ltd. and wholly owned Interprovincial Pipe Line Inc.

1991 – IPL creates Interprovincial Pipe Line Partners LP to own and operate the US portion of their Mainline system

1991 – Lakehead Pipe Line Partners goes public on the NYSE under the symbol LHP

1999 – Officially changes name to Enbridge Energy Partners and begins trading under the symbol EEB

2001 – Lakehead Pipe Line Partners changes its name to Enbridge Energy Partners and begins trading under the symbol EEP

2001 – Enbridge Energy Inc. acquires Houston-based Midcoast Energy Resources, expanding its presence in the natural gas transmission industry and broadening its geographical footprint in North America2002 – Enbridge Energy Inc. creates Enbridge Energy Management to manage and act as general partner to Enbridge Energy Partners

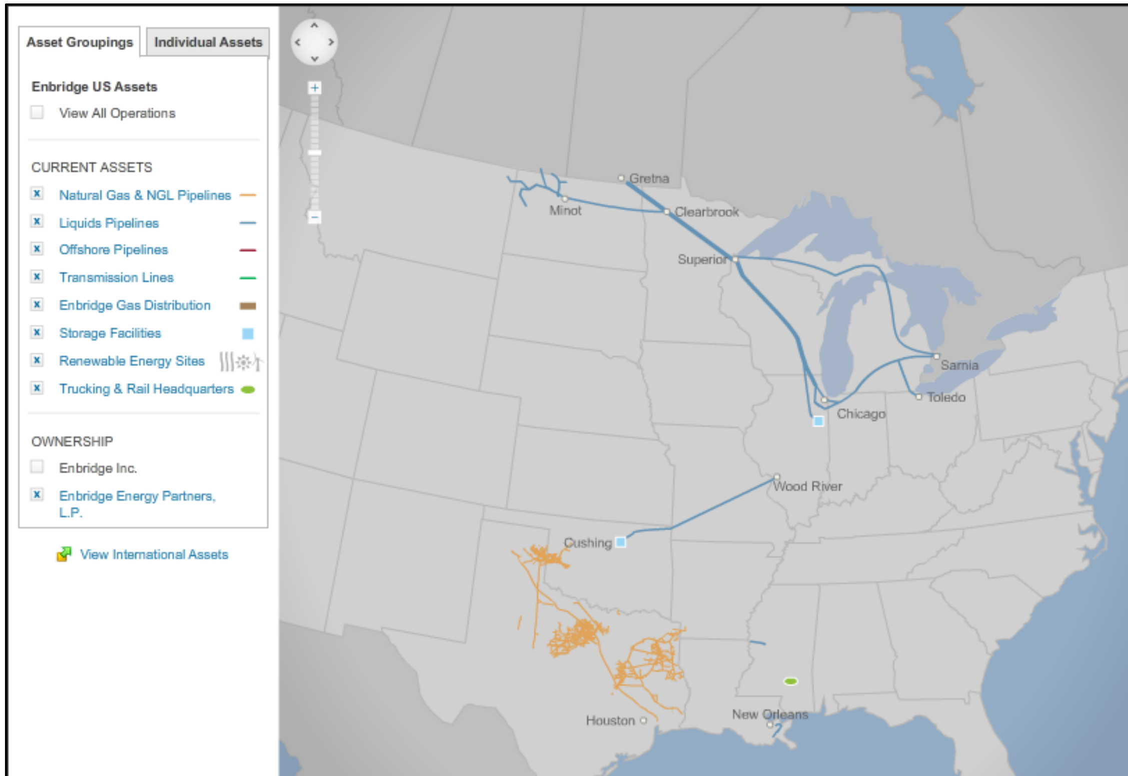
2004 – Acquires Oklahoma crude storage facilities

2004 – EEP buys Mid-Continent crude system from Shell

2010 – A rupture in Line 6A spills 1.1 million gallon of heavy crude into southeastern Michigan

Current Scope of Operations

Figure 1 Current Assets of Enbridge



Enbridge Energy Partners was founded in 1991 by its General Partner, Enbridge Energy Company, Inc., to act as the owner and operator of its Lakehead system. Since that time, EEP has expanded its footprint on the US liquid petroleum market and broadened its offerings to include natural gas and NGL midstream services. As it stands today, EEP owns interests and assets in more than eight subsidiaries. Because of this, EEP has categorized its business into three segments; liquids, natural gas, and marketing.

Liquid System

Lakehead System

EEP's first and foremost source of revenue is derived from the month-to-month fees it collects for transporting crude oil and liquid petroleum products along its Lakehead system. Combined with Enbridge's Canadian Mainline, this system is responsible to carrying over half of all the liquids imported from Canada and forms the longest liquid petroleum pipeline system in the world. Beginning in Neche, North Dakota and continuing on throughout the Midwest and Great Lakes, the Lakehead system spans 2,200 miles and consists of 5,100 miles of pipe ranging from 12-48 inches in diameter. In addition to its transportation capacity, the Lakehead system also allows for 14 million barrels of storage across 72 tanks.

Mid-Continent System

Located within the PADD II region, the Mid-Continent system originates in Cushing, Oklahoma where it possesses 19.9 million barrels of storage capacity. From there, the Ozark pipeline transports crude oil 435 miles to the ConocoPhillips refinery in Wood River, Illinois. In addition to the Cushing storage facilities, the Mid-Continent system includes two other storage sites in Flanagan, Illinois and El Dorado, Kansas with a combined storage capacity of 1 million barrels.

North Dakota System

Situated between Plentywood, Montana and Clearbrook, Minnesota, the North Dakota system stretches 820 miles and providing gathering and transportation services to the Williston Basin, including the Bakken and Three Forks formations. With recent projections forecasting enormous increases to production for this particular region, EEP has undertaken a series of expansion projects since 2005 to bring their export capacity up from 80,000 bpd to 435,000 bpd.

Natural gas

Anadarko System

Located throughout the Texas Panhandle and Western Oklahoma, the Anadarko system provides the Granite Wash play with 3,100 miles of natural gas gathering and transportation pipelines as well as 58 miles of NGL pipelines. In addition, EEP owns and operates nine active natural gas processing plants, three standby natural gas processing plants, and one standby treating plant. Anticipating growth in the region, in late 2013 EEP began commissioning the operations of a cryogenic processing plant known as the Ajax processing plant.

East Texas System

With 3,900 miles of gathering and transportation pipeline, the East Texas system serves customers pursuing rich gas formations in East Texas and western Louisiana. While natural gas prices have been on the decline, NGL prices have remained high enough to encourage increased drilling activity in the area. To help accommodate this increased NGL production, EEP began construction on their Beckville processing plant to cater to customers in the Cotton Valley formation. The Beckville plant will add 150 MMcf/d in natural gas processing and 8,500 Bpd of NGL production to the system when it comes online in 2015. As it stands today, the East Texas system includes six natural gas processing plants with two hydrocarbon dewpoint control facilities, eight active natural gas treating plants, one fractionation facility, and three standby natural gas treating plants.

North Texas System

Located in the Fort Worth Basin, the North Texas system is comprised of 4,900 miles of gathering and transportation pipeline, 60 miles of NGL pipelines, six active natural gas processing plants, and one standby natural gas processing plant. Drawing from the Barnett Shale play, wells within the North Texas system typically have long and predictable flow rates.

Trucking and Marketing

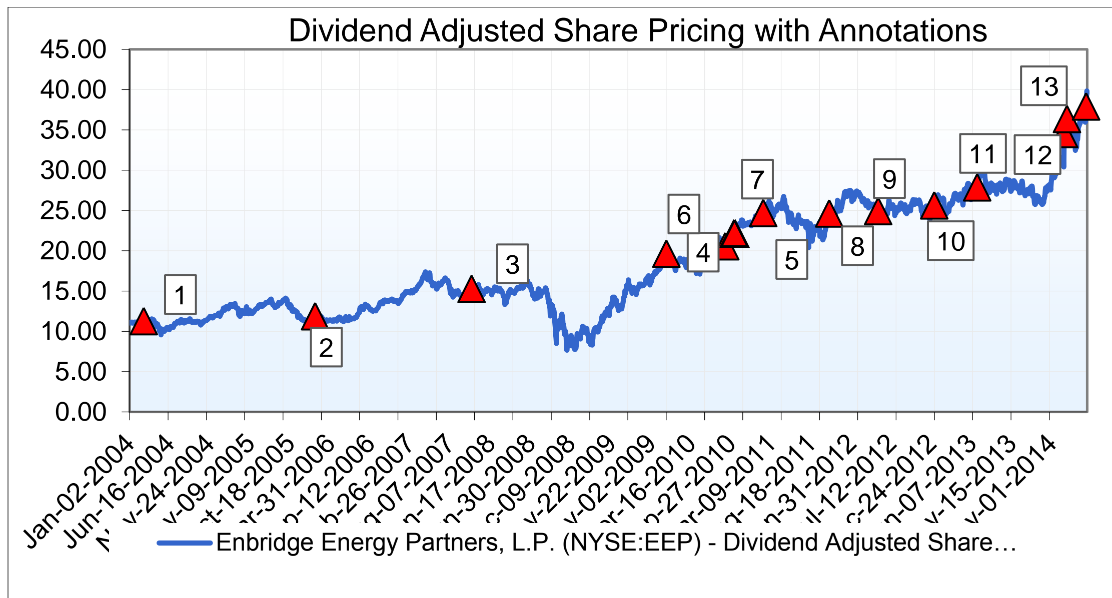
EEP also provides trucking, rail, and liquids marketing services to wholesale customers in Texas, Mississippi, Louisiana, and Oklahoma. Their fleet consists of 250 transport trucks, 300 trailers, and 205 railcars equipped to transport NGLs.

Marketing

Designed to act as a supplemental service to their gathering and processing assets, EEP's marketing segment primarily caters to wholesale customers in Texas and Oklahoma. Using third-party storage capacity to balance supply and demand factors, EEP optimizes the natural gas purchased on their gathering and transportation assets and transports them to various downstream customers.

Shareholder Value Creation

Figure 2 Dividend adjusted share pricing for Enbridge



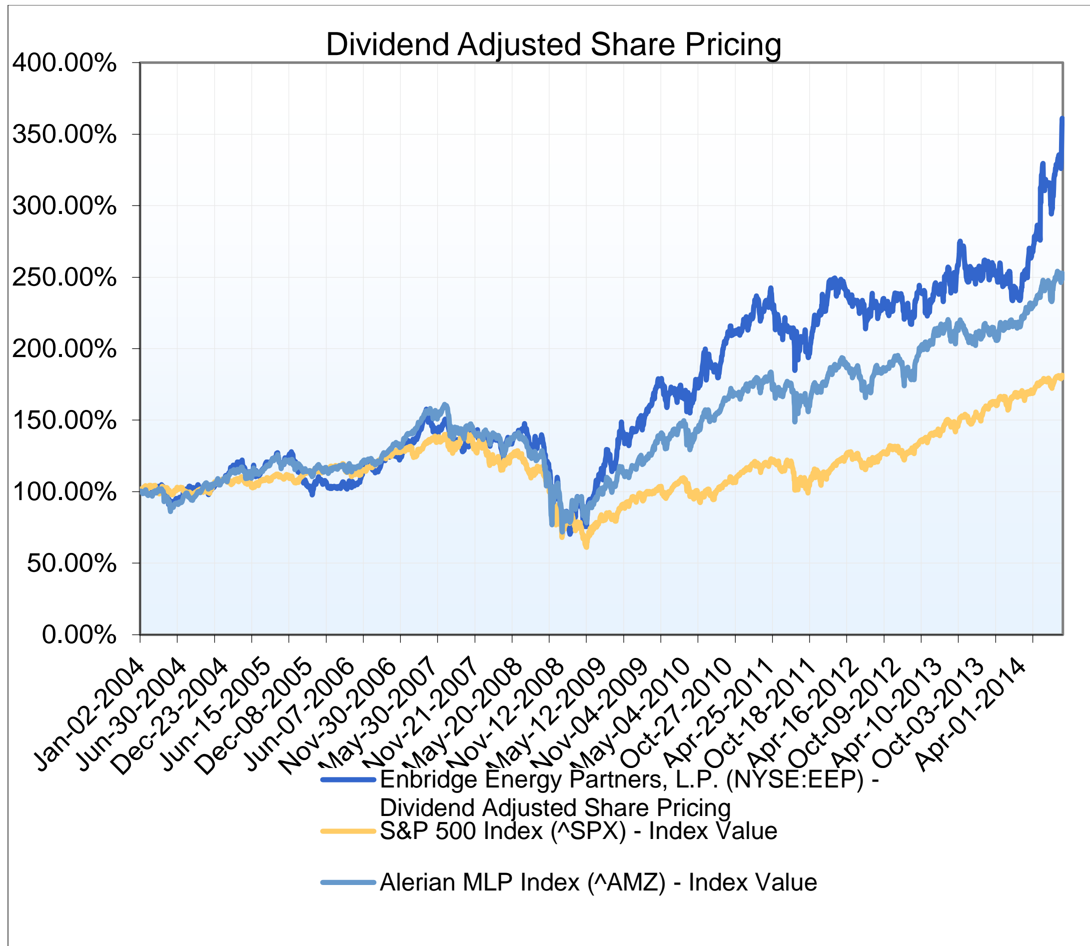
1. The Ozark Pipeline is acquired from Shell Pipeline Company LP
2. The East Texas natural gas system is expanded and extended
3. Construction begins to expand and extend the North Dakota crude oil system
4. The expansion to the North Dakota system is placed into service and brings an additional 51,000 bpd in capacity to the system

5. In a partnership with Enbridge Income Fund, plans are announced to increase capacity in the Bakken and Three Forks formations by 145,000 bpd
6. The state of Illinois files suit against EEP for damages resulting from an oil spill along their 6A Line
7. Assets are acquired in the Granite Wash area
8. EEP announces that it will begin a series of projects to expand the gathering capacity of its North Dakota system by 100,000 bpd
9. Expansions begin on the Lakehead System to increase deliveries to various refinery markets in the Upper Midwest, eastern Canada, and the U.S. Gulf Coast
10. Further expansions to the Lakehead System are announced adding 230,000 bpd in capacity
11. EEP sells its 15% stake in Enbridge Energy Limited to Enbridge Energy Company, Inc. for $100 million
12. EEP sells its 12.6% stake in Midcoast Operating L.P. to Midcoast Energy Partners L.P. for $350 million
13. EEP acquires the remaining 66.7% stake in the U.S. portion of the Alberta Clipper pipeline from Enbridge Inc. for $900 million

Financial and Operating Results

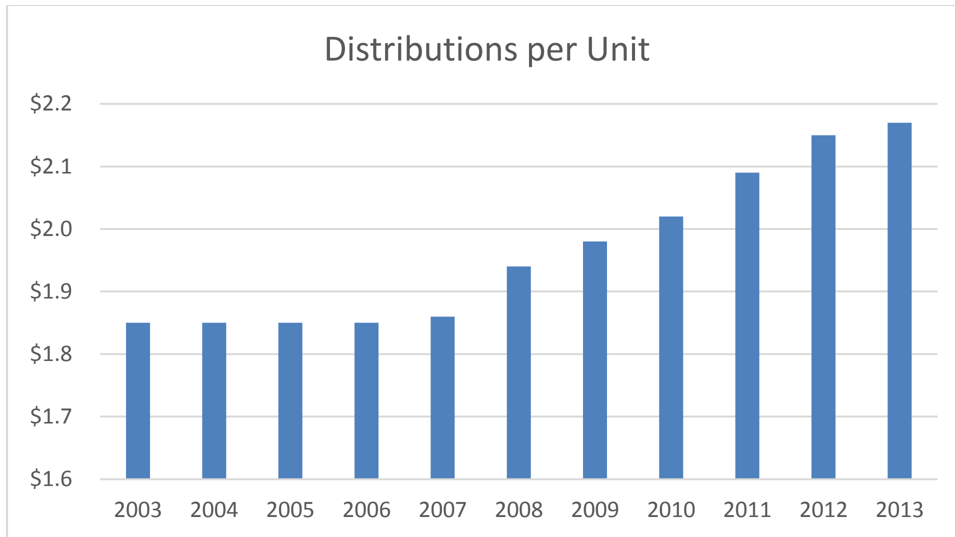
Shareholder Value

Figure 3 Dividend adjusted share pricing of Enbridge w/ S&P and Alerian MLP Index



Compared against other MLPs, EEP has produced relatively modest results. Because MLPs are judged based on their ability to generate and increase dividend payouts they must obtain healthy returns on their assets and EEP has been sub-par in doing so. However, EEP has made recent strides towards improving their position within the MLP marketplace. In 2013, EEP made the decision to carve out its natural gas assets and position itself as a pure-play liquids pipeline MLP.

Figure 4 Annual Distribution/unit for Enbridge



Although EEP's revenues have oscillated up and down over the course of the past ten years, they have managed to produce a gradual dividend increase from 2008-13. However, their performance over the past ten years is a poor indicator of future growth because of their recent decision to become a pure-play liquids company. This decision, coupled with the strength of their parent-company Enbridge Inc., presents EEP with a great deal of potential to acquire and develop more profitable projects in the future. According to their most recent Investor Day presentation, EEP currently possesses approximately $10 billion in drop-down potential from projects already underway. Enbridge Inc.'s Flanagan South and Seaway/Seaway Twin projects alone account for $2.8 billion and $2.4 billion respectively.

EEP has relied heavily on financing from new debt and partnership unit offerings to finance an aggressive and growing capital investment program (Figures 5 & 6). EEP has not been active in acquisitions since 2009.

Figure 5 Sources of funds for Enbridge

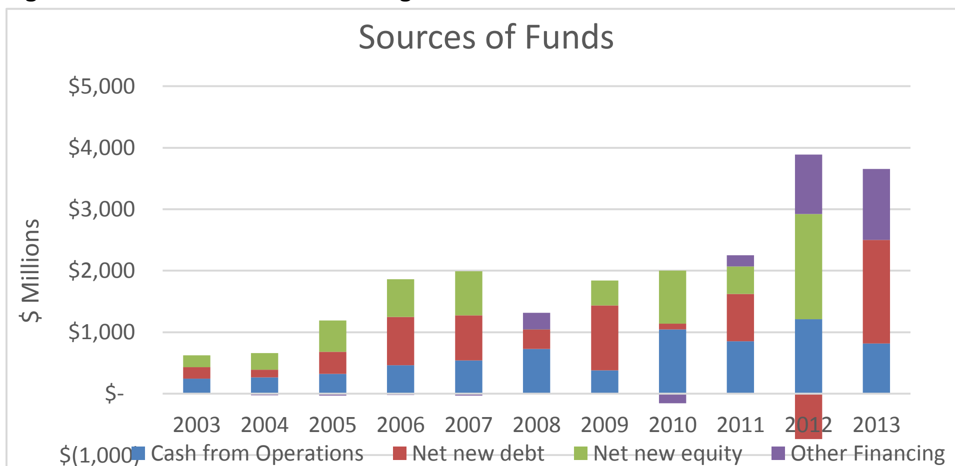
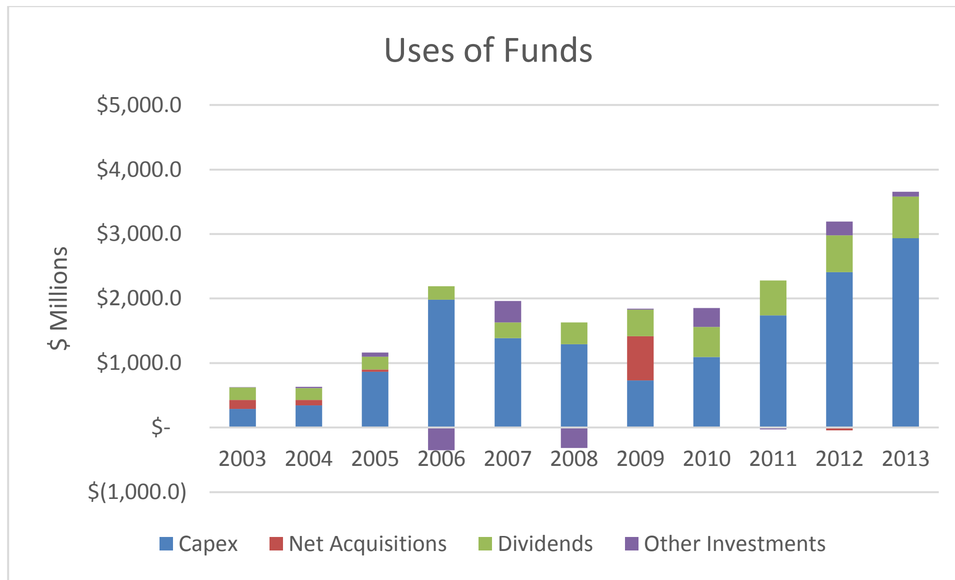
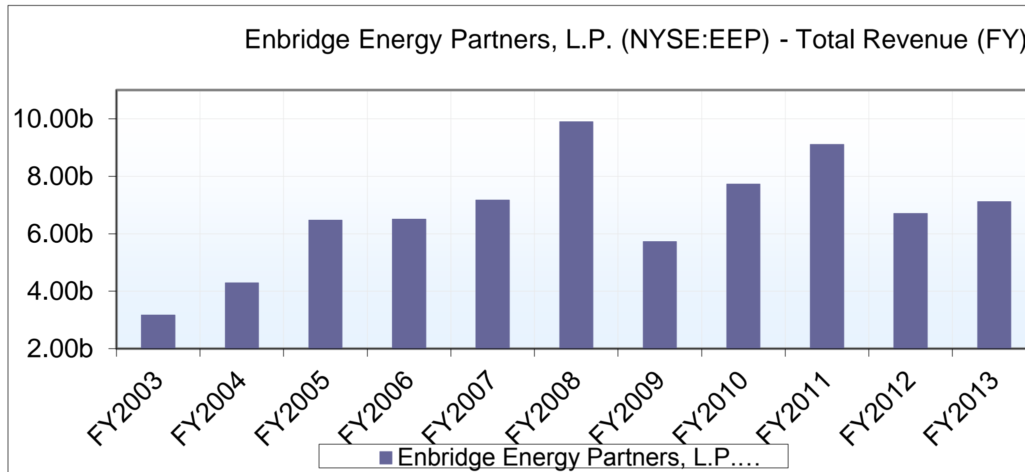


Figure 6 Uses of funds by Enbridge



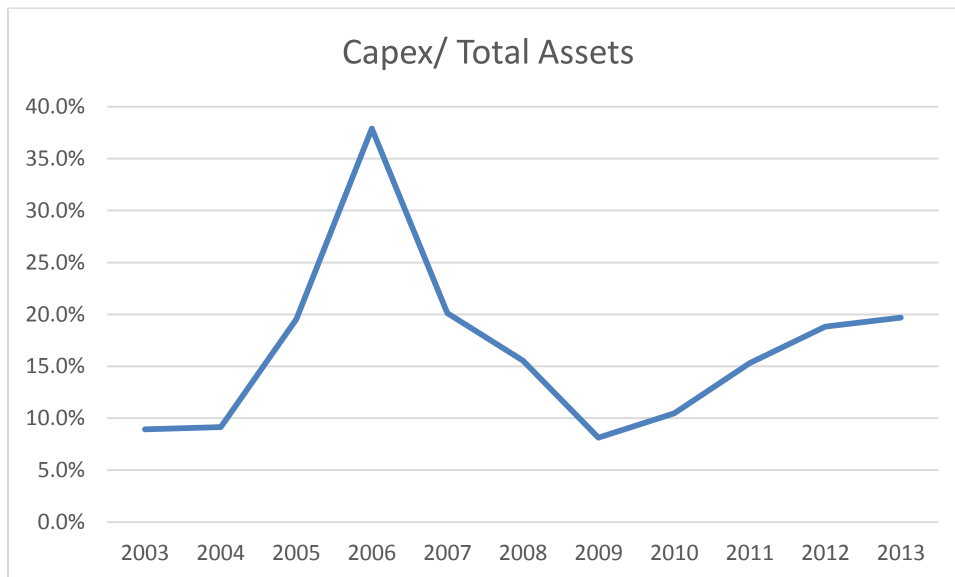
Growth

Figure 7 Total revenue generated by Enbridge



A major objective of MLPs is to produce returns that are consistent and predictable. Because a substantial portion of EEP's revenues were tied to the storage and processing of natural gas, their revenues rose and fell with natural gas prices and their ability to control cash flow fluctuations was largely out of their control. However, as EEP transitions out of the natural gas business, their ability to mitigate against commodity risk will become much more manageable through the utilization of fee-based and take-or-pay pricing policies.

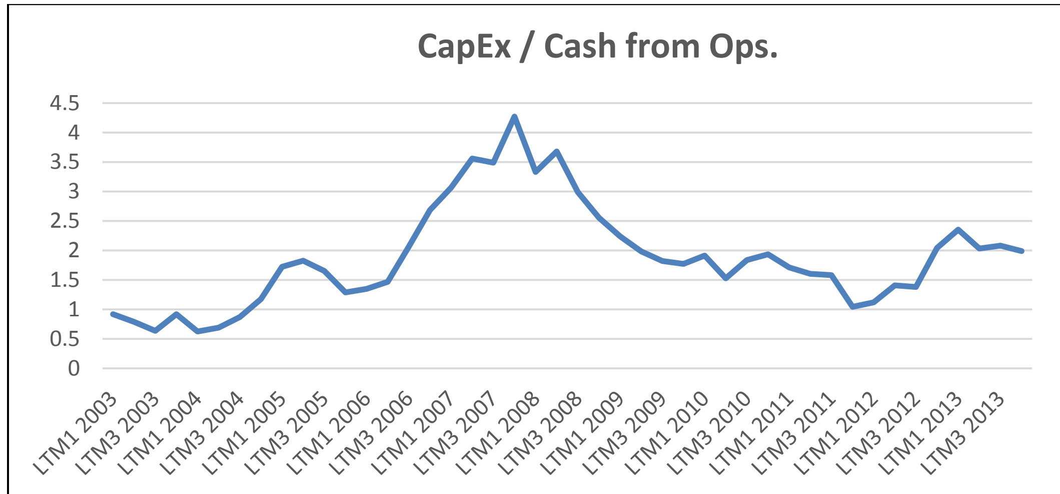
Figure 8 CAPEX/Total Assets for Enbridge



EEP has favored organic growth through capital projects over acquisitions and executed a capital program in the early 2000s that was large relative to its existing assets. Growth is an essential metric for

an MLP and it appears that EEP has reentered the market of project development at a much more cautious and stable rate than in previous years, though still higher than most MLP peers.

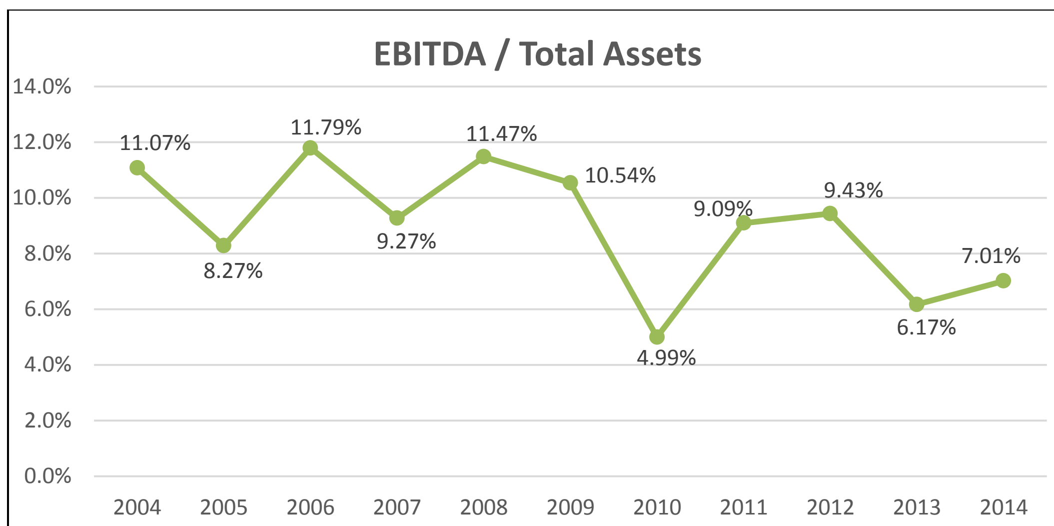
Figure 9 CAPEX/Cash from Ops for Enbridge



EEP's capex has consistently been higher than its cash from operations, requiring continuous access to financial markets for new debt and partnership units.

Returns

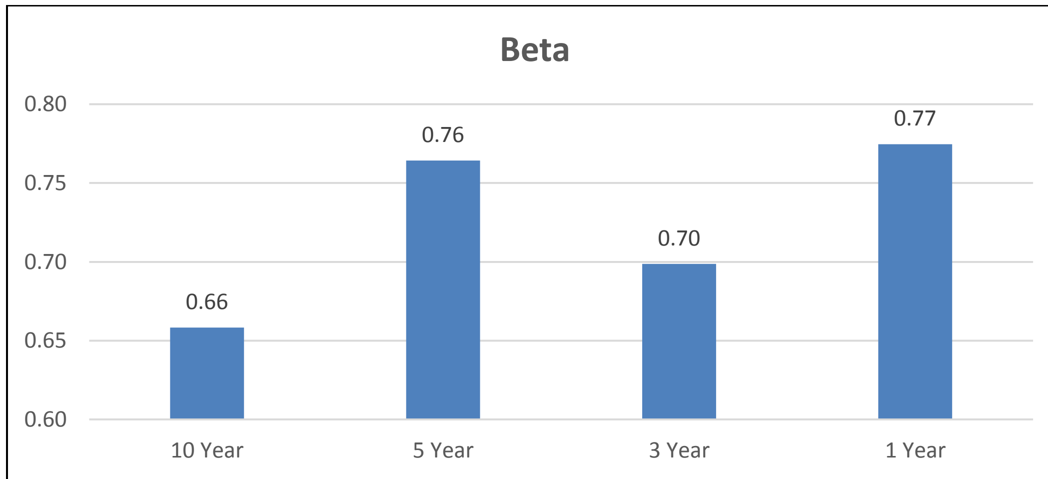
Figure 10 EBITDA/Total Assets for Enbridge



A cornerstone to the success of any MLP is the ability to generate consistent returns from their assets. According to their EBITBA/Total Assets ratios, it appears that EEP has failed to achieve consistent results. The volatility and decline of these ratios is a major red flag to investors who often judge MLPs based on their ability to produce consistent returns.

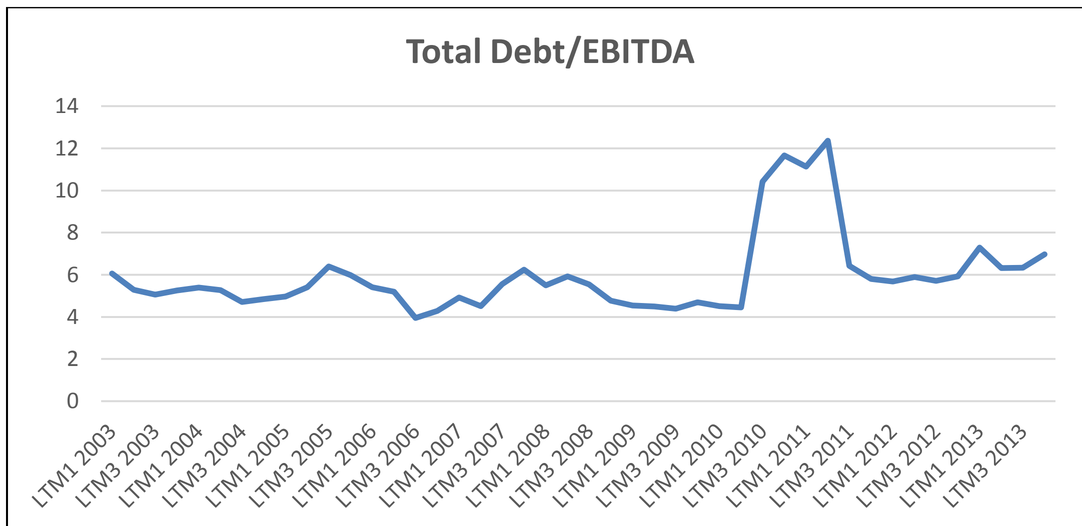
Risk

Figure 11 Beta values for different years for Enbridge



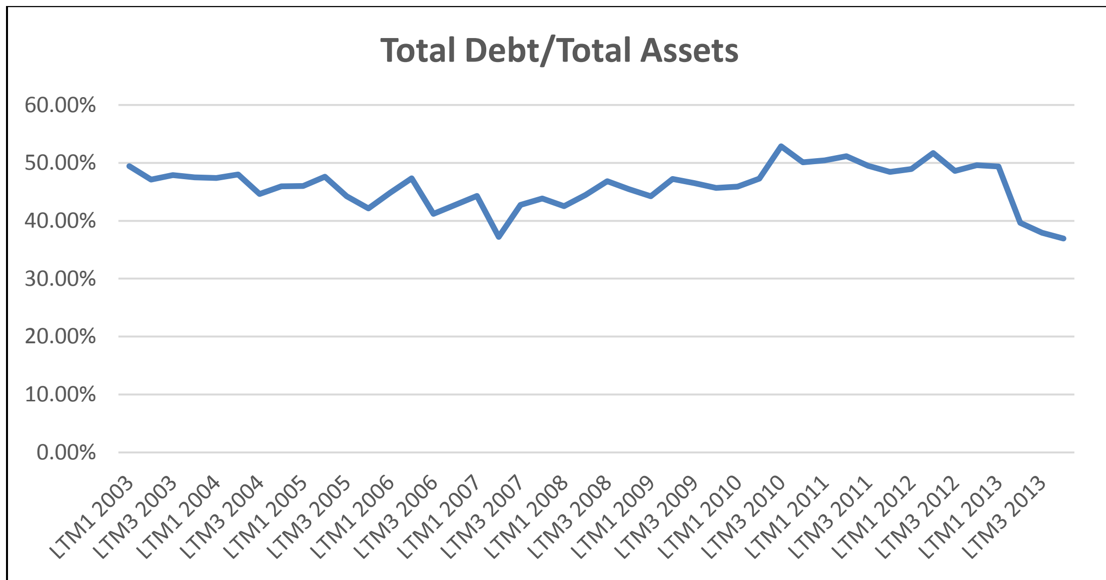
Although EEP's betas fluctuate across the time periods they are always less than one. While this is no surprise as MLPs strive for consistency, the fact that the beta is lower at 5 years than 10 years indicates increased volatility from 2003 to 2008.

Figure 12 Total Debt/EBITDA for Enbridge



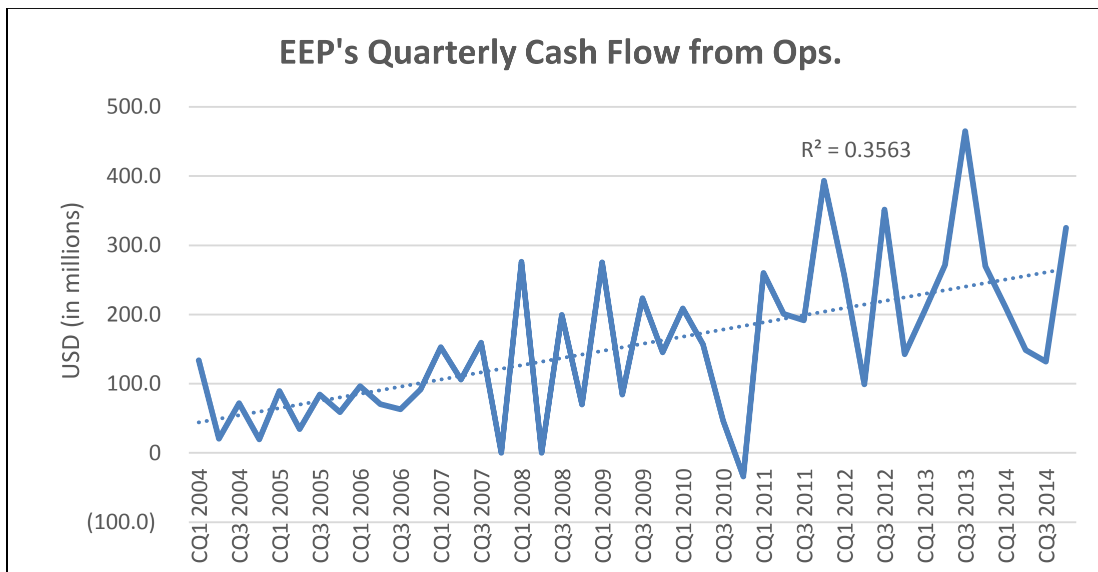
EEP's leadership has exhibited a proven track record of maintaining a strong credit rating and has clearly expressed that this will continue to be an important priority for them going forward. While recent steps have been taken to further mitigate their risk, it remains to be seen how effective these directives will be.

Figure 13 Total Debt/Total Assets for Enbridge



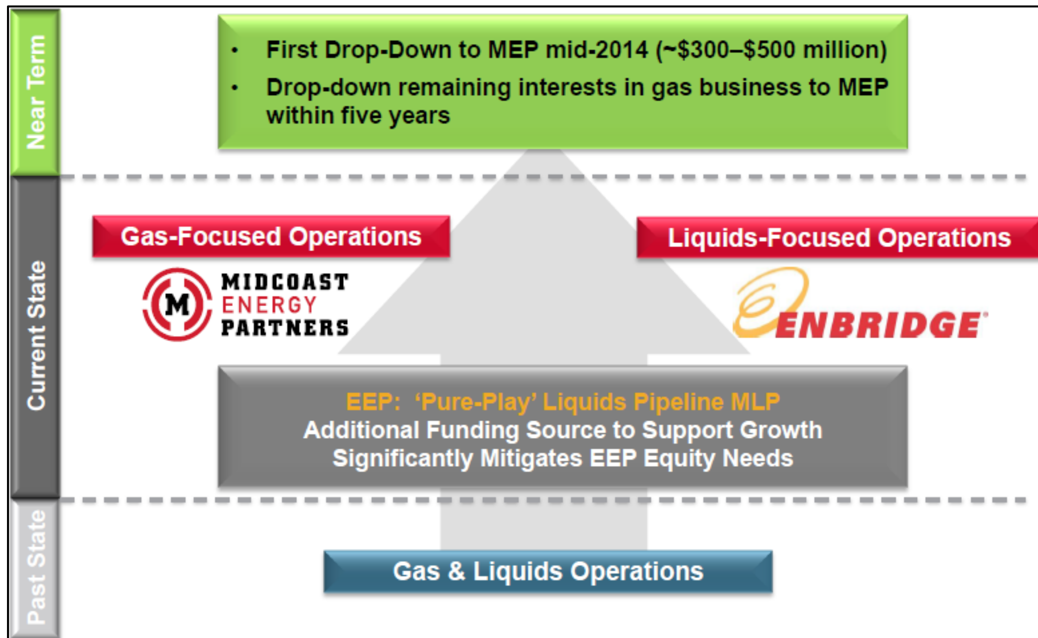
EEP has remained fairly consistent over the years at maintaining a debt-to-asset ratio close to .5. However, EEP's leadership recently announced their intention to shift their efforts towards funding their projects more organically which would explain the most recent drop off.

Figure 14 Quarterly Cash Flow from Operations for Enbridge



Strategy

Figure 15 Enbridge's strategy concerning different operations



Over the course of the past year, EEP has taken bold steps towards drastically changing the way they do business. With the IPO of Midcoast Energy Partners (MEP) this year, EEP initiated the process of transferring all of their natural gas assets. Going forward, EEP plans to exclusively operate as a pure-play liquids pipeline company whose major role will be to serve as a drop-down vehicle for its parent company Enbridge Inc. This split will not only move EEP towards a lower-risk model, but it will also enable them to secure a lower cost of capital. As is the case with any MLP, a low cost of capital will provide EEP with an essential competitive advantage as Enbridge Inc. continues to develop several large-scale market access projects.

Leadership

By and large, EEP's leadership is comprised of seasoned professionals with backgrounds directly related to the midstream industry. With five of the members having joined within the past two years, it indicates a concentrated effort to alter the direction of company. The close ties between EEP and Enbridge, Inc. are also clearly illustrated as four out of the nine members hail from a company under the Enbridge Inc. umbrella. However, it is important to note that such an overlap in leadership could potentially give rise to a conflict of interest should board members begin to act in the interest of Enbridge Inc. rather than EEP.

Board Members			
Name - Rating	**Title**	**Background**	**Years on Board**
Connelly, Jeffrey A.	Chairman of Enbridge Energy Company Inc and Member of Audit, Finance & Risk Committee	Senior Vice President, Natural Gas and Vice President of the El Paso CGP Company L.L.C.; Executive Vice President of Coastal Corporation	2012-Present
Maki, Mark Andrew	Principal Executive Officer of Enbridge Energy Company Inc, President of Enbridge Energy Company Inc, President of Enbridge Management and Director of Enbridge Energy Company Inc	Vice President, Finance and principal financial officer for EEQ and EECI	2010-Present
McGill, Terrance L.	Senior Vice President of Enbridge Energy Company Inc, Director of Enbridge Energy Company Inc and Senior Vice President of Enbridge Management	President of Columbia Gulf Transmission Company and senior vice president of Columbia Gas Transmission Corporation	2006-Present
Bird Ph.D., M.B.A., John Richard	Director of Enbridge Energy Company Inc, Chief Financial Officer of Enbridge Inc and Executive Vice President of Corporate Development of Enbridge Inc	CFO and Executive Vice President of Corporate Development at Enbridge Inc.	2012-Present
Jarvis, Guy D.	Executive Vice President of Liquids Pipelines - Enbridge Energy Company, Inc. and Director of Enbridge Energy Company, Inc	Executive Vice President and Chief Commercial Officer of Liquids Pipelines at Enbridge Inc.	2014-Present
England, James Herbert	Director of Enbridge Energy Company Inc and Chairman of Audit, Finance & Risk Committee	Chief Executive Officer of Stahlman-England Irrigation Inc. and HEMS, LLC, an investment partnership	2010-Present
Harper, C. Gregory	Director of Enbridge Energy Company Inc	President of Gas Pipelines and Processing at Enbridge Inc.	2014-Present
Roberts, Rebecca B.	Director of Enbridge Energy Company Inc and Member of Audit, Finance & Risk Committee	President of Chevron Pipe Line Company	2012-Present
Westbrook, Dan A.	Director of Enbridge Energy Company Inc, Member of Audit, Finance & Risk Committee and Director of Enbridge Management	Senior Executive with British Petroleum	2007-Present

Experience Matrix

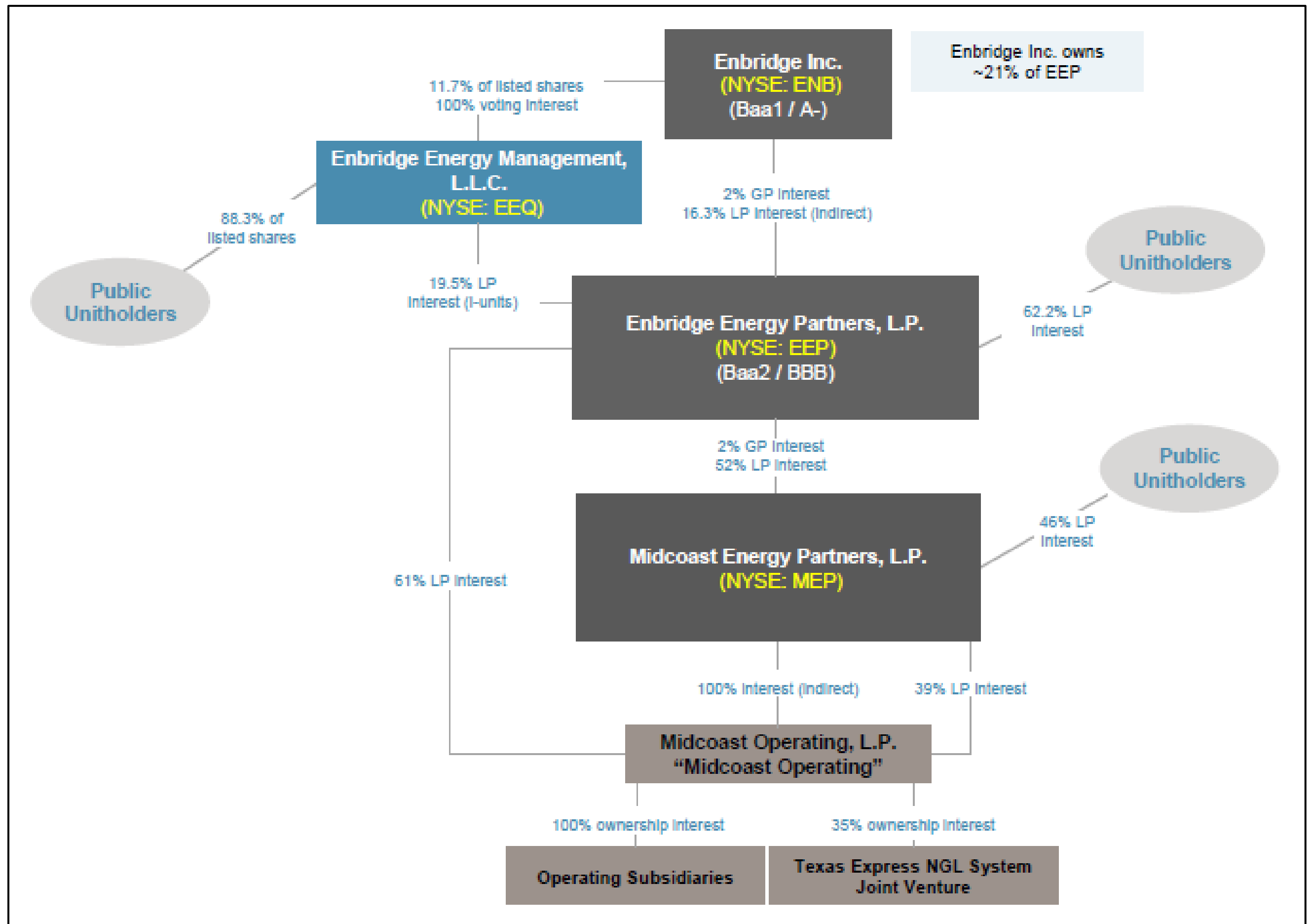
	Mid-stream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Connelly, Jeffrey A.	3						**3.0**
Maki, Mark Andrew			1				**1.0**
McGill, Terrance L.	3						**3.0**
Bird Ph.D., M.B.A., John Richard	3						**3.0**
Jarvis, Guy D.	3						**3.0**
England, James Herbert			1				**1.0**
Harper, C. Gregory	3						**3.0**
Roberts, Rebecca B.		2					**2.0**
Westbrook, Dan A.		2					**2.0**
					Average		**2.33**

Valuation

The value of a share of Enbridge Energy Partners, L.P. at the end of 2013 was $29.87; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $32.97, suggesting a market undervaluation of 9%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $64.21, suggesting a market undervaluation of 54% before IDRs. Enbridge General Partner receives about 15% of total EEP distributions as IDRs.

Enbridge General Partner receives a little

Exhibit 1



5. ONEOK Partners, L.P.

ONEOK Partners History

ONEOK Partners, L.P. (NYSE: OKS) is a large publicly traded master limited partnership, is a leader in the gathering, processing, storage and transportation of natural gas in the U.S. and owns one of the nation's premier natural gas liquids (NGL) systems, connecting NGL supply in the Mid-Continent and Rocky Mountain regions with key market centers.

The general partner, ONEOK Partners GP, L.L.C., is a subsidiary of ONEOK, Inc. (NYSE: OKE), a diversified energy company, which owns 38.8 percent of the partnership. ONEOK is one of the largest natural gas distributors in the United States, and its energy services operation focuses primarily on marketing natural gas and related services throughout the U.S.

ONEOK Partners operations are conducted through the following three business segments:

- Natural Gas Gathering and Processing
- Natural Gas Pipelines
- Natural Gas Liquids

The partnership was formerly Northern Border Partners, L.P. which was formed in 1993. On May 17, 2006, Northern Border Partners (NYSE: NBP) was renamed ONEOK Partners, L.P. Trading of ONEOK Partners common units on the New York Stock Exchange under the symbol OKS was effective May 22, 2006.

In April 2006, ONEOK completed the largest and perhaps the most significant series of transactions in its century-long history. As a key part of the multifaceted deal, ONEOK sold all of its natural gas gathering and processing; natural gas liquids gathering, fractionation, transportation and storage; and inter- and intra-state natural gas pipelines and storage businesses to ONEOK Partners.

For these assets, ONEOK Partners paid $1.35 billion in cash. It also issued to ONEOK approximately 36.5 million limited partner units, which are traded on the New York Stock Exchange under the symbol OKS.

The following are the major events from 2004 to 2013 that have been the primary drivers affecting shareholder value creation:

1. In August 2004, Northern Border Partners LP announced that it had finalized the necessary contractual commitment to proceed with the Eastern Extension Project on its Midwestern Gas Transmission (MGT) pipeline. The project was backed by an agreement for long-term transportation of approximately 120,000 dekatherms per day (Dthd) with Piedmont Natural Gas Company Inc. (Piedmont), a local distribution company headquartered in Charlotte, N.C. Construction of the pipeline extension included approximately 30 miles of 16-inch pipe, with a capacity of 120,000 Dthd. This extension moves Chicago-sourced natural gas in a southeasterly direction from MGT's current

terminus at Portland, Tenn., to planned interconnects with Columbia Gulf Transmission Company and East Tennessee Natural Gas Company.

2. In April-May 2006, Northern Border Partners signed a definitive agreement to acquire gathering and processing, natural gas liquids, and pipelines and storage segments from ONEOK Inc. for a reported consideration of approximately $2951.99 million on February 14, 2006. The assets being acquired include natural gas liquids assets purchased from Koch Industries. The purchase price consists of $1350 million in cash and approximately 36.5 million limited partner units.
3. In June- October 2006, Oneok Partners L.P. and Williams Companies Inc. have formed Overland Pass Pipeline Company LLC to build a $450 million pipeline project that will span 750 miles.

   Boardwalk Pipeline Partners, LP, Energy Transfer Partners LP and Oneok Partners L.P. announced the signing of a letter of intent regarding the formation of a joint venture that would construct a new interstate pipeline originating in North Central Texas, crossing the states of Oklahoma, Arkansas and terminating in Cohoma County, Mississippi at a new interconnect with Texas Gas Transmission LLC. The proposed interstate pipeline would have initial capacity of up to 1.0 Bcf per day. Boardwalk, Energy Transfer and Oneok Partners collectively bring value to the project: Boardwalk with access to numerous markets in the Midwest, Northeast and Southeast through interconnects on Texas Gas and Gulf South; Energy Transfer and Oneok Partners with extensive intrastate pipelines and gathering assets in Texas and Oklahoma.

   ONEOK Partners, L.P. acquired a storage facility located in Mont Belvieu, Texas, from Valero Refining-Texas, L.P. on October 25, 2006.

4. In October - November 2007, ONEOK Partners, L.P. (NYSE: OKS) agreed to acquire interstate NGL, refined petroleum products pipeline and related assets from Kinder Morgan Energy Partners, L.P. (NYSE: KMP) on June 29, 2007. The transaction is valued at approximately $300 million. Oneok Partners L.P. announced the completion of the first phase of an expansion project that will ultimately double the gathering pipeline capacity of Fort Union Gas Gathering, L.L.C. by adding approximately 150 miles of new gathering lines and approximately 650 million cubic feet per day (MMcf/d) of additional capacity. ONEOK Partners' subsidiary, Crestone Powder River, L.L.C., has a 37.04% interest in Fort Union Gas Gathering. The first phase of the project was placed in service November 14, 2007, and has added more than 200 MMcf/d of additional capacity.

5. In 2008, ONEOK Partners continued its focus on expansion by announcing the construction of a natural gas liquids (NGL) gathering pipeline to connect two natural gas processing plants in the Woodford Shale play in southeast Oklahoma to the partnership's Mid-Continent natural gas liquids gathering system for fractionation. These two plants will have the ability to produce approximately 25,000 barrels per day of raw natural gas liquids. Also, ONEOK Partners announced plans to build a $70 million to $80 million natural gas liquids pipeline lateral, connecting the Denver-Julesburg Basin in northeastern Colorado with the Overland Pass Pipeline that is currently being constructed. The 125-mile D-J Basin Lateral Pipeline is designed to transport as much as 55,000 barrels per day of raw natural gas liquids from the D-J Basin to the 760-mile Overland Pass Pipeline, which has the potential to transport 255,000 barrels per day.

6. In February 2009, ONEOK Partners, L.P. announced the completion of the Guardian Pipeline expansion and extension project. The pipeline, meter stations and associated compressor stations

are now fully in service, extending the existing 143-mile Guardian natural gas pipeline system that originates near Channahon, Ill., and ends at Ixonia, Wis., by approximately 119 miles and adding 537,200 dekatherms per day of natural gas transportation capacity

7. In December 2010, ONEOK Partners, L.P. announced plans to invest approximately $180 million to $240 million between now and the first half of 2012 for natural gas liquids (NGL) projects in the Cana-Woodford Shale and Granite Wash plays. When completed, the projects add approximately 75,000 to 80 000 barrels per day (bpd) of raw, unfractionated NGLs to the partnership's existing NGL gathering systems in the Mid-Continent and the Arbuckle Pipeline.

8. In May 2011, ONEOK Partners, L.P. announced plans to invest approximately $910 million to $1.2 billion between now and late 2013 in order to construct a new 570-plus-mile, 16-inch diameter natural gas liquids (NGL) pipeline, the Sterling III Pipeline, to transport either unfractionated NGLs or NGL purity products from the Mid-Continent region to the Texas Gulf Coast, reconfigure its existing Sterling I and II NGL distribution pipelines to transport either unfractionated NGLs or NGL purity products and build a new 75,000 barrel-per-day (bpd) NGL fractionator, MB-2, at Mont Belvieu, Texas.

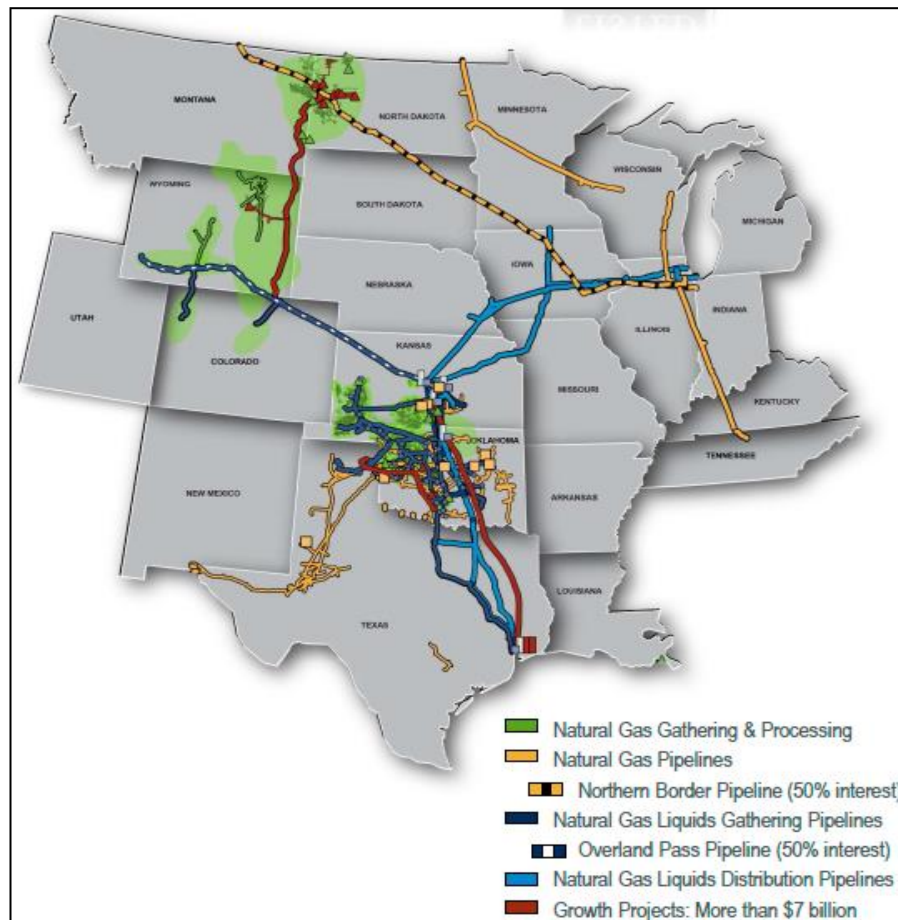
9. In July 2012, ONEOK Partners, L.P. announced plans to invest approximately $980 million to $1.1 billion between now and 2014 to: Build a new 75,000 barrel-per-day (bpd) natural gas liquids (NGL) fractionator, MB-3, at Mont Belvieu, Texas, and related infrastructure; build a new 100 million cubic feet per day (MMcf/d) natural gas processing facility - the Garden Creek II plant - in eastern McKenzie County, N.D., in the Bakken Shale in the Williston Basin, and related infrastructure; Increase capacity on the Bakken NGL Pipeline to 135,000 bpd from 60,000 bpd; and Build a new 40,000 bpd Ethane/Propane (E/P) splitter at Mont Belvieu, Texas. Supply commitments, which are in various stages of negotiation for the expanded pipeline and new fractionator, will be anchored by NGL production from the partnership's natural gas processing plants and from third-party processors.

10. In September- November 2013, ONEOK Partners, L.P. (NYSE:OKS) completed the acquisition of Sage Creek plant and related natural gas infrastructure from an undisclosed seller in September 2013.
    ONEOK Partners, L.P. announced plans to invest approximately $650 million to $780 million between now and the second quarter 2016 to Build a new 200-million cubic feet per day natural gas processing facility - the Lonesome Creek plant -and related infrastructure in McKenzie County, N.D., in the Bakken Shale in the Williston Basin; the Lonesome Creek plant is the partnership's sixth new natural gas processing plant built in the region since 2010 and seventh plant overall; and complete a second expansion of the Bakken NGL Pipeline, which will increase the pipeline's capacity to 160,000 barrels per day from 135,000 bpd.

Current Scope of Operations

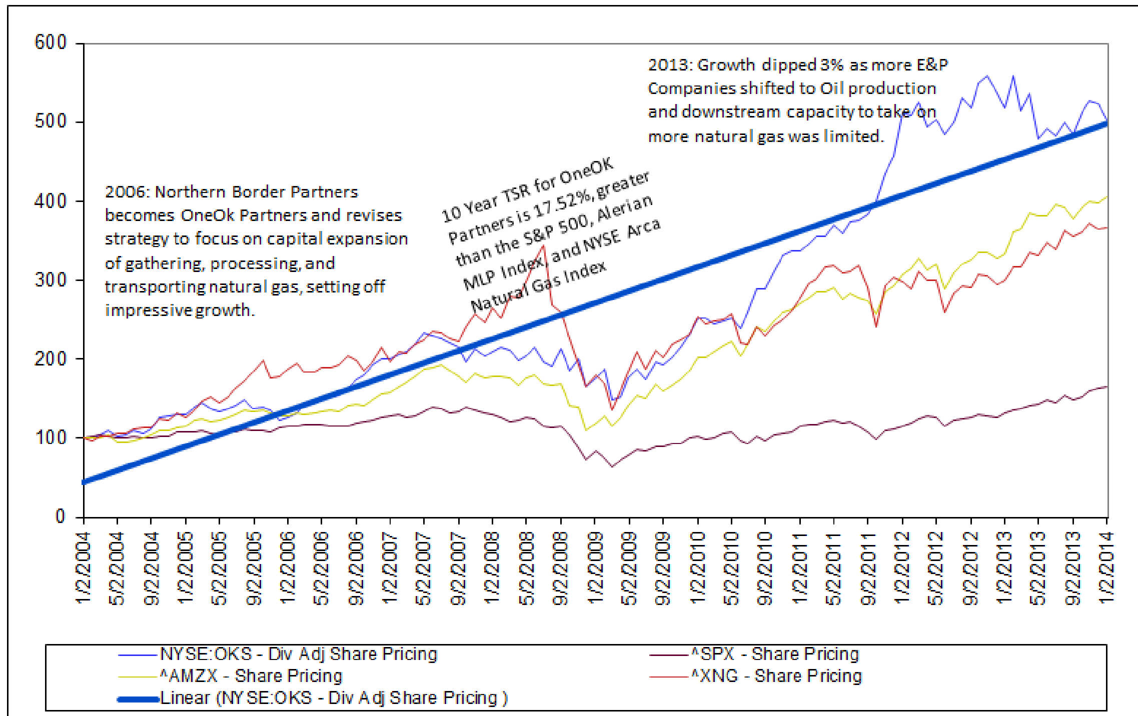
ONEOK Partners owns and operates assets in the midstream natural gas and natural gas liquids business along with providing non-discretionary services to producers, processors, and customer resulting in primarily fee-based earnings. From 2006-2009, ONEOK Partners completed more than $2Billion in growth projects and is planning additional growth projects and acquisitions totaling $6 Billion by 2016. As of today, ONEOK Partners has 18,372 miles of gathering pipeline, 6,645 miles of transmission pipeline, 54 billion cubic feet of storage capacity, 17 processing plants, and 1,250 million cubic feet per day of processing capacity for their Natural Gas Gathering/Processing/Transportation segments. Additionally, the Natural Gas Liquids segment has 4,270 miles of gathering pipeline, 4,215 miles of distribution pipeline, 27 million barrels of storage capacity, 6 fractionators, 8 NGL product terminals, and 744,000 barrels per day of net fractionation capacity. Below is a map showing the location of major segment assets as well as planned growth projects:

Figure 1 ONEOK's current scope of operations



Shareholder Value Creation

Figure 2 Dividend adjusted share pricing for ONEOK VS others



ONEOK Partners, since assuming General Partner status from Northern Border Partners in 2006 has embarked on a strategy of expanding their business operations. The largest amount of this expansion has come online in the last 5 years which has seen total shareholder return growth of 23.4% p.a. which is greater than the S&P500 at 14.5% and the NYSE Arca index of Natural Gas Companies of 15.3%. Despite natural gas prices being at much lower levels than when ONEOK initiated its capital expansion efforts, shareholder returns have continued to grow. MLPs like ONEOK, have switched their business models to being toll revenue generating based versus being product value based. By expanding on their operations, ONEOK has increased the capacity of their infrastructure to increase the amount of tolls they can generate off movement of natural gas while insulating themselves from the volatility of commodity markets.

However, in the past year, ONEOK TSR has declined by 3% while the S&P 500, overall MLP market, and Natural Gas companies have also seen growth greater than 20%. While the strategy of growth paid off between 2006 and 2012, ONEOK Partners efforts at expansion were in areas where downstream end users were more easily reached in Colorado, Oklahoma and Texas. More recently, ONEOK has been investing in infrastructure for the Bakken shale play. ONEOK is one of the few midstream players in this shale play but the remoteness of the location to primary downstream users on the East, West and Gulf coasts adds to costs for midstream companies to create enough capacity to move the product.

Financial and Operating Results

Financial Distributions and Cash Analysis

Figure 3 ONEOK's Distributable earnings Vs Cash Distribution

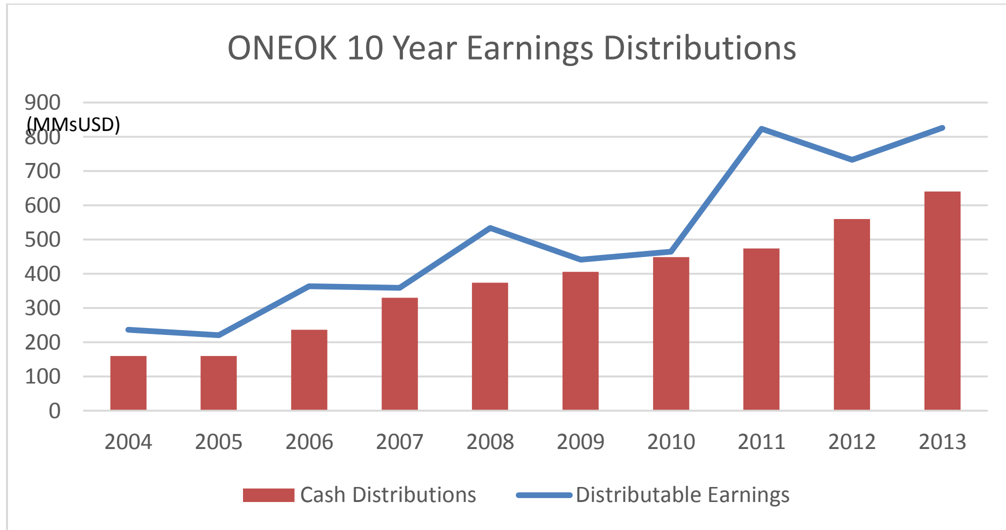
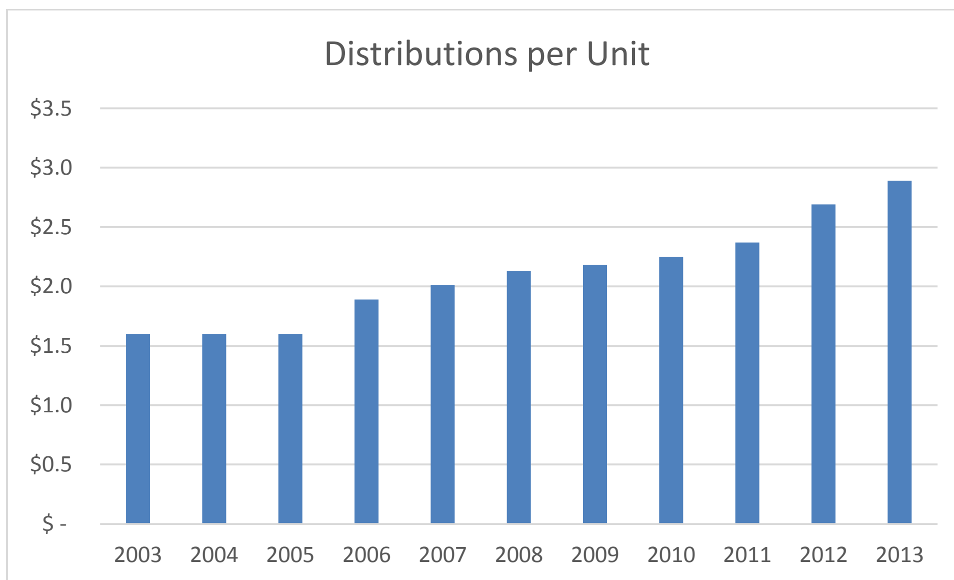


Figure 4 ONEOK's Annual Distributions/unit



Shareholders in MLPs require cash distributions and ONEOK has been able to consistently deliver on cash distributions to their shareholders over the last 10 years. The CAGR for cash distributions over the last 10 years has been 15% and is one of the reasons ONEOK has seen overall shareholder returns exceeding 17% over the same time frame.

The charts below show how ONEOK has utilized and brought cash into the business. In efforts to keep expanding, the largest use of cash has been Capex for new projects and the largest source of cash has been debt to fund the Capex. While this adds risk to shareholder value, it also represents management is bullish on the projects being undertaken as they have internal ROIs that are greater than the cost of capital.

Figure 5 ONEOK's Sources of funds

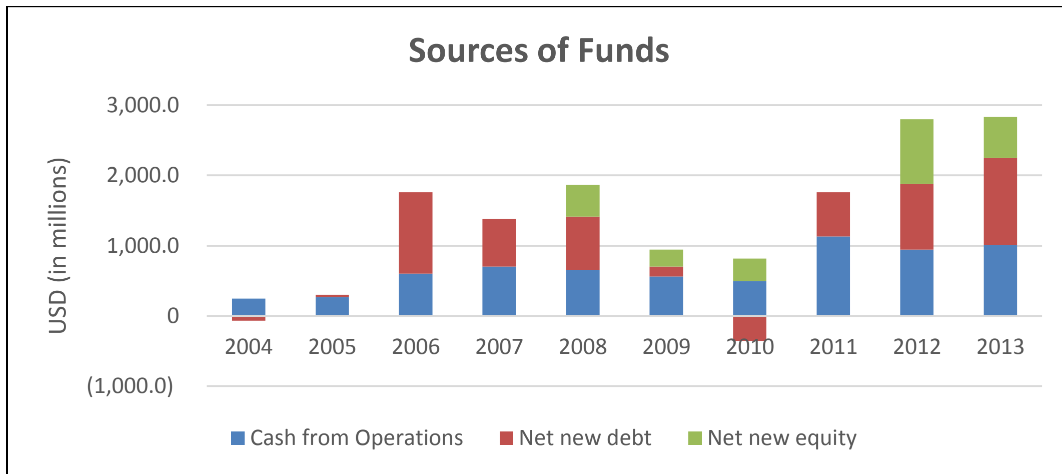
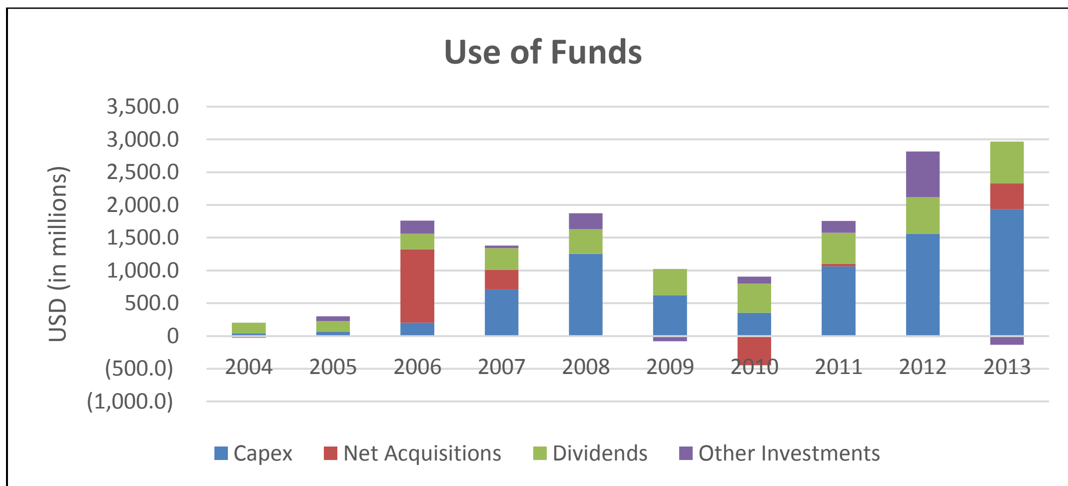


Figure 6 ONEOK's Use of funds



Growth

Figure 7 ONEOK's Revenues

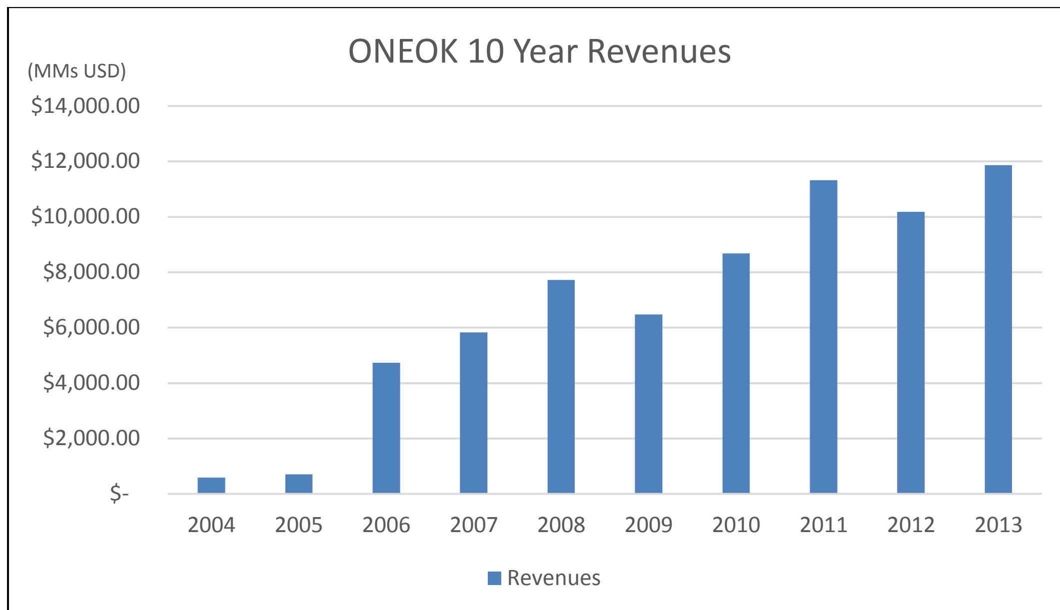
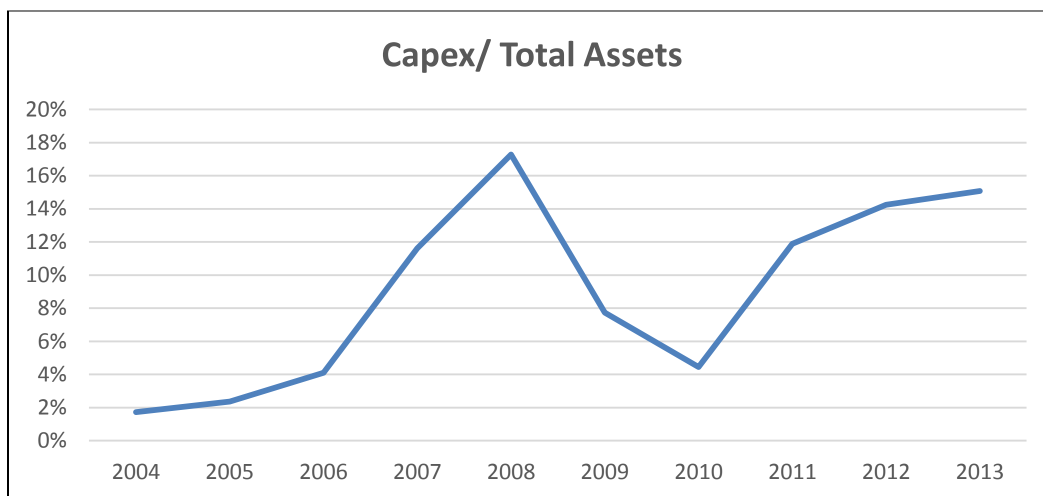


Figure 8 ONEOK's CAPEX/Total Assets

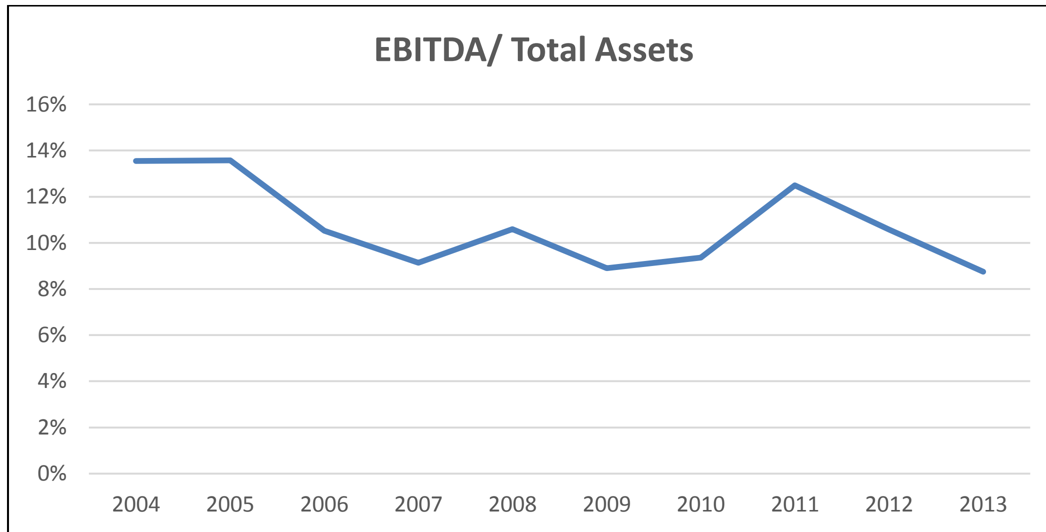


As evidenced by the graphs above, ONEOK Partners has seen year over year revenue growth of 35% over the past 10 years. This is directly attributable to the 9% average that capital expenditures represents to the total asset base. The ramp up from 2006 to 2009 in capital expenditures was related

to $2Billion of growth projects initiated when ONEOK became the general partner. The valley in 2010 represents the first full year that these growth projects came online and contributed to EBITDA. Additionally, the majority of these projects were fee based NGL projects which should pay off greater down the road with increased NGL exporting capacity. Finally, the ramp-up from 2011-2013 represents the next round of capital investments (over $7Billion) that will fully come online in 2016.

Returns

Figure 9 ONEOK's EBITDA/Total Assets



ONEOK EBITDA/ Total assets returns have been declining over the past year as their aggressive capital investment program increases total assets in advance of their contribution to new EBITDA.

Risk

Figure 11 ONEOK's Net Debt/Total Assets

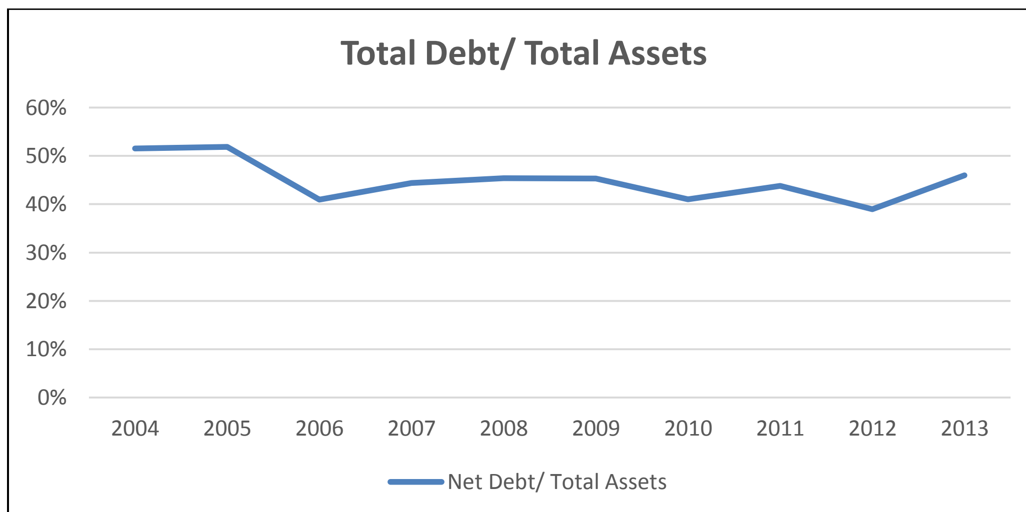
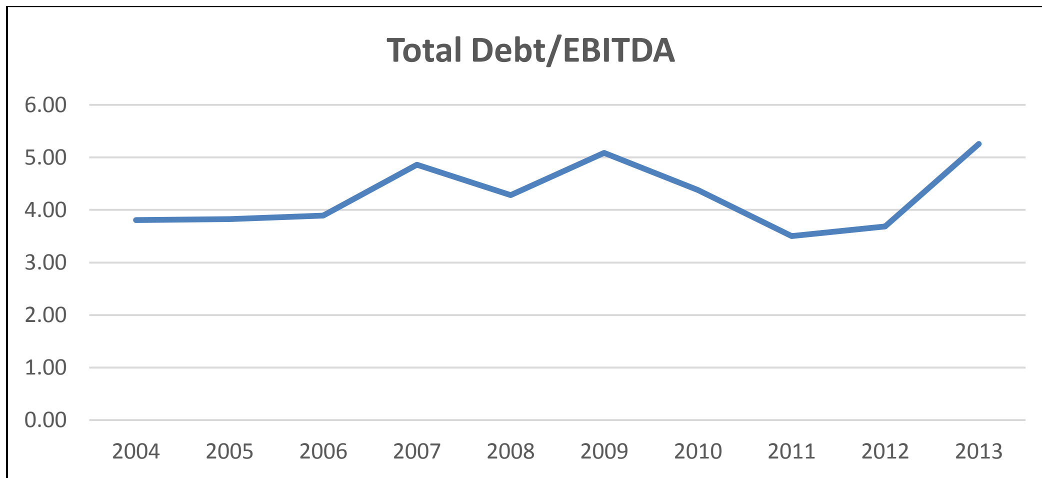
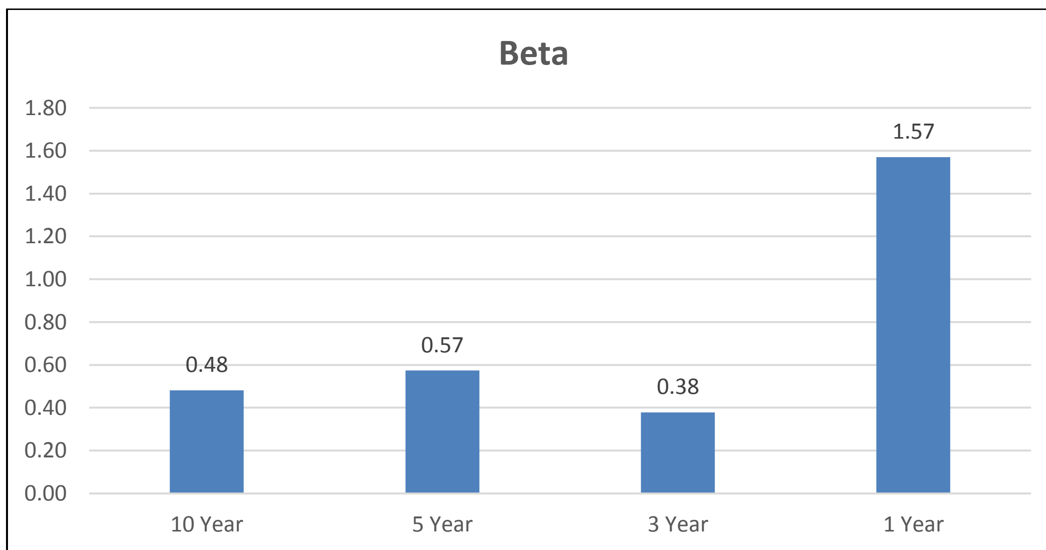


Figure 12 ONEOK's Total Debt/EBITDA



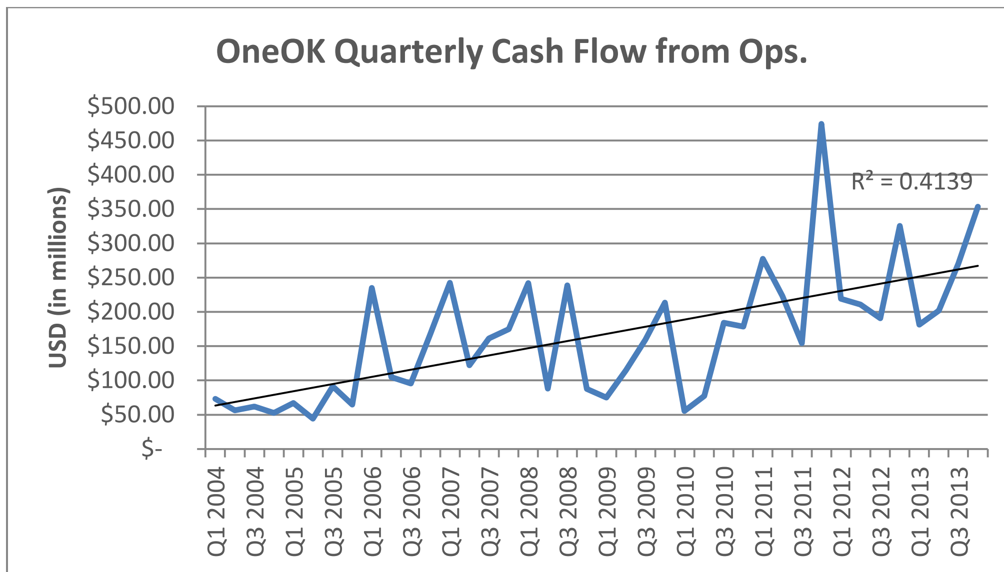
The average for Total Debt as a percentage of Total Assets has been 45% over the last 10 years. While the financial return ratios above would seemingly indicate poor overall shareholder returns, MLPs are different than most other companies. By keeping debt under 50% of total assets, the company is viewed as less risky than others which shareholders in a MLP value greatly. Total debt as a multiple of EBITDA is within the MLP range.

Figure 13 ONEOK's Beta for different years



Beta is another measure of risk and in MLPs such as ONEOK, investors prefer a beta of less than 1. Over the last 10 years, ONEOK has been less volatile than the S&P 500, the Alerian Index of competitor MLP firms, and the Arca index of natural gas companies.

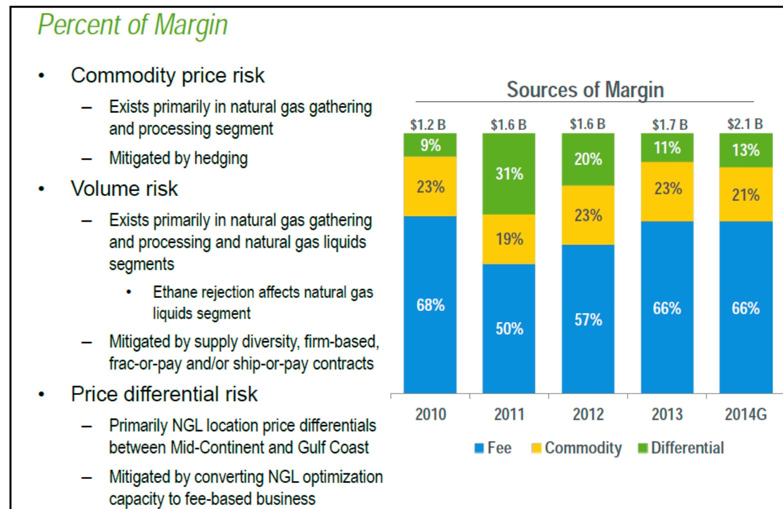
Figure 14 ONEOK's Quarterly Cash flow from Ops



Cash distributions are driven by the availability of operating cash flow. The CAGR for operating cash flow over the last 10 years has been 15% which is in line with distribution growth. Although cash flows are not quite volatile as the graph above shows, management at ONEOK has been able to grow cash flows on an annual basis and utilize those cash flows to fuel the increase in cash distributions.

The primary sources of this variability are commodity price variation and basis risk, which affect about one third of ONEOK's overall cash margin.

Figure 15 ONEOK's Sources of margin



Business Strategies

Vision
Creating exceptional value for all stakeholders by:

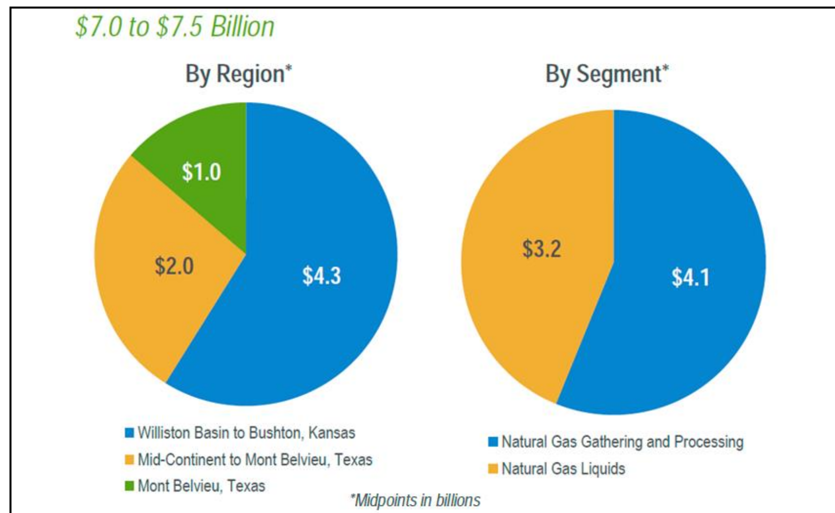
- Re-bundling services across the energy value chain, primarily through vertical integration, to provide customers with premium services at lower costs.
- Applying our capabilities – as a gatherer, processor, transporter, marketer, storage operator and distributor – to natural gas, natural gas liquids and other energy commodities.

The following are the key business strategies that ONEOK has outlined with the investment community:

Growth

- Increase distributable cash flow per unit through investments in internal growth projects and strategic acquisitions:
- Continue to grow/expand our integrated natural gas and natural gas liquids infrastructure by utilizing our strategic supply positions in the Williston Basin and Mid-Continent as seen in the graph below highlighting current Capex being invested through 2016 as well as other projects.

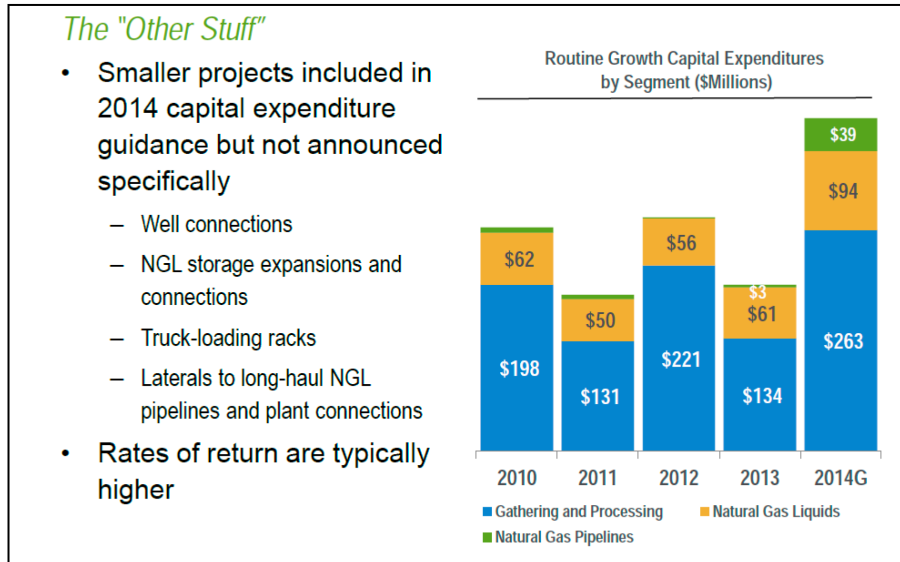
Figure 16 ONEOK's Natural gas and NG liquids capital program distribution



Financial

- Manage balance sheet and maintain investment-grade credit ratings
- Continue to increase natural gas and NGL volume growth that delivers significant fee-based earnings as explained in the graph below pertaining to the primary sources of margin for the business.
- Undertake a variety of smaller high return projects

Figure 17 ONEOK's Capital expenditures by segments



Environment, Safety and Health

- Continue to produce sustainable improvement in ESH performance by protecting employees and the public.
- Continue to maintain the mechanical reliability of our assets.

People

- Attract, select, develop and retain a diverse group of employees to support strategy execution.
- Management continuity is the result of effective succession planning.

Key Segments

As seen in the initial graph of asset placement for ONEOK, the company operates from the Mid-Continent to the Gulf Coast and all the shale plays in between. The maps below offer a more detailed view of major assets across the U.S., how the assets fit into the overall business, and the current revenue generating capacity the assets.

Figure 18 ONEOK's Natural Gas segment

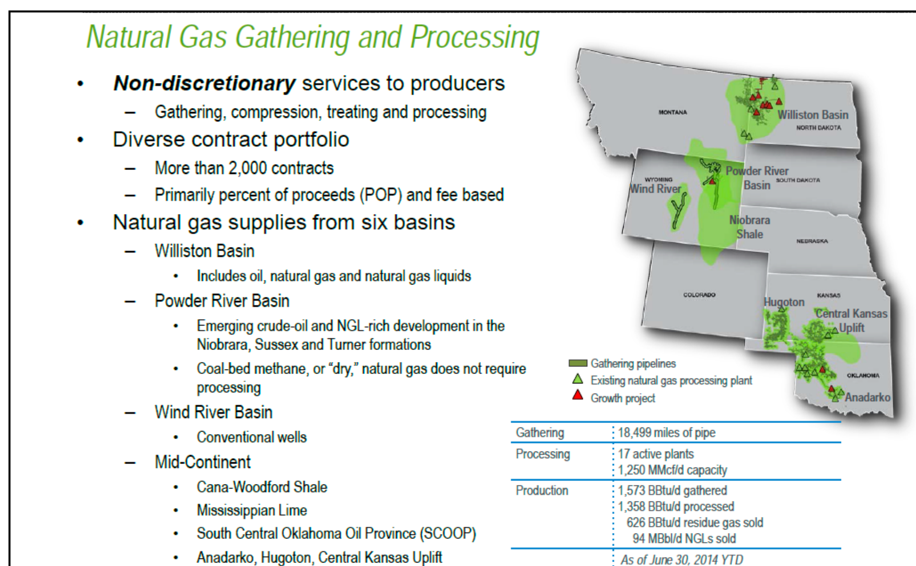


Figure 19 ONEOK's Natural Gas liquids segment

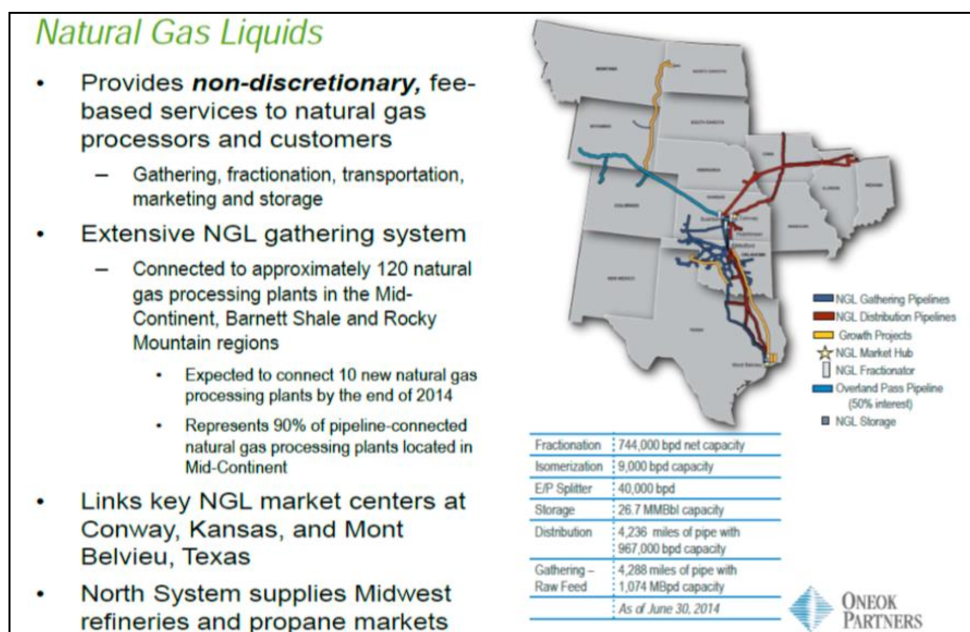
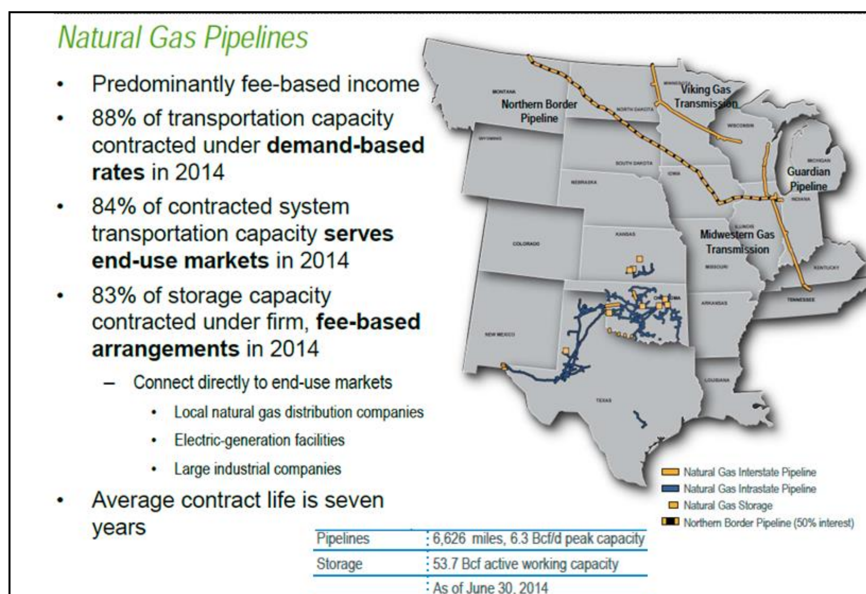


Figure 20 ONEOK's Natural Gas pipelines



Leadership and Governance

Board of Directors

Mr. John W. Gibson – He served as the Chief Executive Officer and Chairman of Viking Gas Transmission Company. Mr. Gibson served as the Chief Executive Officer of ONEOK Inc. from January 1, 2007 to January 30, 2014. Mr. Gibson served as the President at ONEOK Field Services Company and Koch Gateway Pipeline Company. He joined ONEOK in May 2000 which was composed of its pipelines and storage, gathering and processing, natural gas liquids and energy services segments. He served as the President of Oneok Partners GP LLC from April 6, 2006 to May 2008 and its Chief Operating Officer since April 6, 2006. He served as the President of ONEOK Energy Companies from 2005 to April 11, 2006. Mr. Gibson served as the President of Energy, ONEOK, Inc. from 2000 to 2005. He served as an Executive Vice President of Koch Energy Inc., and President of Koch Midstream Services from 1995 to 2000. His career in the energy industry began in 1974 as a refinery engineer with Exxon USA, and included various positions for 18 years with Phillips Petroleum Company in its natural gas, natural gas liquids and exploration and production businesses, including vice president of marketing of its natural gas subsidiary GPM Gas Corp. Mr. Gibson has been the Chairman of Oneok Partners GP LLC since October 16, 2007.

Mr. Terry K. Spencer – He has been the Chief Executive Officer and President at Oneok Inc. since January 31, 2014 and January 2012 respectively. Mr. Spencer has been the Chief Executive Officer and President of Oneok Partners, L.P., since January 31, 2014 and previously served as its President since January 1, 2012. Mr. Spencer has been the President of TransCanada Northern Border Inc. since January 1, 2012. He was the Vice President of Operations at Cantera Gas Company, LLC, since 1991. He served as the Chief Operating Officer of TransCanada Northern Border Inc. He served as the Chief Operating Officer of ONEOK Partners, L.P., a General Partner of Transcan Northwest Border Ltd. from July 16, 2009 to January 2012. He served as an Executive Vice President of Natural Gas Liquids Segments of Oneok Inc. Mr. Spencer served as an Executive Vice President of Natural Gas Liquids Segments of Oneok Partners L.P since July 25, 2007 and its subsidiary, Viking Gas Transmission Company. He serves as President of

Natural Gas Liquids Segment of TXOK Energy Resources Company. He served as an Executive Vice President of Oneok Inc. General Partner of Oneok Partners L.P. since May 2008. He served as the President of Natural Gas Liquids Segment of Oneok Inc., since January 24, 2006 and Oneok Partners L.p. from April 2006 to July 25, 2007. He served as General Manager of Gathering and Processing of Oneok Inc. since February 1, 2005. Mr. Spencer served as Senior Vice President of New Natural Gas Liquids segment of Oneok Inc. since July 1, 2005 and also as its Vice President since February 1, 2005.

Mr. Craig F. Strehl – He serves as Chief Operating Officer and Partner of Lonestar Midstream, L.P. Mr. Strehl served as the President of the Bass Family's Sid Richardson Carbon & Energy Company. After a brief time as President of SUG's midstream assets, he retired in January 2007. He began his energy career in 1980 as a pipeline engineer with TXO. After managing various engineering and commercial responsibilities for TXO, he joined Aquila Energy in 1987. As Vice President of Marketing and Business Development for Aquila, he completed the purchase of Clajon Gas Company in 1990, which was subsequently renamed Aquila Gas Pipeline (AQP) in 1993. He has been a Director of Oneok Partners gp, llc, General partner of ONEOK Partners, L.P. since August 2009. Mr. Strehl served as Independent Director of LONESTAR Midstream since his joining in October 2007.

Ms. Julie H. Edwards – She served as Senior Vice President and Chief Financial Officer of Panhandle Eastern Pipe Line Co. LP. Ms. Edwards served as the Senior Vice President and Chief Financial Officer of Southern Union Co. from July 5, 2005 to November 2006 and also served as its Senior Vice President of Corporate Development from November 1, 2006 to January 18, 2007. She served as an Executive Vice President of Finance and Administration of Frontier Oil Corp., from April 2000 to May 31, 2005 and as its Chief Financial Officer from August 1994 to May 31, 2005. She joined Frontier Oil Corp. in March 1991 and served as Vice President, Secretary and Treasurer from March 1991 to August 1994. Ms. Edwards served as Senior Vice President of Finance of Frontier Oil Corp., from August 1994 to April 2000. From 1985 to February 1991, she was employed by Smith Barney, Harris Upham & Co. Inc. in the Corporate Finance Department. From 1988 to 1991, she served as Vice President of Corporate Finance for Smith Barney (also known as Citigroup CIB), Harris, Upham & Co., Inc., New York and Houston, after joining it as an Associate in 1985. She served as an Exploration Geologist of Amerada Hess Corp. in Tulsa, Okla. Prior to 1985, she was employed by Amerada Hess Corporation and American Ultramar, Ltd.

Mr. Michael G. Hutchinson - He was a Partner of Deloitte & Touche until 2012. Mr. Hutchinson's Deloitte career spanned nearly 35 years, led Deloitte & Touche's Denver Energy and Natural Resources Practice for the last fifteen years while at the same time managing the Audit and Enterprise Risk Management practice of the Denver office. He served as the Lead Audit Partner on many of the Deloitte & Touche's largest clients in Denver from 1989 to 2012. He has been a Director of ONEOK Inc. since April 2015. He has been an Independent Director of Westmoreland Coal Co. since August 1, 2012. He has been a Director of Oneok Partners GP LLC since April 16, 2015. He has been an Independent Director of ONE Gas, Inc. since January 31, 2013.

Mr. Steven J. Malcolm – He serves as the President at Williams Companies, Inc. Mr. Malcolm serves as Chief Engineer of Vianini Pipe, Inc. He served as the Chairman and Chief Executive Officer of Williams Pipeline GP LLC - General Partner of Williams Pipeline Partners L.P. since 2005. He served as Chief Executive Officer of Northwest Pipeline GP since October 1, 2007. He served as Principal of Magellan Terminals Holdings, L.P. Mr. Malcolm served as the Chairman, President and Chief Executive Officer of Williams Partners GP LLC, the General Partner of Williams Partners LP, from February 2005 to December 31, 2010. He served as the President of Magellan Pipeline Company LP. Mr. Malcolm served as the Chief

Executive Officer and Chairman of Williams Companies, Inc. from 2002 to December 31, 2010 and its President from September 2001 to January 3, 2011. He served as General Manager of Gathering and Processing and Senior Vice President at Williams Field Services Group, LLC. Mr. Malcolm served as Chief Operating Officer of Williams Companies, Inc. since September 2001. He served as an Executive Vice President of Williams from May 2001 to September 2001. Mr. Malcolm served as President and Chief Executive Officer of Williams Energy Services LLC from December 1998 to May 2001. He served as Senior Vice President, Vice President and General Manager of Williams Field Services Company, LLC from November 1994 to December 1998. Mr. Malcolm served as Chairman and Chief Executive Officer of Williams Energy Partners LP. He served as Senior Vice President of Transcontinental Gas Pipe Line Company, LLC. He serves as Chairman of the Board of Transcontinental Gas Pipe Line Company, LLC, and Magellan Pipeline Company, LP. He served as a Director of Williams Partners GP LLC from February 2005 to December 31, 2010, and Williams Companies, Inc., from 2001 to January 3, 2011. He served as Director of Northwest Pipeline Corporation from May 16, 2002 to September 30, 2007.

Mr. Jimmy W. Mogg - He served as the Chief Development Officer and Group Vice President of DCP Midstream LLC (formerly, Duke Energy Field Services LLC) since January 1, 2004. Mr. Mogg joined Duke Energy Corporation in 1973 in the gas supply department of Panhandle Eastern Pipe Line Company. He served as an Executive Officer of Duke Energy Field Services LP, Eastern Oklahoma Assets. Mr. Mogg served as the Chairman, Chief Executive Officer and President of DCP Midstream LLC from December 1994 to 2003 and for DEFS since December 1999. He served as a Manager of forecasting and operations for Panhandle Eastern gas supply in Kansas City since 1980 and General Manager of gas supply for Trunkline Gas Company in Houston since 1986. He served as a General Manager of Contracts and Operations & Gas Supply for the Panhandle Eastern and Trunkline systems since 1988 and served as Vice President, Gas Supply for Panhandle Eastern, Trunkline and Texas Eastern Transmission Corp. since 1989. Mr. Mogg served as Senior Vice President of Panhandle Eastern since 1991, where he was responsible for marketing, regulatory affairs and gas supply. Mr. Mogg served as the President of Centana Energy Corporation from 1992 to 1999. Previously, he served various executive and senior management positions at Duke Energy and Pan Energy over a 27-year period. He served as the Chairman of DCP Midstream Partners since 2005. Mr. Mogg served as Chairman of DCP Midstream GP, LLC, General Partner of DCP Midstream Partners LP from August 2005 to April 30, 2007. He served as the Chairman of the Board of Texas Eastern Products Pipeline Company LLC, General Partner of TEPPCO Partners LP from May 2002 to 2005 and served as its Director since October 1997. He served as Vice Chairman of the Board of Texas Eastern Products Pipeline from April 2000 to April 2002. He serves as Lead Independent Director of ONEOK Inc. He has been a Director of Oneok Partners GP, LLC - General partner at ONEOK Partners, L.P. since August 2009 and Matrix Service Company since August 27, 2013. He served as a Director of DCP Midstream GP, LLC until April 30, 2007. He served as a Director of Texas Eastern Products Pipeline Company LLC since October 1997.

Mr. Gary N. Petersen – He serves as the Chief Operating Officer of Renewafuel LLC. He has over twenty years of experience in the energy sector. Mr. Petersen served as the President and Chief Operating Officer of Minnegasco Division of NorAm Energy Corp. since September 1991. From 1977 to 1998, he served as Executive Vice President of Reliant Energy-Minnegasco. He served as Reliant Energy-Minnegasco's President and Chief Operating Officer from 1991 to 1998. Prior to his employment at Minnegasco, he served as a Senior Auditor at Andersen. Mr. Petersen serves as a Director of Viking Gas Transmission Company. He has been a Director of Oneok Partners gp, llc, General partner of ONEOK Partners, L.P. since May 2006. He currently serves on the boards of the YMCA of Metropolitan Minneapolis and the Dunwoody College of Technology.

As all strategies come from the management of the company, another good factor to review is who oversees management's decisions. Boards of Directors are graded based upon the value their experiences bring in helping ensure management is making the right decisions. The chart below grades the board for ONEOK Partners.

	Midstream	Energy Related	Finance; Other Industry	HSE	Politicians & Lawyers	Other	Score per Director
Points	**3**	**2**	**1**	**1**	**0**	**0**	**-**
Mr. John W. Gibson		2					**2.0**
Mr. Terry K. Spencer	3						**3.0**
Mr. Craig F. Strehl	3						**3.0**
Ms. Julie H. Edwards			1				**1.0**
Mr. Michael G. Hutchinson			1				**1.0**
Mr. Steven J. Malcolm	3						**3.0**
Mr. Jimmy W. Mogg		2					**2.0**
Mr. Gary N. Petersen		2					**2.0**
					Average		**2.12**

An average score of 2.12 out of 3.0 indicates a strong overall board for OneOK with only one insider and a total of 6 board members that have midstream energy experience which should give shareholders confidence in the strategies pursued by the company.

Valuation

The value of a share of Oneok Partners, L.P. at the end of 2013 was $52.65; the value of a share based on the net present value of the expected dividend stream discounted at the company's cost of equity was $58.05, suggesting a market undervaluation of 9%; the value of a share based on the net present value of the likely cash flow of the company after capital expenditures discounted at the company's weighted average cost of capital was $144.19, suggesting a market undervaluation of 64% before IDRs. OKS General Partner receives about 30% of total MLP distributions.