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MERCHANT BANKING

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Capital Markets Trends: Going Public and Raising Capital for Growth in the Debt and Equity Markets

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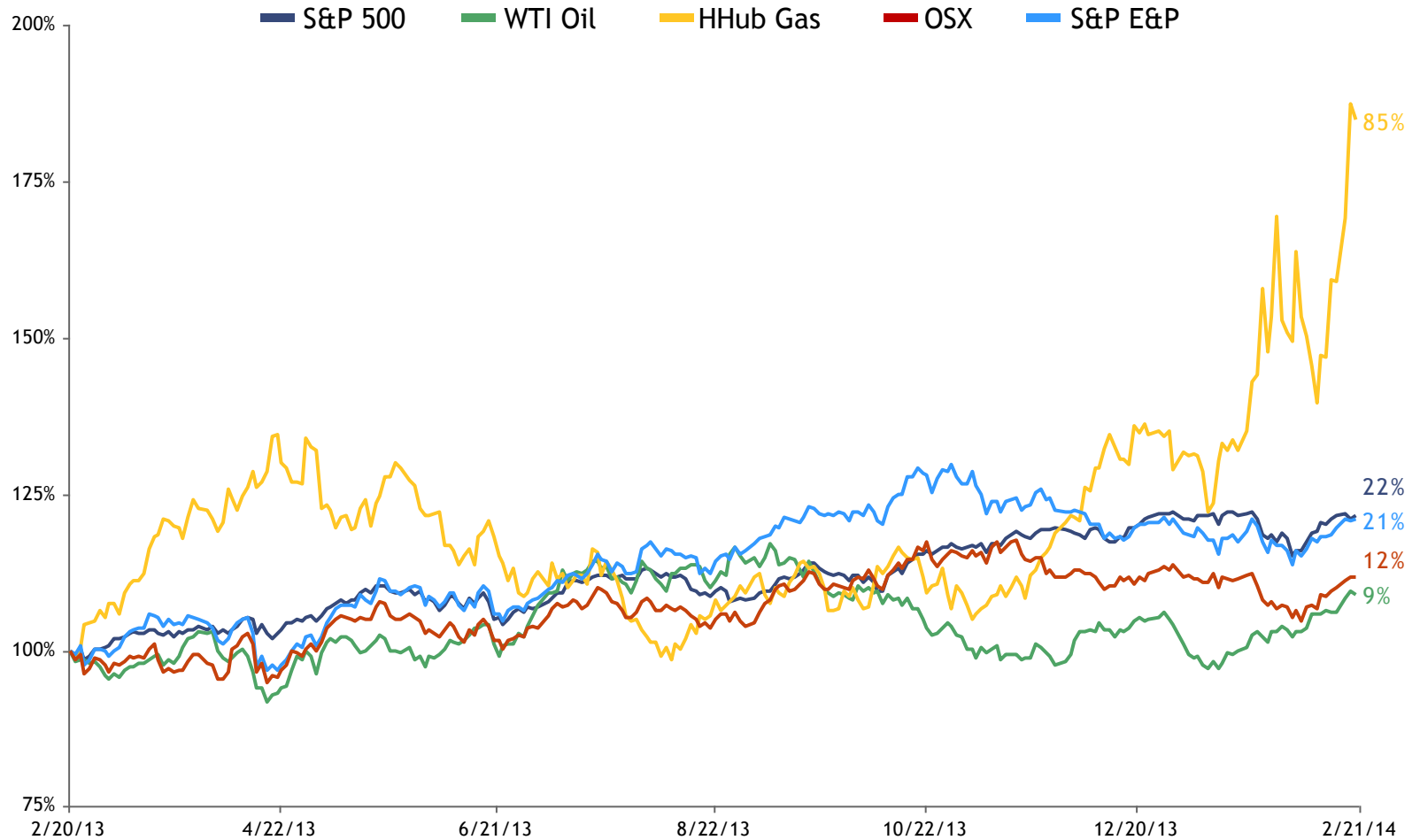
John Kennedy, Managing Director and Head of Capital Markets, Tudor, Pickering Holt & Co.

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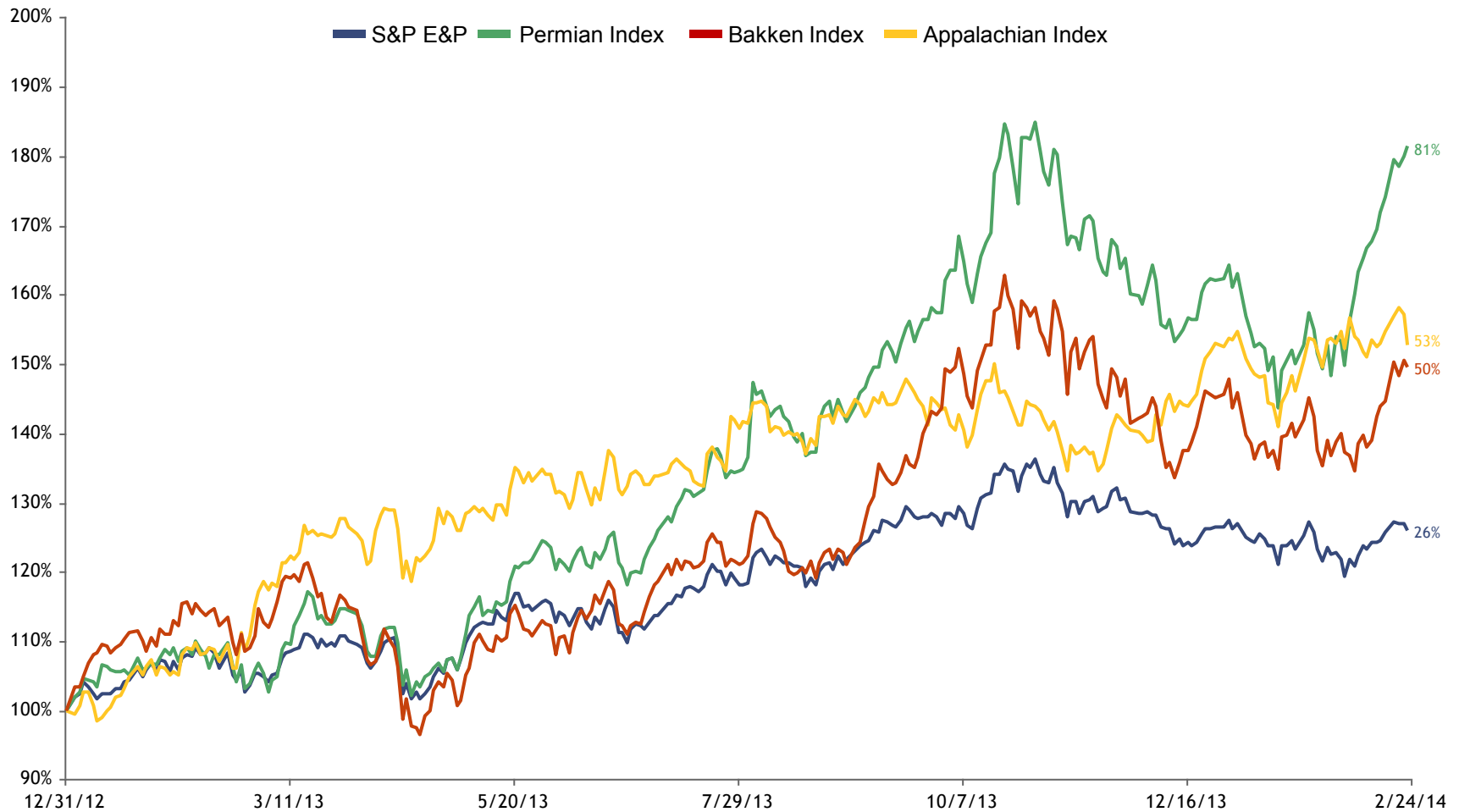
Key Capital Markets Themes

- IPO market wide open
- Investors valuing pure-play companies
- High-yield remains attractive (including private co.'s)
- Private equity continuing to monetize investments via public markets

LTM Price Performance



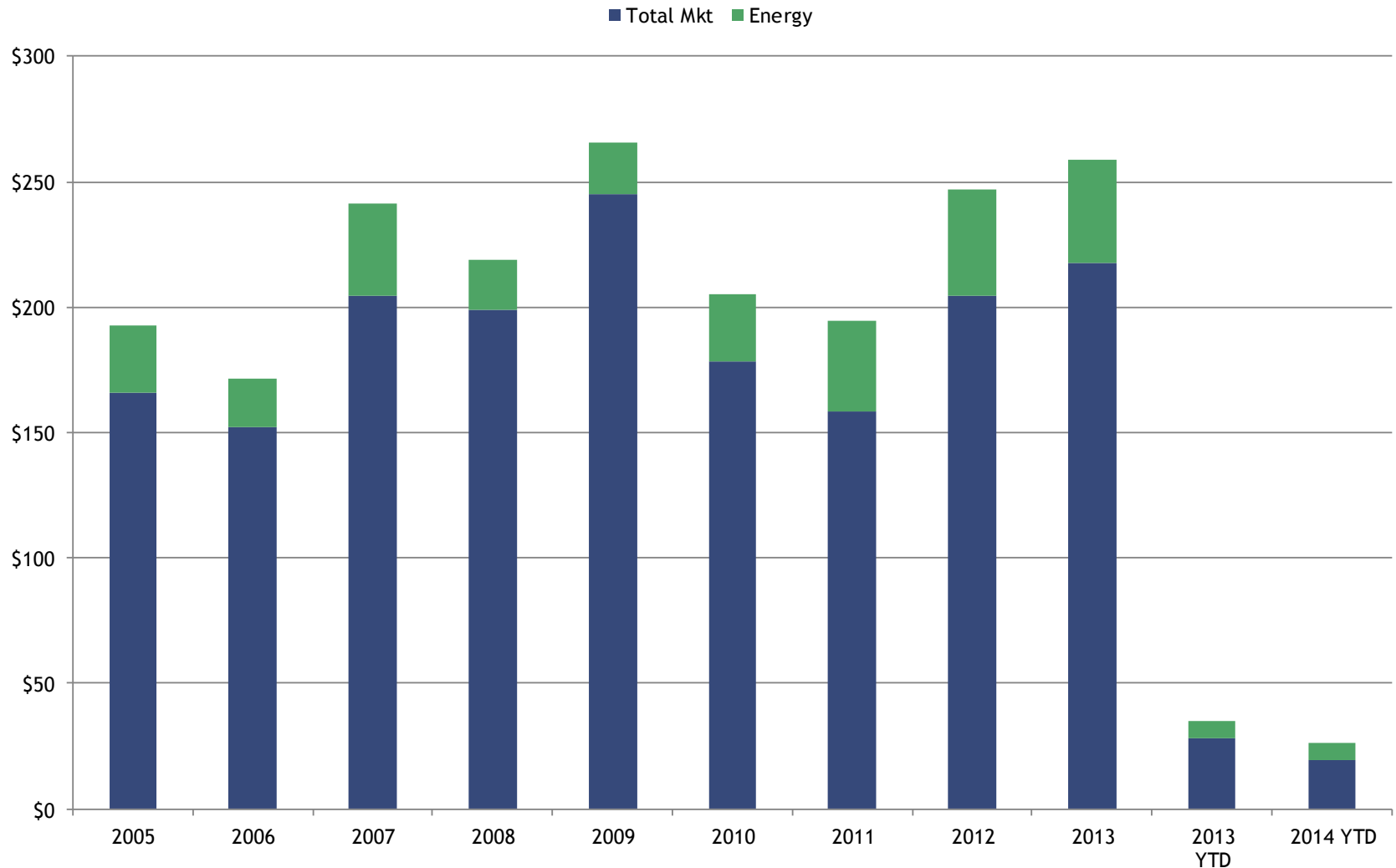
Relative Equity Performance



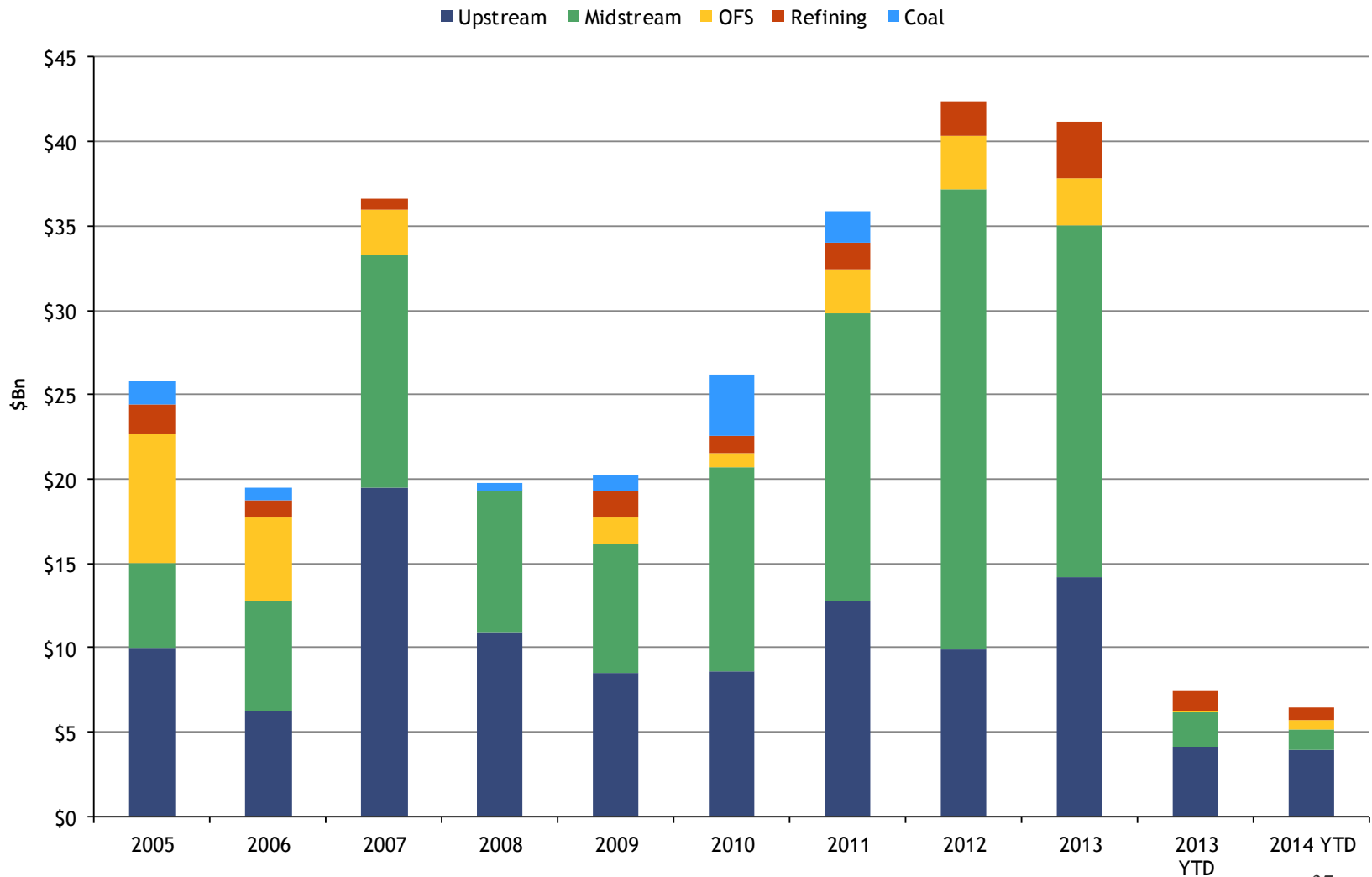
Source: FactSet as of 2/21/2014.

Note: Permian index includes: FANG, AREG, CXO, ATHL, CWEI, LPI, RSPP. Bakken index includes: OAS, KOG, CLR, TPLM, NOG. Appalachian index includes: COG, EQT, RRC, REXX, GPOR, AR, RICE.

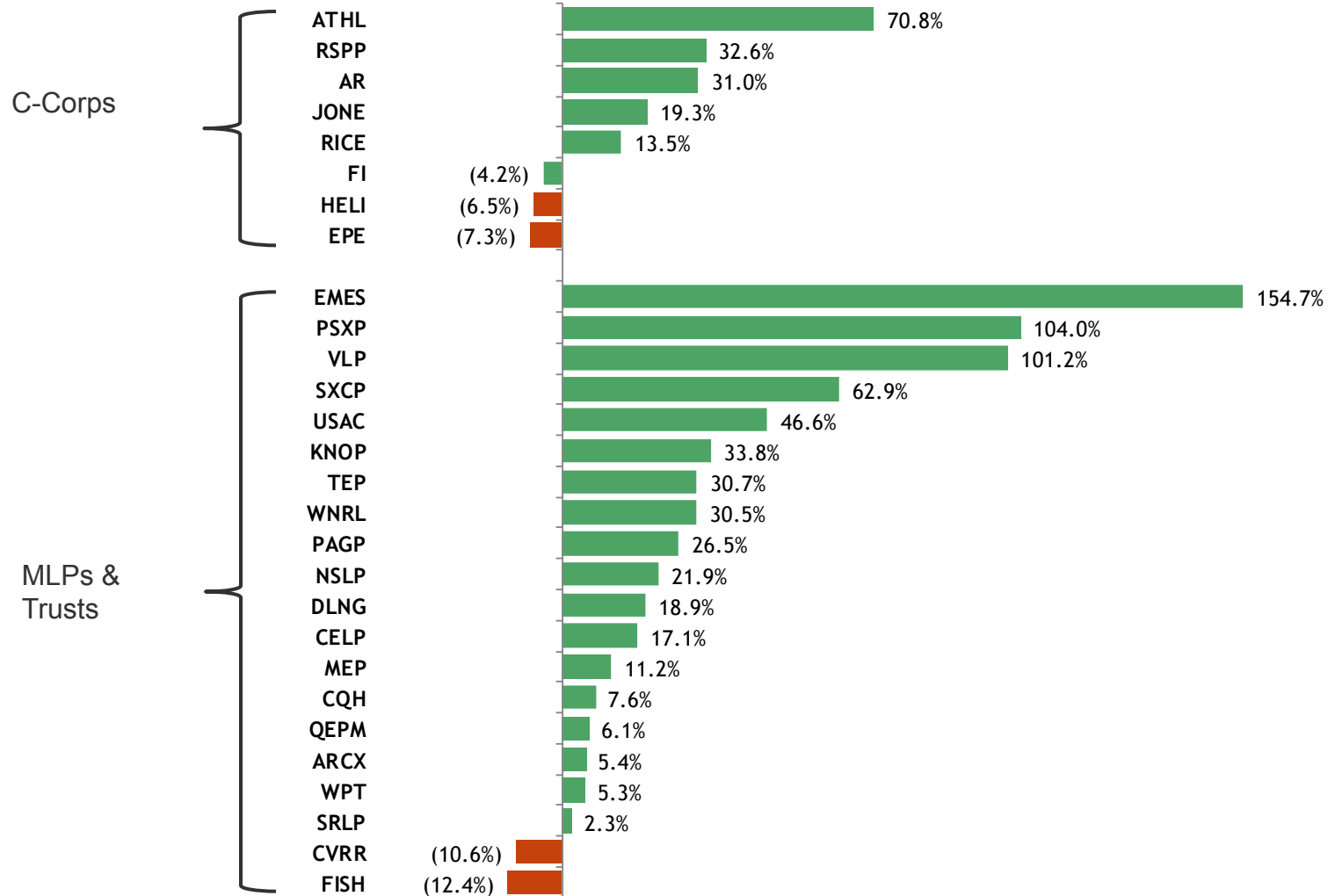
Broad Market Equity Issuance Volume (\$Bn)



Energy Equity Issuance Volume (\$Bn)



Recent Energy IPO Performance (IPOs Since 2013)



2014 Upstream IPO Performance

EV / EBITDA Multiple at IPO

	2014	2015	IPO Size (\$MM)	IPO Execution	Performance Since IPO
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7.4x

5.5x

\$449

In range

36.0%



5.9x

5.5x

\$704

Below range

(5.2%)



10.9x

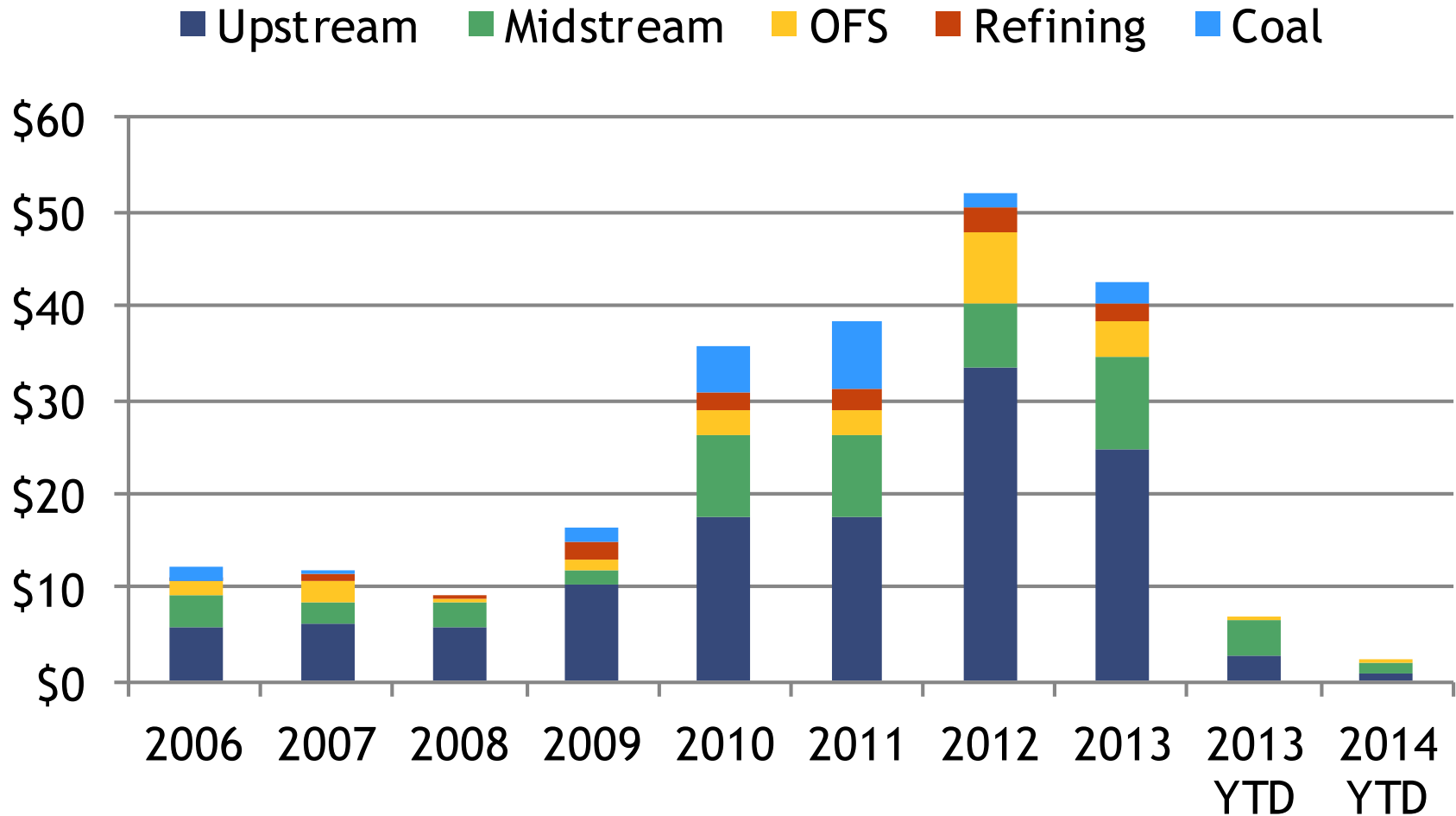
6.2x

\$1,050

Top of range

11.9%

US Energy High Yield Volumes Peaked in 2012 (\$Bn)



Private Equity is Increasingly Active in Public Markets

Portfolio Companies Completing IPOs



Selling Down Stakes of Existing Public Companies



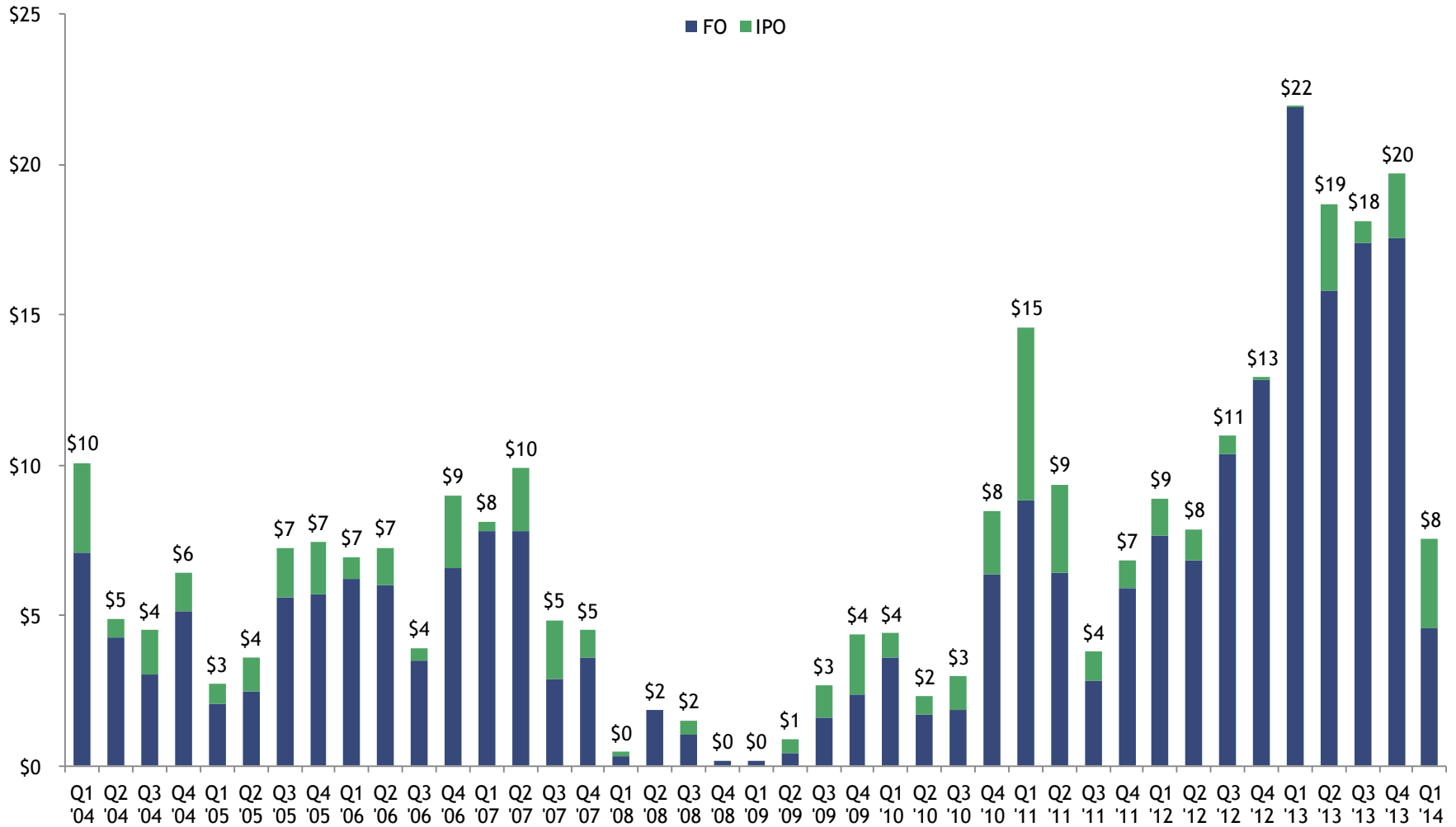
Investing Directly Into Public Companies



Taking Back Stock as M&A Consideration



Private Equity Exits Via Public Stock Offerings



2013 Energy Equity Capital Markets Activity

Energy IPO activity

- 26 IPOs (22 yield-based)
- \$11.3 billion raised

Energy follow-on equity activity

- 40 upstream offerings
- 50 midstream/downstream offerings
- 6 services offerings

2013 Energy IPO Activity

Segment	Focus	Company
Upstream	Permian Basin	Athlon Energy Inc.
	Marcellus/Utica Shale	Antero Resources
		Jones Energy Inc.
	Misener-Hunton Formation	New Source Energy Partners L.P.
Midstream	Compression	USA Compression Partners LP
	Pipelines	Marlin Midstream Partners LP
		QEP Midstream Partners LP
		Tallgrass Energy Partners LP
		Phillips 66 Partners LP
		Valero Energy Partners LP
		Midcoast Energy Partners, L.P.
		Western Refining Logistics, LP
		Plains GP Holdings, L.P.
	Shipping	KNOT Offshore Partners LP
		Dynagas Partners LP
		Navigator Holdings
	Terminalling	World Point Terminals LP
		Sprague Resources LP
		Arc Logistics Partners LP
	Other	SunCoke Energy Partners LP (coke)
		Emerge Energy Services LP (sand production and fuel processing and distribution)
		OCI Partners LP (fertilizer)
		OCI Resources LP (tona ore mining and soda ash production)
	Downstream	Refining/Liquefaction
Cheniere Energy Partners LP Holdings LLC		
Services	Tubular Services	Frank's International N.V.

2013 Energy IPOs - Pricing and Timing

Issuer	Prelim Prospectus Price Range	IPO Price	Days in Registration (First filing/submission to IPO closing date)
Antero Resources	\$38.00-\$42.00	\$44.00	118
Arc Logistics Partners LP	\$19.00-\$21.00	\$19.00	85
Athlon Energy Inc	\$18.00-\$20.00	\$20.00	94
Cheniere Energy Partners LP Holdings LLC	\$19.00-\$21.00	\$20.00	83
CVR Refining, LP	\$24.00-\$26.00	\$30.00	107
Dynagas LNG Partners LP	\$19.00-\$21.00	\$18.00	125
Emerge Energy Services LP	\$19.00-\$21.00	\$17.00	168
Frank's International N.V	\$19.00-\$21.00	\$22.00	90
Jones Energy Inc.	\$17.00-\$19.00	\$15.00	116
KNOT Offshore Partners LP	\$19.00-\$21.00	\$21.00	109
Marlin Midstream Partners, LP	\$19.00-\$21.00	\$20.00	83
Midcoast Energy Partners, L.P.	\$19.00-\$21.00	\$18.00	145
Navigator Holdings	\$17.00-\$19.00	\$19.00	125
New Source Energy Partners L.P	\$19.00-\$21.00	\$20.00	111
OCI Partners LP	\$19.00-\$21.00	\$18.00	111
OCI Resources LP	\$19.00-\$21.00	\$19.00	126
Phillips 66 Partners LP	\$19.00-\$21.00	\$23.00	117
Plains GP Holdings, L.P.	\$22.00-\$25.00	\$22.00	78
QEP Midstream Partners, LP	\$19.00-\$21.00	\$21.00	91
Sprague Resources LP	\$19.00-\$21.00	\$18.00	812
SunCoke Energy Partners LP	\$19.00-\$21.00	\$19.00	162
Tallgrass Energy Partners LP	\$21.00-\$23.00	\$21.50	91
USA Compression Partners, LP	\$19.00-\$21.00	\$18.00	585
Valero Energy Partners LP	\$19.00-\$21.00	\$23.00	82
Western Refining Logistics, LP	\$19.00-\$21.00	\$22.00	76
World Point Terminals, LP	\$19.00-\$21.00	\$20.00	94

2013 Energy IPO Observations

Average time in SEC registration

- 108 days (excluding Sprague and USA Compression)

JOBS Act confidential submission process

- 14 first submitted confidentially under JOBS Act
- 12 first filed publicly

Pricing

- 10 above midpoint
- 12 below midpoint
- 4 at midpoint

Recent Disclosure Trends

- **Probable and possible reserves**
- **EURs**
- **Initial production rates**
- **PV-10 values**
- **Type curve**
- **Well locations / Inventory**
- **Rate of return**

Recent Disclosure Trends (cont'd)

- **“Effective Horizontal Acreage”**
 - Summation of horizontal acreage across multiple proven oil and natural gas producing stratigraphic horizons or “stacked pay zones”
 - Issuer must have accurate acreage delineation for each pay zone
- **Ethane recovery vs. ethane rejection**
 - Determined by whether economics favor recovery or rejection of the ethane from the issuer’s natural gas stream by midstream processor
 - Changes Btu content of natural gas stream
- **Production guidance**
 - Shaped by decline curve, drilling plan and capital expenditures

Up-C Structures - Overview

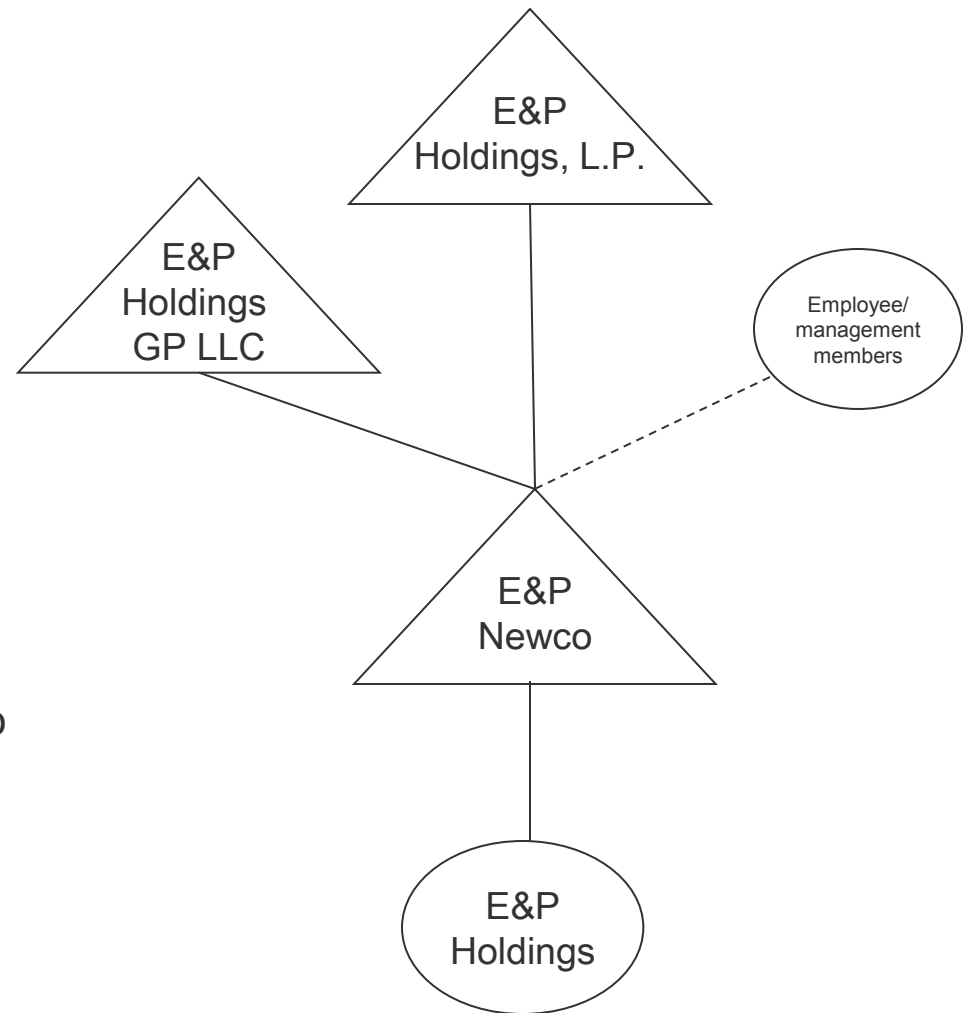
- In 2013, at least three oil and gas companies went public using a so-called UP-C structure:
 - Athlon Energy Inc.
 - Frank's International N.V.
 - Jones Energy, Inc.
- In using this structure, the public company ("IPOCo") typically owns a substantial equity interest in a pass-through subsidiary holding company ("Holdings"), which owns the operating assets. The equity interests in Holdings not held by IPOCo are typically owned by the pre-IPO investors, which may consist with individual investors, private equity funds or others.

Up-C Structures - Overview

- Exchange Rights - The pre-IPO investors in Holdings have the right to exchange their Holdings equity interests for shares in IPOCo, at which point IPOCo gets a stepped-up tax basis in the Holdings equity interests (which results in tax savings to IPOCo through additional depreciation and amortization) and the pre-IPO investors are taxed on any gain recognized as a result of the exchange.
- Tax Receivable Agreement - The pre-IPO investors and IPOCo typically enter into a tax receivable agreement pursuant to which IPOCo would pay the pre-IPO investors a portion (typically 75% to 85%) of the tax benefits realized from the basis step-up resulting from the exchanges.
- These types of structure are likely to continue gaining popularity.

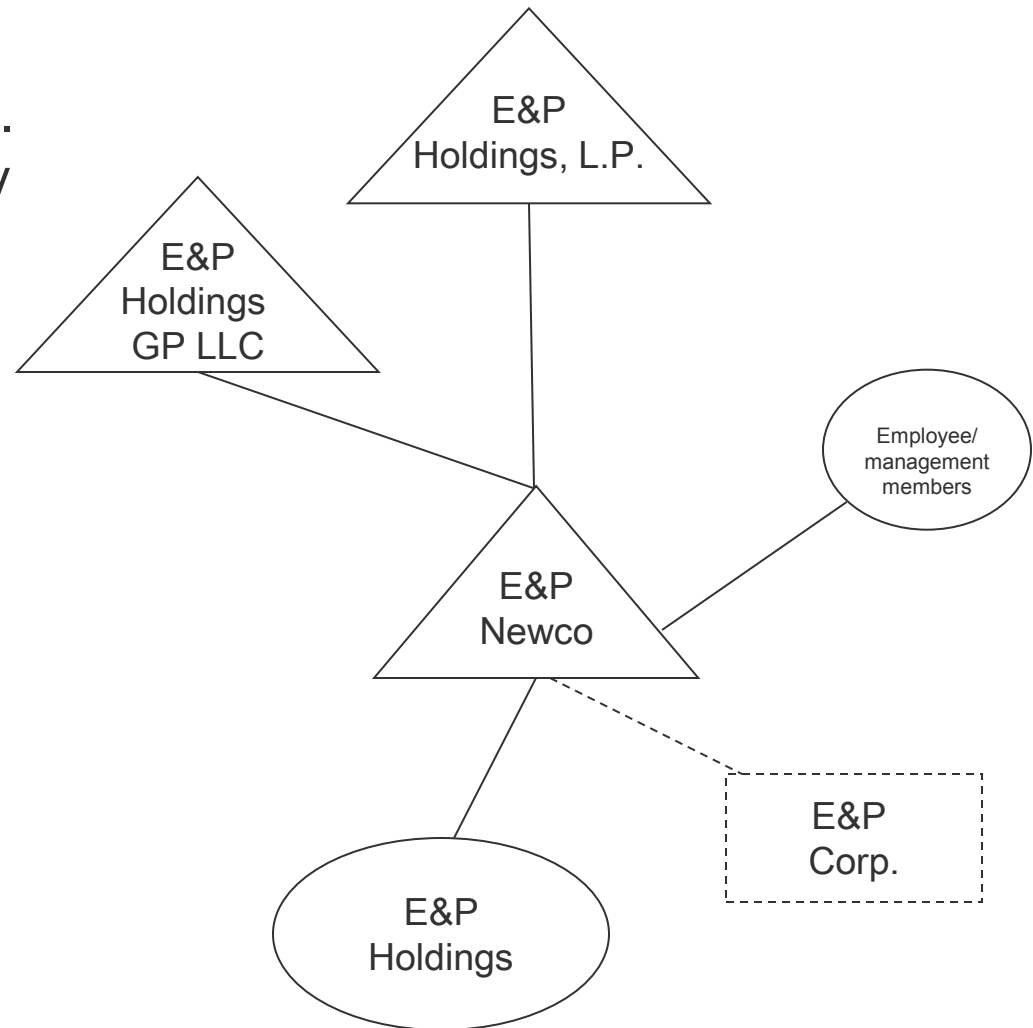
Step One – Formation of E&P Newco LLC via Drop-Down

- Current members of E&P Holdings contribute their interests in E&P Holdings to E&P Newco in exchange for E&P Newco interests
 - Formation of E&P Newco could also be effected through merger
- Funds holding through blockers may contribute the blocker stock to E&P Newco or the blockers may contribute their E&P Holdings interests to E&P Newco
- E&P Newco's operating agreement will include revised governance terms and any necessary changes to the distribution mechanics



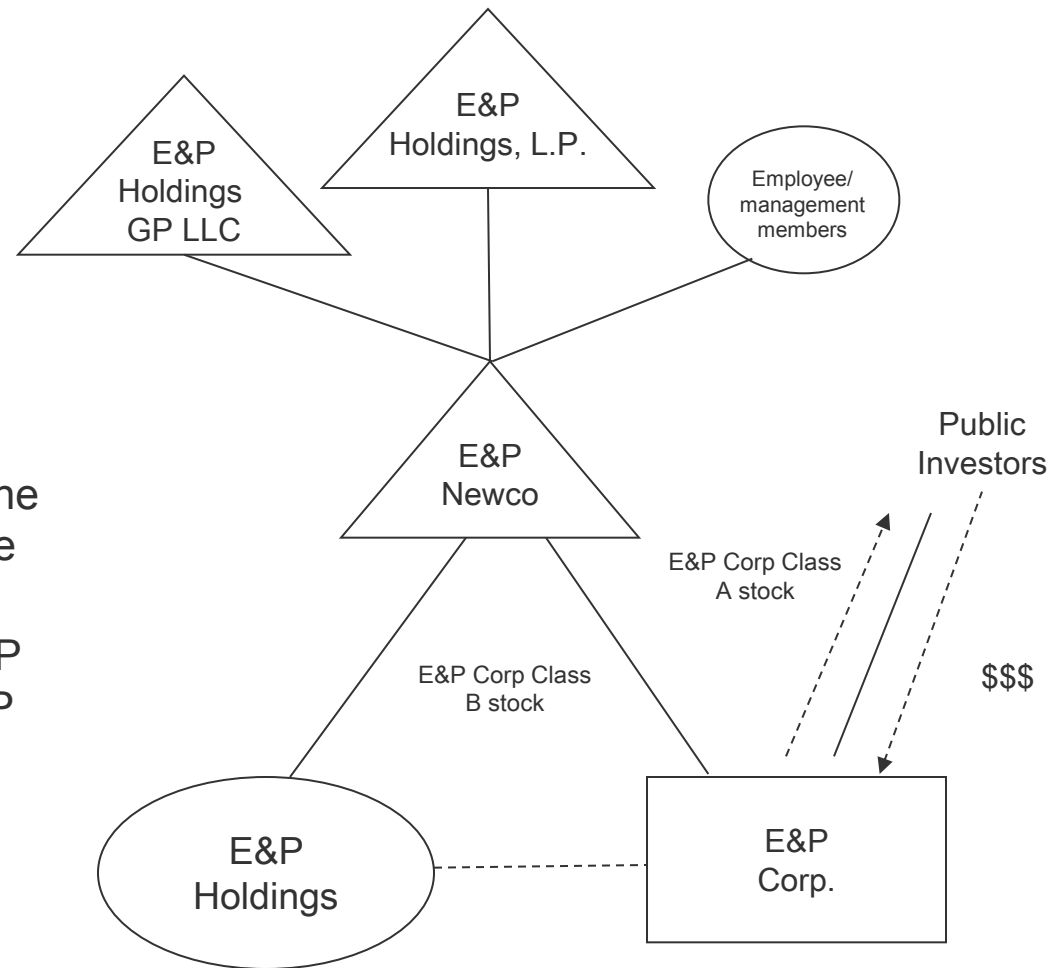
Step Two – Formation of E&P Corp. (new IPO entity)

E&P Newco forms E&P Corp.
as a wholly owned subsidiary



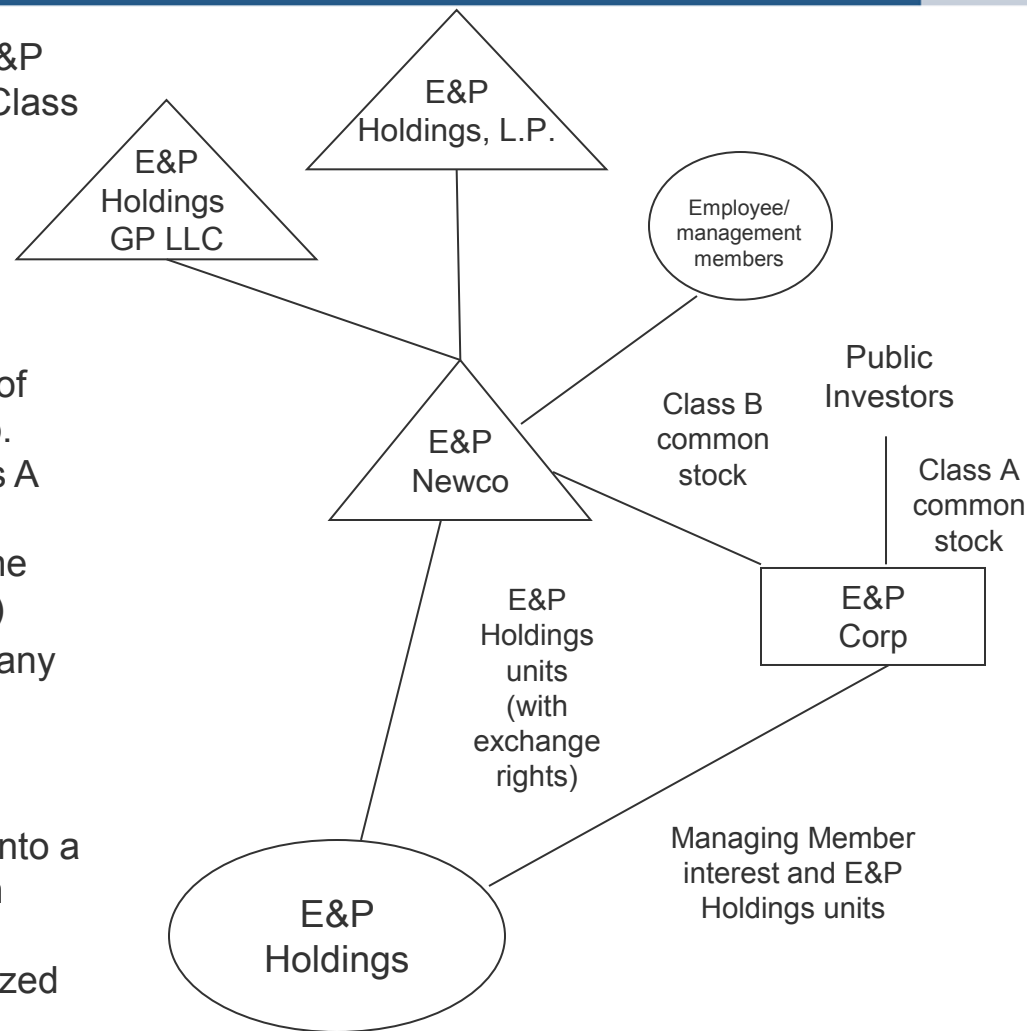
Step Three – Public Offering

- E&P Corp. issues Class B Common Stock to E&P Newco (e.g., in exchange for par value payment)
- E&P Corp. issues Class A common stock to the public for cash
- Class A common stock has 100% of the economic rights of the equity owners of E&P Corp.
- E&P Corp. contributes proceeds of the offering to E&P Holdings in exchange for units of E&P Holdings
- Units of E&P Holdings owned by E&P Corp. share in distributions from E&P Holdings proportionately
- E&P Corp. will become the sole managing member of E&P Holdings



Up-C Resulting Structure and Future Transactions

- E&P Newco has the right to exchange its E&P Holdings units together with its E&P Corp. Class B common stock for E&P Corp. Class A common stock at any time
- A variety of capital structures are possible, permitting a wide range of governance and economic sharing arrangements
- In the future, the exchange by E&P Newco of E&P Holdings units together with E&P Corp. Class B common stock for E&P Corp. Class A common stock will be taxable (typically the exchange will be immediately followed by the sale of the Class A common stock received)
- E&P Corp. will receive a basis increase for any gain recognized by E&P Newco on the exchange
- Tax Receivable Agreement
E&P Newco and E&P Corp. typically enter into a tax receivable agreement pursuant to which E&P Corp. would pay E&P Newco a portion (typically 75%-85%) of the tax benefits realized from the basis step-up resulting from the exchanges



Up-C Structures – Comparison

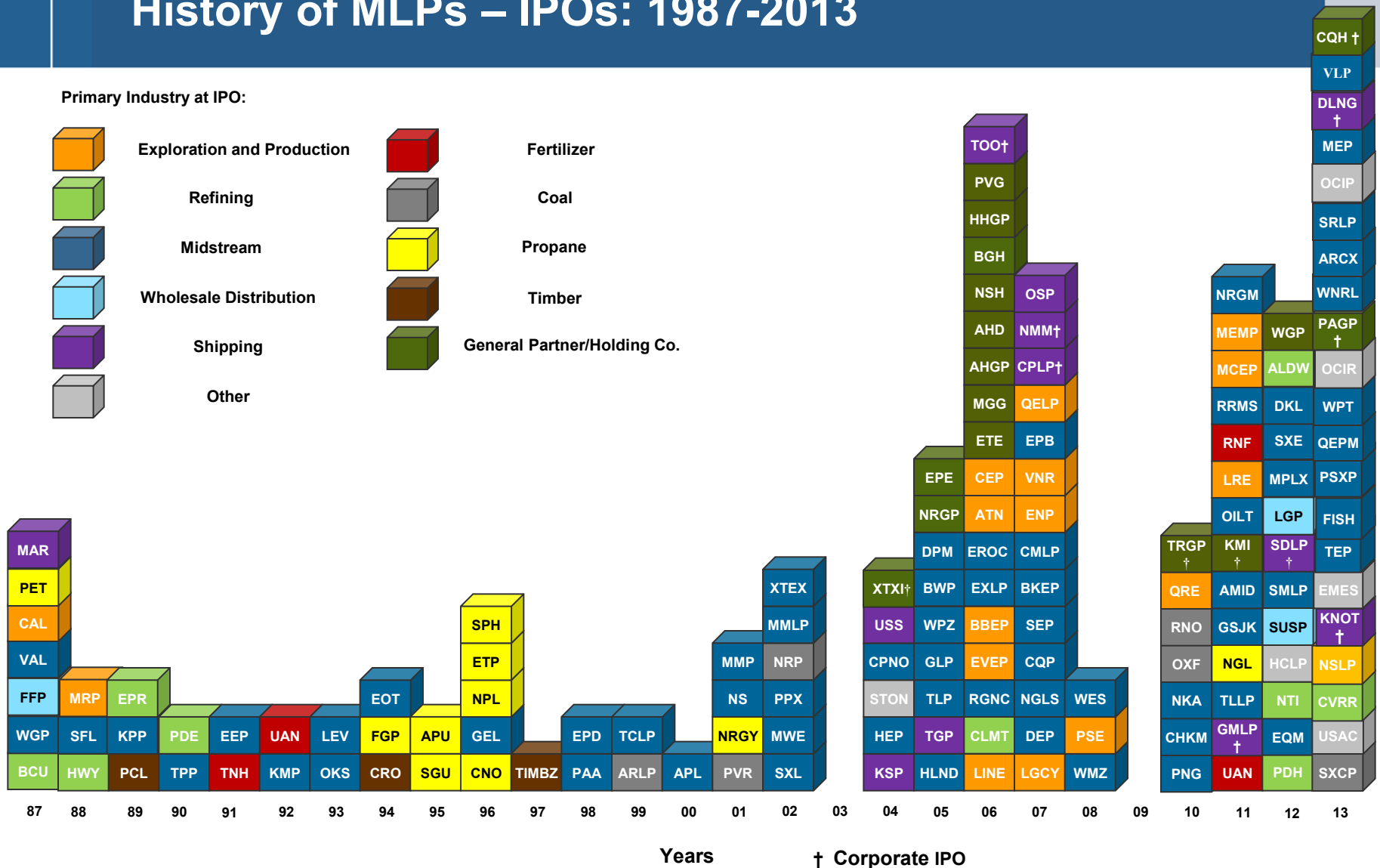
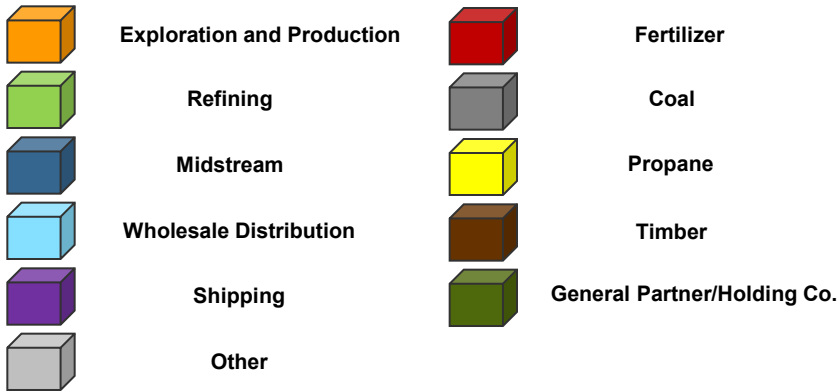
	Conventional Public Company	Up-C Structure
Public Market Transparency / Investor Demand	<ul style="list-style-type: none"> Corporate structure is well recognized and accepted by public markets Variations such as dual class voting and control by parent company should be analyzed on case-by-case basis 	<ul style="list-style-type: none"> Structure provides same economics and value to public investors as conventional structure In a variety of scenarios, the structure could result in substantial tax benefits to public shareholders (e.g., asset basis step-up results from company effecting secondary sale via taxable exchange of its Holdings interest for IPOCo stock)
Accounting	<ul style="list-style-type: none"> Public company consolidates its operations All assets and liabilities appear on balance sheet and all income and expenses appear on income statement No minority interest on income statement or balance sheet 	<ul style="list-style-type: none"> IPOCo consolidates Holdings since it is managing member Consolidation is critical for capital markets and '40 Act purposes Holdings interests show up as noncontrolling interest on income statement and balance sheet, but revenues, EBIT, net income before minority interest and EPS are not affected
Tax Consolidation / Single Level Taxation	<ul style="list-style-type: none"> All of public company's earnings are subject to corporate level tax and any dividends would be subject to second level of tax No ability to use operating losses from other sources to offset taxable income of public company 	<ul style="list-style-type: none"> Retains flow-through tax benefits of Holdings structure for owners of Holdings Holdings owners can use operating losses from operations or other sources to offset taxable income allocations from Holdings
Increased Tax Depreciation / Amortization	<ul style="list-style-type: none"> Future secondary sales by partner owners will result in capital gains tax but will not result in any tax basis step-up in public company's assets 	<ul style="list-style-type: none"> Future secondary sales (via exchange of Holdings interests for public company stock) will increase tax basis by amount of gain recognized This will increase cash flow and EPS
Control	<ul style="list-style-type: none"> Vote and value typically linked unless separate class of supermajority stock issued. 	<ul style="list-style-type: none"> Vote and value can be separated through several different options including issuing special non-economic "golden shares" to Holdings owners or via election of a majority of directors of public company or including approval rights on material transactions of Holdings

Up-C Structures – Comparison (cont'd)

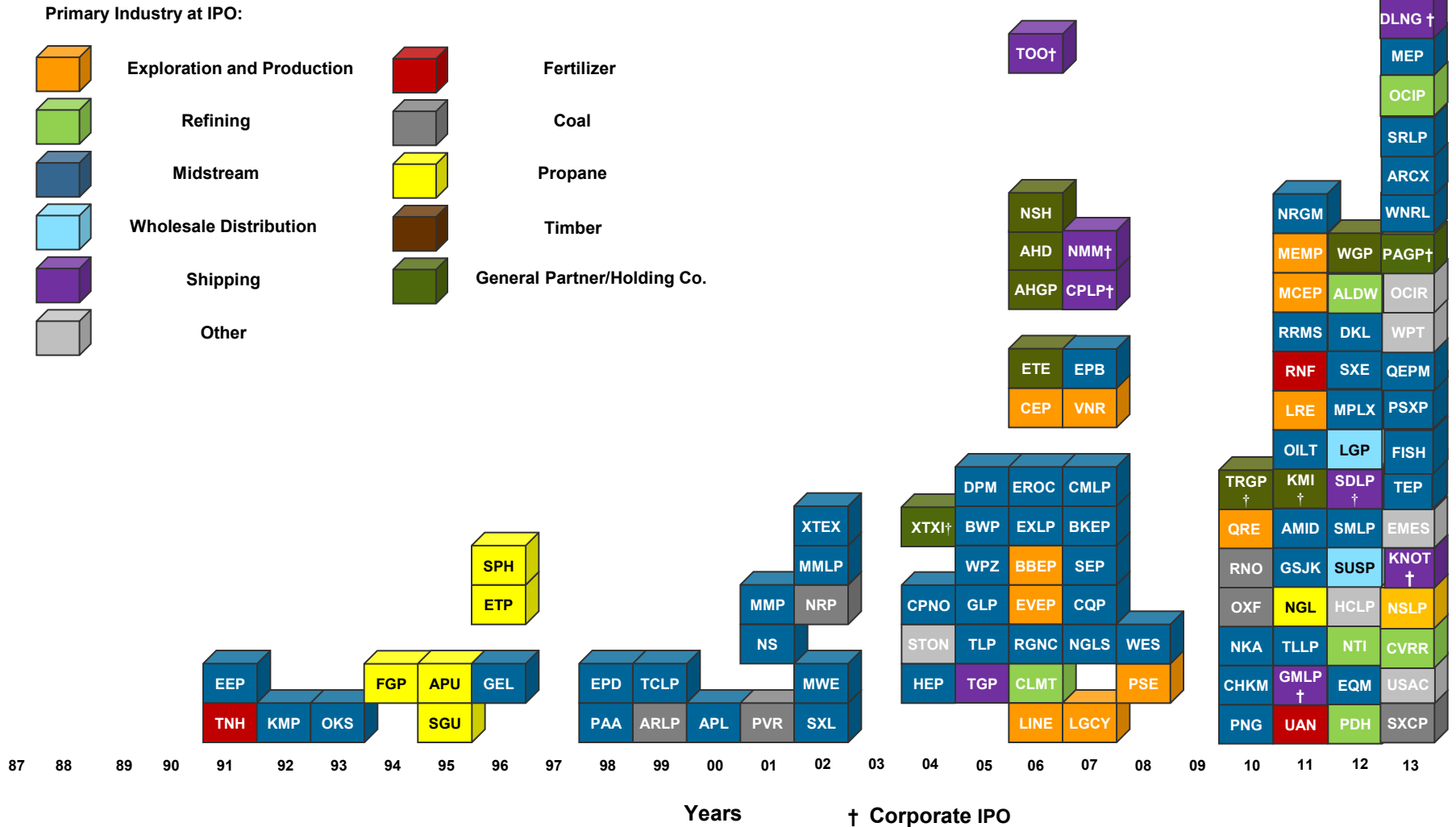
	Conventional Public Company	Up-C Structure
Gain Upon Formation	<ul style="list-style-type: none"> Based on tax basis of Holdings assets Need to structure formation transaction so no “boot” recognized (e.g., liability assumption) 	<ul style="list-style-type: none"> Could take advantage of partnership tax rules to allow partners to extract cash in excess of tax basis, but probably not necessary Need to avoid “disguised sale” rules upon formation
Subsequent Acquisitions by Public Company	<ul style="list-style-type: none"> Can acquire public or private corporations in tax-free mergers using its publicly traded stock as acquisition currency IPOCo can offer preferred stock (convertible or non-convertible) as tax-free acquisition currency, but dividends on preferred are not tax deductible 	<ul style="list-style-type: none"> Can effect tax-free mergers with target corporations by merging target into IPOCo in exchange for IPOCo stock and dropping assets into Holdings Ability to acquire private companies (S corps and partnerships) using a tax-deductible preferred partnership interest (convertible or non-convertible) as tax-free acquisition currency Cash acquisitions also feasible using variety of structures
Acquisition / Sale of Public Company	<ul style="list-style-type: none"> Would likely be structured as acquisition of stock of public company; could be structured as tax-free reorganization No tax basis step-up in public company’s assets to Buyer 	<ul style="list-style-type: none"> Taxable acquisition provides Buyer with tax basis step-up in assets to extent of Holdings interests acquired from partners; value of basis step-up could significantly increase purchase price Could structure as tax-free stock deal through “holding company” (i.e., 351) transaction; however, basis step-up is likely to be much more valuable than tax-deferral to sellers
Rule 144 Secondary Sales	<ul style="list-style-type: none"> Generally, can sell under Rule 144 after initial holding period 	<ul style="list-style-type: none"> Rule 144 may not be available for secondary sales IPOCo may be required to keep a shelf registration statement available for future secondary sales by owners of Holdings interests who exchange interests for stock of IPOCo (or use demand registration)
Employee Stock Options	<ul style="list-style-type: none"> Company can offer ISOs and NQSOs to its employees as well as restricted stock and RSUs 	<ul style="list-style-type: none"> Because Holdings is not a C corp, it cannot offer ISOs to its employees IPOCo may offer such ISOs to employees of both IPOCo and partnership Alternatively, could issue “profits interests” in Holdings which are generally superior to ISOs

History of MLPs – IPOs: 1987-2013

Primary Industry at IPO:



History of MLPs – Currently Traded

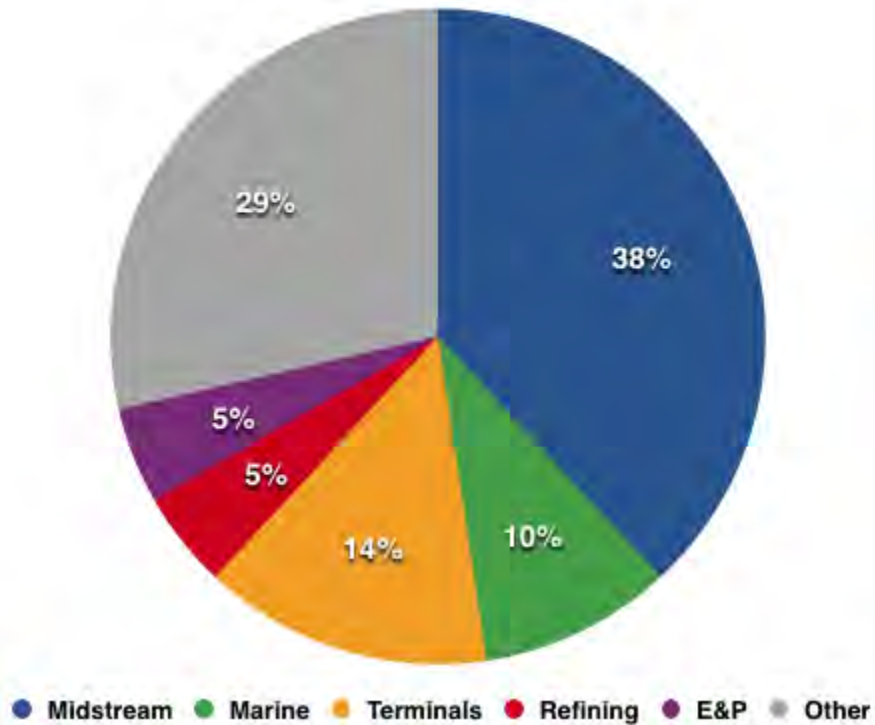


MLP IPO Issuance (\$ in millions)



2013 MLP IPOs by Energy Subsector

2013 MLPs by Energy Subsector



MLP Yields at IPO

Five of the six lowest-ever IPO yields occurred in 2013

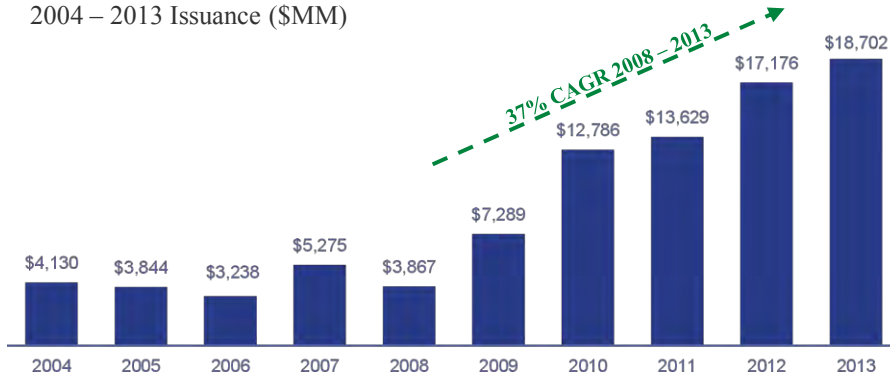
MLP	IPO Yield	IPO Date
Phillips 66 Partners	3.70%	7/22/13
Valero Energy Partners	3.70%	12/10/13
QEP Midstream	4.76%	8/8/13
MPLX	4.77%	10/25/12
Western Refining Logistics	5.23%	10/10/13
Tallgrass Energy	5.35%	5/13/13

MLP IPO First-Day Performance

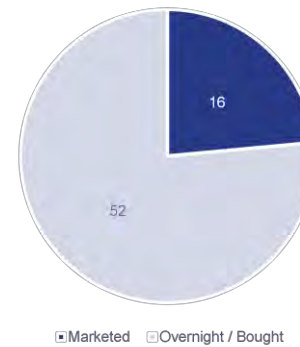
MLP	First Trading Day Increase	IPO Date
Blueknight/Semgroup	33.3%	7/17/07
Spectra Energy Partners	30.2%	6/26/07
Phillips 66 Partners	29.1%	7/22/13
Hiland Partners	29.1%	2/9/05
Capital Products Partners	24.4%	3/29/07
MPLX	23.6%	10/25/12
Valero Energy Partners	21.7%	12/10/13
Teekay Offshore	19.0%	12/13/06
Williams Partners	18.6%	8/17/05
Hi-Crush Partners	17.6%	8/15/12

MLP Follow-On Equity Offerings

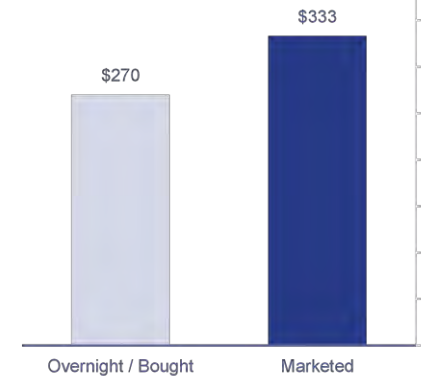
MLP Follow-On Issuance
2004 – 2013 Issuance (\$MM)



of Deals By Execution Format



By Average Deal Size



GP Holding Companies

- GP holding companies (sometimes referred to as “GP MLPs” if they are structured as partnerships) are publicly traded companies whose primary or sole assets consist of ownership interests in an underlying MLP:
 - IDRs
 - GP interest (typically 2%)
 - Common units
- Gives investors the opportunity to invest alongside the sponsor/management and benefit from the IDR economics directly.

GP Holding Companies (cont'd)

- IDR economics are very favorable to the IDR holder, and allow the GP to leverage the MLP's growth in two ways:
 - Growth in distributions of the underlying MLP
 - Growth in the number of MLP units outstanding (IDRs are not diluted, and get the same percentage of distributions on the additional MLP units)
- As a result, GP Holdcos often trade at a significantly lower yield than their MLPs
- But IDRs can also be a drag on the long term growth potential of the MLP
 - MLP distributions on the IDRs must be factored into the cost of capital when evaluating any potential projects funded by MLP equity

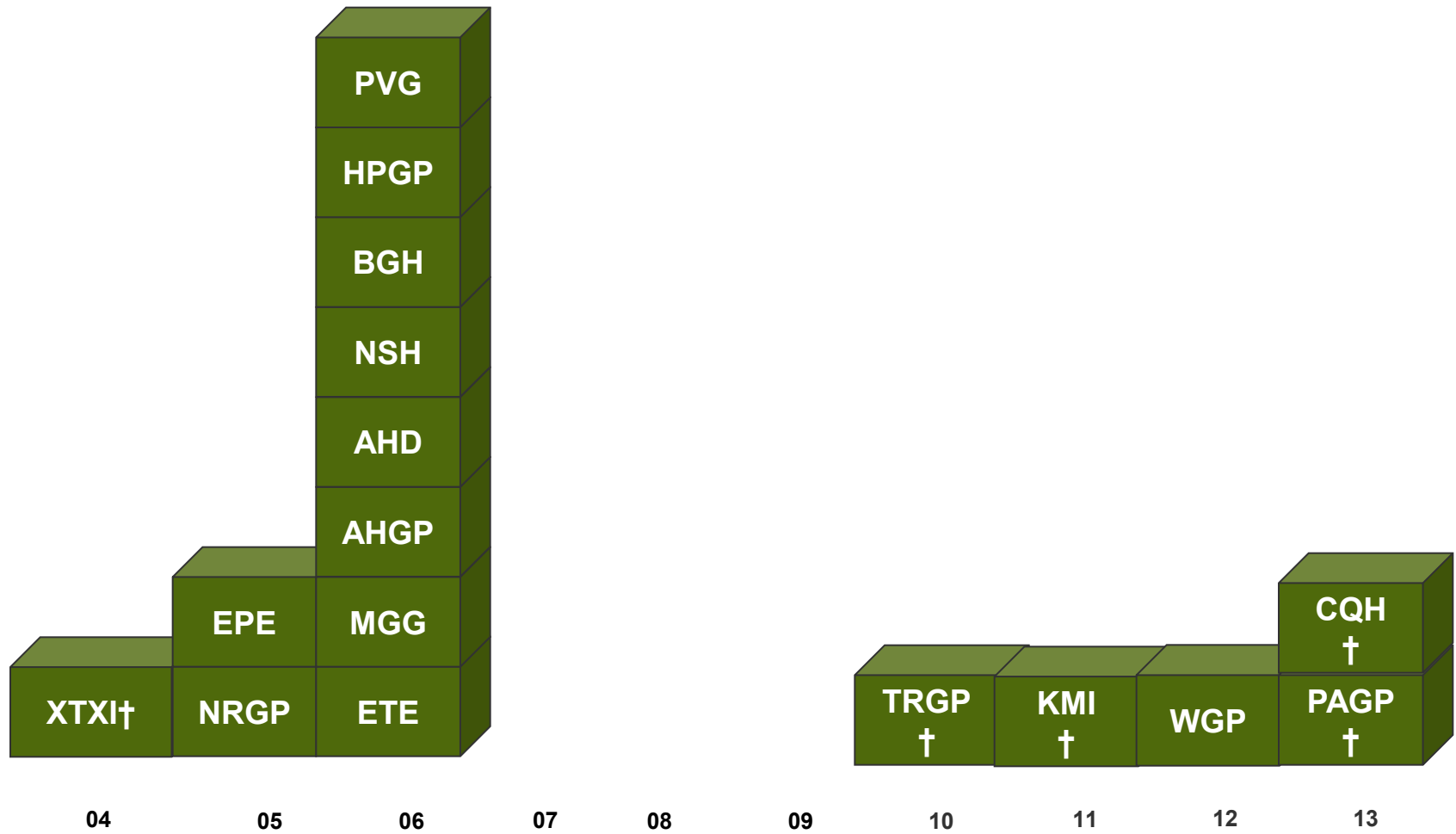
GP Holding Companies (cont'd)

- GP Holdcos reached the height of their popularity in 2006, with eight GP Holdco IPOs that year
- Of the 11 “original” GP Holdcos that went public from 2004 through 2006, only five remain
- Beginning in 2008, six GP Holdcos were acquired by their MLPs in exchange for common units (or were otherwise taken private) and the IDRs were eliminated
 - Carried interest legislation proposed
 - Financial crisis in 2008/2009 – MLP growth slowed
 - Narrowing of yield spread between MLPs and GPs made GP acquisitions less dilutive
 - Energy asset divestitures and intense competition among MLPs – lower cost of capital gives ability to bid higher

GP Holding Companies (cont'd)

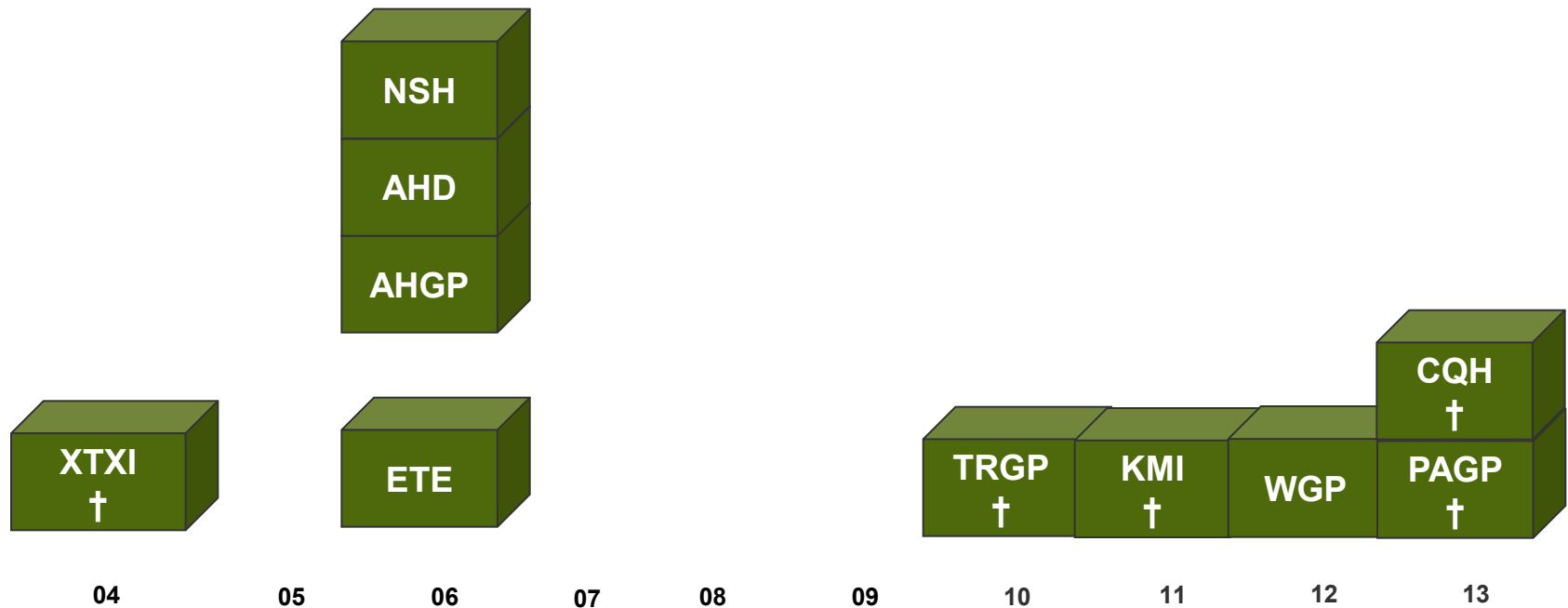
- This trend continued until late 2010, when the first GP Holdco IPO since 2006 occurred (TRGP)
 - Targa Resources Corp. (TRGP) – 2010 IPO
 - Kinder Morgan, Inc. (KMI)– 2011 IPO
 - Western Gas Equity Partners, LP (WGP) – 2012 IPO
 - Plains GP Holdings, L.P. (PAGP) – 2013 IPO
 - Cheniere Energy Partners LP Holdings LLC (CQH) – 2013 IPO
- Today, there are eight “pure play” GP Holdcos in existence that own only IDRs and other MLP interests and no operating assets.
 - Trend of other GP Holdcos has been toward pure play structure (KMI, ETE, WMB, OKE)

IPOs of GP Holding Companies



† Corporate IPO

GP Holdcos Currently Trading



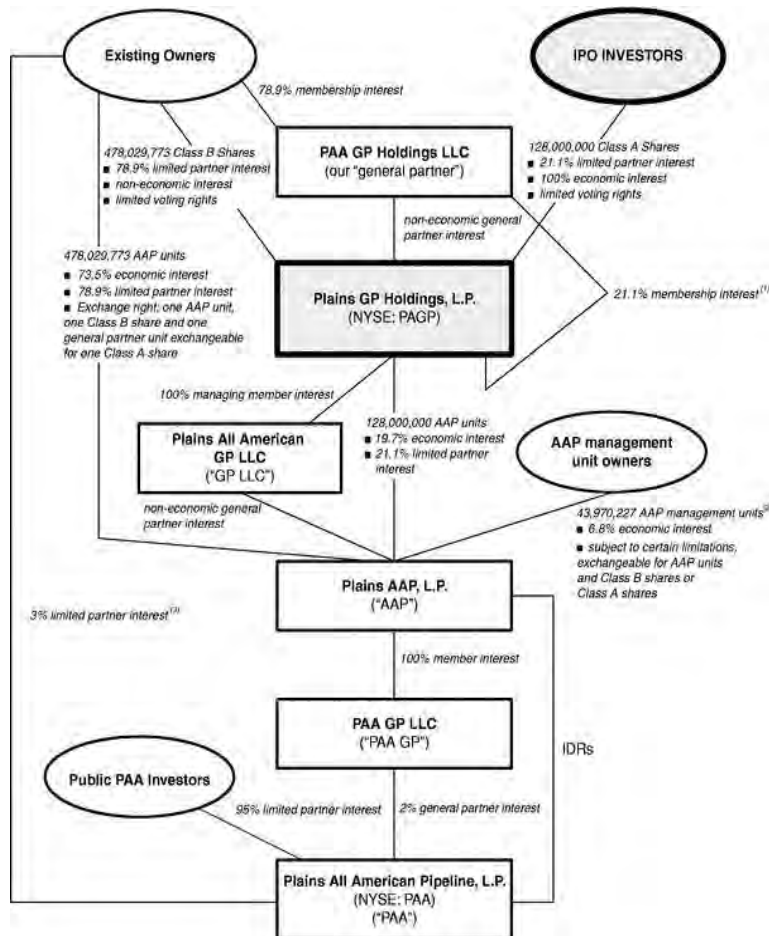
† Corporate IPO

GP Holding Companies (cont'd)

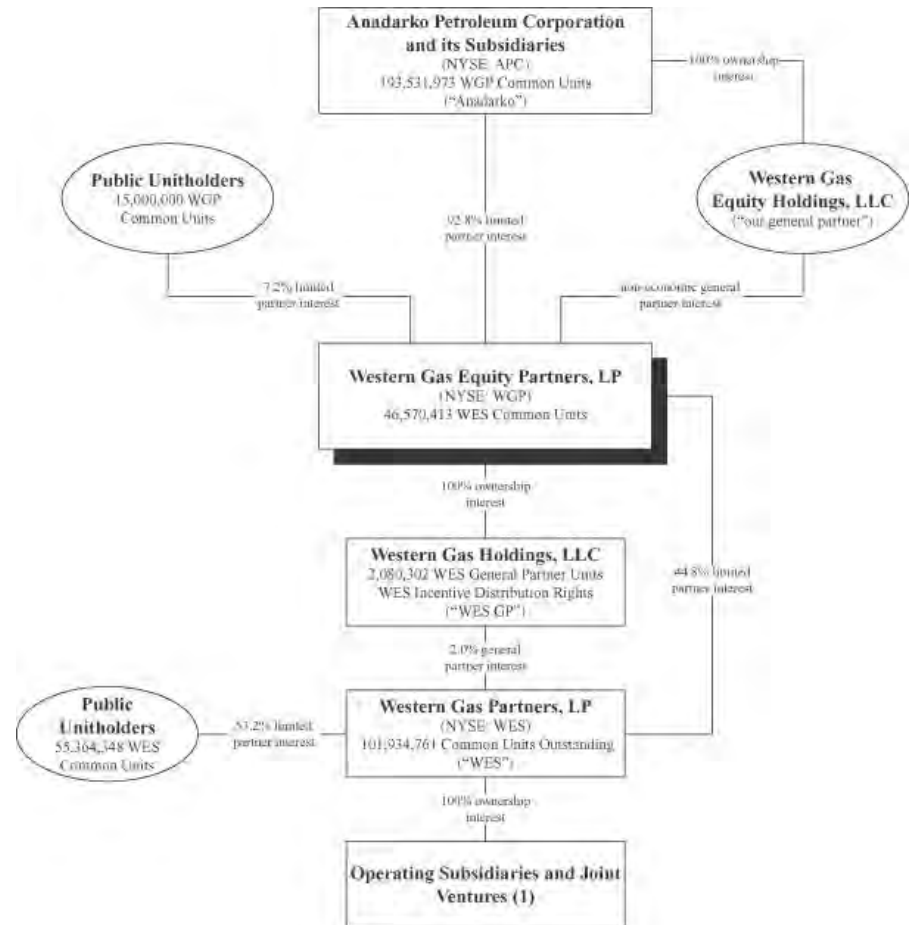
- What is driving the comeback of GP Holdcos?
 - Strong and growing overall MLP market since the lows of 2009
 - Very compelling IDR economics
 - Widening yield spread of GPs vs. underlying MLPs
 - Relative scarcity of GP Holdco investment opportunities for public since 2011
 - Sponsors seeking to monetize a portion of their IDRs in a high demand market
- As these trends continue into 2014, we may see more interest in GP Holdco IPOs

Characteristics of GP Holdcos - Tax

Tax Passthrough Issuer or Up-C Issuer Treated as Corporation



Tax Passthrough Issuer



Characteristics of GP Holdcos - Governance

	Partnership	LLC	Corporation
Flexibility	Maximum	Intermediate	Limited
Shareholder Election of Directors	No	Not required	Required
Shareholder Approval of 20% Equity Issuances	No	Yes	Yes
Shareholder Approval of Equity Compensation Plans	Yes	Yes	Yes
Overlapping Directors at GP and MLP	Typically (WGP, NRGP)	Typically? (LNCO)	Probably not (KMI, TRGP)

Yieldco Structure

- The rise of MLPs as an asset class has coincided with investors' desire for stable and growing cash flow. In 2013, there were 21 initial public offerings (IPOs) of MLPs and more are on the way in 2014.
- In general, only entities that generate income from qualifying natural resource activities can be traded on a national securities exchange and be treated as a pass-through for federal income tax purposes (that is, not be subject to corporate taxes at the entity level).
- The economic structure of an MLP is unique relative to other publicly traded entities, because the entire economic structure of an MLP revolves around cash flow. In fact, MLPs are traded based on a multiple of cash flow — not net income. Cash is king.

Yieldco Structure (cont'd)

- In mid 2013, a new type of vehicle went public with a story very similar to an MLP but without possessing assets that would qualify for pass-through tax treatment.
- The so-called “Yieldco” owns, operates and acquires contracted renewable and conventional generation and thermal infrastructure assets, which are not “MLP-able” assets.
- Like MLPs, Yieldcos are positioning themselves as vehicles for investors seeking stable and growing dividend income from a diversified portfolio of lower-risk high-quality assets.
- More Yieldco IPOs are in the planning stages for 2014.

Comparison of a Typical MLP and Yieldco

	MLP	Yieldco
Type of Entity	Partnership or limited liability company	Corporation
Capital Structure		
Types of Equity Securities of the Public Company; Sponsor Ownership of Operating Company	<ul style="list-style-type: none"> • Common Units (rights to quarterly distributions, subject to limited voting rights on significant matters) • Subordinated Units (rights to quarterly distributions after payment on common units, subject to limited voting rights on significant matters) • Incentive Distribution Rights (the right to increasing percentages of cash flow ranging from 13%-48% based on increases in common unit distributions) • General Partner Interest (represents the controlling voting interest in the MLP, subject to limited exceptions) • Sponsor owns operating company if using an OPCO structure 	<ul style="list-style-type: none"> • Class A common stock of Yieldco issued to the public (initially representing 30% of the voting interest in Yieldco and providing holders 30% of the consolidated distributable cash flows of Yieldco's subsidiaries) • Yieldco holds a Class A unit of its operating subsidiary (OPCO) for each share of outstanding Class A common stock • Sponsor issued Class B common stock of Yieldco and a corresponding Class B unit of OPCO (initially representing 70% of the voting interest in Yieldco and providing sponsor 70% of the consolidated distributable cash flows of Yieldco's subsidiaries)

Comparison of a Typical MLP and Yieldco (cont'd)

	MLP	Yieldco
Capital Structure (cont'd)		
Typical Post-IPO Capitalization	<ul style="list-style-type: none"> 49% held by public, 49% held by sponsor and 2% held by general partner 	<ul style="list-style-type: none"> Majority of voting control held by sponsor
Exchange and Registration Rights	<ul style="list-style-type: none"> No exchange rights but subordinated units convert to common units and the sponsor has registration rights 	<ul style="list-style-type: none"> Each Class B common stock and accompanying Class B units is exchangeable with the sponsor for a share of Class A common stock; sponsor has registration rights
Economics		
Quarterly Cash Payment	Yes (distribution)	Yes (dividend), but portion of distribution that exceeds accumulated earnings and profits treated as a return on capital
Subordination of Sponsor Distributions from Yieldco to Public Distributions	Yes	No (but sponsor does not own dividend paying securities in Yieldco; sponsor owns dividend paying securities in subsidiary of Yieldco that can be exchanged for dividend paying securities — that is, Class A common stock — of Yieldco)

Comparison of a Typical MLP and Yieldco (cont'd)

	MLP	Yieldco
Economics (cont'd)		
Incentive Distribution Rights	Yes	No
Forecasted Cash Available for Distribution in Prospectus	Yes (generally 12 months after most recent balance sheet date)	Yes (24 months after most recent balance sheet date)
Reliance on Net Operating Losses and Carryforwards (NOLs) to Offset Future Income Taxes	No	Yes
Yield at IPO (the ratio of the annualized distribution to the IPO price)	Midstream: 4-6% Shipping: 6.8-8.0% Refining: 11-15%	5.45%
Governance		
Board of Directors	Yes (at general partner)	Yes (at Yieldco)
Requirement for Majority Independent Board	No	No for so long as the sponsor retains voting control
Requirement for Independent Audit Committee	Yes	Yes

Comparison of a Typical MLP and Yieldco (cont'd)

	MLP	Yieldco
Governance (cont'd)		
Requirement for Independent Compensation Committee	No	No for so long as the sponsor retains voting control (but Yieldco has a compensation committee)
Requirement for Independent Governance Committee	No	No for so long as the sponsor retains voting control (but Yieldco has a governance committee)
Requirement for Independent Conflicts Committee	Yes	No, but a conflicts committee (which could be the audit committee) may be used for related party transactions
Annual Election of Directors by Security Holders	No	Yes
Requirement to Mail Annual Proxy Statement	No	Yes
Subject to "Good Faith" Duty as a Replacement for Customary Fiduciary Duties	Yes	No
Shareholder Approval Required to Issue Greater Than 20% of Equity	No	Yes (but not an issue as long as a controlled company)

Comparison of a Typical MLP and Yieldco (cont'd)

	MLP	Yieldco
Governance (cont'd)		
Shareholder Approval Required to Issue Equity to Affiliates	No	Yes (but not an issue as long as a controlled company)
Shareholder Approval Required to Approve Equity Compensation Plans	Yes	Yes (but not an issue as long as a controlled company)
FERC-related Repurchase or Redemption Provisions	Yes	Yes
Related Party Agreements		
Services Agreement	Common	Yes
Indemnification for Environmental, Tax and Other Liabilities	Yes	No
Right of First Offer on Sponsor Assets	Common (sometimes an option on assets or no call on assets)	Yes (but only in respect of certain enumerated assets)
Noncompete on Specified Business Opportunities	Common	No
License to Use Sponsor Marks	Yes	Yes
Registration Rights	Yes	Yes

Comparison of a Typical MLP and Yieldco (cont'd)

	MLP	Yieldco
Tax Matters		
Requirement to Have 90% Qualifying Income Under Section 7704 of IRC	Yes	No
Period During Which Federal Income Taxes are Expected to be Insignificant	Infinite	10 years due to NOLs, unless further NOLs are created
Form of Annual Federal Income Tax Statement	Schedule K-1	Form 1099
Tax Shield (the reciprocal of the ratio of taxable income to cash distributions)	Typically 80%	100% for 10 years using NOLs

Energy Leveraged Finance - Update

- Combined leveraged loan and high yield issuance volume totaled \$781 billion for 2013
 - 24% greater than 2012 volume
 - Broke the annual record of \$679 billion set at the peak of the market in 2007
- Record issuance of dividend deals and return of PIK bonds combined with unusual high yield call structures such as short non-call periods (e.g. 8 year/NC 3)
- Bonanza Creek Energy
 - 6 ³/₄% senior notes due 2021
 - Lowest yield by first time E&P issuer

Energy Leveraged Finance - Developments

- Shorter non-call periods
 - 8 year/non-call 3 (used to be non-call 4)
- Increase in 144A for life offerings
- Return of “covey light” second lien financings
- PIK toggle notes