August 23, 2005

Master Limited Partnerships: Primer 2nd Edition

A Framework For Investment

Key Points

- **Primer Second Edition--A Framework For Investment.** This report is an update to our original MLP primer published in November 2003. In this second edition, we have added new information based on questions and feedback received from investors over the past two years. Included in this edition are updated data about MLPs' relative performance, the growth of MLPs as an asset class, and developments within the MLP universe (e.g., legislation, fund flows).

- **Why Own MLPs?** The case for MLP ownership can be grouped into four broad categories: (1) p*erformance and diversification--o*ver the past ten years, MLPs have delivered a median total return of 16.1% versus 9.9% for the S&P 500--MLPs exhibit low correlation to most asset classes and thus provide good portfolio diversification, in our opinion; (2) *a tax-efficient way to invest in energy with lower risk (beta) while receiving current income (yield)--o*ur MLP composite has a median beta of 0.35 versus 0.75 for the energy sector overall with a median yield of 6.1%; (3) *demographics*--MLPs should receive increased focus as retiring baby boomers seek current income in a tax efficient structure; and (4) *the opportunity to own an emerging asset class that is attracting substantial capita--t*he number and size (market cap) of MLPs has grown to 38 and $64 billion currently from seven and $2 billion in 1994, respectively. Institutional interest in MLPs has increased with the formation of six MLP-focused closed-end funds ($2.8 billion of equity raised), and the passage of legislation that allows mutual funds to own MLPs.

- **For The Uninitiated--What Are MLPs?** MLPs are limited partnerships whose interests (limited partner units) are traded on public exchanges just like corporate stock (shares). MLPs consist of a general partner (GP) and limited partners (LPs). The GP (1) manages the partnership, (2) generally has a 2% ownership stake in the partnership, and (3) is eligible to receive incentive distributions. The LPs (1) provide capital, (2) have no role in the partnership's operations and management, and (3) receive cash distributions. MLPs have historically provided investors with a yield in the 6-9% range and average distribution growth of 5-6% annually.

- **MLPs Are Tax-Efficient Investments.** Due to its partnership structure, an MLP generally does not pay income taxes. Thus, unlike corporate investors, MLP investors are not subject to double taxation on dividends. Limited partner unitholders typically receive a tax shield equivalent to (in most cases) 80-90% of their cash distributions in a given year. Thus, an investor is typically paying income taxes roughly equal to 10-20% of his/her distribution. The tax-deferred portion of the distribution is not taxable until the unitholder sells the security.

- **Risks.** Risks to MLP investments underperforming the overall stock market include (but are not limited to) rising interest rates, falling commodity prices, inability to access external capital to fund growth, an adverse regulatory environment, terrorist attacks on energy infrastructure, and an overall economic downturn.

Yves Siegel, CFA
(212) 891-5036
yves.siegel@wachovia.com
Michael Blum
(212) 909-0056
michael.blum@wachovia.com
Sharon Lui
(212) 909-0978
sharon.lui@wachovia.com

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I. Introduction - A Framework For Investment

This report is an update to our original MLP primer published in November 2003. We provide a quick reference guide to familiarize investors with the MLP investment. In this second edition, we have added new information to our "basics" section based on questions and feedback we've received from investors over the past two years. Included in this edition is updated information about MLPs' relative performance, the growth of MLPs as an asset class, and developments within the MLP universe (e.g., legislation, fund flows). As always, feel free to call us with any questions or feedback.

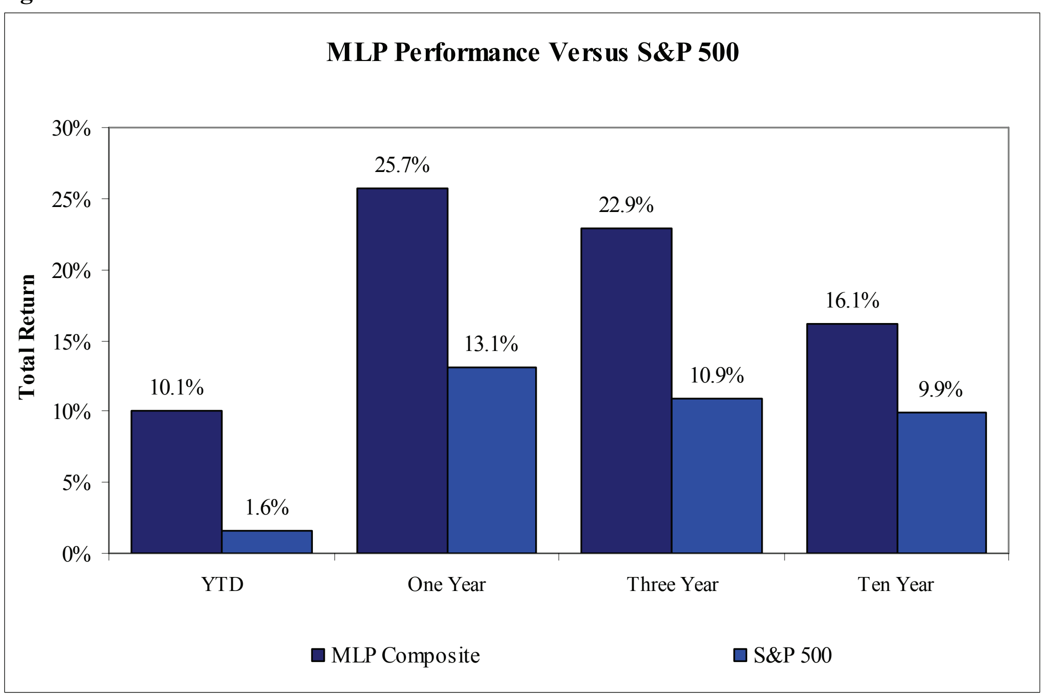
II. Why Own MLPs?

While interest and ownership of MLPs has certainly increased since the publication of our last primer, we suspect that relative to other asset classes, MLPs are still relatively underowned. Therefore, before we delve into the details, we thought it was important to answer the fundamental question of **why should investors care about MLPs?** The case for MLP ownership can be grouped into four broad categories: (1) performance and diversification, (2) a tax-efficient way to invest in energy with lower risk while receiving current income, (3) demographics, and (4) the opportunity to own an emerging asset class that is attracting substantial capital.

A. Performance And Diversification

Over the past ten years, MLPs have delivered above-average returns (median of 16.1% versus the S&P 500 return of 9.9%) with lower risk (beta). During the past one and three years (as of August 23, 2005), our MLP composite has delivered total returns of 25.7% and 22.9%, respectively, versus the S&P 500 Index total returns of 13.1% and 10.9%, respectively. Year to date, our MLP composite has provided a total return of 10.1% versus 1.6% for the S&P 500.

Figure 1. MLP Total Returns Versus The S&P 500



Source: FactSet

MLPs exhibit low correlation to most asset classes and thus provide good portfolio diversification, in our view.

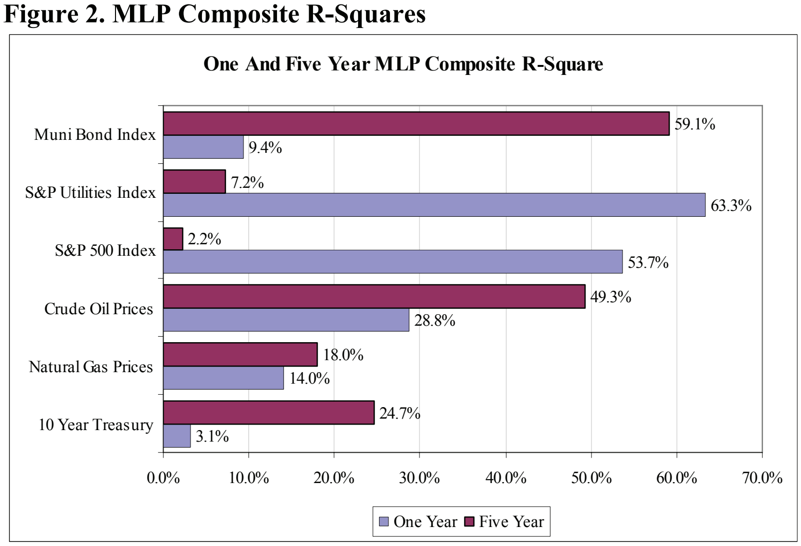
Low Correlation With Ten-Year Treasury: Over the past year, the correlation (as measured by the median r-squares) between the ten-year treasury and our MLP composite was only about 3% (r-square indicates the proportion of the variance in MLP prices attributable to the variance in the ten-year yield). Historically, the ten-year treasury yield had a more direct effect on the price performance of MLPs. Specifically, the r-squares between the original pipeline MLPs (i.e., BPL, EEP, KMP, KPP and TPP) and the ten-year treasury ranged from 61.9% to 80.8% going back to their initial public offering dates. However, the median r-square for our MLP Composite has fallen to 10.6% over the past three years from 24.7% over the past five years. The lower correlation between MLPs and interest rates reflects the transformation of MLPs from primarily "income" investments to "growth and income" investments, in our view.

Relatively Weak Correlation With Commodity Prices: The influence of commodity prices on MLPs is also relatively low, in our view. For the past year, the r-squares with crude oil and natural gas prices were 28.8% and 14.0%, respectively. For the past three years, the r-squares with crude oil and natural gas prices were 64.9% and 42.5%, respectively. Although MLPs' exposure to commodity price risk varies, overall, it is generally low relative to other companies in the energy industry, in our view. Clearly though, the perception of commodity price risk can influence stock prices, in our view.

Relationship With The S&P 500 And S&P Utilities Index Is Stronger: Over the past year, the r-squares between our MLP Composite and the S&P 500 and the S&P Utilities Index have risen to 53.7% and 63.3%, respectively, from 2.2% and 7.2%, respectively (five-year median). While this is high relative to other securities (see above), on an absolute basis, the correlation to the overall market is still less than two-thirds.

Link To Bonds Is Diminishing: Over the past year, the correlation (as measured by the median r-squares) between the Merrill Lynch municipal bond index and our MLP Composite was only about 9.4%. This compares to the three-year and five-year correlation of 45.3% and 59.1%, respectively. As the number of publicly traded MLPs have grown in recent years and MLPs have established a track record of distribution increases, the movement of MLP unit prices has become tied more closely to the equities market than the bond markets. Unlike bonds with fixed interest payments, MLPs can increase distributions paid to unitholders and grow their asset base via acquisitions and/or internal growth projects.

Figure 2. MLP Composite R-Squares



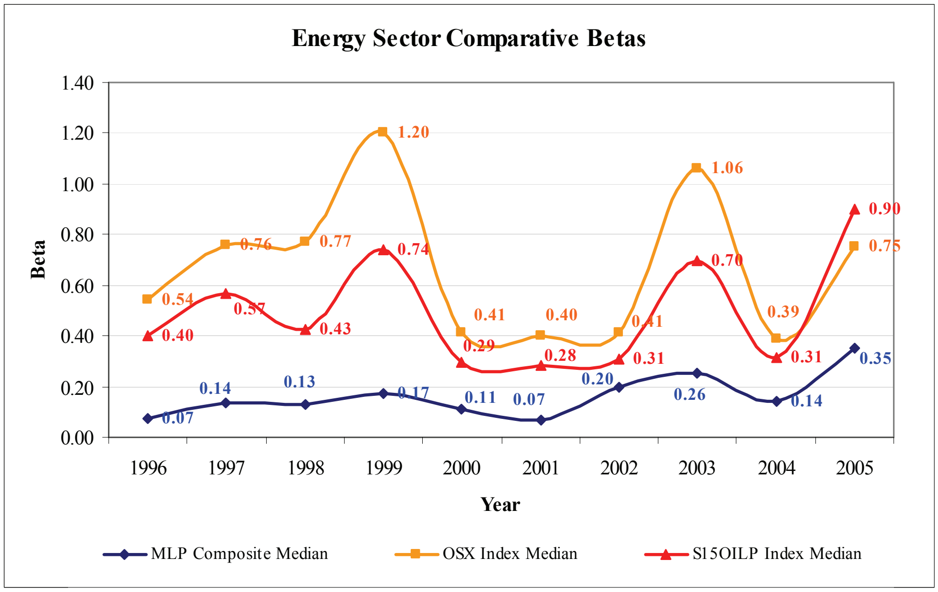
Source: FactSet

B. MLPs Offer A Tax-Efficient Way To Invest In Energy With Lower Risk While Receiving Current Income.

Low Risk: MLPs offer investors an alternative way to invest in energy with lower risk while receiving tax-deferred current income. Traditional energy companies such as those involved in exploration and production and oilfield services have exhibited volatility with median betas of 0.50 and 0.60, respectively, over the past five years. In contrast, our MLP Composite has a median beta of just 0.35 in 2005 and a median of just 0.20 over the past five years. Notably, the median beta of our MLP Composite has ranged from 0.07 in 2001 to 0.35 in 2005.

MLPs exhibit low beta relative to other energy sectors

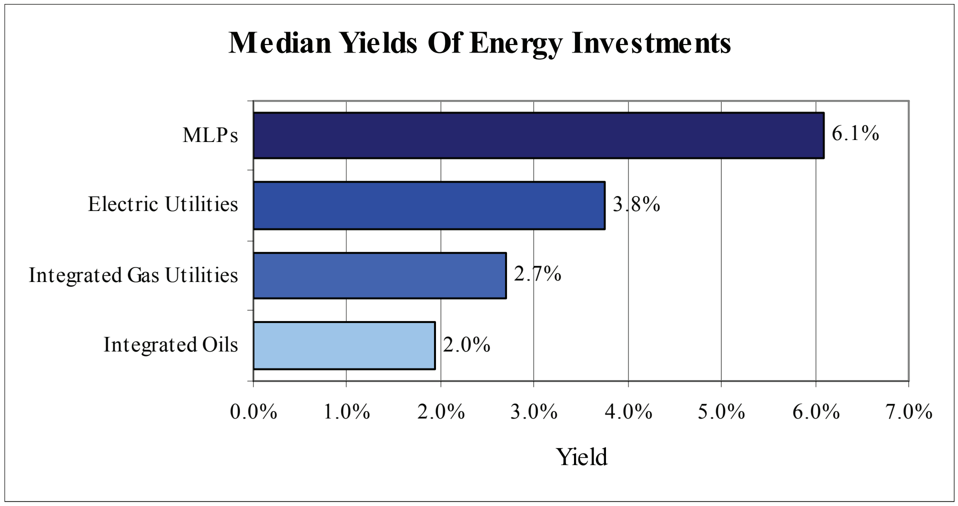
Figure 3. MLP Beta Relative To Other Energy Sectors



Source: FactSet

Current Income: MLPs also provide investors with current income, with a median yield of 6.1%. MLP distributions have increased at a five-year compounded annual growth rate of 5%. Utility stocks, with their regulated earnings stream and significant dividend yields, are the most comparable energy securities relative to the MLPs, in our view. Utilities provide a median yield of about 3.4% and have grown dividends at an annual growth rate of approximately 0.1%, on average. (Utilities grew dividends about 1.4% [median] in the past year.) In Figure 4, we outline the median yield of MLPs relative to other energy investments.

Figure 4. Yield Comparison: MLPs Versus Other Energy Investments



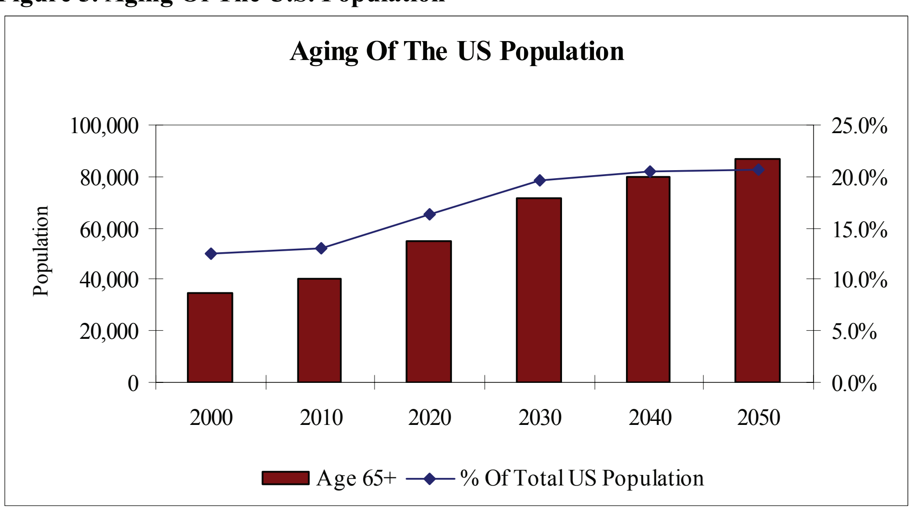
Source: FactSet, Bloomberg

Tax Efficient: Finally, MLPs offer investors a tax-efficient means to invest in the energy sector. An investor will typically receive a tax shield equivalent to (in most cases) 80-90% of their cash distributions in a given year. The tax-deferred portion of the distribution is not taxable until the unitholder sells the security. (For a more detailed discussion, please see page 14).

C. Demographics

MLPs should receive increased focus as retiring baby boomers seek current income in a tax-efficient structure. According to the U.S. Census Bureau, the number of elderly people (those ages 65 and older) will increase sharply beginning in 2011 as the baby-boom generation (born between 1946 and 1964) begins to turn 65. Currently, about one in eight Americans is over 65. By 2030, when the entire baby-boom generation has reached age 65, the elderly are expected to number almost one in five people. MLPs represent an attractive investment class for retirees, in our view, due to their significant (and growing) income stream, relatively low risk (beta) and tax-advantaged structure. In addition, MLPs are an effective estate planning tool, in our opinion, as MLP units can be passed to heirs with significant tax savings. (For more details please see page 23.)

Figure 5. Aging Of The U.S. Population

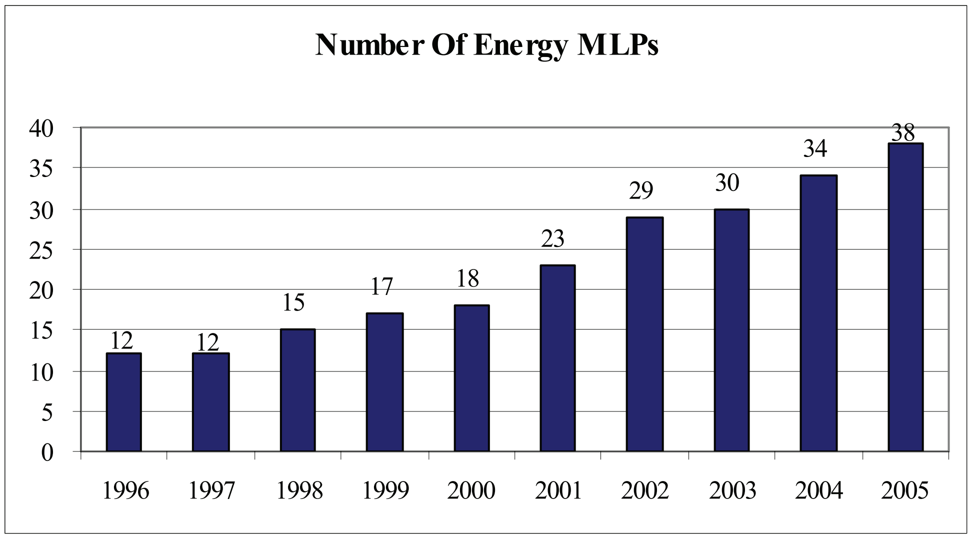


Source: U.S. Census Bureau

D. Get In Early--MLPs Are An Emerging Asset Class That Is Attracting Substantial Capital

MLPs are emerging as a distinct asset class, akin to the emergence in the 1990s of real estate investment trusts (REITs). This is evident by the growth exhibited by MLPs over the past ten years in terms of number, size and liquidity. In 1994, there were just seven energy MLPs with an aggregate market capitalization of approximately $2.1 billion. Currently, there are 38 energy MLPs (and three IPOs in backlog) with a total aggregate market cap of about $64 billion. In 1994, average trading volume of our MLP universe was just 35,547 units per day. Year to date our MLP Composite is trading an average of 128,577 units per day.

Figure 6. Number Of Energy MLPs



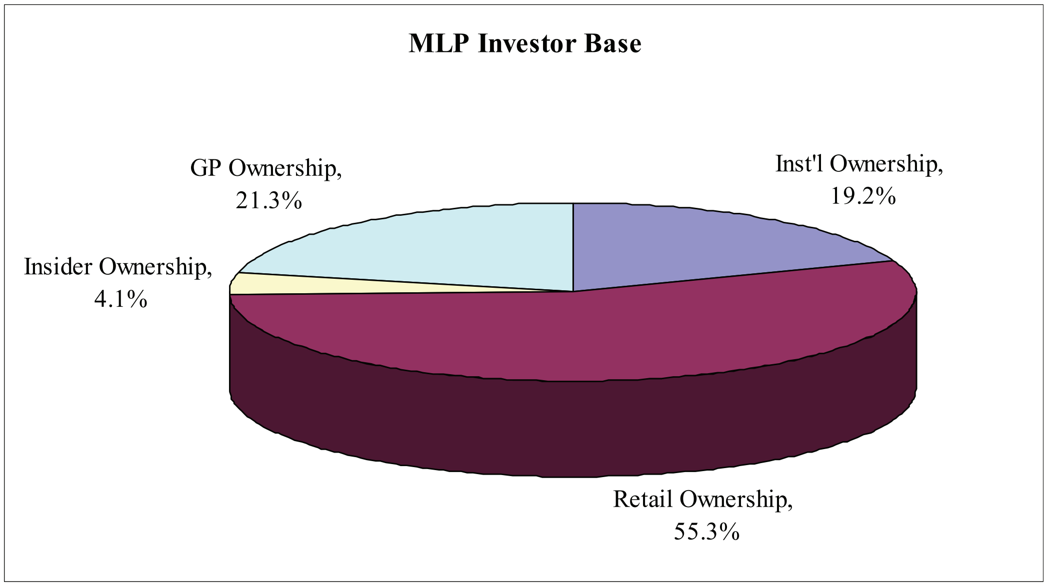
Source: Coalition Of Publicly Traded Partnerships

<u>Institutional Interest Is Growing</u>: Institutional interest in MLPs has increased with the formation of six MLP-focused closed-end funds ($2.8 billion of equity raised), and the passage of legislation that allows mutual funds to own MLPs. These closed-end funds offer investors a number of advantages, in our view, including the ability to participate in MLPs without the burden of K-1s (processed by the funds--investors receive a 1099), professional management, and access to private market transactions typically at discounts to the market price. (For more information about MLP closed-end funds, please see page 24). In addition, professional investors with pools of private funds (hedge funds, high net worth brokers, etc.) have shown increasing interest in MLPs.

III. Who Can Own MLPs?

MLPs have traditionally been owned by retail investors. This is still true today. Approximately 55.3% of total MLP units outstanding are currently held by retail investors, with 4.1% held by insiders, 21.3% held by general partner interests and the remaining 19.2% held by institutions. Notably, private-client money managers and some hedge funds have recently begun to invest in MLPs on behalf of their individual investor clients.

Figure 7. The MLP Investor Base



Source: Partnership reports, Bloomberg, and Wachovia Capital Markets, LLC estimates

Until recently, institutional investors such as mutual funds were restricted in investing in MLPs because distributions and allocated income from publicly traded partnerships were considered nonqualifying income. To retain their special tax status as regulated investment companies (RICs), mutual funds are required to receive at least 90% of their income from qualifying sources listed in the tax laws.

A. Mutual Funds

With the passage of the American Jobs Creation Act in October 2004, mutual funds can now own MLPs. However, there are some restrictions to investment: (1) no more than 25% of a fund's assets may be invested in MLPs, and (2) a fund may not own more than 10% of any one MLP.

B. What Challenges Remain For Mutual Fund Ownership Of MLPs?

Despite the passage of the American Jobs Creation Act, mutual fund ownership of MLPs remains challenging for a number of reasons, in our view.

(1) Timing Issues: Mutual funds need to send out 1099s to their investors in November but may not receive their K-1s from MLPs until February. Mutual funds are required to designate investors' income as ordinary income, long-term capital gains, and return of capital. However, without the K-1s, a mutual fund would have to make estimates that could be incorrect. In certain instances, this could lead to excise tax liability for the mutual fund or a mutual fund investor paying taxes not owed. The Investment Company Institute (trade organization for the mutual fund industry) has proposed that MLPs provide estimates of K-1 information in November; however, this proposal may be difficult to implement, in our view.

(2) Federal/State Law Discrepancies: While the mutual fund provision was adopted as federal law, some states have not adopted the legislation as law. As a result, mutual funds domiciled in certain states may still be restricted from owning MLPs. For example, Massachusetts (a state that is home to many mutual funds) has not adopted the federal Mutual Fund Act as law, creating potential legal issues for mutual funds domiciled in that state.

(3) State Filing Requirements: There are potential administrative burdens related to state filing requirements. Since some MLPs do business (e.g., have pipelines) in many states, a mutual fund owner of a partnership may be required to file income tax returns in every state in which the MLP conducts business (even if no taxes are owed). Clearly, the administrative burden required for such an undertaking could be prohibitive. Until these issues are resolved, we believe investment in MLPs by mutual funds will be muted.

C. What Other Restrictions Exist For Institutional Investors?

Tax-exempt investment vehicles such as pension accounts, 401-Ks and endowment funds generally are restricted from owning MLP units because they generate unrelated business taxable income (UBTI). This means MLP income is considered income earned from business activities unrelated to the entity's tax-exempt purpose. If a tax-exempt entity receives UBTI (e.g., income from an MLP) in excess of $1,000, the investor would be required to file IRS form 990-T and may be liable for tax on the UBTI.

IV. MLPs 101 - The Basics

A. What Is An MLP?

Master Limited Partnerships (MLPs) are limited partnerships whose interests (limited partner units) are traded on public exchanges just like corporate stock (shares).

Who Are The Owners Of The MLP?

MLPs consist of a GP and LPs.

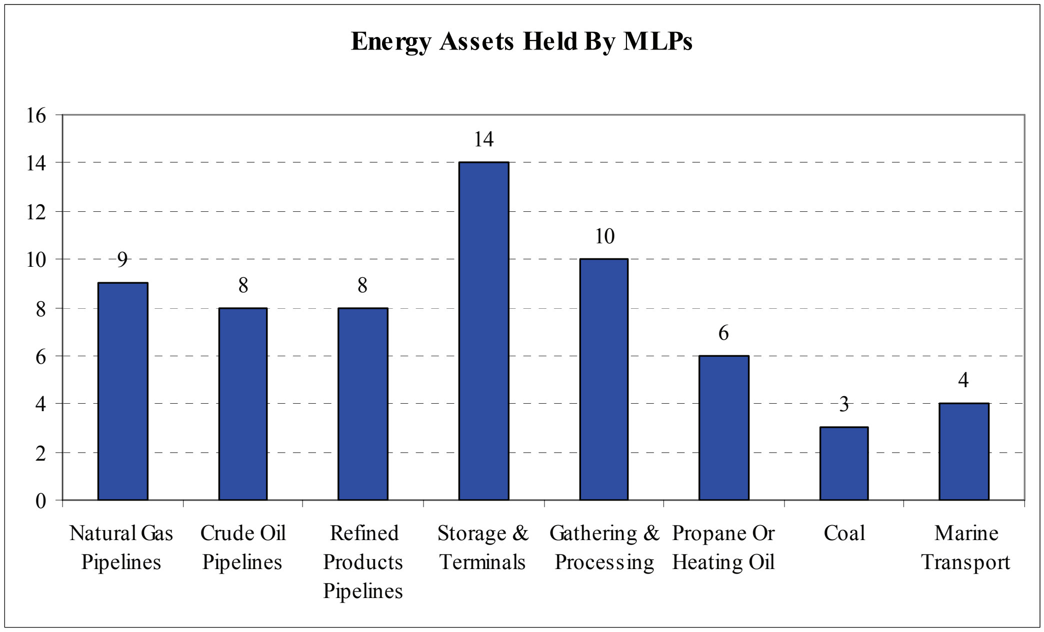
The General Partner (1) manages the partnership, (2) generally has a 2% ownership stake in the partnership, and (3) is eligible to receive an incentive distribution.

The Limited Partners (or common unitholders) (1) provide capital, (2) have no role in the partnership's operations and management, and (3) receive cash distributions.

B. What Qualifies As An MLP?

To qualify as an MLP, a partnership must receive at least 90% of its income from qualifying sources such as natural resource activities, interest, dividends, real estate rents, income from sale of real property, gain on sale of assets, and income and gain from commodities or commodity futures. Natural resource activities include exploration, development, mining or production, processing, refining, transportation, storage, and marketing of any mineral or natural resource. Currently, most MLPs are involved in energy.

Figure 8. Energy Assets Held By MLPs



Source: Partnership reports

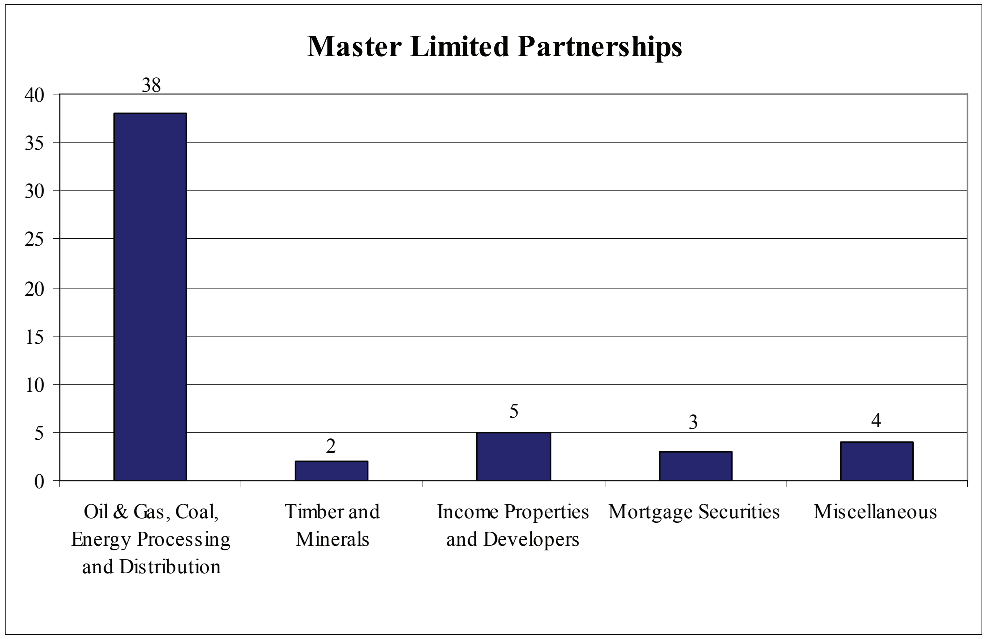
C. What Are The Advantages Of The MLP Structure?

Due to its partnership structure, MLPs generally do not pay income taxes. Thus, unlike corporate investors, MLP investors are not subject to double taxation on dividends. In addition, the elimination of double taxation effectively lowers the partnership's cost of capital. This, in turn, enhances the partnership's competitive position vis-à-vis corporations in the pursuit of expansion projects and acquisitions, in our opinion. For example, the partnership can derive more value than a corporation from an identical acquisition or effectively pay more for acquisitions and realize the same accretion that a corporation could only achieve at a lower purchase price.

D. How Many MLPs Are There?

Currently, there are 52 MLPs traded on public exchanges. Of those, 38 are energy related (and there are three energy MLP IPOs in backlog).

Figure 9. Number Of MLPs



Source: Coalition Of Publicly Traded Partnerships

E. What Is The K-1 Statement?

K-1 forms are usually distributed in February, and some can be retrieved online.

The K-1 form is the statement that an MLP investor receives each year from the partnerships that shows his/her share of the partnership's income, gain, loss, deductions, and credits. It is similar to a Form 1099 received from a corporation. The investor pays tax on the portion of net income allocated to him/her (which is shielded by losses, deductions, and credits) at his/her individual tax rate. If the partnership reports a net loss (after deductions), it is considered a "passive loss" under the tax code and may not be used to offset income from other sources. However, the loss can be carried forward and used to offset future income from the same MLP. **K-1 forms are usually distributed in February, and some can be retrieved online.**

F. What Is The Difference Between An LLC And An MLP?

As of August 2005, all but one MLP was registered as a limited partnership (LP). One entity, Copano Energy, is registered as a limited liability corporation (LLC). LLCs have all the tax advantages of MLPs, including no corporate level of taxation and tax deferral for unitholders. The primary differences between LLCs and MLPs are that LLCs do not have a GP or incentive distribution rights. There is only one class of security in contrast to MLPs that have limited partners (common unitholders) and the general partner. In addition, LLCs unitholders have voting rights, whereas MLP limited partner unitholders generally do not have voting rights.

Figure 10. MLPs Versus LLCs

Characteristic	MLP	LLC
Non-Taxable Entity	Yes	Yes
Tax Shield On Distributions	Yes	Yes
Tax Reporting	Form K-1	Form K-1
General Partner	Yes	No
Incentive Distribution Rights	Yes; up to 50%	No
Voting Rights	No	Yes

Source: Copano Energy, LLC

G. Are MLPs The Same As Royalty Trusts?

No. Royalty trusts are yield-oriented investments and have unique investment characteristics; however, they are not MLPs. A royalty trust is a type of corporate structure whereby a cash flow stream from a designated set of assets (typically oil and gas reserves) is paid to shareholders in the form of cash dividends. A trust's profits are not taxed at the corporate level provided a certain percentage (e.g., 90%) of profits are distributed to shareholders as dividends. The dividends are then taxed as personal income.

Unlike MLPs, U.S. trusts are not actively managed entities. Thus, they do not make acquisitions or grow their asset base. Rather, cash flow is paid to investors as it is generated and only until the underlying asset is depleted. Thus, dividends from trusts fluctuate with cash flow and should eventually dissipate. In contrast, MLPs are actively managed entities that can make acquisitions and investments to grow their asset base and sustain (and grow) cash flow. Over the long term, MLP distributions are managed to be steady and sustainable (and often growing).

MLPs should not be held in IRAs.

H. Can MLPs Be Held In An IRA?

Technically yes, but we wouldn't recommend it. Income from MLPs and other sources of UBTI that exceeds $1,000 per year in an IRA would trigger adverse tax consequences for the plan sponsor. Income from an MLP is considered UBTI for tax-exempt entities such as an IRA. Therefore, UBTI exceeding $1,000 would be subject to tax. We recommend placing MLP units in traditional brokerage accounts to avoid this issue and to ensure that the investor receives the full tax advantages of the security. There is potential legislation that would allow traditional IRAs (this would not apply to Roth IRAs) to invest in MLPs without being subject to UBIT.

I. What Are I-Units?

In order to expand the universe of potential investors in MLPs to institutional investors and tax-deferred accounts such as IRAs, an investment vehicle similar to LP units was created known as i-units (the "i" stands for institutional). Kinder Morgan was the first to offer i-units with the creation and issuance of Kinder Morgan Management, LLC (KMR), a limited liability company, in May 2001. Currently, the only other i-unit security is Enbridge Energy Management, LLC (EEQ).

The i-units are equivalent to MLP units in most aspects, except the payment of distributions is in stock instead of cash.

The i-units are equivalent to MLP units in most aspects, except the payment of distributions is in stock instead of cash. Distributions to i-unit holders are treated similar to stock splits. The cost basis of the initial investment does not change, but rather is spread among more units. One year after purchase, all gains (including the most recent share distribution) are treated as long-term capital gains. Unlike MLP securities, i-units do not require the filing of K-1 statements and do not generate UBTI. Thus, i-units can be owned in an IRA account without penalty. In our view, the i-unit structure is analogous to an automatic dividend reinvestment plan. Thus, for investors who prefer to reinvest dividends, the i-unit security could be an appropriate investment.

The I-unit Discount: Since inception, both KMR and EEQ have traded at a discount to their MLP unit equivalent (KMP and EEP, respectively). Currently, that discount is 6.6% and 0.9%, respectively. The discount can be attributed to a number of factors, in our view, including:

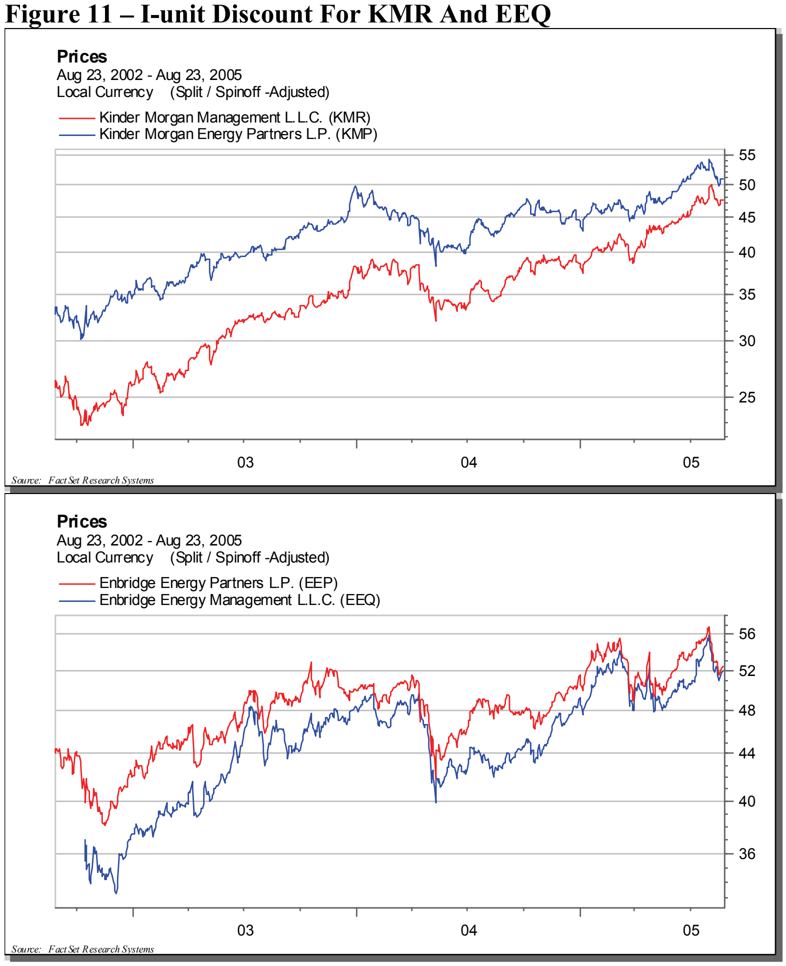
(1) Cash Is King: Investors prefer cash distribution to stock dividends.

(2) Liquidity: I-units have average trading volumes of only 250,559 versus 391,241 for the two MLP units.

(3) No Natural Arbitrage: MLP units are difficult to sell short. Thus, no natural arbitrage opportunity exists, which would cause the units to trade more closely.

(4) No Conversion Provision: The ability to convert an i-unit to a common unit was removed by the partnerships soon after the public offerings. Hence, the i-units are not entirely pari passu with the MLP common units.

Figure 11 – I-unit Discount For KMR And EEQ



Source: FactSet

J. What Are The Tax Consequences Of Owning I-Units?

When a shareholder receives a quarterly distribution in the form of additional i-unit shares, this does not trigger a taxable event. A taxable event occurs only when a shareholder sells shares. An i-unit shareholder pays capital gains on the sale (long-term capital gains if the holding period is greater than one year). An investor's tax basis is calculated as the initial amount paid for the shares divided by the total number of shares received both from the initial purchase and the subsequent quarterly distributions. (This is similar to the way a stock split is calculated.) If shares were acquired for different prices or at different times, the basis of each lot of shares can be used separately in the allocation. Otherwise, the FIFO method is used. The holding period for shares received as distributions is marked to the date at which the original investment in the shares was made.

K. What About The MLPs In The 1980s That Went Bust?

In the 1980s, MLPs were formed that were involved in various businesses including exploration and production (E&P) of oil and natural gas, restaurants, sports teams, and other consumer activities. These businesses were more cyclical in nature, or in the case of E&P companies, were victims of low commodity prices, a volatile gas market and depleting reserves base, which relied on exploratory drilling to sustain cash flow. (Many of today's E&P companies own longer life reserves and employ a lower-risk, more factory-like, exploitation and production operation.) Without reinvestment, these MLPs were essentially self-liquidating partnerships and were unable to sustain their distributions.

The modern MLP got its start with the Tax Reform Act of 1986. This legislation gave companies an incentive to restructure their companies as publicly traded partnerships in order to take advantage of certain tax shelter benefits. In 1987, the Revenue Act was enacted, which required publicly traded partnerships to earn income from specific sources.

In the 1990s, MLPs were reincarnated as entities that generally own midstream assets that are used to transport, process, and store natural gas, crude oil, and refined petroleum products and have limited exposure to commodity price risk. These assets were typically spun out of larger entities that could realize a higher value from these assets as publicly traded MLPs. The early MLPs consisted primarily of refined-product pipelines that were characterized as mature assets that required modest maintenance capital and generated significant cash flows that were distributed to unitholders.

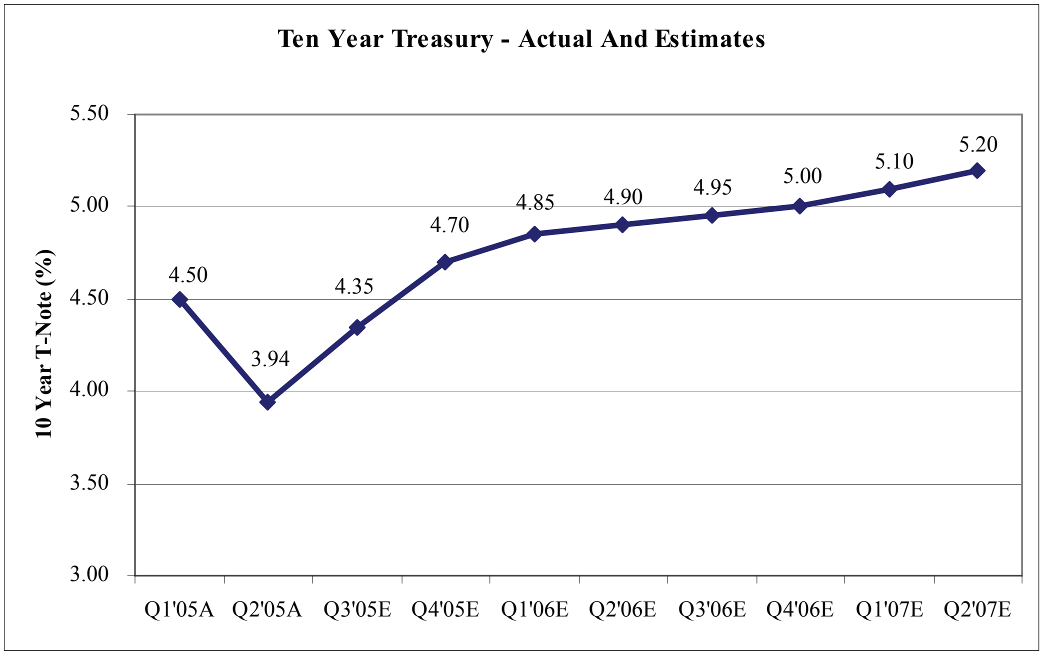
Beginning in the late 1990s, MLPs began reorienting their focus toward growth, making significant acquisitions, pursuing internal growth projects, and aggressively raising distributions. This change in focus was partially due to the sudden availability of midstream assets on the market. For example, majors and large diversified energy players decided to monetize their mature assets with the intent of redeploying proceeds from the sale into higher-return investments. MLPs were able to take advantage of their unique tax-exempt structure, which affords them a lower cost of capital, to achieve superior returns compared to corporations.

L. What Is The Effect of Rising Interest Rates On MLP Performance?

MLPs have underperformed during some periods of rapidly rising interest rates. For example, in 1999, the Fed increased the target rate three times to 5.75% from 5.00%. Over that same period, our MLP Composite declined 20.5% while the Composite yield increased to 10.6%. from an average of 7.7%. The inverse relationship between MLP price performance and interest rates can be explained by the fact that as interest rates rise, investors require a greater return on investment (as the cost of money rises). Thus, as MLP yields rise, this implies a decline in the MLP stock price. Only about 35% of the movement in MLP prices can be explained by interest rates, according to our analysis.

Our Wachovia Capital Markets Economics Group is forecasting a gradual rise in interest rates in 2005 with the ten-year treasury approaching 4.7% by year-end from 4.2% currently.

Figure 12 – WCM Interest Rate Forecast



Source: Wachovia Capital Markets, LLC Economics Group estimates

V. Key Terms

A. What Are Distributions?

MLPs generally distribute all available cash flow (defined as cash flow from operations less maintenance capital expenditures [capex]) to unitholders in the form of quarterly distributions (similar to dividends).

B. What Are Incentive Distribution Rights (IDRs)?

At inception, MLPs establish agreements between the General Partner and the Limited Partners that outline the percentage of total cash distributions that are allocated between the GP and LP unitholders. As the GP increases the cash distributions to LPs, the GP receives an increasingly higher percentage of the incremental cash distributions. In most partnerships, this agreement can reach a tier where the GP is receiving 50% of every incremental dollar paid to the LP unitholders. This is known as the 50/50 or "high splits" tier. The theory behind this arrangement is that the GP is motivated to grow the partnership, increase the partnership's cash flow, and raise the quarterly cash distribution to reach higher tiers, which benefits the LP unitholders as well. Please refer to Figure 13, for a list of energy MLPs and their incentive distribution rights level.

Figure 13 - MLPs Sorted By Cash Flow Accruing To The General Partner

Master Limited Partnership	Ticker	GP Split Level	% of Cash Flow to GP
Kinder Morgan Energy Partners, L.P.	KMP	50%	42%
TEPPCO Partners, LP	TPP	50%	29%
Atlas Pipeline Partners, L.P.	APL	50%	21%
Energy Transfer Partners	ETP	50%	20%
Buckeye Partners, L.P.	BPL	31%	17%
Crosstex Energy, L.P.	XTEX	25%	17%
Magellan Midstream Partners, L.P.	MMP	50%	16%
Enbridge Energy Partners, L.P.	EEP	25%	12%
Inergy, L.P.	NRGY	50%	12%
Enterprise Products Partners, L.P.	EPD	25%	10%
Plains All American Pipeline, L.P.	PAA	25%	8%
Mark West Energy Partners, L.P.	MWE	50%	8%
Alliance Resource Partners, L.P.	ARLP	25%	7%
Valero L.P.	VLI	25%	7%
Northern Border Partners, L.P.	NBP	25%	7%
Sunoco Logistics Partners, L.P.	SXL	25%	6%
TC Pipelines, L.P.	TCLP	25%	6%
Penn Virginia Resource Partners, L.P.	PVR	15%	4%
Suburban Propane, L.P.	SPH	15%	3%
Natural Resource Partners, L.P.	NRP	15%	3%
Genesis Energy, L.P.	GEL	2%	2%
Martin Midstream Partners, L.P.	MMLP	2%	2%
Amerigas Partners, L.P.	APU	2%	2%
K-Sea Transportation Partners, L.P.	KSP	2%	2%
Hiland Partners, L.P.	HLND	2%	2%
Star Gas Partners, L.P.	SGU	2%	2%
Teekay LNG Partners, L.P.	TGP	2%	2%
Holly Energy Partners, L.P.	HEP	2%	2%
Transmontaigne Partners, L.P.	TLP	2%	2%
Ferrellgas Partners, L.P.	FGP	2%	2%
U.S. Shipping Partners, L.P.	USS	2%	2%
Copano Energy, LLC	CPNO	NA	NA
MLP COMPOSITE AVERAGE:		**23%**	**9%**
MLP COMPOSITE MEDIAN:		**25%**	**6%**

Source: Partnership reports and Wachovia Capital Markets, LLC estimates

C. Hypothetical Incentive Distribution Rights Agreement

Below we illustrate the mechanics of how cash flow is allocated between the limited partners and the general partner based on a hypothetical incentive distribution rights schedule. In our example, the MLP declares a distribution of $4.00 per LP unit. As outlined in Figure 14, at tier 1, between $0.00 and $1.00, the LP receives $1.00, which represents 98% of the distribution at that tier. The GP receives 2%, or $0.02 per unit, of that distribution at tier 1. This $0.02 is derived by grossing up the $1.00 distribution to LP unitholders by 98% and then multiplying by 2% ([$1.00/.98] X .02). In other words, the $1.00 received by LP unitholders represents 98% of the total cash distribution paid to partners. This same formula is applied at the subsequent tiers.

Figure 14 – Incentive Distribution Tiers

Distribution Schedule	LP%	GP%	LP Distribution Up To
Tier 1	98%	2%	$1.00
Tier 2	85%	15%	$2.00
Tier 3	75%	25%	$3.00
Tier 4 (High Splits)	50%	50%	above $3.00

Source: Wachovia Capital Markets, LLC estimates

At tier 2, which is the incremental cash flow above $1.00, up to $2.00, the LP receives $1.00, which represents 85% of the distribution at that tier. The GP receives 15% of the incremental cash flow, which equates to $0.18 per unit. At this level, the LP receives $2.00 per unit and the GP receives $0.20 per unit. In other words, the GP receives approximately 9.1% of the total distribution paid.

At tier 3, which is the incremental cash flow above $2.00, up to $3.00, the LP receives $1.00, which represents 75% of the distribution at that tier. The GP receives 25% of the incremental cash flow, which equates to $0.33 per unit.

At tier 4, which is the incremental cash flow above $3.00, the LP receives $1.00, which represents 50% of the distribution at that tier. The GP receives 50% of the incremental cash flow, which equates to $1.00 per unit. Thus, if the MLP wants to raise its distribution to limited partners by $1.00, it actually needs $2.00 in hand--one to pay the LPs and one to pay the GP.

At the declared distribution of $4.00 in our example, the LP unitholders would receive 72% of the net cash distributions while the GP would receive 28%. As the cash distribution is increased beyond $4.00, the GP would receive 50% of the incremental cash. Thus, if the distribution is increased to $5.00 per limited unit, the formulas for tiers 1-4 would apply, and for the incremental $1.00 ($4.00 to $5.00), the LP would receive $1.00 and the GP would receive an additional $1.00 as well.

Figure 15 - Distribution Payment Schedule

	Limited Partners	General Partner
Tier 1 (2%)	$1.00	$0.02
Tier 2 (15%)	$1.00	$0.18
Tier 3 (25%)	$1.00	$0.33
Tier 4 (50%)	$1.00	$1.00
Total	$4.00	$1.53

Source: Wachovia Capital Markets, LLC estimates

What Is The True Cost Of Equity?

Cash flow yield is a good proxy for MLPs' cost of equity, in our view, as yield represents the MLP's cash flow obligation to its stakeholders (limited partners and general partner) for each unit outstanding. Similar to bonds, MLPs must make quarterly payments to stakeholders that, while not as binding as debt, are essentially obligatory. (If an MLP reduces or eliminates its distribution, the effect on the unit price would likely be dramatic, in our view.) In addition, MLPs pay out almost all their cash flow in the form of distributions and therefore need to issue equity (and debt) to finance growth capital expenditures (acquisitions and internal projects). Thus, for every new unit issued, MLPs take on the additional burden of paying the distribution to new unitholders. By this measure, the cost of equity becomes a function of distribution level, yield, and stock price.

Distributions to LP unitholders, conventionally measured as current yield (distribution divided by current unit price), do not capture an MLP's true cost of equity, in our view. The cost of equity must also take into account the distributions paid to the GP.

Distributions to LP unitholders, conventionally measured as current yield (distribution divided by current unit price), do not capture a MLP's true cost of equity, in our view. The cost of equity must also take into account the distributions paid to the GP. For every distribution paid per LP unit, the MLP must also pay the GP. The amount paid to the GP is dependent upon where the partnership is on the incentive distribution levels. Naturally, those MLPs which are further into the "splits" (i.e., have a greater percentage of total distributable cash flow flowing to the GP) likely will have a higher cost of capital.

To illustrate this point, we analyze the cost of equity for Enterprise Products Partners (EPD), and Kinder Morgan Energy Partners (KMP). On an unadjusted basis, the yield for EPD and KMP are 6.7% and 6.1%, respectively. However, after adjusting for payments required to the GP, KMP's adjusted yield is 10.6% while EPD's is only 7.4%. This is because KMP is well into the 50/50 splits and pays its GP 42% of its total cash flow. In contrast, EPD, which capped its incentive distribution rights at 25%, pays only 10% of its cash flow to the GP. Put another way, for every $3.12 per unit that KMP pays its limited partner units, it also has to pay its GP $2.29. Thus, in total KMP must effectively pay a distribution of $5.41 per unit, which equates to a true yield (cost of equity) of 10.6%. In contrast, EPD pays an additional $0.19 per unit to the GP for every $1.68 it pays to its LPs.

Figure 16 - Cost Of Equity Analysis--EPD, KMP

True Cost of Equity For EPD			LP	GP	Total
Price	$25.23	**Tier 1**	0.90	0.01	0.91
Distribution to LPs	$1.68	**Tier 2**	0.11	0.00	0.11
Yield	6.7%	**Tier 3**	0.22	0.04	0.26
Total Distributions	$1.87	**Tier 4**	0.45	0.14	0.59
Adjusted Yield	7.4%		**$1.68**	**$0.19**	**$1.87**
		Cash Allocation	89.9%	10.1%	

True Cost of Equity For KMP			LP	GP	Total
Price	$50.90	**Tier 1**	0.61	0.01	0.62
Distribution to LPs	$3.12	**Tier 2**	0.11	0.02	0.13
Yield	6.1%	**Tier 3**	0.22	0.07	0.29
Total Distributions	$5.41	**Tier 4**	2.19	2.19	4.37
Adjusted Yield	10.6%		**$3.12**	**$2.29**	**$5.41**
		Cash Allocation	57.7%	42.3%	

Source: Partnership reports and Wachovia Capital Markets, LLC estimates

D. What Is Distributable Cash Flow?

In general, distributable cash flow is defined as the cash flow available to the partnership to pay distributions to LP unitholders and the GP, as defined in the partnership agreement. Most MLPs define distributable cash flow as follows:

Net Income
+ Depreciation and Amortization
- Maintenance Capex
- Cash Flow To General Partner
Distributable Cash Flow (DCF) To Limited Partners

Distributable cash flow can also include other noncash items such as equity income received from affiliates. For purposes of determining cash available to pay common unitholders, we calculate distributable cash flow for common unitholders as distributable cash flow less cash paid to the GP.

E. What Is Considered "Discretionary" Cash Flow?

Under a typical partnership agreement, the GP, which manages the partnerships, is required to pay out all "available cash" to unitholders in the form of distributions. However, management teams have significant discretion in determining what is considered available cash flow. This usually includes all cash flow that would be required for "the proper conduct of the business," including future capital expenditures and financing requirements.

Some MLPs are starting to build significant excess cash that is being reinvested in organic growth projects. Management's rationale for withholding cash flow is that the current earnings may not be sustainable due to unusual circumstances, e.g., high coal prices (NRP, ARLP) or wide commodity spreads (PAA). Thus, this "windfall" of cash is being used to pay down debt or to fund internal growth projects, thereby increasing the partnership's base of sustainable earnings.

F. What Is The Coverage Ratio And Why Is It So Important?

A partnership's coverage ratio is the ratio of distributable cash flow available to common unitholders to what the partnership actually pays to its common unitholders (distributable cash flow available per common unit divided by distributions declared per unit).

Figure 17 – Definition Of Distribution Coverage Ratio

$$\text{Coverage Ratio} = \frac{\text{DCF (Available Cash Flow)}}{\text{Distribution (What's Actually Paid)}}$$

Source: Wachovia Capital Markets, LLC

Coverage ratios vary depending on the type of MLP and the inherent cash flow volatility in the underlying assets of the partnership. For example, propane MLPs whose cash flow stream is more sensitive to weather typically carry coverage ratios of 1.2-1.3x. In contrast, most pipeline MLPs have coverage ratios in the 1.0-1.1x range, reflecting the stable, fee-based cash flows that underpin their businesses.

The distribution coverage ratio is significant for two reasons:

(1) Traditionally, investors have considered the coverage ratio to be representative of the cushion that a partnership has in paying its cash distribution. In this context, the higher the ratio, the greater the safety of the distribution.

(2) All else being equal, a higher coverage ratio would give management increased flexibility to raise its distribution.

G. What Is The Difference Between Maintenance And Growth Capital Expenditures (Capex)?

Maintenance capital expenditures include investments a partnership must make in order to sustain its current asset base and cash flow stream. Growth capex is the investment a partnership can make to enhance or expand capacity and increase cash flow. Management typically has some discretion in determining what can be designated maintenance capex versus growth capex.

VI. Tax Issues

A. Who Pays Taxes?

Because the MLP is a partnership and not a corporation, the partners in the business (the limited partner unitholders and the GP) are required to pay tax on their allocable share of the partnership's income, gains, losses, and deductions, including accelerated depreciation and amortization deductions. The amount of taxes allocated to each LP unitholder is determined by several factors including the unitholder's percentage ownership in the partnership, when the investment was made and price at that time.

B. What Are The Tax Advantages For The Limited Partner Unitholder (The Investor)?

Due to the MLP structure, LPs typically receive a tax shield equivalent to (in most cases) 80-90% of their cash distributions in a given year. Thus, an investor typically pays income taxes roughly equal to 10-20% of his/her distribution. The tax-deferred portion of the distribution is not taxable until the unitholder sells the security. This is how it works:

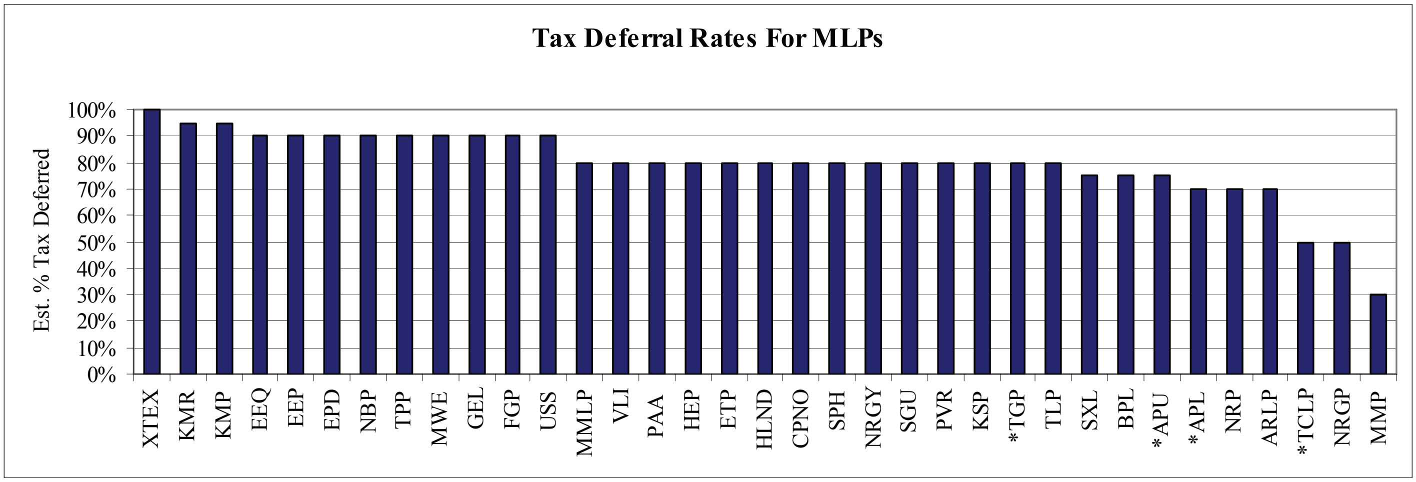
(1) LP unit holders receive quarterly cash distributions from the partnership each year. Distributions reduce the unitholder's original basis in his/her units. The unitholder pays capital gains taxes as well as ordinary income tax on deferred income when he/she sells the security.

(2) Net income from the partnership is allocated each year to unitholders, who are then required to pay tax on his/her share of allocated net income regardless of whether they receive distributions. In general, distributions are well in excess of any tax liability. However, the unitholder is also allocated a share of the MLP's deductions (such as depreciation and amortization), losses, and tax credits. These deductions often offset a majority of the allocated income, thereby reducing the amount of current taxable income. Taxes are not paid on the portion of allocated income that is shielded by deductions until the investor sells the security. This is the tax-deferral benefit of owning a MLP. When the investor sells the security, there is a recapture of the deductions (depreciation, etc.), meaning the income that was deferred by the deductions becomes taxable income and is taxed as ordinary income.

An investor's tax basis is adjusted downward by distributions and allocation of deductions (such as depreciation) and losses, and upward by the allocation of income. The net effect (i.e., the difference between cash distributions and allocated taxable income) creates a tax deferral for the investor. When the units are sold, a portion of the gain is paid at the capital gains rate and a portion of the gain (resulting from the tax shield created by allocated deductions) is taxed at the ordinary income tax rate.

While this all may seem a bit confusing, the bottom line is this: in any given year, an investor will typically only pay ordinary income tax equal to 10-20% of cash distributions received. The remaining 80-90% is deferred until the investor sells the security.

Figure 18 – Estimated Tax Deferral Rates For MLPs



*APL at least 70%
*TGP at least 80%
*APU between 70-80%
*TCLP between 0-50%
*MMP about 30% in 2005 and at least 80% going forward

Source: Partnership reports

<u>Tax Deferral Can Go Below 80-90%</u>

However, if the MLP does not continue making investments, the tax shield created by depreciation and other deductions would decrease. In that case, the amount of income in a given year that would be deferred would decrease over time below the typical 80-90%. Since most MLPs in recent years have been growing via acquisitions and expansion projects, this has not yet become an issue.

Another circumstance where an investor's tax shield could go below 80-90% is a termination of the partnership. A termination of the partnership occurs if more than 50% of the total outstanding units of the partnership changes hands in one year. When this occurs the depreciation period for all of the assets within the MLP restarts. Thus, the amount of depreciation allocated to the limited partners would be significantly less than the typical level and the tax shield on distributions would decrease. However, the 80-90% tax deferral would typically be restored in the following year.

Investors should consult with a tax advisor concerning their individual tax status.

The Tax Consequences Of A Purchase And Sale Of MLP Units

We provide an example in order to illustrate the mechanics of a purchase and a sale. Assume an individual had purchased 100 units of MLP XYZ for $20.00 per unit, held the units for three years, and then sold them for $22.00 per unit. Over this three-year period, MLP XYZ had a yield of 5% (i.e., it paid a distribution of $1.00 per unit in year one) and grew its distribution at an annual rate of 5%. Also assume that the stock price appreciates in line with the distribution increases, maintaining a 5% yield. Thus, when the distribution is increased 5% in year two, to $1.05 per unit, the stock price appreciates to $21.00 ($1.05/.05), maintaining a 5% yield.

When the individual sells the security after three years, the tax consequences would be as follows: in years one, two and three, assuming the tax-deferral rate is 90%, the investor would have to pay tax on allocable income equivalent to approximately 10% of his/her cash distributions.

Year One: With a 100-unit investment, the investor would pay taxes of roughly $3.50 ($0.035 per unit), assuming a 35% tax bracket on 10% of $100 (or $1.00 per unit). The investor's tax basis would be reduced by $1.00 per unit in year one based on cash distributions received but would also be increased by $0.10 per unit (i.e., the amount of allocated taxable income). Thus, the net effect in year one would be a reduction of the investor's basis in the security by roughly $90.00 (or $0.90 per unit).

Figure 19 – Example Of Tax Consequences For Purchase And Sale Of MLP Units

			Year 1		Year 2		Year 3	
Assumptions			**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**
Units	100	Initial Investment	$20	($2,000)				
Purchase Price	$20	Distribution	$1.00	$100.0	$1.05	$105.0	$1.10	$110.3
Annual Distribution	$1.00	Tax Deferred Income (Tax Shield)	$0.90	$90.0	$0.95	$94.5	$0.99	$99.2
Yield Assumption	5%	Taxable Income	$0.10	$10	$0.11	$11	$0.11	$11
Distribution Growth Rate	5%	Current Taxes Paid	$0.035	$3.5	$0.037	$3.7	$0.039	$3.9
Personal Tax Rate	35%	Implied Stock Price	$20.00	$2,000.0	$21.00	$2,100.0	$22.05	$2,205.0
Tax Deferral Rate	90%	Cost Basis	$19.10	$1,910	$18.16	$1,816	$17.16	$1,716

Source: Wachovia Capital Markets, LLC estimates

After three years, the investor's tax basis in the units would be $17.16 per unit.

Figure 20 – Calculation Of Cost Basis For MLP Purchase

Tax Implications - Per LP Unit	Year 1	Year 2	Year 3
Original Basis	**$20.00**	**$19.10**	**$18.16**
MINUS: Cash Distributions	$1.00	$1.05	$1.10
PLUS: Taxable Income	$0.10	$0.11	$0.11
Net Reduction In Cost Basis	**$0.90**	**$0.95**	**$0.99**
Adjusted Basis	**$19.10**	**$18.16**	**$17.16**

Source: Wachovia Capital Markets, LLC estimates

Therefore, when the investor sells the security for $22.05 per unit at the end of year three, he/she would realize a total gain of approximately $4.89 per unit in addition to having received $3.15 per unit in cash distributions over the three-year period. This includes a capital gain of $2.05 (the difference between the selling price of $22.05 and the purchase price of $20.00 per unit) and ordinary income of about $2.84 per unit (the difference between the purchase price of $20.00 per unit and the adjusted cost basis of $17.16 per unit), which is the recapture of depreciation and amortization deductions. Thus, taxes would total $1.30 per unit, consisting of $0.31 capital gains tax and $0.99 of ordinary income. On 100 units, this would be roughly $130.00.

Therefore, on a $2,000 investment over three years, an investor would earn a gross profit of $205.00 from the sale of the security, pay taxes on allocable net income over three years of $11.10, and pay long-term capital gains and ordinary income taxes totaling $130.00 at the time of sale. This represents an after-tax internal rate of return (IRR) of approximately 6.6% (the pretax IRR equates to 8.8%).

Figure 21 – IRR Calculations For MLP Investment

Year 3 Tax Consequences	Per Unit	Total
Proceeds From Sale	$22.05	$2,205.0
Cost Basis	$17.16	$1,716
Pretax Gain On Sale	**$4.89**	**$489**
Pretax IRR		8.8%
After-Tax Gain On Sale	$3.59	$359
After-Tax IRR		6.6%

Gain From Capital Appreciation	Per Unit	Total
Capital Gain	$2.05	$205
Taxes On Capital Gain (15%)	$0.31	$31

Gain From Reduction In Basis	Per Unit	Total
Recapture of Tax Shield	$2.84	$284
Taxes On Ordinary Income (35%)	$0.99	$99

Source: Wachovia Capital Markets, LLC estimates
Note: IRR is internal rate of return.

C. MLPs As An Estate Planning Tool

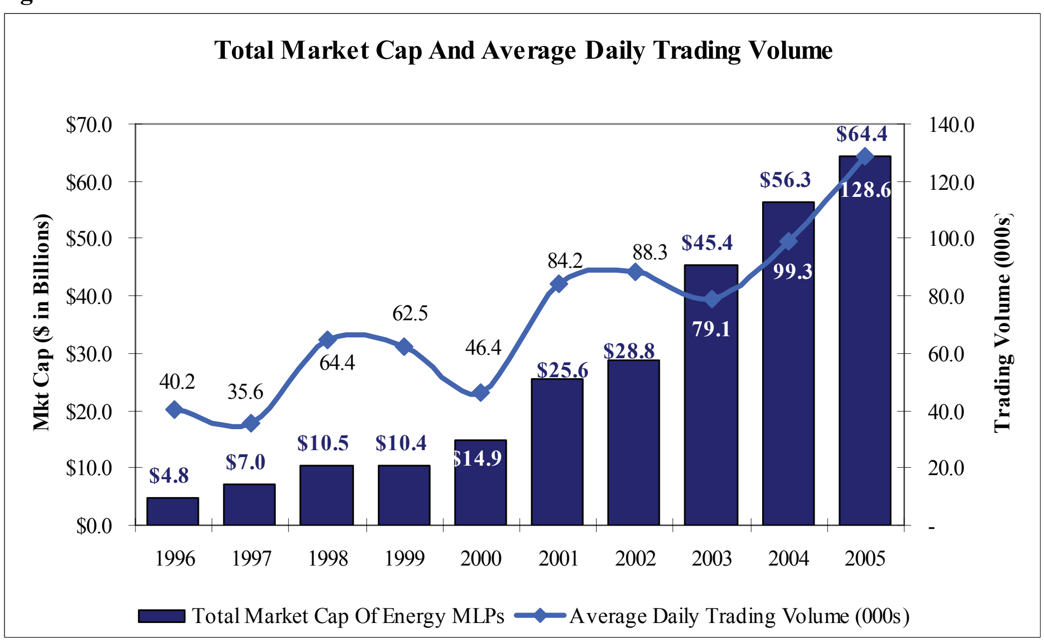
MLPs can be utilized as a tax-efficient means of transferring wealth. When an individual who owns an MLP dies, the individual's MLP investments can be transferred to an heir. When doing so, the cost basis of the MLP is reset to the price of the unit on the date of transfer. Thus, the tax liability created by the reduction of the original unitholders cost basis is eliminated.

VII. Sector Trends

A. Dramatic Growth of MLPs

Over the past ten years, the MLP universe has grown by any measure. The number of energy MLPs has increased more than five fold to 38 in 2005 from seven in 1994. In addition, the total market capitalization of the energy MLP universe has grown to roughly $64 billion in 2005 from approximately $2.1 billion in 1994. Over that time period the average market cap has increased to $1.7 billion from $307 million. Likewise, liquidity has improved dramatically for the MLP universe, increasing to 128,577 units per day in 2005 from an average volume of 35,547 units per day in 1994.

Figure 22 – Growth Of The MLP Sector



Source: FactSet

B. Increase In Demand For Energy Is Driving Need For Infrastructure Investment

Demand for energy continues to grow in spite of high commodity prices.

Demand for energy continues to grow in spite of high commodity prices. According to the Energy Information Administration (EIA), demand for electricity in H1 2005 was up 0.4% yr/yr in spite of an average increase in price of 2.9%. Demand for gasoline in Q2 2005, was up 0.9% yr/yr, in spite of price increases of 20.6% over the period. Finally, demand for natural gas is essentially unchanged for H1 2005 versus the comparable year ago period, in spite of prices that are 11.5% higher than last year.

According to the EIA, total U.S. energy demand in 2005 is expected to increase 1.4%. Specifically, the EIA estimates 2005 U.S. petroleum demand to increase 0.8% driven by higher levels of motor gasoline (roughly 1.0%) and jet fuel (roughly 2%) consumption. An improving U.S. economy should also spur a 3.1% increase in natural gas demand in 2005. For 2006, energy demand is expected to grow another 1.7% overall. Specifically, natural gas demand is anticipated to increase 2.4% while demand for oil in the United States is expected to grow 1.6% in 2006.

Figure 23 – EIA Forecast For U.S. Energy Demand

	Year				Yr./Yr. % Change		
	'03A	'04A	'05E	'06E	'03 -'04	'04 -'05	'05 -'06
Imported Crude Oil Price (nominal dollars per day)	$27.73	$35.99	*$47.29*	*$50.50*	29.8%	*31.4%*	*6.8%*
Crude Oil Production (million barrels per day)	5.7	5.4	*5.5*	*5.7*	-4.6%	*1.9%*	*3.8%*
Total Petroleum Net Imports (million barrels per day)	11.2	12.1	*12.1*	*12.1*	7.6%	*-0.1%*	*0.4%*
ENERGY DEMAND							
World Petroleum (million barrels per day)	80.1	82.8	*85.0*	*87.1*	3.4%	*2.6%*	*2.5%*
Petroleum (million barrels per day)	20.0	20.7	*20.9*	*21.3*	3.5%	*0.9%*	*1.6%*
Natural Gas (trillion cubic feet)	22.4	22.4	*22.8*	*23.4*	0.2%	*1.7%*	*2.4%*
Coal (million short tons)	1,095.0	1,104.0	*1,138.0*	*1,155.0*	0.8%	*3.0%*	*1.5%*
Electricity (billion kilowatthours)	3,667.0	3,727.0	*3,839.0*	*3,895.0*	1.6%	*3.0%*	*1.5%*
Total Energy Demand (quadrillion Btu)	**98.2**	**100.0**	***101.9***	***103.6***	1.9%	*1.9%*	*1.7%*

Source: Energy Information Administration \ Short-Term Energy Outlook - July 2005

Energy Infrastructure Investment Is Required

Growing demand for energy will necessitate investment in energy infrastructure.

Growing demand for energy is likely to necessitate investment in energy infrastructure. As new and growing areas of supply are established (e.g., Rockies and North Texas for natural gas production), new pipeline infrastructure is needed to bring supply to markets. According to the National Petroleum Council, pipeline and distribution investments are expected to average approximately $8 billion per year.

We believe MLPs will play an increasingly larger role in the growth of energy infrastructure in the United States. Over the past three years, MLPs have spent approximately $17 billion on infrastructure acquisitions and investments. Because of its lower cost of capital, MLPs have an inherent comparative advantage to either acquire or build new infrastructure. Thus, MLPs will increasingly be a logical home for midstream assets, in our view. Currently, only 34% of all energy pipelines in the United States are held by MLPs, implying ample room for consolidation by this sector.

C. Emergence Of MLP Closed-End Funds

There are now six closed-end funds that invest solely in MLPs (and one with 25% invested in MLPs). Closed-end funds are organized as corporations (as opposed to regulated investment companies, tax-exempt entities, etc.) and thus are not subject to the restrictions related to qualifying income and UBTI. The MLP closed-end funds pay a dividend that is meant to generate a yield on par with the MLP investments themselves. An investor in a closed-end fund receives a 1099 form. Benefits to investing in a MLP closed-end fund include the following:

(1) These portfolios are professionally managed and provide diversification for investors.

(2) These funds can be invested within IRA accounts without being subject to UBIT.

(3) Investors receive a single 1099 rather than multiple K-1s.

(4) Closed-end funds can engage in private market transactions that are not readily available to the public.

MLP closed-end funds are playing an increasingly prominent role in the MLP sector, in our view. The funds often provide private funding for MLPs to supplement public equity offerings to finance growth initiatives. These investments are often made in conjunction with the announcement of an acquisition or project. The MLP benefits by prefunding a portion of its funding needs without eroding the stock price. The fund benefits by acquiring units at a discount to the market price. We also believe funds are sometimes serving as stabilizing mechanisms for MLP stock prices. When MLPs experience periods of weakness, some funds may use the weakness as a buying opportunity, thereby lending support to valuations.

Figure 24 - MLP Closed-End Funds

MLP Closed End Funds	Ticker 8/23/05	Current Yield	Current Dividend	Current Price	Shares Out	Market Cap	3-mo Avg Vol	IPO Date
Fiduciary Energy Income Growth Fund	FEN	5.7%	$1.32	$23.33	6.4	$149	13,542	6/24/04
Fiduciary Claymore MLP Opportunity Fund	FMO	6.2%	$1.25	$20.33	18.1	$367	51,156	12/22/04
Kayne Anderson MLP Investment Company	KYN	6.1%	$1.66	$26.96	33.7	$908	87,684	9/27/04
Kayne Anderson Energy Total Return Fund	KYE	6.6%	$1.08	$24.70	30.0	$741	113,860	6/27/05
Tortoise Energy Infrastructure Corporation	TYG	5.8%	$1.80	$31.10	14.7	$459	42,745	2/24/04
Tortoise Energy Capital Corporation	TYY	3.7%	$0.94	$25.19	14.0	$353	60,363	5/26/05
MLP CLOSED END FUND AVERAGE:		**5.7%**				**$2,977.00**	**61,559**	
MLP CLOSED END FUND MEDIAN:		**5.9%**					**55,760**	

Source: FactSet

D. Risk Profile of MLPs Is Changing: More Commodity Price Exposure

Although investors are becoming more comfortable with the MLP investment structure, the risk profile of MLPs may very well be increasing. Specifically, the cash flows of some MLPs are becoming more sensitive to commodity prices. MLPs formed in the late 1980s and early 1990s generally owned pipeline and storage assets that were largely fee-based with limited exposure to commodity price risk. Currently, MLPs own assets involved in almost all aspects of energy, across all commodities, with varying degrees of commodity price sensitivity. These include onshore and offshore pipelines that transport natural gas, crude oil, refined products, and ammonia, gathering and processing operations, fractionation facilities, storage assets, marketing businesses, propane distribution, coal production, LNG, and waterborne transportation.

E. The Effect Of Commodity Prices On MLPs

Fluctuating commodity prices have little and varying direct effect on the ***price*** performance of MLPs, in our view. The r-squares between the price performance of our MLP composite and natural gas and crude oil prices are 18.0% and 49.3%, respectively.

Figure 25 – R-Squares Of MLP (By Asset) Price Movements With Commodities

5-Year Historical Median R^2	Midstream MLPs	Coal MLPs	Propane MLPs	MLP Composite
Natural Gas Prices	17.0%	32.6%	17.3%	18.0%
Crude Oil Prices	47.5%	80.9%	49.8%	49.3%

Source: FactSet

However, the effect of commodity prices on the cash flows of MLPs varies according to asset class. Below we outline the effect of commodity prices on each asset class owned by MLPs along the energy value chain.

Figure 26 – Energy Value Chain

Natural Gas Pipelines	Crude Oil Pipelines	Refined Products Pipelines	Storage & Terminals	Gathering & Processing	Propane Or Heating Oil	Coal	Vessels
EEP	EEP	BPL	BPL	APL	APU	ARLP	KSP
EPD	EPD	HEP	EPD	EEP	ETP	NRP	MMLP
ETP	MWE	KMP	HEP	EPD	FGP	PVR	TGP
KMP	PAA	MMP	KMP	ETP	SGU		USS
NBP	SXL	SXL	MMLP	MWE	SPH		
TCLP	TPP	TPP	MMP	NBP	NRGY		
TPP	VLI	VLI	PAA	PVR			
XTEX	PAA	TLP	SXL	TPP			
			TPP	XTEX			
			VLI				
			NRGY				
			PAA				
			TLP				

Source: Partnership reports

Pipelines

In general, pipeline companies do not take title to the commodity, and hence high commodity prices have little (if any) direct effect. Interstate natural gas pipelines' earnings are typically based on demand charges (similar to rent) and a small portion of earnings may vary with volumes. Longer term, high natural gas prices may spur drilling activity and benefit pipeline companies that can expand their systems that connect to basins of increasing supply. However, high prices could also have the effect of causing conservation and curtailing demand.

In contrast, earnings for crude and petroleum products pipelines are tied primarily to throughput (volumes). Energy demand is relatively inelastic over the short term. For example, even with current high gasoline prices, consumption is still up about 1.5%. Interstate petroleum products pipelines may benefit from higher commodity prices via regulations that allow interstate pipelines to annually increase tariffs at the same rate of growth as the producers' price index (PPI).

Gathering And Processing

In general, partnerships with gathering and processing assets have direct commodity price exposure and tend to benefit during periods of high commodity prices. High prices likely will stimulate drilling activity and should increase production, which should, in turn, increase volumes on gathering systems. Gas processors benefit most in an environment of high commodity prices, particularly when the price of crude oil (and natural gas liquids) is higher than natural gas on a relative BTU basis.

Natural gas is typically processed under three primary contracts that expose the processor to varying degrees of commodity price risk. (1) Keep whole contracts are exposed to the relative values of natural gas and NGLs. (2) Percent of Proceeds/Liquids contracts are generally more profitable during periods of high commodity prices. (3) Fee-based contracts are tied to volumes processed but are not directly exposed to commodity fluctuations. However, to the extent that high prices lead to higher production volumes, fee-based contracts generate more profit.

Propane Distributors

MLPs with propane assets are generally indifferent to price fluctuations as long as they can pass on price increases to customers. However, extremely high propane prices may cause conservation and may expose distributors to higher bad debt expense. Propane distributors tend also to have higher working capital requirements when prices are very high. The more significant driver of propane consumption is weather, in our view, as propane is used primarily for heating.

Coal Reserves

MLPs with coal assets will directly benefit during periods of high commodity prices, in our view. Coal MLPs own coal reserves and either lease their reserves and collect a royalty stream or mine the coal reserves directly. Since most coal is sold under long-term (1-3 year) contracts, higher coal spot prices do not immediately affect coal sales prices. When contracts roll over, they are typically renegotiated closer to prevailing spot prices (which are higher currently).

F. MLPs Have Been Successful In Making Acquisitions And Investing Organically

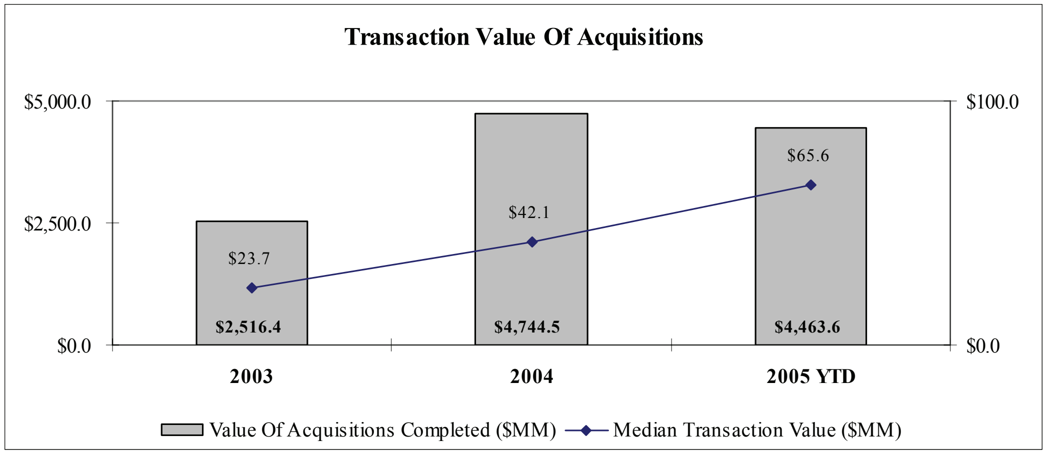
Over the past five years (2000-04), our Master Limited Partnership Composite invested roughly $25.7 billion in organic expansion projects and acquisitions. During this time frame, cash deployed in internal growth projects totaled $6.7 billion (or about 25% of the total investment) while cash paid for acquisitions and additional equity investments tallied $19.0 billion. From FY2000-04, annual growth and acquisition capital investment increased to $6.4 billion from $2.9 billion. The top-five MLPs that invested accounted for $3.2 billion or 50% of FY2004 total expenditures.

Opportunities for investment in the energy sector should continue into the foreseeable future, in our view. Oil and gas majors are rationalizing their asset bases to redeploy capital into higher growth investments. Additionally, merchant energy companies and others are divesting assets to shore up balance sheets and refocus on core competencies.

$2.7 Billion In Acquisitions By MLPs To Date In 2005

MLPs have been active in the acquisition market in 2005. According to our estimates, MLPs have spent more than $2.7 billion year to date on acquisitions (with an additional $1.7 billion pending). The largest transactions have been ETP's $825 million acquisition of Houston Pipeline and Copano Energy's recently announced $500 million acquisition of gathering and processing assets in Oklahoma. (In addition, ONEOK Inc., the primary GP owner of Northern Border Partners, acquired Koch's midstream business for $1.35 billion and Kinder Morgan Inc., the GP owner of Kinder Morgan Energy Partners, announced plans to acquire Terasen, Inc. for $5.6 billion)

Figure 27 – MLPs' Growing Participation In The Acquisition Market



Source: Partnership reports
Note: 2005 includes $1.7 billion of pending acquisitions.

Multiples Are Rising…

The average multiple of EBITDA paid by MLPs for assets has risen to 7.9x year to date in 2005 from about 6.5x in 2003, according to our estimates. Many of the larger acquisitions (e.g. natural gas pipelines) have been acquired at multiples in the 9-10x range. In some instances, buyers have been able (and willing) to pay more because they have a lower cost of capital and/or because the assets represent a strategic investment for the partnership (e.g., geographic).

Some MLPs have acquired assets at seemingly rich valuations with the intention of enhancing or investing in the assets to increase the EBITDA run rate, thereby making the acquisition look more attractive on a forward-looking basis. This strategy bears watching, in our opinion, as we believe it introduces additional risk in the form of execution and timing.

…But Returns Still Exceeding Cost Of Capital

MLPs continue to possess a competitive (and low) cost of capital, which, in general, has enabled them to make acquisitions even at higher multiples. For perspective, the median cost of capital of our MLP Composite is now 6.3%. Thus, even at higher multiples, returns are exceeding cost of capital. In addition, interest rates have remained relatively low with the ten-year treasury yield at just 4.2%. As interest rates inevitably rise and MLPs are successful in raising distributions and incentive distributions to the GP, we expect their cost of capital will begin to increase. As this occurs, we expect acquisition multiples to decrease, as returns will have to be higher to justify the increased cost of capital, in our view.

Acquisition Market Still Looks Good For MLPs

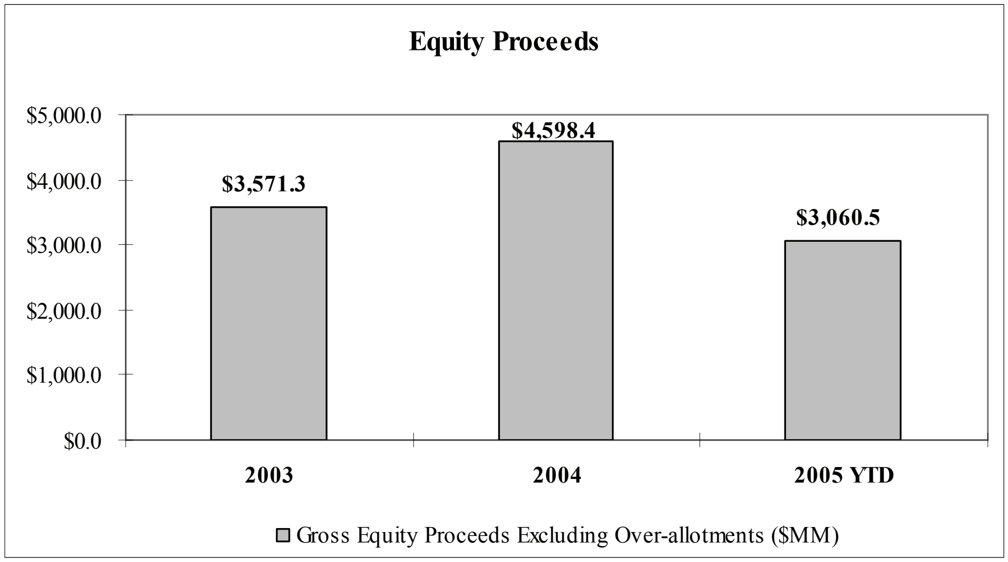
For the remainder of 2005, we believe acquisition opportunities will be plentiful. In addition to MLPs, we expect integrated natural gas companies (c-corps.) and private equity firms to be active participants in the acquisition market. **Because of their unique structure (low cost of capital), we believe MLPs will increasingly be the logical home for many midstream energy assets currently held by majors, private companies, etc.**

Because of their unique structure (low cost of capital), we believe MLPs will increasingly be the logical home for many midstream energy assets currently held by majors, private companies, etc.

G. MLPs Continue To Enjoy Good Access To The Capital Markets

The number, size, and total amount of capital raised by MLPs continues to increase. In 2005, MLPs have already raised a total of $6.8 billion in new capital, including $3.0 billion of equity (gross proceeds excluding the exercise of overallotments) and $3.8 billion of debt. This compares to about $4.5 billion raised in the comparable year ago period (equity and debt of $3.0 billion and $1.5 billion, respectively). MLP capital raising is being spurred by an active acquisition market as well as the partnerships' continued investment in energy infrastructure (organic growth) projects.

Figure 28 – MLP Equity Raised: 2003-2005

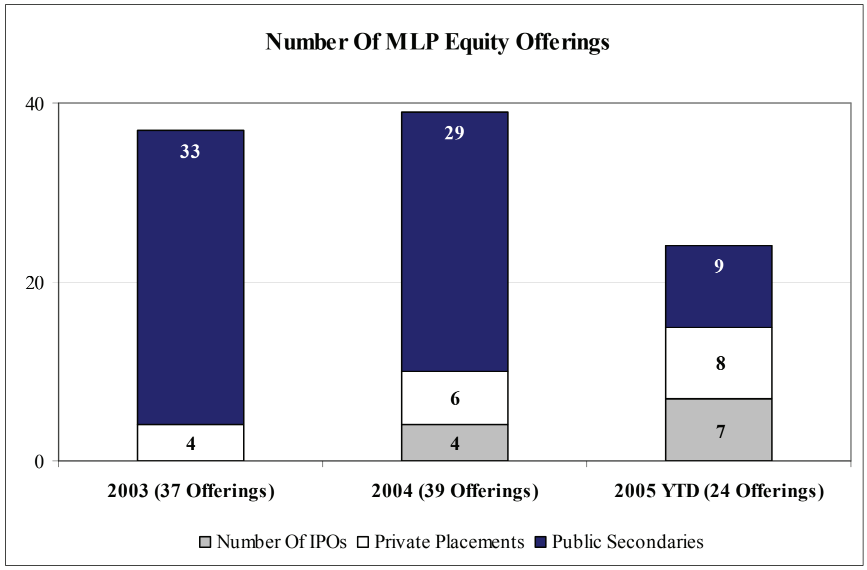


Source: Partnership reports and Wachovia Capital Markets, LLC estimates

<u>MLPs Remain Disciplined Acquirers</u>: Access to capital is the key to MLP growth, in our view. Because MLPs distribute all available cash to unitholders, they must access the capital markets to finance growth (i.e., organic and acquisitions). This dynamic has caused MLPs to be disciplined acquirers, in our view, as management teams must demonstrate to unitholders that acquisitions and projects are accretive to justify financing.

The number of MLP equity deals steadily increased to 39 in 2004 from 37 in 2003 and 18 in 2002. In addition, the average size of equity deals has increased to approximately $176 million year to date in 2005 from $118 million in 2004 and $97 million in 2003. Growing institutional interest, yield-seeking investors, MLPs’ favorable relative price performance, and the current low interest rate environment explain, in part, the increasing strong demand for MLP capital, in our view.

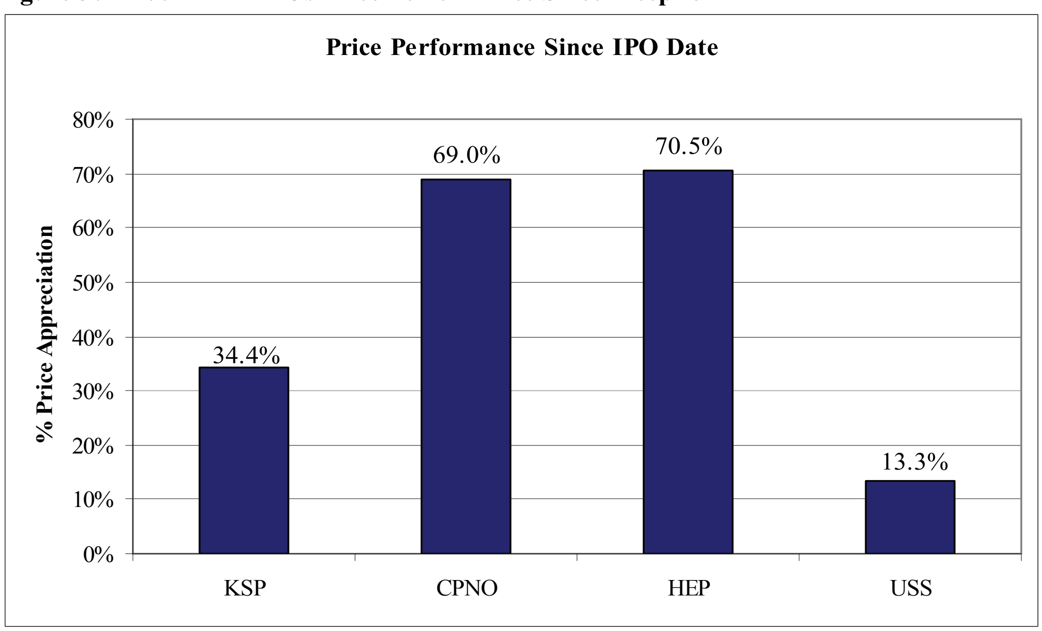
Figure 29 – Number Of MLP Equity Offerings



Source: Partnership reports

IPOs Abound: The IPO market for MLPs remains robust as well. In 2005, we expect a total of at least seven new MLP offerings to hit the market. This compares to a total of four new energy MLPs formed in 2004 (CPNO, HEP, KSP, USS). The four IPOs in 2004 continue to perform well with the units up 46.8% on average since their initial public offerings. Specifically, CPNO is up 69.0% versus 4.6% for the S&P 500 during the same time period, HEP is up 70.5% versus 9.8% for the S&P 500, KSP is up 34.4% versus 8.5% for the S&P 500, and USS is up 13.3% versus 7.7% for the S&P 500. IPOs tend to be priced at a discount (i.e., provide a higher yield than comparables) and tend to have good prospects for distribution increases. Hence, the initial discount tends to erode over a short period of time. However, investors should evaluate each transaction based on its own merits (for example, growth potential should be weighed against inherent risks).

Figure 30 – 2004 MLP IPOs Price Performance Since Inception



Source: FactSet

Private Placements – New Source Of Financing For MLPs: Private placement of equity has become a significant venue to raise capital for MLPs. This has been facilitated, in part, by the formation of six closed-end MLP funds. Of the $3.0 billion of equity capital raised by MLPs year to date, $748 million was sold directly via private placements to MLP closed-end funds. This compares to a total of $363 million in 2004 and $275 million in 2003. The benefits of selling units to institutional and private investors include (1) the ability to prefinance acquisitions, (2) avoidance of potential price erosion during the period between when a public equity offering is announced and priced, and (3) competitive terms. The discount to the current market price at which the units are sold via private placements is often comparable to the fees charged by underwriters.

H. Greater Recognition Of The Value Of The General Partner

The role of the GP and the incentive distribution rights (IDRs) typically held by the GP has gained recognition. Some GPs have been spun out as separate, publicly traded entities to highlight and maximize their value. Other MLPs have chosen to amend the IDRs to limit the cash flow that goes to the GP. Finally, at least one MLP (Copano Energy) was established as an LLC (rather than the traditional LP structure) with no GP entity to maximize the long-term growth of the partnership.

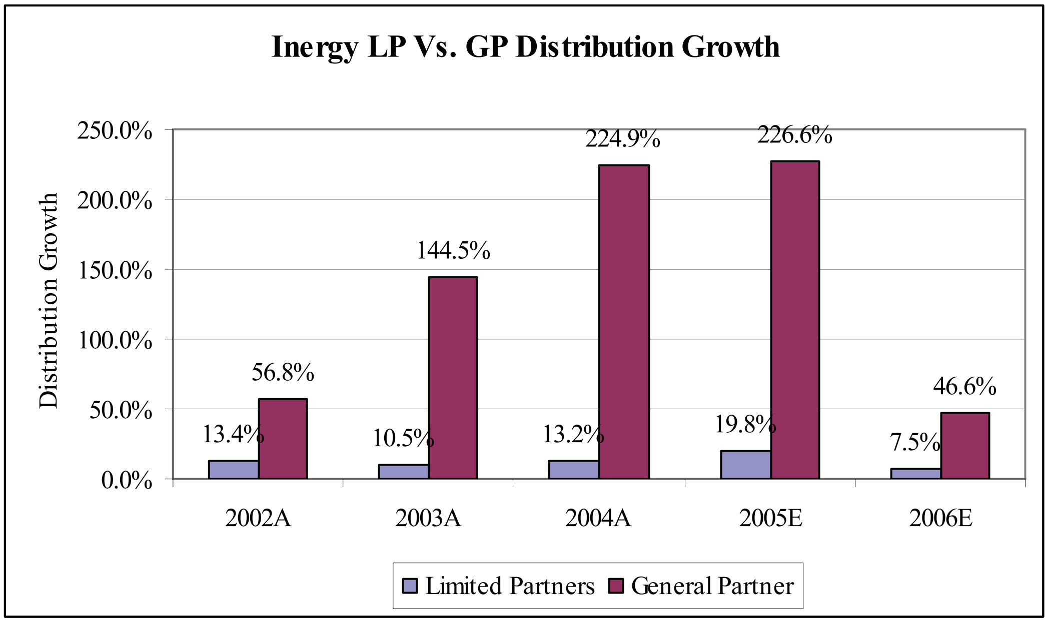
More GP Transactions

Since our report "Recognizing the Value Of The General Partner" was published on March 24, 2004, seven GP interests have been acquired in both private and public market transactions for total consideration of approximately $1.7 billion. On August 5, 2005, Sable Investments, L.P. announced plans to sell its 19% interest in PAA's GP for about $81 million. We expect this trend to continue as GP interests are monetized (both via private and public sales) to unlock the value of these entities.

Power Of The IDRs

Clearly, buyers of GPs have recognized the value of the IDRs typically held by the GP. The value of the GP lies in the fact that the GP receives a disproportionate amount of the incremental cash flow of the partnership as LP distributions are increased due to the IDRs. Hence, distribution growth for successful GPs can be significantly higher than that of LPs. For example, NRGY, one of the most successful propane MLPs, has raised distribution per LP unit at a four-year CAGR of 14% (2001A-2005E). Over this period, cash flow to NRGY's GP has grown at a CAGR of 152%. Looking ahead, we expect KMP's CY2006 distribution per LP unit to grow 7.5%, which translates into 47% cash flow growth for the GP. Currently, NRGY's GP receives approximately 16% of total cash flow. The GP accruing the highest percentage of cash flow is KMP with 42%.

Figure 31 – Inergy Distribution Growth To Limited Partners And General Partner



Source: Partnership reports

Valuations Rising For General Partner Interests

Since the beginning of 2004, GP interests have been valued at a median trailing-12-months (TTM) cash flow multiple of about 21x, according to our analysis, and have risen as high as 27.6x cash flow in the case of PAA. During the same time frame, transactions had been completed at a median forward-12-months (FTM) cash flow multiple of about 14.5x by our calculation. Please refer to Figure 32 for a list of GP transactions.

Figure 32 – General Partner Transactions

Date	Partnership	Percent Acquired	Price ($MM)	Implied Value ($MM)	Buyer	Seller	TTM Cash Flow ($MM)	FTM Cash Flow ($MM)	TTM Multiple	FTM Multiple Estimate
Mar-96	**Buckeye Partners, LP**	100.0%	$63	$63	BMC Acquistion Co. (management)	American Financial Group, Inc.	$1.7	$3.4	37.6x	18.5x
May-99	**Suburban Propane Partners, LP**	100.0%	$6	$6	SPH Management	Millenium Chemicals Inc.	$0.9	$1.0	6.6x	6.2x
Jun-01	**Plains All-American Pipeline, LP**	56.0%	$42	$75	Investor Group (including management)	Plains Resource, Inc.	$1.7	$3.8	44.1x	19.7x
Jun-03	**Magellan Midstream Partners, LP**	100.0%	$42	$42	Madison Dearborn/Carlyle Riverstone	Williams Cos.	$5.8	$14.3	7.2x	2.9x
Oct-03	**GulfTerra Energy Partners, LP**	9.9%	$88	$889	Goldman Sachs	El Paso Corp.	$73.8	$94.0	12.x	9.5x
Dec-03	**GulfTerra Energy Partners, LP**	9.9%	$89	$897	El Paso Corp	Goldman Sachs	$73.8	$94.0	12.2x	9.5x
Dec-03	**GulfTerra Energy Partners, LP**	50.0%	$425	$850	Enterprise Products Partners	El Paso Corp.	$73.8	$94.0	11.5x	9.x
Dec-03	**Natural Resource Partners, LP**	52.5%	$4	$8	Investor Group (including management)	Arch Coal	$0.9	$2.8	8.5x	2.7x
Jan-04	**Heritage Propane Partners, LP**	100.0%	$30	$30	LaGrange Energy, LP	U.S. Propane	$1.9	$3.0	16.2x	10.x
Jan-04	**Crosstex Energy Partners, LP**	100.0%	$18	$18	Public (IPO)	NA	$0.8	$3.0	22.5x	6.x
Mar-04	**Plains All-American Pipeline, LP**	44.0%	$21	$48	Vulcan Capital	Plains Resource, Inc.	$9.4	$15.1	5.1x	3.2x
Mar-05	**Buckeye Partners, LP**	100.0%	$235	$235	Carlyle/Riverstone Global Energy and Power Fund II, LP	Glenmoor, Ltd.	$11.3	$18.7	20.8x	12.6x
Nov-04	**Northern Border Partners, LP**	82.5%	$175	$212	ONEOK, Inc.	CCE Holdings	$12.8	$13.7	16.6x	15.5x
Nov-04	**Kaneb Pipe Line Partners, LP**	100.0%	$193	$193	Valero, LP	Kaneb Services, LLC	$8.5	NE	22.6x	NE
Jan-05	**Enterprise Products Partners, LP**	9.9%	$63	$632	EPCO Inc.	El Paso Corp.	$46.3	$72.2	13.6x	8.7x
Feb-05	**TEPPCO Partners, LP**	100.0%	$1,100	$1,100	EPCO Inc.	Duke Energy Field Services, LLC	$67.7	$75.7	16.3x	14.5x
Jun-05	**Inergy Holdings, L.P.**	19.6%	$88	$450	Public (IPO)	NA	$13.1	$24.3	34.4x	18.5x
Aug-05	**Plains All-American Pipeline, LP**	19.0%	$81	$426	Remaining 7 GP Owners	Sable Investments, L.P.	$16.4	$24.8	26.1x	17.2x
Mean Multiple									**20.1x**	**12.6x**
Median Multiple									**16.4x**	**10.x**

Source: Company Reports, Wachovia Capital Markets, LLC estimates
Notes:
TTM is trailing 12 months; FTM is forward 12 months.
Magellan GP value is based on a $1,082 million total price paid for 54.6% interest in the partnership, which included 100% GP interest and 14.6 million LP, class B, and subordinated units.
Heritage Propane Partners, LP (HPG) is now Energy Transfer Partners, LP (ETP).

Participation Via Publicly Traded GPs

Publicly traded GPs are housed in a variety of public entities. Some public securities hold only the GP interest along with a share of a MLP's limited partner units (typically subordinated to the common units). Other GP interests are held within companies involved in other businesses or who own other energy assets. Publicly traded entities holding GP interests include ATLS, ENB, HOC, KMI, MWP, NRGP, OKE, POCC, PVA, SUN, TK, UGI, VLO, and XTXI. NRGP (the GP of NRGY) completed its initial public offering (IPO) in June and has appreciated about 39% from its offering price. The units are currently trading at about 33x cash flow based on NRGY's distribution declared for the June 30, 2005, quarter.

I. Cost Of Capital Is Becoming A More Prominent Issue

Will Capping The "High" Splits Change The Landscape?

MLP management teams are aware of the negative effect on their cost of capital as a greater percentage of distributable cash accrues to the GP through incentive distribution rights. Two MLPs have capped their IDRs at 25% to maintain a cost of capital advantage. It remains to be seen whether MLPs with IDRs that reach 50% will experience a slowdown in distribution growth over the long term.

Do MLPs Really Have A Lower Cost Of Capital? Yes and No…

MLPs enjoy a lower cost of capital due to their tax-advantaged status. Because MLPs do not pay corporate income tax, they can generate more free cash flow than a corporation given the same amount of operating income. Thus, MLPs should be able to compete more effectively than corporations for acquisitions. For example, if a corporation and an MLP are vying for an acquisition, the MLP can either (1) effectively pay more for the acquisition yet realize the same accretion that a corporation could at a lower price or (2) realize greater accretion while paying the same purchase price.

What Is The Cost Of Capital Paradox?

Paradoxically, as the MLP is more successful in raising distributions, its cost of capital increases. As the partnership increases its distribution, the GP is entitled to an increasingly greater proportion of the MLP's cash flow as distributions exceed certain target levels (incentive distribution rights or IDRs). Thus, MLPs' cost of capital advantage erodes over time due to the GP IDRs. In other words, as distributions increase, the GP gets a larger slice of the pie (percentage of cash flow generated by the partnership). Thus, while MLPs do not pay corporate income tax, they do pay a portion of their cash flow to the GP--initially only 2%. Thus, MLPs effectively pay a "tax" to the GP.

VIII. Valuation--Cash Is King

Unlike traditional corporations, earnings for MLPs are less relevant in considering valuation, in our view. Thus, we do not pay as close attention to price-to-earnings (P/E) multiples as we believe the focus for MLPs should be on cash flow rather than earnings. This is due to the fact that cash flow determines how much can be paid out to unitholders in the form of distributions. We believe that earnings may misrepresent true economic value because of accounting conventions for noncash items such as depreciation and amortization. Instead, we tend to focus on cash flow metrics, in particular, distributable cash flow, as this determines how much cash flow can be paid out in the form of distributions.

A. Distribution Yield

MLPs can be valued using a number of techniques. The most common valuation method typically focuses on yield due to the fact that MLPs are income-oriented securities. Some investors will look at yield to determine relative value. Others may project a distribution for year-end and then apply a target yield to their projection to determine a fair value for the security.

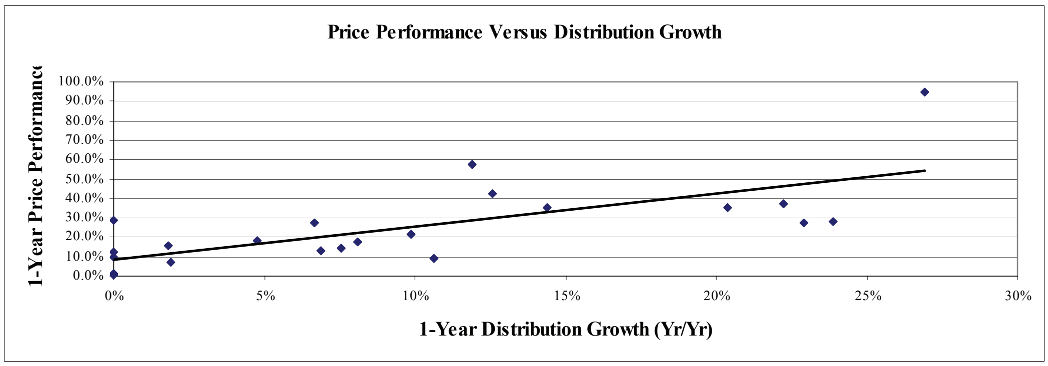
Our primary tools for valuing MLPs include (1) a two-stage distribution (dividend) discount model and (2) price-to-distributable cash flow multiples. We also consider relative valuation based on adjusted enterprise value-to-EBITDA multiples and current yields. We believe these methodologies are most useful in valuing MLPs as they attempt to quantify, in a more rigorous manner, the inherent value of a MLP's projected cash flow stream.

From 1998-2004, our MLP universe has had an average yield of 8.8%, ranging from a high of 13.1% to a low of 6.4%. The disparity in yield among MLPs can be explained by several factors including risk profile (financial and operational), growth prospects, and interest rate environment.

Risk profile: MLPs with profiles that are perceived to be riskier (e.g., assets subject to commodity price risk, weather risk, higher leverage, or more variability in cash flow) typically trade at a higher yield in the market as investors require greater return to compensate for the increased risk.

Growth prospects: We believe the disparity in yield can also be partially explained by the growth profile of various MLPs. For example, faster-growing MLPs should command a lower yield because it is assumed that the growth in cash flow would generate increases in distributions that, in turn, would translate into greater appreciation of the underlying security, resulting in a higher total return.

Figure 33 – MLP Price Performance Versus Distribution Growth



Source: Partnership reports and Wachovia Capital Markets, LLC estimates

Interest rates: According to our analysis, the movement in interest rates can explain roughly 25-30% of MLP price movements over the past ten years. Over that time period, the spread between the yield for the ten-year treasury (a proxy for interest rates) and MLP yields has averaged roughly 373 basis points. Thus, in periods of rising interest rates (i.e., when "risk free" money is available at higher rates), MLP yields have tended to increase, in kind. An increase in yield for MLPs implies a decrease in the price of MLPs.

B. Two-Stage Distribution Discount Model

For our distribution (dividend) discount model (DDM), we project a distribution growth rate over five years, in two stages, typically years 1-2 and then 3-5. We then use a long-term growth rate of 2-4% depending upon the individual MLPs outlook, asset mix and management team. Our DDM assumes a required rate of return (ROR) of 9.5%, which employs a risk-free rate (using the ten-year Treasury yield as our benchmark) and a market-risk premium. For our MLP universe, we are currently using a ROR of 9.5%, which assumes a 5% risk-free rate and 4.5% risk premium.

C. Price To Distributable Cash Flow

To determine relative value, we focus on price to distributable cash flow (DCF) multiples. As noted, we believe the focus for MLPs should be on cash flow rather than earnings (or P/E). Distributable cash flow is defined as the cash available to be distributed to limited unitholders after payments are made for sustaining capital expenditure, other cash obligations, and cash distributions to the GP. Our MLP universe is currently trading at an average price-to-DCF multiple of 13.0x our 2006 estimate.

D. Adjusted Enterprise Value-To-EBITDA

When comparing MLPs value on the basis of its EV-to-EBITDA multiple, we use an adjusted enterprise value. Our adjusted enterprise value takes into account the GP's share of the distributable cash flow. Therefore, if, for example, a partnership has an enterprise value of $100 million, consisting of a $50 million market cap and $50 million of debt, and 10% of its cash distributions are made to the GP, we would increase our market value by roughly 10%, to $55.6 million, and our adjusted EV to $105.6 million. We believe this is the correct way to calculate EV when comparing it to EBITDA, since the EBITDA generated by the partnership likely will be used to support the cash distributions to both the limited and the general partners.

E. Spread Versus The Ten-Year Treasury

Our MLP Composite yield is currently trading at approximately 200bps above the ten-year treasury. Yields on our MLP universe have maintained spreads over the ten-year treasury as wide as 488 bps and as narrow as 160bps, with an average of 337 bps over the ten-year period from January 1994-2004. We view the spread versus the Treasury as a good measure of investors' appetite for assuming risk over time as it relates to owning MLPs. Thus, this spread has narrowed in recent years, as investors have become more comfortable with the MLP structure and MLPs have consistently outperformed the broader stock market, in our view. However, we would caution that measuring current spreads versus an historical average may not be valid as the number, size and growth orientation of MLP investments has changed over time.

Narrowing Of Spread

A rise in interest rates can be partially mitigated by a narrowing of the spread between interest rates (as represented by the ten-year treasury) and the MLP composite yield, in our view. This is due to the fact that, all else being equal, a narrower spread implies a lower relative yield for MLP stocks. A lower yield, in turn, implies a higher stock price and thus capital appreciation. This can serve to partially offset the downward pressure that rising interest rates could exert on MLPs.

IX. What Are The Risks?

Distribution growth's dependence on ability to access external capital. Because MLPs pay out virtually all of their cash to unitholders, they must continually access the debt and equity markets to finance growth. If MLPs were unable to access these markets or could not access these markets on favorable terms, this could inhibit long-term distribution growth.

An increase in interest rates. As seen in 1998-99, MLPs have underperformed during periods of rising interest rates. Hence, with interest rates at all-time lows, interest rates are likely to rise, which could adversely affect MLPs' performance.

An adverse regulatory environment. Many pipelines are regulated by the Federal Energy Regulatory Commission (FERC), which sets tariff rates on these systems. The FERC also hears all tariff disputes arising between pipeline operators and shippers. If the FERC rules against pipeline MLPs or lowers tariff rates, MLPs' cash flow performance over the long term could be adversely affected.

Conflicts of interest with the GP. For certain MLPs, the GP of the partnership and the parent company that owns the GP are controlled and run by the same management teams (examples include KMP and EEP). Thus, some investors have rightfully questioned the independence and legitimacy of the MLP structure and have been reluctant to invest in a security with certain inherent conflicts. Some potential areas of conflict include (1) the price at which the MLP is acquiring assets from the GP, (2) the GP aggressively increasing the distribution to achieve the 50%/50% split level rather than managing distribution growth to maximize the long-term sustainability of the partnership, and (3) the potential for management to place the interests of the parent corporation or the GP above the interests of the LP unitholders.

Environmental incidents and terrorism: Many MLPs have assets that have been designated by the Department of Homeland Security as potential terrorist targets, such as pipelines and storage assets. A terrorist attack or environmental incident could disrupt the operations of an MLP, which could negatively affect cash flow and earnings in the near term. In addition, the FERC recently mandated certain pipeline integrity and safety requirements, which should increase operation and maintenance expense over the next several years and reduce earnings. Additional required maintenance expense could lead to further reduction in earnings.

A severe economic downturn. Energy demand is closely linked to overall economic growth. A severe economic downturn could reduce the demand for energy and commodity products, which could cause lower earnings and cash flow.

Acquisitions. Many MLPs have been able to grow cash flow and distributions by making accretive acquisitions. Difficulties in locating attractive acquisition targets or integrating future acquisitions could negatively affect future cash flows.

Execution risk. Many MLPs have been able to grow cash flow and distribution by investing in organic expansion projects. If these projects are not kept within budget and on schedule, future cash flow growth could be affected.

Weather risk. Some MLPs, particularly those involved in the transportation (pipeline) and distribution of propane, are dependent on cold weather for their earnings. If an MLP's operating region experiences unseasonably warm weather, propane demand, and therefore volumes, could be negatively affected.

Figure 34 – MLP Metrics

WACHOVIA CAPITAL MARKETS, LLC - MLPs

YVES C. SIEGEL (212) 891-5036 MICHAEL BLUM (212) 909-0056 SHARON LUI (212) 909-0978

Master Limited Partnership	Ticker	Price 8/23/05	52 Week High	52 Week Low	Current Distr.	Yield	Mkt Cap ($MM)	Current EV ($MM)	3 Mo. Avg Vol	Short Int Ratio	Est. % Tax Deferred (1)
MIDSTREAM MLPS											
Atlas Pipeline Partners, L.P.	APL	$46.38	$49.15	$34.71	$3.08	6.6%	$440.6	$639.1	55,369	.2x	At least 70%
Buckeye Partners, L.P.	BPL	$46.40	$50.80	$39.10	$2.85	6.1%	$1,759.2	$2,111.5	76,014	1.8x	75%
Copano Energy, LLC	CPNO	$38.35	$42.40	$21.59	$1.80	4.7%	$406.6	$448.5	30,480	.4x	80%
Enbridge Energy Partners, L.P.	EEP	$52.44	$57.08	$45.60	$3.70	7.1%	$3,252.4	$5,230.8	64,941	2.9x	90%
Enbridge Energy Management, LLC	EEQ	$51.95	$55.98	$42.62	$3.70	7.1%	$587.3	$587.3	15,539	18.9x	90%
Enterprise Products Partners, L.P.	EPD	$25.23	$28.35	$21.31	$1.68	6.7%	$9,695.1	$14,929.1	375,014	6.9x	90%
Energy Transfer Partners	ETP	$36.01	$39.09	$20.88	$1.95	5.4%	$3,681.8	$4,819.9	126,319	5.5x	80%
Genesis Energy, L.P.	GEL	$11.28	$12.80	$8.25	$0.60	5.3%	$105.1	$118.8	14,913	.4x	90%
Holly Energy Partners, L.P.	HEP	$41.85	$47.00	$27.72	$2.30	5.5%	$625.2	$765.8	18,606	4.7x	80%
Hiland Partners, L.P.	HLND	$37.92	$39.97	$27.50	$1.85	4.9%	$257.9	$257.9	6,813	.4x	80%
Kinder Morgan Energy Partners, L.P.	KMP	$50.90	$55.20	$42.75	$3.12	6.1%	$10,687.3	$14,470.4	314,913	14.9x	95%
Kinder Morgan Management, LLC	KMR	$47.55	$50.05	$37.15	$3.12	6.6%	$2,666.5	$2,666.5	77,982	7.7x	95%
Martin Midstream Partners, L.P.	MMLP	$31.95	$34.49	$26.03	$2.20	6.9%	$270.8	$343.1	8,048	1.x	80%
Magellan Midstream Partners, L.P.	MMP	$32.78	$35.45	$25.08	$1.99	6.1%	$2,175.3	$3,041.9	148,722	.9x	30%
Mark West Energy Partners, L.P.	MWE	$51.81	$53.50	$42.50	$3.20	6.2%	$551.4	$738.4	11,997	1.4x	90%
Northern Border Partners, L.P.	NBP	$48.81	$52.99	$39.81	$3.20	6.6%	$2,264.6	$4,030.5	56,869	1.8x	90%
Plains All American Pipeline, L.P.	PAA	$44.92	$48.20	$32.55	$2.60	5.8%	$3,050.7	$4,756.1	94,552	3.2x	80%
Sunoco Logistics Partners, L.P.	SXL	$39.11	$43.99	$36.79	$2.60	6.7%	$944.3	$1,212.4	65,905	.5x	75%
TC Pipelines, L.P.	TCLP	$33.60	$41.28	$30.11	$2.30	6.9%	$588.0	$608.8	60,597	.3x	0-50%
Transmontaigne Partners, L.P.	TLP	$26.92	$29.80	$23.66	$0.60	6.7%	$196.4	$196.4	80,656	.7x	80%
TEPPCO Partners, LP	TPP	$40.89	$45.45	$37.44	$2.70	6.6%	$2,860.8	$4,323.4	136,698	.7x	90%
Valero L.P.	VLI	$55.95	$64.20	$52.12	$3.42	6.1%	$1,289.1	$1,665.5	83,597	2.4x	80%
Crosstex Energy, L.P.	XTEX	$42.90	$45.50	$26.00	$1.88	4.4%	$778.2	$933.1	21,700	1.6x	100%
MIDSTREAM MLP AVERAGE:						**6.1%**	**$2,019.3**	**$2,822.8**	**122,892**	**3.3x**	**83%**
MIDSTREAM MLP MEDIAN:						**6.2%**	**$944.3**	**$1,212.4**	**64,941**	**1.5x**	**80%**
PROPANE/ HEATING OIL MLPS											
Amerigas Partners, L.P.	APU	$32.25	$35.00	$26.11	$2.24	7.0%	$1,757.4	$2,712.7	50,936	3.1x	70-80%
Ferrellgas Partners, L.P.	FGP	$22.14	$22.27	$19.28	$2.00	9.0%	$1,198.1	$2,275.7	117,097	1.x	90%
Inergy, L.P.	NRGY	$30.24	$34.70	$24.09	$2.04	6.8%	$994.3	$1,564.3	73,457	1.9x	80%
Star Gas Partners, L.P.	SGU	$2.89	$22.49	$1.80	$0.00	0.0%	$103.6	$303.7	135,516	8.5x	80%
Suburban Propane, L.P.	SPH	$32.00	$37.40	$29.71	$2.45	7.7%	$968.9	$1,611.9	66,956	2.8x	80%
PROPANE/ HEATING OIL MLP AVERAGE:						**7.6%**	**$1,004.4**	**$1,693.6**	**88,792**	**3.4x**	**83%**
PROPANE/ HEATING OIL MLP MEDIAN:						**7.3%**	**$994.3**	**$1,611.9**	**73,457**	**2.8x**	**80%**
COAL MLPS											
Alliance Resource Partners, L.P.	ARLP	$92.00	$96.82	$47.60	$3.30	3.6%	$1,668.0	$1,842.7	75,495	2.8x	70%
Natural Resource Partners, L.P.	NRP	$58.25	$68.95	$39.10	$2.85	4.9%	$1,476.1	$1,747.4	48,658	1.9x	70%
Penn Virginia Resource Partners, L.P.	PVR	$50.14	$57.15	$37.60	$2.60	5.2%	$1,044.0	$1,067.1	48,217	1.6x	80%
COAL MLP AVERAGE:						**4.6%**	**$1,396.0**	**$1,552.4**	**57,457**	**2.1x**	**73%**
COAL MLP MEDIAN:						**4.9%**	**$1,476.1**	**$1,747.4**	**48,658**	**1.9x**	**70%**
MARINE TRANSPORTATION											
K-Sea Transportation Partners, L.P.	KSP	$36.55	$37.88	$28.40	$2.24	6.1%	$304.5	$417.3	13,809	.6x	80%
Teekay LNG Partners, L.P.	TGP	$32.15	$35.16	$24.00	$1.65	5.1%	$976.4	$1,695.2	54,847	.9x	At least 80%
U.S. Shipping Partners, L.P.	USS	$26.35	$28.80	$22.55	$1.80	6.8%	$363.6	$428.2	16,616	4.9x	90%
TRANSPORTATION MLP AVERAGE:						**6.0%**	**$548.2**	**$846.9**	**28,424**	**2.1x**	**85%**
TRANSPORTATION MLP MEDIAN:						**6.1%**	**$363.6**	**$428.2**	**16,616**	**.9x**	**85%**
MLP COMPOSITE AVERAGE:						**5.8%**	**$1,695.8**	**$2,379.4**	**105,353**	**3.1x**	**81%**
MLP COMPOSITE MEDIAN:						**6.1%**	**$972.6**	**$1,518.8**	**64,941**	**1.7x**	**80%**
MARKET INDICES											
S&P 500	SP50	1,218	1,246	1,090		1.8%					
NASDAQ Composite	COMP	2,137	2,220	1,820							
Dow Jones Industrial Average	DJII	10,520	11,027	9,660		2.4%					
US Treasury Bond 10 Yr Yield	US10YR	4.19%	4.63%	3.89%							
AMEX Morgan Stanley REIT	RMS	821	879	648							
Merrill Lynch Muni Bond Index	MBGOK	4.1%	4.3%	3.7%							
S&P Utilities Index	SP825	162	166	125		3.4%					

Source: Bridge, FactSet, and Company data

Note:
(1) For MMP, about 30% tax deferred this year and at least 80% going forward

Figure 35 - MLP Metrics

WACHOVIA CAPITAL MARKETS, LLC - MLPs — **YVES C. SIEGEL (212) 891-5036 MICHAEL BLUM (212) 909-0056 SHARON LUI (212) 909-0978**

		Distr. Coverage Ratio				Total	Debt/ TTM	Debt/	TTM EBITDA/	Debt Ratings						Investment
Master Limited Partnership	**Ticker**	**TTM**	**2004 A**	**2005 E**	**2006 E**	**Debt ($MM)**	**EBITDA**	**Cap**	**Int Exp**	**Moodys**	**Outlook**	**S&P**	**Outlook**	**Fitch**	**Outlook**	**Grade**
MIDSTREAM MLPS																
Atlas Pipeline Partners, L.P.	APL	1.x	1.x	1.1x	1.1x	$168.0	4.4x	45.0%	6.1x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Buckeye Partners, L.P.	BPL	.6x	.9x	1.1x	1.1x	$854.1	3.1x	53.5%	5.x	Baa2	Stable	BBB+	Stable	No Rating	NA	Yes
Copano Energy, LLC	CPNO	NA	11.4x	NE	NE	$53.1	1.6x	37.7%	1.6x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Enbridge Energy Partners, L.P.	EEP	1.x	1.x	.9x	1.x	$1,957.2	5.2x	62.9%	3.9x	Baa2	Stable	BBB	Stable	No Rating	NA	Yes
Enbridge Energy Management, LLC	EEQ	1.x	1.x	.9x	1.x	$1,957.2	5.2x	62.9%	3.9x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Enterprise Products Partners, L.P.	EPD	.6x	1.x	1.1x	1.1x	$4,583.4	3.7x	44.4%	4.1x	BB+	Stable	BB+	Stable	BBB+	Stable	Yes
Energy Transfer Partners	ETP	1.2x	1.2x	1.2x	1.1x	$1,596.7	4.3x	55.9%	4.4x	No Rating	NA	No Rating	NA	BBB-	Stable	Yes
Genesis Energy, L.P.	GEL	1.1x	.5x	NE	NE	$15.3	1.5x	25.3%	9.2x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Holly Energy Partners, L.P.	HEP	NA	2.5x	NE	NE	$183.0	4.5x	68.6%	9.6x	Ba3	Stable	BB-	Stable	No Rating	NA	No
Hiland Partners, L.P.	HLND	NA	NA	NE	NE	$0.0	.x	0.0%	NA	No Rating	NA	No Rating	NA	No Rating	NA	NA
Kinder Morgan Energy Partners, L.P.	KMP	1.1x	1.1x	1.1x	1.1x	$4,867.5	3.3x	58.6%	7.1x	Baa1	Negative	BBB+	NA	BBB+	Stable	Yes
Kinder Morgan Management, LLC	KMR	1.1x	1.1x	1.1x	1.1x	$4,867.5	3.3x	58.6%	7.1x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Martin Midstream Partners, L.P.	MMLP	.9x	.9x	NE	NE	$74.5	2.9x	50.6%	6.3x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Magellan Midstream Partners, L.P.	MMP	1.3x	1.4x	1.3x	1.2x	$797.8	3.3x	53.6%	5.2x	Ba1	Positive	BBB	Stable	No Rating	NA	Split
Mark West Energy Partners, L.P.	MWE	1.4x	1.4x	1.1x	1.3x	$225.0	5.2x	50.9%	3.x	B1	Positive	B+	NA	No Rating	NA	No
Northern Border Partners, L.P.	NBP	1.2x	1.3x	1.1x	1.x	$1,332.1	3.7x	63.6%	4.4x	Baa2	Stable	BBB+	Stable	BBB+	Stable	Yes
Plains All American Pipeline, L.P.	PAA	1.5x	1.2x	1.5x	1.3x	$1,773.9	5.3x	64.8%	6.x	Baa3	Stable	BBB-	Stable	No Rating	NA	Yes
Sunoco Logistics Partners, L.P.	SXL	.9x	.9x	NE	NE	$313.4	2.8x	40.4%	5.4x	No Rating	NA	BBB	Stable	No Rating	NA	Yes
TC Pipelines, L.P.	TCLP	1.3x	1.3x	NE	NE	$24.0	.4x	7.5%	79.3x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Transmontaigne Partners, L.P.	TLP	NA	NA	NE	NE	$31.5	NA	27.1%	NA	No Rating	NA	No Rating	NA	No Rating	NA	NA
TEPPCO Partners, LP	TPP	1.x	1.x	1.x	1.1x	$1,407.4	3.8x	52.5%	4.8x	Baa3	Stable	BBB-	Stable	No Rating	NA	Yes
Valero L.P.	VLI	1.3x	1.2x	NE	NE	$398.0	3.6x	47.7%	5.3x	No Rating	NA	BBB-	Stable	No Rating	NA	Yes
Crosstex Energy, L.P.	XTEX	1.1x	.9x	NE	NE	$152.7	2.6x	45.6%	4.7x	No Rating	NA	No Rating	NA	No Rating	NA	NA
MIDSTREAM MLP AVERAGE:		**1.1x**	**1.6x**	**1.1x**	**1.1x**		**3.4x**	**46.9%**	**8.7x**							
MIDSTREAM MLP MEDIAN:		**1.1x**	**1.1x**	**1.1x**	**1.1x**		**3.6x**	**50.8%**	**5.1x**							
PROPANE/ HEATING OIL MLPS																
Amerigas Partners, L.P.	APU	1.3x	1.3x	1.1x	1.2x	$914.4	3.6x	85.5%	3.x	B2	Stable	BB+	Stable	BB+	Stable	No
Ferrellgas Partners, L.P.	FGP	.6x	.9x	.7x	1.1x	$1,145.3	6.2x	86.3%	2.x	B2	Stable	B+	Stable	B+	Stable	No
Inergy, L.P.	NRGY	1.3x	.7x	.9x	1.x	$556.5	5.3x	54.2%	4.2x	B1	NA	B	Stable	No Rating	NA	No
Star Gas Partners, L.P.	SGU	-4.x	.6x	NE	NE	$300.0	-212.6x	63.5%	.x	Caa3	Negative	CCC+	NA	B-	NA	No
Suburban Propane, L.P.	SPH	.7x	1.1x	.8x	1.2x	$548.5	5.2x	74.3%	2.6x	B1	Stable	BB-	Negative	No Rating	NA	No
PROPANE/ HEATING OIL MLP AVERAGE:		**.x**	**.9x**	**.9x**	**1.1x**		**5.1x**	**72.8%**	**2.4x**							
PROPANE/ HEATING OIL MLP MEDIAN:		**.7x**	**.9x**	**.8x**	**1.2x**		**5.2x**	**74.3%**	**2.6x**							
COAL MLPS																
Alliance Resource Partners, L.P.	ARLP	2.6x	1.9x	2.4x	2.2x	$180.0	.8x	78.2%	9.1x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Natural Resource Partners, L.P.	NRP	1.3x	1.3x	1.4x	1.2x	$174.3	.9x	32.1%	10.8x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Penn Virginia Resource Partners, L.P.	PVR	1.2x	1.3x	1.6x	1.6x	$117.9	2.x	46.5%	10.4x	No Rating	NA	No Rating	NA	No Rating	NA	NA
COAL MLP AVERAGE:		**1.7x**	**1.5x**	**1.8x**	**1.7x**		**1.2x**	**52.3%**	**10.1x**							
COAL MLP MEDIAN:		**1.3x**	**1.3x**	**1.6x**	**1.6x**		**.9x**	**46.5%**	**10.4x**							
MARINE TRANSPORTATION																
K-Sea Transportation Partners, L.P.	KSP	1.6x	1.3x	NE	NE	$114.0	3.3x	44.5%	6.5x	No Rating	NA	No Rating	NA	No Rating	NA	NA
Teekay LNG Partners, L.P.	TGP	NA	NA	1.x	1.x	$614.5	NA	48.7%	NA	No Rating	NA	No Rating	NA	No Rating	NA	NA
U.S. Shipping Partners, L.P.	USS	NA	10.3x	NE	NE	$99.3	2.x	43.9%	5.5x	No Rating	NA	BB-	Stable	No Rating	NA	No
TRANSPORTATION MLP AVERAGE:		**1.6x**	**5.8x**	**NE**	**NE**		**2.7x**	**45.7%**	**6.x**							
TRANSPORTATION MLP MEDIAN:		**1.6x**	**5.8x**	**NE**	**NE**		**2.7x**	**44.5%**	**6.x**							
MLP COMPOSITE AVERAGE:		**1.x**	**1.7x**	**1.2x**	**1.2x**		**3.3x**	**50.9%**	**7.6x**							
MLP COMPOSITE MEDIAN:		**1.1x**	**1.1x**	**1.1x**	**1.1x**		**3.3x**	**50.9%**	**5.1x**							

Source: Bloomberg, Bridge, FactSet, First Call, and Wachovia Capital Markets, LLC estimates for APL, APU, ARLP, BPL, EEP, EEQ, EPD, ETP, FGP, KMP, KMR, MMP, MWE, NBP, NRGY, NRP, PAA, PVR, SPH, TGP, TPP

Figure 36 – MLP Metrics

WACHOVIA CAPITAL MARKETS, LLC - MLPs — YVES C. SIEGEL (212) 891-5036 MICHAEL BLUM (212) 909-0056 SHARON LUI (212) 909-0979

		2005 Price Performance - % Change				1-Yr %	2005 Total Return			Total Return CAGR			
Master Limited Partnership		**WTD**	**MTD**	**QTD**	**YTD**	**Change**	**MTD**	**QTD**	**YTD**	**1-Yr**	**3-Yr**	**5-Yr**	**10-Yr**
MIDSTREAM MLPS													
Atlas Pipeline Partners, L.P.	APL	2.0%	(4.5%)	6.4%	10.7%	33.9%	(4.5%)	6.4%	14.5%	43.5%	34.3%	37.0%	NA
Buckeye Partners, L.P.	BPL	0.0%	(2.4%)	0.9%	9.6%	11.3%	(1.0%)	2.4%	14.7%	18.3%	14.2%	18.6%	18.2%
Copano Energy, LLC	CPNO	0.9%	(4.6%)	4.2%	34.6%	NA	(4.6%)	5.4%	39.0%	NA	NA	NA	NA
Enbridge Energy Partners, L.P.	EEP	1.0%	(7.3%)	(2.0%)	1.7%	8.2%	(5.8%)	(0.3%)	7.1%	16.2%	14.5%	13.6%	16.1%
Enbridge Energy Management, LLC	EEQ	1.2%	(6.3%)	2.8%	5.5%	20.9%	(4.6%)	4.7%	9.6%	25.7%	NA	NA	NA
Enterprise Products Partners, L.P.	EPD	0.9%	(5.6%)	(5.8%)	(2.4%)	18.1%	(5.6%)	(4.4%)	2.1%	25.7%	12.9%	23.4%	NA
Energy Transfer Partners	ETP	1.3%	(5.4%)	4.1%	21.7%	72.0%	(5.4%)	5.5%	27.1%	82.8%	49.2%	39.7%	NA
Genesis Energy, L.P.	GEL	(2.3%)	0.2%	20.1%	(10.5%)	1.6%	0.2%	21.8%	(6.6%)	7.3%	42.5%	24.1%	NA
Holly Energy Partners, L.P.	HEP	0.2%	(5.7%)	(5.4%)	21.5%	NA	(4.5%)	(4.2%)	26.3%	NA	NA	NA	NA
Hiland Partners, L.P.	HLND	(0.9%)	1.8%	7.4%	30.5%	NA	3.0%	8.7%	33.0%	NA	NA	NA	NA
Kaneb Pipeline Partners, L.P.	KPP	NA	NA	NA	1.0%	NA	NA	NA	3.8%	NA	NA	NA	NA
Kinder Morgan Energy Partners, L.P.	KMP	(0.1%)	(2.9%)	(0.0%)	14.8%	18.5%	(2.9%)	1.5%	20.3%	26.1%	23.5%	26.5%	31.9%
Kinder Morgan Management, LLC	KMR	0.3%	0.2%	5.0%	22.9%	36.7%	0.2%	5.0%	22.9%	36.7%	22.5%	NA	NA
Martin Midstream Partners, L.P.	MMLP	3.1%	(3.1%)	3.4%	6.7%	17.7%	(3.1%)	5.1%	12.3%	26.1%	NA	NA	NA
Magellan Midstream Partners, L.P.	MMP	0.2%	(7.1%)	0.0%	11.7%	29.5%	(5.8%)	1.4%	16.8%	37.5%	32.1%	NA	NA
Mark West Energy Partners, L.P.	MWE	2.2%	0.5%	2.4%	6.6%	15.8%	2.1%	4.0%	11.7%	23.4%	NA	NA	NA
Northern Border Partners, L.P.	NBP	1.3%	(3.6%)	(0.8%)	1.3%	22.4%	(3.6%)	0.8%	6.4%	30.8%	18.5%	19.8%	15.9%
Plains All American Pipeline, L.P.	PAA	1.6%	(4.5%)	2.4%	19.0%	37.0%	(4.5%)	3.8%	24.4%	45.6%	32.7%	28.1%	NA
Rio Vista Energy Partners, L.P.	RVEP	4.0%	34.8%	44.0%	(39.2%)	NA	34.8%	44.0%	(36.5%)	NA	NA	NA	NA
Sunoco Logistics Partners, L.P.	SXL	0.2%	(2.7%)	3.2%	(9.2%)	5.8%	(1.1%)	4.9%	(4.8%)	12.7%	29.7%	NA	NA
TC Pipelines, L.P.	TCLP	(0.6%)	(1.9%)	1.4%	(11.1%)	(2.2%)	(1.9%)	3.1%	(6.6%)	4.4%	18.1%	23.3%	NA
Transmontaigne Partners, L.P.	TLP	0.1%	(3.0%)	6.2%	9.8%	NA	(3.0%)	6.8%	3.4%	NA	NA	NA	NA
TEPPCO Partners, LP	TPP	(0.8%)	(2.4%)	(1.3%)	3.8%	4.7%	(2.4%)	0.3%	8.8%	11.6%	17.2%	17.9%	18.1%
Valero L.P.	VLI	2.3%	(6.9%)	(7.0%)	(5.9%)	5.8%	(5.5%)	(5.7%)	(2.0%)	11.6%	23.3%	NA	NA
Crosstex Energy, L.P.	XTEX	(0.7%)	(2.2%)	12.7%	30.1%	61.7%	(2.2%)	13.9%	35.0%	70.2%	NA	NA	NA
MIDSTREAM MLP AVERAGE:		**0.6%**	**(2.1%)**	**4.3%**	**7.6%**	**21.9%**	**(1.5%)**	**5.6%**	**11.6%**	**29.1%**	**25.7%**	**24.7%**	**20.0%**
MIDSTREAM MLP MEDIAN:		**0.3%**	**(3.1%)**	**2.6%**	**8.2%**	**17.9%**	**(3.1%)**	**4.1%**	**12.0%**	**25.7%**	**23.3%**	**23.4%**	**18.1%**
PROPANE/ HEATING OIL MLPS													
Amerigas Partners, L.P.	APU	2.1%	(3.6%)	(1.8%)	9.0%	14.2%	(1.9%)	(0.1%)	14.9%	22.7%	20.8%	20.9%	12.8%
Ferrellgas Partners, L.P.	FGP	0.4%	0.6%	6.2%	9.1%	5.5%	0.6%	6.2%	14.2%	15.8%	12.1%	17.1%	9.9%
Inergy, L.P.	NRGY	1.0%	(6.1%)	(3.4%)	5.2%	22.4%	(4.6%)	(1.9%)	10.1%	30.0%	36.6%	NA	NA
Star Gas Partners, L.P.	SGU	4.3%	5.1%	1.4%	(61.2%)	(86.1%)	5.1%	1.4%	(61.2%)	(86.1%)	(41.2%)	(23.0%)	NA
Suburban Propane, L.P.	SPH	3.9%	(10.2%)	(10.6%)	(7.9%)	(2.5%)	(10.2%)	(9.0%)	(3.0%)	4.7%	12.5%	18.2%	NA
PROPANE/ HEATING OIL MLP AVERAGE:		**2.3%**	**(2.8%)**	**(1.6%)**	**(9.2%)**	**(9.3%)**	**(2.2%)**	**(0.7%)**	**(5.0%)**	**(2.5%)**	**8.2%**	**8.3%**	**11.4%**
PROPANE/ HEATING OIL MLP MEDIAN:		**2.1%**	**(3.6%)**	**(1.8%)**	**5.2%**	**5.5%**	**(1.9%)**	**(0.1%)**	**10.1%**	**15.8%**	**12.5%**	**17.6%**	**11.4%**
COAL MLPS													
Alliance Resource Partners, L.P.	ARLP	1.8%	9.6%	24.3%	24.3%	86.9%	10.6%	25.4%	28.2%	94.9%	65.3%	53.8%	NA
Natural Resource Partners, L.P.	NRP	0.6%	(10.0%)	0.4%	1.0%	48.3%	(10.0%)	1.6%	4.7%	55.9%	NA	NA	NA
Penn Virginia Resource Partners, L.P.	PVR	0.0%	(3.2%)	4.9%	(3.8%)	27.9%	(3.2%)	6.2%	(0.2%)	34.4%	45.3%	NA	NA
COAL MLP AVERAGE:		**0.8%**	**(1.2%)**	**9.9%**	**7.2%**	**54.4%**	**(0.9%)**	**11.1%**	**10.9%**	**61.7%**	**55.3%**	**53.8%**	**NA**
COAL MLP MEDIAN:		**0.6%**	**(3.2%)**	**4.9%**	**1.0%**	**48.3%**	**(3.2%)**	**6.2%**	**4.7%**	**55.9%**	**55.3%**	**53.8%**	**NA**
MARINE TRANSPORTATION MLPS													
K-Sea Transportation Partners, L.P.	KSP	3.2%	2.5%	6.7%	4.7%	26.2%	4.1%	8.4%	9.6%	34.4%	NA	NA	NA
Teekay LNG Partners, L.P.	TGP	1.8%	(2.3%)	16.0%	32.3%	NA	8.5%	16.0%	33.2%	NA	NA	NA	NA
U.S. Shipping Partners, L.P.	USS	1.7%	(2.2%)	3.7%	(3.5%)	NA	(0.6%)	5.5%	1.1%	NA	NA	NA	NA
TRANSPORTATION MLP AVERAGE:		**2.3%**	**(0.7%)**	**8.8%**	**11.2%**	**26.2%**	**4.0%**	**10.0%**	**14.6%**	**34.4%**	**NA**	**NA**	**NA**
TRANSPORTATION MLP MEDIAN:		**1.8%**	**(2.2%)**	**6.7%**	**4.7%**	**26.2%**	**4.1%**	**8.4%**	**9.6%**	**34.4%**	**NA**	**NA**	**NA**
MLP COMPOSITE AVERAGE:		**1.0%**	**(1.8%)**	**4.6%**	**5.6%**	**20.0%**	**(1.0%)**	**5.8%**	**9.5%**	**27.2%**	**24.4%**	**22.4%**	**17.6%**
MLP COMPOSITE MEDIAN:		**0.9%**	**(3.0%)**	**2.8%**	**6.6%**	**18.1%**	**(2.9%)**	**4.7%**	**10.1%**	**25.7%**	**22.9%**	**22.1%**	**16.1%**
MARKET INDICES													
S&P 500	SP50	(0.2%)	(1.3%)	2.2%	0.5%	11.1%	(1.2%)	2.5%	1.6%	13.1%	10.9%	(2.6%)	9.9%
NASDAQ Composite	COMP	0.1%	(2.2%)	3.9%	(1.8%)	16.2%							
Dow Jones Industrial Average	DJII	(0.4%)	(1.1%)	2.4%	(2.4%)	4.4%							
AMEX Natural Gas Index	XNG	0.9%	1.0%	7.6%	30.5%	57.0%							
AMEX Oil Index	XOI	(0.2%)	2.1%	8.3%	33.5%	54.4%							
Oil Service Index	OSX	(0.6%)	(0.0%)	10.4%	30.2%	53.2%							

Source: FactSet

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Wachovia Securities Institutional Sales Offices

Wachovia Securities
7 Saint Paul Street
1st Floor, MD3608
Baltimore, MD 21202
(877) 893-5681

Wachovia Securities
One Boston Place
Suite 2700
Boston, MA 02108
(877) 238-4491

Wachovia Securities
4 Embarcadero Center, 9th Floor
San Francisco, CA 94111
(877) 224-5983

Wachovia Securities International, Ltd.
3 Bishopsgate
London, England
44-207-962-2879

Wachovia Securities
12 East 49th Street
45th Floor
New York, NY 10017
(800) 876-5670

Wachovia Securities
3060 Peachtree Road
1 Buckhead Plaza
Atlanta, GA 30305
(800) 515-8650

Diane Schumaker-Krieg
Global Head of Research (704) 715-8437
diane.schumaker@wachovia.com

Anthony P. Gallo, CFA
Co-Director of Equity Research (410) 625-6319
anthony.gallo@wachovia.com

Todd M. Wickwire
Co-Director of Equity Research (410) 625-6393
todd.wickwire@wachovia.com

Consumer

Apparel Retailing

Joseph Teklits	(410) 625-6340
John Rouleau	(312) 574-5906
Lyn Rhoads Walther	(443) 263-6536
Phil DeFelice	(443) 263-6442

Food and Beverage

Jonathan P. Feeney, CFA	(212) 451-2675
John Baumgartner	(212) 909-0983

Hardline Retailing

Ralph Jean	(443) 263-6521
Shawn Tesoro	(617) 603-4267
Jeff Schollaert	(443) 263-6832

Homebuilding/Building Products

Carl Reichardt	(415) 490-1270
Darin Fierstein	(415) 490-1273
Christopher VanEns	(415) 490-1272

Restaurants/Foodservice

Jeffrey F. Omohundro, CFA	(804) 868-1125
Katie H. Willett	(804) 868-1135
Jason Belcher	(804) 868-1132

Health Care

Biotechnology

Martin D. Auster, M.D.	(212) 451-2691
Zev Cohen	(212) 451-2605
Elizabeth Bernstein	(212) 451-9971
George Farmer, PhD	(212) 451-2666

Diagnostics

Bruce Jackson	(612) 342-0556
Chad Fugere	(612) 342-0760

Health Care Services

William Bonello	(612) 342-0789
Bruce Jackson	(612) 342-0556
Chad Fugere	(612) 342-0760
Stephen Anderson	(612) 342-0505
Derek Wilder	(612) 342-0501

Managed Care

Matt Perry	(212) 451-2608
Julie Pavlovsky	(443) 263-6517

Medical Technology/Devices

Theodore J. Huber	(212) 451-2651
Jessica Whitt	(212) 451-2617
Michael Matson	(212) 451-9921

Specialty Pharmaceuticals

Michael K. Tong, PhD, CFA	(212) 891-5067
Victor Lau	(212) 891-5035
Samuel Martin	(212) 891-5097

Energy

Midstream Energy/Master Limited Partnerships

Yves C. Siegel, CFA	(212) 891-5036
Sharon Lui	(212) 909-0978
Michael Blum	(212) 909-0056

Utilities

Samuel Brothwell	(212) 891-5044
Angela Ho	(212) 451-9940
Thomas E. Hamlin, CFA	(804) 868-1107
Darin Conti, CFA	(804) 868-1140

Oilfield Services and Drilling

Brad Handler	(212) 451-2638
Tom Curran, CFA	(212) 451-9923

Media & Telecommunications

Broadcasting

Marci Ryvicker, CPA	(212) 891-5009
Maria Zubov	(212) 451-2677

Cable/Satellite

Jeff Wlodarczak	(212) 451-2669
Royden Summers, CFA	(212) 451-2659

Telecommunication Services - Wireless

Jennifer M. Fritzsche	(312) 574-5985
Gray Powell, CFA	(443) 263-6518

Telecommunication Services - Wireline

Kevin M. Moore, CFA	(443) 263-6566
Jurgan Usman	(443) 263-6562

Real Estate & Lodging

Lodging & Gaming/Retail/Self Storage & Net Lease

Jeffrey J. Donnelly, CFA	(617) 603-4262
Caroline M. Griffith	(617) 603-4269
Eric Rothman, CFA	(617) 603-4263
Dori Prowda	(617) 603-4233

Multifamily/Health Care/Diversified

Stephen C. Swett	(212) 909-0954
Joel Wells	(212) 891-5039
Todd Stender	(212) 451-9708

Office and Industrial/Diversified and Specialty

Christopher P. Haley	(443) 263-6773
Gregg Korondi, CFA	(443) 263-6579
Brendan Maiorana	(443) 263-6516

Financial Services

Financial Services

Douglas Sipkin, CFA	(212) 891-5062
Jonathan Casteleyn, CFA	(212) 451-2650
Farzana Morbi	(212) 891-5034

Insurance

Susan Spivak Bernstein	(212) 451-2664
Lara Devieux, CFA	(212) 451-2609
Elyse Greenspan	(212) 451-2681
Susan Scultore	(212) 451-9732

Specialty Finance

Joel J. Houck, CFA	(443) 263-6545
D. Joseph Betz, CFA	(443) 263-6571
Charlotte Glinski	(443) 263-6513

Specialty Finance/Mortgage Finance

James P. Shanahan	(443) 263-6546
Ryan Hitchins	(410) 625-6356
David Boardman	(443) 263-6548

Industrial

Automotive

Rich Kwas, CFA	(410) 625-6370
David H. Lim	(443) 263-6565

Containers & Packaging

Ghansham Panjabi, Ph.D.	(212) 891-5057
Philip Ng	(212) 451-9704

Diversified Industrials

Wendy B. Caplan	(212) 451-2545
Julie LaPunzina	(212) 451-2536
Allison Poliniak	(212) 451-9964

Technology & Services

Analog Semiconductors

Craig Hettenbach	(212) 451-2663
John Barton	(212) 451-2604
James Nguyen	(212) 451-2665

Communication Semiconductors

Karl Motey	(415) 490-1208
Niraj Patel, CFA	(212) 451-9715

Electronic Processing

David A Trossman, CFA	(410) 625-6371
Dhruv Manikatala, CFA	(410) 625-6381

Information Technology (IT) Services

Edward S. Caso, Jr., CFA	(443) 263-6524
Clint Fendley	(443) 263-6528
Eric Boyer	(443) 263-6559

Infrastructure Software/Data Storage

Christopher S. Russ	(212) 891-5037
Andrew Kohl, CFA	(212) 891-5095

Semiconductors

John Barton	(212) 451-2604
Craig Hettenbach	(212) 451-2663
James Nguyen	(212) 451-2665

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Francine Graillot (443) 263-6551
Research Marketing Director
Colleen Hansen (410) 625-6378

Lisa Hausner (443) 263-6522
Publishing Director

Lisa Howard (410) 625-6380
Director of Operations and Administration

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