

Alerian MLP Infrastructure Index (AMZI) Index Methodology Guide

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INTRODUCTION

The Alerian MLP Infrastructure Index is a composite of 25 energy infrastructure Master Limited Partnerships and is a liquid subset of the Alerian MLP Index (NYSE: AMZ). The index, whose constituents each earn at least 50% of their EBITDA from assets that are not directly exposed to changes in commodity prices, provides investors with an unbiased benchmark for the infrastructure component of this emerging asset class. The index is calculated by Standard & Poor's using a capped, float-adjusted, market-capitalization-weighted methodology that caps the weight of any one partnership at 10%. The index is disseminated real-time on a price-return basis through ticker AMZI and the corresponding total-return index is disseminated daily through ticker AMZIX. Relevant data points such as dividend yield are also published daily. Historical performance data, constituents, total market capitalization, and announcements regarding constituent changes can be found at www.alerian.com.

ABOUT ALERIAN CAPITAL MANAGEMENT LLC

Alerian is a registered investment advisor that manages portfolios exclusively focused on midstream energy Master Limited Partnerships. The company focuses on fundamental analysis in this emerging asset class, combining its bottoms-up, private-equity philosophy with risk management programs designed to preserve capital and mitigate portfolio volatility. Investing in both the private and public equity markets, the company concentrates on maximizing absolute total returns on a risk-adjusted basis. For more information, visit www.alerian.com.

DOCUMENTS

The following documents are used to calculate the units outstanding and investable weight factors of the constituents of the Alerian MLP Infrastructure Index (AMZI).

- Press releases via PR Newswire, Business Wire, Market Wire, Globe Newswire, and constituent websites
- Annual reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (10-K)
- Quarterly reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (10-Q)
- Certain registration statements pursuant to Rules 415 and 462 under the Securities Act of 1933 (S-1, S-3)
- Prospectuses and prospectus supplements pursuant to Rules 424(B)(#)
- Proxy statements pursuant to Section 14(a) of the Securities Exchange Act of 1934 (DEF 14A)
- Current reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (8-K)
- Schedules (13D, 13G) under the Securities Exchange Act of 1934

The following documents are not used in the aforementioned calculations.

- Forms (4) pursuant to Section 16(a) of the Securities Exchange Act of 1934
- Certain registration statements under the Securities Act of 1933 (S-8)

UNITS OUTSTANDING

All of a constituent's units outstanding are included except general partner ("GP") units and tradable, non-common units. The following is a list of examples of the latter.

Constituent Common Units	Tradable, Non-Common Units
Enbridge Energy Partners LP (NYSE: EEP)	Enbridge Energy Management LLC (NYSE: EEQ) ¹
Kinder Morgan Energy Partners LP (NYSE: KMP)	Kinder Morgan Management LLC (NYSE: KMR) ¹
Natural Resource Partners LP (NYSE: NRP)	Natural Resource Partners LP (NYSE: NSP) ²
Star Gas Partners LP (NYSE: SGU)	Star Gas Partners LP (NYSE: SGH) ²

The following is a non-exhaustive list of units included in the calculation of units outstanding.

- Common units
- Subordinated units
- Special class units

This number generally reflects that which is represented by the latest annual or quarterly report, unless otherwise indicated by a press release or Securities and Exchange Commission document filed pursuant to a transaction. The following is a non-exhaustive list of qualifying transactions and the point at which they are reflected in a constituent's units outstanding.³

Qualifying Transaction	Reflected in Units Outstanding
Public secondary equity offerings	Time of pricing
Over-allotment option exercises	Earlier of time of press release or current report
Private investments in public equity ("PIPEs")	Time of closing
Unit repurchases	Earlier of time of press release or current report

INVESTABLE WEIGHT FACTORS

A constituent's investable weight factor ("IWF") has three components.

- Numerator
- Units outstanding
- GP adjustment

The numerator is equal to the number of tradable units and is calculated as follows.

- Units outstanding
 - Non-common units
 - Locked up common units⁴
 - Insider-owned common units⁵
 - GP-owned common units⁶

The GP adjustment is calculated as follows.

$$100\% - \text{GP percentage}^7$$

The IWF is then calculated as follows.

$$\text{Numerator} * \text{GP adjustment} / \text{Units outstanding}$$

CONSTITUENT CRITERIA

A company or partnership must meet the following criteria in order to be eligible for addition to the index.⁸

- Trade on the New York Stock Exchange, NASDAQ, or American Stock Exchange
- Be a publicly traded partnership or limited liability company (“LLC”) exempt from corporate taxation⁹
- Earn at least 50% of its EBITDA from energy infrastructure assets that are not directly exposed to changes in commodity prices¹⁰
- Represent the primary limited partner interests of a partnership or LLC that is an operating company¹¹
- Have four consecutive quarters of distributions equal to or greater than the partnership’s minimum quarterly distribution (“MQD”)¹²
- Have a median daily trading volume for each of the trailing six full months of at least 25,000 units
- Have not received a merger or buyout proposal that management has approved¹³
- Have not received a merger or buyout proposal to which management has yet to respond¹³

In addition, preference is given to partnerships meeting the following criteria, in order.

- Close above \$5 on each trading day during the last full month
- Have a median daily trading volume for each of the trailing six full months of at least 50,000 units
- Have an unadjusted market capitalization of at least \$500 million
- Have an IWF of at least 25%

If there are not 50 partnerships meeting both the mandatory and preferential criteria, all remaining partnerships are screened on market capitalization, adjusted market capitalization (“AMC”), and median liquidity rank (“MLR”).¹⁴ All else equal, preference is generally given to the following (in order).

- Partnerships that have a rank that is equal to or better than the number of spots remaining in the index in all three categories
- Partnerships that have a rank that is equal to or better than the number of spots remaining in the index in only market capitalization and AMC, but have seen a recent uptick in liquidity due to an increase in float¹⁵
- Partnership that are already in the index¹⁶
- Partnership that have never cut their distribution

These criteria are reviewed regularly to ensure consistency with industry trends. Any changes will be announced in advance.

INDEX EQUATIONS

The index is calculated according to the following equations.

- Index Value = $\Sigma \text{AMC} / \text{Divisor}$
- $\text{AMC} = \text{Price} \times \text{Units} \times \text{IWF} \times \text{Cap Factor}$
- Initial Index Divisor = $\Sigma \text{AMC} / \text{Base Index Value}$
- New Divisor = $\Sigma \text{New AMC} / \text{Old Index Value}$

On each rebalancing date, each constituent's raw index weight is calculated on a float-adjusted, market-capitalization-weighted basis. The constituents are then ranked accordingly in descending order. If the largest constituent's raw index weight exceeds 9.49%, it is assigned a weight of 9.49% and its excess weight is then distributed on a float-adjusted, market-capitalization-weighted basis to the other 24 constituents. If the second largest constituent's (adjusted) index weight exceeds 9.49%, the process is repeated, with the excess weight distributed to the other 23 constituents.

If the third largest constituent's (adjusted) index weight exceeds 6.99%, it is assigned a weight of 6.99% and its excess weight is then distributed on a float-adjusted, market-capitalization-weighted basis to the other 22 constituents. This process is repeated for the fourth, fifth, and sixth largest constituents, with excess weight distributions to the remaining 21, 20, and 19 constituents, respectively.

If the seventh largest constituent's (adjusted) index weight exceeds 4.74%, it is assigned a weight of 4.74% and its excess weight is then distributed on a float-adjusted, market-capitalization-weighted basis to the other 18 constituents. This process is repeated until no remaining constituents have an (adjusted) index weight in excess of 4.74%. The cap factor for each constituent represents the adjustment between its raw, float-adjusted market capitalization and the market capitalization that results from the re-weighting process.

Index values are rounded to six decimal places and divisors are rounded to 14 decimal places. The index closing price is calculated using the closing prices issued by the primary exchange for each constituent in the index. If the primary exchange changes the closing price of a constituent, the new price will be used to calculate the closing value of the index. A final check of closing prices is completed between one and two hours after market close. Only changes received prior to this final check are used in the calculation of the closing index value.

INDEX REBALANCINGS

Index rebalancings fall into two groups. Quarterly rebalancings occur at the close of business on the third Friday of March, June, September, and December of each year, and are effective at the open of the next trading day. In the event that the major US exchanges are closed on the third Friday of a given month, the rebalancing will take place at the close of business on the immediately preceding trading day. Special rebalancings occur as triggered by corporate actions, and take place at the close of business on the last day of trading for an existing constituent. Corporate actions include, but are not limited to the following.¹⁷

- Mergers of two constituents
- Delistings
- Bankruptcies

On quarterly rebalancing dates, all units outstanding and IWFs are adjusted to reflect the latest information available. On special rebalancing dates, only new and triggering constituents will be updated to reflect the latest information available.¹⁸ No other constituent units outstanding or IWFs will be affected.

TREATMENT OF DISTRIBUTIONS

The price-return index does not account for distributions. The total-return index accounts for distributions by including them on the ex-dividend dates of the underlying constituents and reinvesting them daily.

BASE DATE

The base date for the index is December 29, 1995, with a base value of 100.

ANNOUNCEMENTS

Constituent changes on major rebalancing dates will be announced after the close of business on the immediately preceding trading day. Constituent changes on special rebalancing dates will be announced as soon as is practical.¹⁹ Announcements can be found on the website, www.alerian.com.

HOLIDAY SCHEDULE

The index is calculated when US equity markets are open.

INDEX GOVERNANCE

The Alerian Index Committee (“AIC”), which consists of three full-time professionals of Alerian’s staff, maintains the index. The AIC meets on the second Friday of each month. At each meeting, the AIC reviews the data relevant to the mandatory and preferential criteria for every partnership in the sector, as well as corporate actions that may result in special rebalancings. The AIC may also revise the index’s methodology at this time. Alerian believes that information regarding changes to the index and its methodology is material and can have an impact on the market. Consequently, all AIC discussions are confidential.

DATA INTEGRITY

Standard & Poor’s uses various quality assurance tools to monitor and maintain the accuracy of its data. While every reasonable effort is made to ensure data integrity, there is no guarantee against error. Adjustments to incorrect data will be handled on a case-by-case basis depending on the significance of the error and the feasibility of a correction. Incorrect intraday ticks of the index resulting from data errors will not be corrected.

INDEX METHODOLOGY HISTORY

The following is a history of changes to this document.

Version	Date	Change
1.0	20 March 2008	First edition
2.0	26 October 2009	Second edition

CONTACT INFORMATION

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ENDNOTES

¹ EEQ and KMR are both examples of tradable institutional units (“i-units”).

² NSP and SGH are both examples of tradable subordinated units. Both of these securities are no longer tradable.

³ The word “reflected” here means for intermediate calculation purposes only. Changes to units outstanding and IWFs, as it relates to calculating the index, only occur on rebalancing dates.

⁴ PIPE investors are usually subject to lock-up periods. A common unit issued in a PIPE transaction is considered to be locked up until the later of (a) the expiration date of the lock-up period and (b) the effectiveness date of the accompanying SEC registration statement.

⁵ For the purposes of this calculation, insider-owned common units are those which are included in Item 12 (“Security Ownership of Certain Beneficial Owners and Management”) of a constituent’s latest annual report or proxy statement. This number is frequently expressed as, or is similar to “All directors and named executive officers as a group”. Though insiders file Forms (4) to indicate changes to their ownership position between annual reports and proxy statements, they are not factored into the calculation.

⁶ Although Forms (4) are ignored, Schedules (13) and other documents (e.g. press releases, 8-Ks, and prospectus supplements) indicating changes to ownership by a GP entity are factored into the calculation immediately.

⁷ For constituents with a non-economic GP or no GP at all, the GP percentage is 0%. For traditional MLPs, the GP percentage typically starts at 2%, and either (a) stays constant if the GP makes coincident contributions with the constituent’s equity offerings or (b) falls if the GP chooses not to do so. When the specific number of GP units is available, it is used to calculate the GP percentage. The GP’s contribution decision related to a specific equity offering is frequently found in at least one of the following documents: (a) the prospectus supplement accompanying the equity offering, (b) the current report accompanying the equity offering, and (c) the quarterly or annual report immediately following the closing of the equity offering.

⁸ With the exception of the criteria related to the merger or buyout proposal, an existing constituent is removed on the immediately following major rebalancing date if it fails to meet all of the criteria below.

⁹ Publicly traded partnerships are exempt from corporate taxation if at least 90% of their gross income comes from qualifying sources as stipulated in U.S. Code 26, § 7704(d)(1).

¹⁰ Amongst current energy MLPs, this definition is meant to include those partnerships and LLCs primarily engaged in the transportation, processing, refining, and storage of energy commodities, and exclude those in the production, retail marketing, royalty, and shipping businesses.

¹¹ This definition is meant to exclude, among others, the following types of securities: GPs, i-units, subordinated units, closed-end funds, exchanged-traded funds, income trusts, investment vehicles, and royalty trusts.

¹² A partnership’s MQD can be found in the prospectus related to its initial public offering. A partnership fails to meet this criterion if it pre-announces a distribution cut below its MQD after declaring its distribution for the immediately preceding quarter but before the upcoming major or special rebalancing date. However, a partnership that cuts its distribution due to publicly ongoing merger or buyout discussions will not be removed from the index on that basis alone. If the discussions dissolve and the partnership fails to reinstate a distribution that is greater than or equal to its MQD by the immediately following quarter, it will then be removed.

¹³ And/or the Conflicts Committee, as appropriate.

¹⁴ MLR is a means of ranking a partnership’s relative liquidity profile. Partnerships meeting the mandatory criteria but failing at least one of the preferential criteria are ranked in each of the trailing six full months according to their median daily trading volume. The median of those six rankings is taken for each partnership, and the partnerships are ranked again according to this score.

¹⁵ This increase may be the result of a public secondary offering, conversion of non-common units to common units, expiration of the lockup period on some of a partnership’s common units, and/or other liquidity event.

¹⁶ Turnover in index membership will be avoided when possible.

¹⁷ Constituents that are halted from trading may remain in the index at Alerian’s discretion until trading resumes.

¹⁸ A triggering constituent is defined as a surviving constituent of the corporate action that triggered the special rebalancing, e.g. the acquirer in a merger of two constituents.

¹⁹ Practical excludes the possibility of an announcement prior to unitholder approval, as stated in a partnership’s press release or delisting notice.

DISCLAIMERS

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