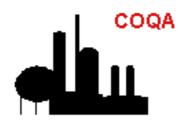


"The Cost of Liquidity and its effects on Infrastructure Development and Ultimately Crude Oil Quality"



March 2019

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STATE OF AFFAIRS

Governments Globally Being Proactive

US Economic Background

- Unemployment rate of 3.8%
- Labor Force Participation Rate of 63.2%
- Federal Funds Rate of 2.40%
- Non-Fin. Corporate Debt as a % of Equity Market Value 37.8%

Current US Headwinds

- Tight Labor Market with continued Growth on an Absolute Basis, but Yr/Yr Growth (Relative Performance) reduced
- USA trade Deficit Growth to \$621 Billion
- Estimated US Corporate Dividends of \$761 Billion for 2018

Energy Markets

- Relative lower crude pricing supportive of increased demand globally...100 MMbpd for 2019...Global Economy Headwinds
- Continued Crude and NGL Production Increases in the US coupled with OPEC and other Global Producer cuts to support stronger prices....Fairly Balanced to Over Supplied Market
- Bunker Fuel Sulphur compliance/IMO 2020 and Longer term Demand contraction from vehicle electrification and CAFÉ standards



MIDSTREAM MIRACLE

Rebuilding and Expanding US Infrastructure

Buy assets at a Depressed Price



Leverage all returns with Debt that is never intended to be paid off



Increase distributions until one cannot...and capture the Valuation Arbitrage (16x-20x)



Create more Units (~Stock) and repeat above until....



ILLUSTRATIVE EXAMPLE

It's a financial Miracle...Past results and Forward Guidance

Units trading at 18x of current distribution...say \$1.00, so Unit Priced at \$18.00



Purchase an asset which will allow the distribution to be increase by \$0.25...Financed 50 Debt /50 Equity



Units now trade/Price for \$22.50....ITS A MIRACLE a 25.0% increase in value overnight



LIQUITY SQUEEZE

Where the Men and Women are Separated from the Boys and Girls

Viewing Payments Obligations as Both Interest and Distributions

- Distributions Payments akin to Interest Payments
- Interest Payments are more impactful in the short-term
- But Distribution forecasting is more impactful long-term

The Rate of Margin Growth vs Interest Rate Hikes

• Equal Pain for All...Distribution Coverage Important and Managing Expectations

Threading the Needle of balancing distribution growth and leveraging returns is how companies gets rewarded with a higher Multiple



DISAGGREGATING THE AVERAGE

Details are Important and Sensitivity Modeling is Helpful

Anticipating Debt Maturity schedules to Project to impact of interest Rate Hikes

Need to pay attention to after execution financial instruments

Customer Quality and Wherewithal to Pay

Different market participants have differing pressure points

Monitor the incentives of senior management making these corporate decisions



IMPACT ON QUALITY

In times of duress even Pavlov's Dog Lost their Training

Anticipating these pressures should trigger greater attention and increased communication with Infrastructure service suppliers

Increasing volumes might solve performance shortfalls or help offset greater costs but could leave to less than anticipated quality due to a system saturation

It's dishonest to walk around a poor neighborhood with bags of cash...



