

Rating: Sell
 S&P 500: 1310

Kinder Morgan (KMI, KMP, KMR) Buyout Bailout

Symbol	KMI	KMP	KMR	KMx
Rating	Sell	Sell	Sell	
Price (US\$/sh)	84.41	45.04	41.38	
Pricing Date	5/26/06	05/26/06	05/26/06	
Publicly Held Shares (mm)	135	146	48	
Market Capitalization (US\$mm)	11,400	6,590	2,000	20,000
Debt (US\$mm)	13,600	2,740	910	17,300
Enterprise Value (EV) (US\$mm)	25,000	9,330	2,910	37,200
Present Value (PV) (US\$mm)	18,100	4,940	1,630	24,700
Net Present Value (US\$/share)	33	15	15	
Debt/Present Value	0.75	0.56	0.56	0.70
McDep Ratio - EV/PV	1.38	1.89	1.78	1.51
Ebitda Next Twelve Months ending 6/30/07 (US\$mm)	2,090	600	200	2,890
North American Natural Gas/Ebitda (%)	0	0	0	
Natural Gas and Oil Production/Ebitda (%)	7	17	17	
Adjusted Reserves/Production NTM	7.3	7.3	7.3	
EV/Ebitda	12.0	15.7	14.8	12.9
PV/Ebitda	8.6	8.3	8.3	8.5
Undeveloped Reserves (%)	42	42	42	
Natural Gas and Oil Ebitda (US\$/boe)	23.75	23.75	23.75	
Present Value Proven Reserves(US\$/boe)	18.35	18.35	18.36	
Present Value Proven Reserves(US\$/mcf)	3.06	3.06	3.06	
Earnings Next Twelve Months (US\$/sh)	5.04	1.68	1.68	
Price/Earnings Next Twelve Months	17	27	25	20
Indicated Annual Distribution (US\$/sh)	3.50	3.24	3.24	
Distribution Yield (%/yr)	4.1	7.2	7.8	5.5
Ebitda by Function				
Natural Gas Pipelines	1507	163	54	1724
Oil Products Pipelines	225	168	56	449
CO2 Pipelines	203	152	51	406
Terminals	155	116	39	310

Reported results may vary widely from estimates.

Estimated present value per share revised only infrequently.

Summary and Recommendation

In the wake of last month's exposure of false debt promotion by Kinder Morgan and last week's criminal conviction of the top executives of Kinder Morgan predecessor, Enron, management of Kinder Morgan will shield itself from further public scrutiny by taking private sell-recommended general partner, **Kinder Morgan Inc. (KMI)**. The implications are negative for sell-

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recommended **Kinder Morgan Energy Partners (KMP)** and **Kinder Morgan Management LLC (KMR)**. A seemingly credible defense of the self-dealing that we think disadvantaged public investors in the partnership was that investors in KMP and KMR could also be on the other side as public owners of KMI. That will no longer be the case if the buyout offer of \$100 a share for KMI succeeds. A respected Wall Street house, a leading insurance company and a private equity group that counts among its investors our past political leaders apparently intend to participate in the private entity with deceptive, money-spinning general partner compensation, as we analyze it. Before long the limited partners in KMP may be asked to buy Canada's Intermountain Pipeline from the soon-to-be-private general partner, KMI. KMP investors would pay KMI full value in cash, but would receive only half the cash flow while misleading accounting, not yet exposed, would cover up the loss of value on KMP's balance sheet. The seller of assets, KMI, controls all the accounts of the buyer, KMP.

Kurt H. Wulff, CFA

Kinder Morgan Energy Partners, L.P.
Next Twelve Months Financial Results

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>6/30/07</i>
Oil Volume									
Oil (mmb)	3.5	3.4	14	3.3	3.4	13	3.3	3.4	13
Oil (mbd)	39	37	37	37	37	37	37	37	37
Oil Price (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	70.51	69.87	74.17	74.25	73.51
Partnership	29.85	30.62	29.70	32.66	33.58	33.49	34.01	34.02	33.94
Oil Revenue (\$mm)	104	104	405	109	113	452	113	114	458
Ebitda									
Products Pipelines	126	127	503	126	126	504	126	126	504
Natural Gas Pipelines	124	140	501	144	115	521	144	115	521
CO2 Pipelines	123	114	472	122	115	471	122	115	471
Terminals	74	85	319	90	90	360	90	90	360
Overhead	(79)	(52)	(238)	(66)	(66)	(263)	(66)	(66)	(263)
Total Ebitda	368	414	1,557	416	380	1,593	416	380	1,593
Deprec., Deplet., & Amort.	85	91	349	93	93	372	93	93	372
Ebit	283	323	1,208	323	287	1,221	323	287	1,221
Interest	59	68	262	76	76	304	76	76	304
Ebt	224	255	946	247	211	917	247	211	917
General Partner	112	126	478	130	134	533	135	136	540
Net Income (\$mm)	112	129	468	117	77	384	112	75	376
Units (mm)	208	219	213	221	222	222	225	226	224
Net Income Per Unit (\$/un)	0.54	0.59	2.20	0.53	0.35	1.73	0.50	0.33	1.68
Distribution Per L.P. Unit	0.74	0.79	3.07	0.80	0.81	3.23	0.81	0.81	3.24
Distribution (\$mm)	265	301	1,129	308	313	1,252	317	319	1,267
General Partner	111	128	476	131	134	534	135	136	540
Limited Partner	154	173	653	177	180	718	182	183	726
General Partner Share									
Earnings	50%	49%	51%	53%	63%	58%	55%	64%	59%
Distribution	42%	42%	42%	43%	43%	43%	43%	43%	43%

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Kinder Morgan, Inc.
Next Twelve Months Financial Results

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>6/30/07</i>
Ebitda									
Natural Gas Pipelines	139	238	571	349	299	1,305	334	299	1,290
Kinder Morgan Energy Partners	185	208	781	209	191	799	209	191	799
Total Ebitda	324	446	1,353	558	489	2,104	543	489	2,089
Deprec., Deplet., & Amort.	29	42	131	156	156	624	156	156	624
Kinder Morgan Energy Partners	31	83	176	(85)	(85)	(338)	(85)	(85)	(338)
Ebit	264	321	1,045	486	418	1,818	471	418	1,803
Interest	41	69	199	189	189	756	189	189	756
Ebt	223	252	846	297	229	1,062	282	229	1,047
Income Tax	78	88	296	104	80	372	99	80	367
Net Income (\$mm)	145	164	550	193	149	690	184	149	681
Shares (millions)	124	127	124	135	135	135	135	135	135
Per Share (\$)	1.17	1.29	4.42	1.43	1.10	5.11	1.36	1.10	5.04
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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