Macquarie Infrastructure CO LLC
Form 10-K
February 20, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2012

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-32384

Macquarie Infrastructure Company LLC

(Exact Name of Registrant as Specified in Its Charter)

Delaware	43-2052503
(Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(212) 231-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Exchange on Which Registered:
Limited Liability Company Interests of Macquarie Infrastructure Company LLC (LLC Interests)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the outstanding shares of stock held by non-affiliates of Macquarie Infrastructure Company LLC at June 29, 2012 was $1,384,170,802 based on the closing price on the New York Stock Exchange on that date. This calculation does not reflect a determination that persons are affiliates for any other purposes.

There were 47,453,943 shares of stock without par value outstanding at February 20, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to Macquarie Infrastructure Company LLC's Annual Meeting of Shareholders for fiscal year ended December 31, 2012, to be held May 29, 2013, is incorporated by reference in Part III to the extent described therein.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

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FORWARD-LOOKING STATEMENTS

We have included or incorporated by reference into this report, and from time to time may make in our public filings, press releases or other public statements, certain statements that may constitute forward-looking statements. These include without limitation those under Risk Factors in Part I, Item 1A, Legal Proceedings in Part I, Item 3, Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, and Quantitative and Qualitative Disclosures about Market Risk in Part II, Item 7A. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. We may, in some cases, use words such as project , believe , anticipate , plan , expect , estimate , intend , should , would , could , potentially , convey uncertainty of future events or outcomes to identify these forward-looking statements.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results to differ materially from those contained in any forward-looking statements made by us. Any such forward-looking statements are qualified by reference to the following cautionary statements.

Forward-looking statements in this report are subject to a number of risks and uncertainties, some of which are beyond our control, including, among other things:

changes in general economic, business or demographic conditions or trends in the United States or changes in the political environment, level of travel or construction or transportation costs where we operate, including changes in interest rates and price levels;
our holding company structure and/or investments in businesses that we may not control, may limit our ability to pay or increase a dividend;
changes in patterns of commercial or general aviation air travel, including variations in customer demand for our business;
our Manager s affiliation with the Macquarie Group or equity market sentiment, which may affect the market price of our LLC interests;
our limited ability to remove our Manager for underperformance and our Manager s right to resign;
payment of performance fees to our Manager, if any, that could reduce distributable cash if paid in cash or could dilute existing shareholders if satisfied with the issuance of LLC interests;
our ability to service, comply with the terms of and refinance at maturity our substantial indebtedness;
our ability to make, finance and integrate acquisitions;
our ability to implement our operating and internal growth strategies;
our ability to enhance the financial planning and analysis function at IMTT;
the regulatory environment, including U.S. energy policy, in which our businesses and the businesses in which we hold investments operate and our ability to estimate compliance costs, comply with any changes thereto, rates implemented by regulators of our businesses and the businesses in which we hold investments, and our relationships and rights under and contracts with governmental agencies and authorities;
unanticipated or unusual behavior of the City of Chicago brought about by the financial distress of the city;
The extent to which federal spending cuts, including potentially those resulting from sequestration, reduce the U.S. military presence on Hawaii or flight activity at airports on which Atlantic Aviation operates;
technological innovations leading to a change in energy consumption patterns;

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changes in electricity or other energy costs, including natural gas pricing;
the competitive environment for attractive acquisition opportunities facing our businesses and the businesses in which we hold investments;
environmental risks, including the impact of climate change and weather conditions, pertaining to our businesses and the businesses in which we hold investments;
work interruptions or other labor stoppages at our businesses or the businesses in which we hold investments;
changes in the current treatment of qualified dividend income and long-term capital gains under current U.S. federal income tax law and the qualification of our income and gains for such treatment;
disruptions or other extraordinary or force majeure events affecting the facilities or operations of our businesses and the businesses in which we hold investments and our ability to insure against any losses resulting from such events or disruptions;
fluctuations in fuel costs, or the costs of supplies upon which our gas processing and distribution business is dependent, and our ability to recover increases in these costs from customers;
our ability to make alternate arrangements to account for any disruptions or shutdowns that may affect the facilities of the suppliers or the operation of the barges upon which our gas processing and distribution business is dependent; and
changes in U.S. domestic demand for chemical, petroleum and vegetable and animal oil products, the relative availability of tank storage capacity and the extent to which such products are imported.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. A description of risks that could cause our actual results to differ appears under the caption Risk Factors in Part I, Item 1A and elsewhere in this report. It is not possible to predict or identify all risk factors and you should not consider that description to be a complete discussion of all potential risks or uncertainties that could cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this report may not occur. These forward-looking statements are made as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we may make in future filings with the Securities and Exchange Commission, or the SEC.

Macquarie Infrastructure Company LLC is not an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Infrastructure Company LLC.

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PART I

ITEM 1. BUSINESS

Macquarie Infrastructure Company, LLC, a Delaware limited liability company, was formed on April 13, 2004. Except as otherwise specified, Macquarie Infrastructure Company , MIC , we , us , and our refer to the Company a subsidiaries together from June 25, 2007 and, prior to that date, to the Trust, the Company and its subsidiaries. Macquarie Infrastructure Management (USA) Inc., which we refer to as our Manager, is part of the Macquarie Group, comprised of Macquarie Group Limited and its subsidiaries and affiliates worldwide.

General

We own, operate and invest in a diversified group of infrastructure businesses that provide basic services, such as chilled water for building cooling and gas utility services to businesses and individuals primarily in the U.S. The businesses we own and operate include:

International Matex Tank Terminals or ``IMTT : a 50% interest in a bulk liquid storage terminal business, which provides bulk liquid storage and handling services at ten marine terminals in the United States and two in Canada and is one of the largest participants in this industry in the U.S., based on storage capacity;
Hawaii Gas: a full-service gas energy company processing and distributing gas products and providing related services in Hawaii;
District Energy: a 50.01% controlling interest in a district energy business, which operates among the largest district cooling systems in the U.S., serving various customers in Chicago, Illinois and Las Vegas, Nevada;
Atlantic Aviation: an airport services business providing products and services, including fuel and aircraft hangaring/parking, to owners and operators of general aviation aircraft at 62 airports in the U.S.; and
MIC Solar Energy Holdings or MIC Solar : interests in two solar power generation facilities totaling 30 megawatts located in the southwest U.S. that will provide wholesale electricity to utilities.

Our businesses generally operate in sectors with significant barriers to entry, including high initial development and construction costs, the existence of long-term contracts or the requirement to obtain government approvals and a lack of immediate cost-efficient alternatives to the services provided. Overall they tend to generate sustainable long-term cash flows.

We have elected to treat MIC as a corporation for federal tax purposes. As a result, all investor tax reporting regarding dividends will be provided on Form 1099.

Our Manager

MIC is managed externally by Macquarie Infrastructure Management (USA) Inc. (MIMUSA or Manager). MIMUSA is a member of the Macquarie Group, a diversified international provider of financial, advisory and investment services. The Macquarie Group is headquartered in Sydney, Australia and is a global leader in management of infrastructure investment vehicles on behalf of third-party investors and advising on the acquisition, disposition and financing of infrastructure assets.

We have entered into a management services agreement with MIMUSA. MIMUSA is responsible for our day-to-day operations and affairs and oversees the management teams of our operating businesses. The Company does not have

any employees. MIMUSA has assigned, or seconded, to the Company two of its employees to serve as chief executive officer and chief financial officer of the Company and seconds or makes other personnel available as required. The services performed for the Company are provided at our Manager s expense, and include the compensation of our seconded personnel.

We pay MIMUSA a quarterly base management fee based primarily on our market capitalization. Our Manager can also earn a performance fee if the quarterly total return to shareholders (capital appreciation plus

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dividends) exceeds the quarterly total return of a U.S. utilities index. For MIMUSA to be eligible for the performance fee, MIC s quarterly total returns must be positive and in excess of any prior underperformance. The performance fee is equal to 20% of the difference between the benchmark return and the return for our shareholders. Our Manager may, in its sole discretion, choose to retain base and/or performance fees in cash or to reinvest such fees in additional LLC interests. Please see the Management Services Agreement filed as an exhibit to this Annual Report on Form 10-K for a complete description of the compensation of our Manager.

We believe that Macquarie Group s demonstrated expertise and experience in the management, acquisition and funding of infrastructure businesses provide us with an advantage in pursuing our strategy. Our Manager is part of the Macquarie Funds Group, the asset management division of Macquarie globally. Macquarie-managed entities own, operate and/or invest in a global portfolio of approximately 110 businesses including toll roads, airports and airport-related infrastructure, bulk liquid storage, ports, communications, media, electricity and gas distribution networks, water utilities, renewable energy generation, aged care, rail and ferry assets across 25 countries.

Industry

Infrastructure businesses, in general, tend to generate sustainable cash flows resulting from relatively inelastic customer demand and their strong competitive positions. Characteristics of infrastructure businesses typically include:

ownership of long-lived, high-value physical assets that are difficult to replicate or substitute around;
predictable maintenance capital expenditure requirements;
consistent, relatively inelastic demand for their services;
scalability, such that relatively small amounts of growth can generate significant increases in earnings before interest, taxes, depreciation and amortization, or EBITDA;
the provision of basic, often essential services; and
strong competitive positions, largely due to high barriers to entry, including:
high initial development and construction costs;
difficulty in obtaining suitable land on which to operate the business;
long-term, exclusive concessions or leases and customer contracts; and
lack of cost-effective alternatives to customers in the foreseeable future.

In addition to the benefits associated with these characteristics, the revenues generated by most of our infrastructure businesses generally can be expected to keep pace with inflation. The price escalators built into many customer contracts, and the inflation and cost pass-through adjustments typically a part of pricing terms in user pays businesses or provided for by the regulatory process to regulated businesses, serve to insulate infrastructure businesses to a significant degree from the negative effects of inflation and commodity price risk. We sometimes employ interest rate contracts in connection with our businesses floating rate debt to effectively fix our interest expense and hedge variability in cash flows from changes in interest rates.

We focus on the ownership and operation of infrastructure businesses in the following categories:

those with contracted revenue such as IMTT, the revenues of which are derived from per-use or rental charges in medium-term contracts, and District Energy, a majority of the revenues of which are derived from long-term contracts with businesses and governments;
those with regulated revenue such as the utility operations of Hawaii Gas; and,
those with user pays or patronage exposure, such as Atlantic Aviation, the revenues of which are based on the number of aircraft that use the services of our fixed based operations, or FBOs.

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Strategy

There are four principal components to our corporate strategy:

1. We intend to own and operate a diversified portfolio of infrastructure businesses. We define infrastructure businesses as those backed by high value, long-lived physical assets, a preferred position in their respective markets and revenues that are, for the majority, a function of contract/regulation.
2. We intend to drive performance improvement in the businesses we own and those in which we have invested, primarily along four dimensions. Those dimensions are:
   - environmental, health and safety;
   - gross profit growth;
   - expense management/reduction; and
   - capital structure optimization.
3. We intend to deploy the capital we have available in a prudent balance between quarterly cash dividends to our shareholders and investments in the growth of existing businesses.
4. We intend, when it is economically sensible to do so, to grow through the acquisition of additional infrastructure businesses that will enhance and diversify our portfolio.

Our Businesses and Investments

We provide below information about our businesses and investments, including key financial information for each business. We are disclosing EBITDA excluding non-cash items as defined by us. We believe EBITDA excluding non-cash items provides additional insight into the performance of our operating businesses relative to each other and similar businesses without regard to their capital structure, the ability of the businesses to service or reduce debt, fund capital expenditures and/or support distributions to the holding company. Additionally, EBITDA excluding non-cash items is a key performance metric relied on by management in evaluating the performance of the Company and our operating segments. Therefore, this Annual Report on Form 10-K discloses EBITDA excluding non-cash items in addition to the other financial information provided in accordance with GAAP. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Part II, Item 7 for a reconciliation of net income (loss) to EBITDA excluding non-cash items for the Company and its operating segments.

IMTT

Business Overview

We own 50% of IMTT. The remaining 50% is owned by a trust for the benefit of members of the founding family. IMTT stores and handles petroleum products, various chemicals, renewable fuels and vegetable and animal oils. IMTT is one of the largest independent providers of bulk liquid storage terminal services in the U.S., based on capacity.

For the year ended December 31, 2012, IMTT generated approximately 43% of its total terminal revenue and approximately 48% of its terminal gross profit at its St. Rose, Gretna, Avondale and Geismar facilities, which together service the lower Mississippi River region (with St. Rose as the largest contributor).

For the year ended December 31, 2012, IMTT generated approximately 43% of its terminal revenue and approximately 42% of its terminal gross profit at its Bayonne, New Jersey facility in New York Harbor.

IMTT also owns OMI Environmental Solutions, or Oil Mop, an environmental emergency response, industrial services, waste transportation and disposal business. Oil Mop has a network of facilities along the U.S. Gulf Coast between Houston and New Orleans. These facilities primarily service the Gulf region, but also respond to spill events and provide services as needed throughout the United States and internationally.

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IMTT (continued)

The table below summarizes the proportion of the terminal revenue generated from the commodities stored at IMTT s U.S. terminals for the year ended December 31, 2012:

Proportion of Terminal Revenue from Major Commodities Stored			
Petroleum/Asphalt	Chemical	Renewable/Vegetable & Animal Oil	Other
62%	26 %	8 %	4 %

Summary financial information for 100% of IMTT is as follows ($ in millions):

	As of, and for the Year Ended, December 31,		
	2012	2011	2010
Revenue	$ 474.4	$ 447.1	$ 557.2
EBITDA excluding non-cash items[1]	231.7	206.4	236.8
Total assets	1,323.9	1,264.0	1,221.9

(1) See Business Our Business and Investments in Part I, Item 1 and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Part II, Item 7 for further information and a reconciliation of net income (loss) to EBITDA excluding non-cash items.

Industry Overview

Bulk liquid storage terminals provide an essential link in the supply chain for liquid commodities such as crude oil, refined petroleum products and commodity and specialty chemicals. In addition to renting storage tanks, bulk liquid storage terminals generate revenues by offering ancillary services including product transfer (throughput), heating and blending. Pricing for storage and other services typically reflects local supply and demand as well as the specific attributes of each terminal including access to deepwater berths and connections to land-based infrastructure such as roads, pipelines and rail.

Both domestic and international factors influence demand for bulk liquid storage in the United States. Demand for storage rises and falls according to local and regional consumption. In addition to these domestic forces, import and export activity also accounts for a material portion of the business. Shippers require storage for the staging, aggregation and/or distribution of products before and after shipment. The extent of import/export activity depends on macroeconomic trends such as currency fluctuations as well as industry-specific conditions, such as supply and demand balances in different geographic regions. The medium-term length of storage contracts tends to offset short-term fluctuations in demand for storage in both the domestic and import/export markets.

Potential entrants into the bulk liquid storage terminal business face several substantial barriers. Strict environmental regulations, limited availability of waterfront land with the necessary access to land-based infrastructure, local community resistance to new fuel/chemical sites, and high initial investment costs impede the construction of new bulk liquid storage facilities. These deterrents are most formidable around New York Harbor and other waterways near major urban centers. As a consequence, new tanks are generally built where existing docks, pipelines and other infrastructure can support them, resulting in higher returns on invested capital. However, restrictions on land use, difficulties in securing environmental permits, and the potential for operational bottlenecks due to infrastructure

constraints may limit the ability of existing terminals to expand the storage capacity of their facilities.

Strategy

The key components of IMTT s strategy, from MIC s perspective, are to:

1. drive growth in revenue and cash flows by attracting and retaining customers who place a premium on flexibility, speed and efficiency in bulk liquid storage;
2. invest, where prudent, in additional storage capacity; and
3. improve business processes and systems.

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IMTT (continued)

Operational flexibility is essential to making IMTT an attractive supplier of bulk liquid storage services in its key markets. Its facilities operate 24/7 providing shippers, refiners, manufacturers, traders and distributors with prompt access to a wide range of storage services. In each of its two key markets, IMTT s scale ensures availability of sophisticated product handling and storage capabilities. IMTT continues to improve its facilities speed and flexibility of operations by investing in upgrades of its docks, pipelines and pumping infrastructure and facility management systems.

IMTT seeks to increase its available storage capacity at its existing locations, especially in New York Harbor and the lower Mississippi River, by building new tankage when supported by customer demand so long as the returns to IMTT s shareholders on such projects are attractive. The investment pipeline remains strong, particularly in the light of manufacturing renaissance and the unconventional oil production currently being experienced in the United States. Since MIC s investment in IMTT, in May of 2006, IMTT has completed $737.8 million of growth capital expenditure projects and it has another $94.8 million in process.

Locations

The following table summarizes the location of each IMTT facility, the corresponding storage capacity in service and ship and barge docks available for product transfer. This information is as of December 31, 2012 and does not include tanks used in packaging, recovery tanks, and/or other storage capacity not typically available for rent.

Facility	Land	Aggregate Capacity of Storage Tanks in Service (Millions of Barrels)	Number of Ship & Barge Berths in Service
Facilities in the United States:			
St. Rose, LA*	Owned	16.2	18
Bayonne, NJ	Owned	16.0	20
Gretna, LA*	Owned	2.3	7
Avondale, LA*	Owned	1.1	3
Geismar, LA*	Owned	0.9	3
Lemont, IL	Owned/Leased	0.9	3
Joliet, IL	Owned	0.7	2
Richmond, CA	Owned	0.7	1
Chesapeake, VA	Owned	1.0	1
Richmond, VA	Owned	0.4	1
Facilities in Canada:			
Quebec City, Quebec[1]	Leased	2.0	2
Placentia Bay, Newfoundland[2]	Leased	3.0	2
Total		45.2	63

* Collectively the Louisiana facilities.

(1) Indirectly 66.7% owned and managed by IMTT.

(2) Indirectly 20.1% owned and managed by IMTT.

All facilities have marine access, road access and, except for Richmond, Virginia and Placentia Bay, Newfoundland, all sites have rail access.

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IMTT (continued)

St. Rose/Gretna/Avondale/Geismar

On the lower Mississippi River, IMTT currently operates four terminals (St. Rose, Gretna, Avondale and Geismar). With combined storage capacity of 20.5 million barrels, the four sites give IMTT substantial market share in storage for black oil, bulk liquid chemicals, and vegetable oils on the lower Mississippi River.

The Louisiana facilities also give IMTT a substantial presence in a key domestic transport hub. The lower Mississippi River serves as a major transshipment point between the central United States and the rest of the world for exported agricultural products (such as vegetable oils) and imported commodity chemicals (such as methanol). The region also has substantial domestic traffic related to the petroleum industry. Gulf Coast refiners send their products to other regions of the U.S. and overseas and require storage capacity and ancillary services to facilitate distribution. IMTT s Louisiana facilities, with their ship and barge docks, as well as access to rail, road and pipeline infrastructure, are highly capable of performing these functions.

Bayonne, New Jersey

Located on the Kill Van Kull between New Jersey and Staten Island, the 16.0 million barrel capacity terminal occupies a strategically advantageous position in New York Harbor, or NYH. As the largest independent bulk liquid storage facility in NYH, IMTT-Bayonne has substantial market share for third-party storage of refined petroleum products and chemicals.

NYH serves as the main petroleum trading hub in the northeast United States and the physical delivery point for the gasoline and heating oil futures contracts traded on New York Mercantile Exchange (NYMEX). In addition to waterborne shipments, products reach NYH through petroleum product pipelines from the U.S. Gulf region and elsewhere. NYH also serves as the starting point for refined product pipelines linked to inland markets and as a key port for refined petroleum product exports. IMTT-Bayonne has connections to the Colonial, Buckeye and Harbor refined petroleum product pipelines as well as rail and road connections. As a result, IMTT-Bayonne provides its customers with substantial logistical flexibility.

IMTT-Bayonne has the capability to quickly load and unload the largest bulk liquid transport ships entering NYH. The U.S. Army Corp of Engineers (USACE) has dredged the Kill Van Kull channel passing the IMTT-Bayonne docks to 50 feet (IMTT has dredged two of its docks to 45 feet). Most competitors in NYH have facilities located on the southern portion of the Arthur Kill (water depth of approximately 35 feet) and force large ships to transfer a portion of their cargoes to barges (a process known as lightering) before docking. This technique substantially increases the cost of loading and unloading.

Competition

The competitive environment in which IMTT operates varies by terminal location. The principal competition for each of IMTT s facilities comes from other bulk liquid storage facilities located in the same regional market.

The main terminal operation competitors include (in alphabetical order): Bahamas Oil Refining Company International Limited; Bluenight Energy Partners L.P.; Battleground Oil Specialty Terminal Company LLC; Buckeye Partners, L.P.; Energy Transfer Partners L.P.; Enbridge Energy Partners L.P.; Enterprise Products Partners L.P.; Genesis Energy L.P.; Holly Energy Partners L.P.; Houston Fuel Oil Terminal Company; Kinder Morgan Energy

Partners, L.P.; Magellan Midstream Partners, L.P.; NuStar Energy L.P.; Odfjell Group; Oiltanking Partners, L.P.; Plains All American Pipeline, L.P.; Royal Vopak N.V.; Sunoco Logistics Partners L.P.; Tesoro Logistics L.P.; TransMontaigne Partners L.P.; Vitol Holding B.V.; and Westway Group, Inc.

Certain financial institutions may also be competitors. These include: Alinda Capital Partners LLC; ArcLight Capital Partners; EQT Infrastructure Funds; First Reserve Corporation; Global Infrastructure Partners; KKR Co. L.P.; Lindsay Goldberg LLC; and TPG Capital L.P.

In both the NYH and lower Mississippi River markets, IMTT operates the largest terminal by capacity which, combined with the capabilities of IMTT s facilities, provides IMTT with a strong competitive position in both of these key bulk liquid storage markets.

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IMTT (continued)

Customers

IMTT provides bulk liquid storage services primarily to vertically integrated petroleum product producers and refiners, chemical manufacturers, food processors and traders of bulk liquid petroleum, chemical and agricultural products. No customer represented more than 10% of IMTT s consolidated revenues and accounts receivable for the year ended and at December 31, 2012.

Storage Contracts

A typical IMTT storage contract includes:

terms of three to five years;
rates stated in terms of cents per barrel of storage capacity per month payable whether the storage is used or not;
a certain number of product movements into and out of the storage tank included in the contracted rate and throughput rates for movements in excess of this number;
charges for heating heavy products which essentially reflect a pass-through of IMTT s cost;
charges for other services such as rail car unloading and other ancillary services;
annual inflation based escalators;
provisions that ensure customers retain title to products stored and have responsibility for securing insurance or self insuring against loss;
provisions for rate step-ups in the event that storage costs increase due to changes in laws or other environmental obligations; and
responsibility for customers to return tanks, at the end of the contract in the same condition as when the contract began.

IMTT is responsible for ensuring appropriate care of products stored at its facilities and maintains adequate insurance with respect to its exposure.

Regulation

The rates that IMTT charges for its services are not subject to regulation. However, a number of regulatory bodies oversee IMTT s operations. IMTT must comply with numerous federal, state and local environmental, occupational health and safety, security, tax and planning statutes and regulations. These regulations require IMTT to obtain and maintain permits to operate its facilities and impose standards that govern the way IMTT operates its business. If IMTT does not comply with the relevant regulations, it could lose its operating permits and/or incur fines and increased liability. As a result, IMTT has developed environmental and health and safety compliance functions which are overseen by the terminal managers at the terminal level, as well as IMTT s Director of Environmental, Health and Safety, Chief Operating Officer and Chief Executive Officer. While changes in environmental, health and safety regulations pose a risk to IMTT s operations, such changes are generally phased in over time to manage the impact on industry.

The Bayonne terminal was acquired and expanded over a 29 year period. It has significant environmental remediation requirements that were partially assumed at the time of purchase from the various former owners. One former owner retained environmental remediation responsibilities for a purchased site as well as responsibility for sharing other remediation costs. Remediation efforts entail removal of the free product, groundwater control and treatment, soil

treatment, repair/replacement of sewer systems, and the implementation of containment and monitoring systems. These remediation activities are expected to continue for an additional ten to twenty years.

The Lemont terminal has entered into a consent order with the State of Illinois to remediate contamination at the site that pre-dated IMTT s ownership. This remediation effort, including the implementation of extraction and monitoring wells and soil treatment, is estimated to continue for an additional ten to twenty years.

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IMTT (continued)

See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in Part II, Item 7 for discussion of the expected future capitalized cost of environmental remediation.

Management and Governance

The day-to-day operations of IMTT s terminals are overseen by individual terminal managers who are responsible for all aspects of the operations at their respective sites. IMTT s terminal managers have on average 31 years experience in the bulk liquid storage industry and 19 years of service with IMTT.

The IMTT head office in New Orleans provides the business with central management that performs support functions such as accounting, tax, finance, human resources, insurance, information technology and legal services and provides support for functions that have been partially de-centralized to the terminal level such as engineering and environmental and occupational health and safety regulatory compliance. IMTT s senior management team has on average 32 years experience in the bulk liquid storage industry and 23 years of service with IMTT. In 2005, IMTT s EBITDA was $74.0 million as compared with 2012 when EBITDA was $231.7 million. Since MIC s investment in IMTT in 2006, only one member of the senior management team has left the business while other members remain unchanged. MIC believes that in light of IMTT s rapid growth, IMTT s performance could be enhanced by a review of its business processes and systems. In particular, enhanced financial planning and analysis, tax structuring, cost control and capital market skills could drive additional value over the medium term.

The Board of IMTT Holdings consists of six members with three appointees from Macquarie Terminal Holdings, LLC, our wholly owned subsidiary, and three appointees from our co-investor. All decisions of the Board require majority approval, including the approval of at least one member appointed by Macquarie Terminal Holdings, LLC and one member appointed by our co-investor. The Shareholders Agreement to which we became a party at the time of our investment in IMTT contains a customary list of items that must be referred to the Board for approval. The Shareholders Agreement is included as an exhibit to this Annual Report on Form 10-K.

Relations between MIC and its co-investor, each of whom own 50% of the business, are governed by the Shareholders Agreement. During February of 2013, MIC and its co-investor amended the Shareholders Agreement to provide that, following the payment of dividends, IMTT shall retain cash, cash equivalents, and/or committed and unutilized credit facilities in the amount of $185.0 million as of the end of the applicable fiscal quarter. The amendment, which is effective through March of 2016, also authorizes either party to seek injunctive relief to enforce the payment of a dividend consistent with the requirements of the Shareholders Agreement.

Employees

As of December 31, 2012, IMTT (excluding non-consolidated sites) had a total of 1,052 employees, including 160 employed by OMI Environmental Services. 144 employees at Bayonne, 52 at the Lemont and Joliet terminals and 34 at the Quebec terminal are unionized. We believe employee relations at IMTT are good.

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Hawaii Gas

Business Overview

Hawaii Gas is Hawaii s only government franchised full-service gas company, processing and distributing gas products and providing related services in Hawaii. The market includes Hawaii s approximately 1.4 million residents and approximately 8.0 million visitors in 2012. Hawaii Gas processes and distributes synthetic natural gas, or SNG, for its utility customers on Oahu, and distributes Liquefied Petroleum Gas, or LPG, to utility and non-utility customers throughout the state s six primary islands.

Hawaii Gas has two primary businesses, utility (or regulated) and non-utility (or unregulated):

The utility business serves approximately 35,200 customers through localized pipeline distribution systems located on the islands of Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. Over 90% of these customers are on Oahu. The utility business includes the processing, distribution and sale of SNG on the island of Oahu and distribution and sale of LPG on all of the islands mentioned above. Utility revenue consists principally of sales of SNG and LPG. The operating costs for the utility business include the cost of locally purchased feedstock, the cost of processing SNG from the feedstock, LPG purchase costs and the cost of distributing SNG and LPG to customers. Utility margin represented approximately 38% of Hawaii Gas s total contribution margin in 2012.

The non-utility business sells and distributes LPG to approximately 33,400 customers. LPG is delivered by truck to individual tanks located on customer sites on Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. Non-utility revenue is generated primarily from the sale of LPG delivered to customers. The operating costs for the non-utility business include the cost of purchased LPG and the cost of distributing the LPG to customers. Non-utility margin represented approximately 62% of Hawaii Gas s total contribution margin in 2012.

Hawaii Gas s two primary products, SNG and LPG, are relatively clean-burning fuels that produce lower levels of carbon emissions than other hydrocarbon fuels such as coal or oil. This is particularly important in Hawaii where heightened public awareness of the adverse environmental impact of using hydrocarbon fuels such as coal or oil makes lower emission fuels attractive to customers.

SNG and LPG have a wide number of commercial and residential applications including water heating, drying, cooking, emergency power generation and decorative lighting, such as tiki torches. LPG is also used as a fuel for specialty vehicles such as forklifts. Gas customers include residential customers and a wide variety of commercial, hospitality, military, public sector and wholesale customers.

Hawaii Gas is implementing plans to bring Liquefied Natural Gas, or LNG, as a back-up fuel for the business SNG utility distribution system. Similar to its existing gas products, LNG is a clean-burning fuel which produces lower levels of carbon emissions than other hydrocarbon fuels such as coal or oil. Hawaii Gas expects to bring LNG to Hawaii from the U.S. mainland in conventional intermodal cryogenic containers, in 2013 subject to satisfaction of state and local regulatory requirements.

Summary financial information of Hawaii Gas is as follows ($ in millions):

	As of, and for the Year Ended, December 31,		
	2012	2011	2010
Revenue	$ 260.5	$ 252.8	$ 210.6

EBITDA excluding non-cash items[1]	56.3	49.0	44.4
Total assets	387.0	373.5	350.4
% of our consolidated revenue	25.2 %	25.6 %	25.0 %

(1) See Business Our Business and Investments in Part I, Item 1 and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Part II, Item 7 for further information and a reconciliation of net income (loss) to EBITDA excluding non-cash items.

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Strategy

Hawaii Gas s long-term strategy has three primary components:

1. Increase and diversify its customer base. The business intends to increase penetration of the residential, government (primarily military) and tourism-related markets. The business also intends to invest in and promote the value of Hawaii Gas s products and services and its attractiveness as a cleaner alternative to other energy sources in Hawaii.
2. Diversify its sources of SNG feedstock and LPG to ensure reliable supply and to mitigate the impact of potential cost increases to its customers. In support of this, the business is adding new storage facilities, expanding existing storage facilities that could improve its competitiveness and flexibility as a purchaser of LPG, and is exploring other clean and renewable energy alternatives that may be distributed using its existing infrastructure, including renewable natural gas and LNG.
3. Focus on maintaining good relationships with regulators, government agencies, customers and the other communities it serves.

Products

While the U.S. mainland obtains natural gas from wells drilled into underground reservoirs of porous rock, Hawaii relies solely on processed and imported alternatives. Hawaii has no natural gas reserves.

Synthetic Natural Gas. The business converts a light hydrocarbon feedstock (currently naphtha) into SNG. The product is chemically similar in most respects to natural gas and has a similar heating value on a per cubic foot basis. Hawaii Gas has the only SNG processing capability in Hawaii at its plant located on the island of Oahu. SNG is delivered by underground piping systems to customers on Oahu.

Liquefied Petroleum Gas. LPG is a generic name for a mixture of hydrocarbon gases, typically propane and butane. LPG liquefies at a relatively low pressure under normal temperature conditions. As a result, LPG can be stored or transported more easily than natural gas or SNG. Once on shore, LPG is typically transported in cylinders or tanks. Domestic and commercial applications of LPG are similar to those of natural gas and SNG.

Liquefied Natural Gas. The business is implementing plans to bring Liquefied Natural Gas, or LNG, as a back-up fuel for the business SNG utility distribution system. It has obtained equipment to bring LNG to Hawaii from the U.S. mainland in conventional intermodal cryogenic containers, subject to satisfaction of state and local regulatory requirements. This initiative to bring LNG on a small scale is expected to begin in 2013.

Renewable Natural Gas. In its efforts to diversify feedstock sources, the business expects to introduce renewable natural gas, or RNG, into its pipeline distribution system in 2013. RNG will be made by converting animal fat and non-food grade oils to RNG, in the RNG pilot plant.

Hydrogen Gas. The business generates hydrogen gas as part of the reforming process for SNG. Today, Hawaii s SNG contains about 10% hydrogen produced in the SNG conversion process and is distributed using existing pipeline infrastructure. The business is also exploring opportunities to sell its hydrogen.

Utility Regulation

Hawaii Gas s utility business is regulated by the Hawaii Public Utilities Commission, or HPUC, while the business non-utility business is not. The HPUC exercises broad regulatory oversight and investigative authority over all public utility companies in the state of Hawaii.

Rate Regulation. The HPUC establishes the rates that Hawaii Gas can charge its utility customers via cost of service regulation. The rate approval process is intended to ensure that a public utility has a reasonable opportunity to recover costs that are prudently incurred and earn a fair return on its investments, while protecting consumer interests.

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Although the HPUC sets the base rate for the SNG and LPG sold by Hawaii Gas s utility business, the business is permitted to pass through changes in its raw materials cost by means of a monthly fuel adjustment charge, or FAC. The adjustment protects the business earnings from volatility in feedstock costs.

The business utility rates are established by the HPUC in periodic rate cases typically initiated by Hawaii Gas. The business initiates a rate case by submitting a request to the HPUC for an increase in rates based, for example, upon materially higher costs related to providing the service. Following initiation of the rate increase request and submissions by other intervening parties of their positions on the rate request, and potentially an evidentiary hearing, the HPUC issues a decision establishing the revenue requirements and the resulting rates that Hawaii Gas will be allowed to charge.

Other Regulations. The HPUC regulates all franchised or certificated public service companies operating in Hawaii; prescribes rates, tariffs, charges and fees; determines the allowable rate of earnings in establishing rates; issues guidelines concerning the general management of franchised or certificated utility businesses; acts on requests for the acquisition, sale, disposition or other exchange of utility properties, including mergers and consolidations; and acts on requests for financings. When we acquired Hawaii Gas, we agreed to 14 regulatory conditions with the HPUC that address a variety of matters including: a requirement that the ratio of consolidated debt to total capital for Hawaii Gas and HGC Holdings LLC, or HGC, does not exceed 65%; and a requirement to maintain $20.0 million in readily-available cash resources at Hawaii Gas, HGC or MIC.

Competition

Depending upon the end-use, the business competes with electricity, diesel, solar, geo-thermal, wind, other gas providers and alternative energy sources. Hawaii s electricity is generated by four electric utilities and various independent power producers. In addition, residential customers in Hawaii have increased the rate at which they are installing solar photovoltaic generating capacity. Continued adoption of this trend could constitute another meaningful form of competition for Hawaii Gas.

Utility Business. Hawaii Gas holds the only government franchise for regulated gas services in Hawaii. This enables it to utilize public easements for its pipeline distribution systems. This franchise also provides protection from competition within the same gas-energy sector since the business has developed and owns extensive below-ground distribution infrastructure. The costs associated with developing distribution infrastructure are significant. However, in most instances, the business utility customers also have the ability to use non-utility gas supplied by Hawaii Gas or its competitors by using LPG tanks.

Non-Utility Business. Hawaii Gas also sells LPG in an unregulated market on the six primary islands of Hawaii. There are two other wholesale companies and several small retail distributors that share the LPG market. Hawaii Gas believes it has a competitive advantage because of its established customer base, storage facilities, distribution network and reputation for reliable service.

Fuel Supply, SNG Plant and Distribution System

Fuel Supply

Hawaii Gas obtains the majority of its LPG supply from foreign producers with the remainder being supplied by the Tesoro and Chevron oil refineries located on Oahu. In 2012, Hawaii Gas purchased approximately half of its LPG requirement from foreign sources and approximately one quarter each from Chevron and Tesoro.

In January of 2013, Tesoro announced that it will close its Hawaii refinery in April of 2013. Tesoro has issued termination notices to Hawaii Gas with respect to the supply of naphtha feedstock and LPG when the refinery closes. Tesoro has indicated an intent to convert the refinery to an import, storage and distribution terminal. If Tesoro is unsuccessful or does not receive the appropriate authorizations to convert the refinery to an import, storage and distribution terminal, Hawaii Gas may have to construct storage capacity and supporting infrastructure sufficient to ensure its supply of feedstock.

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Hawaii Gas has activated contingency plans related to sourcing of feedstock and expects that, subject to HPUC approval, any increases in the costs of such feedstock will be passed through to customers via the fuel adjustment mechanism and is unlikely to have a significant impact to its contribution margin. Hawaii Gas also expects to secure additional supplies of LPG from a combination of imports and local production from Chevron in order to make up the loss of LPG previously produced by Tesoro.

Tesoro s decision to close its refinery or a similar decision by Chevron in the future regarding their operations in Hawaii could affect the business cost of supply and may adversely impact its contribution margin and profitability. In an effort to mitigate the risk of supply disruption and/or a potential increase in costs, the business has been making additional investments in storage.

Hawaii Gas is also moving forward with initiatives that will bring LNG to Hawaii as a back-up fuel for the business SNG utility distribution system. On January 17, 2013, the Federal Energy Regulatory Commission (FERC) issued an order declining to assert jurisdiction over this activity, thus clearing the way for Hawaii Gas to bring containerized LNG to Hawaii from the U.S. mainland in conventional intermodal cryogenic containers, subject to satisfaction of state and local regulatory requirements. This initiative to bring LNG on a small scale is expected to begin in 2013.

SNG Plant and Distribution System (Utility Business)

Hawaii Gas processes and distributes SNG from its plant located west of the Honolulu business district. With proper inspection and testing and with routine maintenance and capital investment, the economic life of the SNG plant is expected to be approximately 20 years. The economic life of the plant may be extended with additional capital investment.

A 22-mile transmission pipeline links the SNG plant to a distribution system at Pier 38 in south Oahu. From Pier 38, a pipeline distribution system consisting of approximately 900 miles of distribution and service pipelines transports gas to customers. LPG is trucked to holding tanks on Oahu and shipped by barge to the neighboring islands where it is distributed via pipelines to utility customers that are not connected to the Oahu SNG pipeline system. Approximately 90% of the business pipeline system is on Oahu.

Distribution System (Non-Utility Business)

The non-utility business provides gas on all six primary islands to customers not connected to the business utility pipeline system. The majority of Hawaii Gas s non-utility customers are on islands other than Oahu. LPG is distributed to these islands by direct deliveries from overseas suppliers by ship and by barge from Oahu. The business also owns the infrastructure with which it distributes LPG to its customers, including harbor pipelines, trucks, several holding facilities and storage base-yards on Kauai, Maui and Hawaii.

Environmental Matters

Environmental Permits: Gas processing and distribution requires environmental operating permits. The most significant are air and wastewater permits that are required for the SNG plant. Hawaii Gas is in compliance in all material respects with all applicable provisions of these permits.

Environmental Compliance: The business believes that it is in compliance in all material respects with applicable state and federal environmental laws and regulations. In connection with the business normal operations and routine inspections, management maintains ongoing contact with various regulatory and environmental agencies to resolve compliance matters that arise from time to time. Under normal operating conditions, its facilities do not generate hazardous waste. Hazardous waste, if produced, would pose little ongoing risk to the facilities from a regulatory standpoint because SNG and LPG dissipate quickly if released.

Employees and Management

As of December 31, 2012, Hawaii Gas had 318 employees, of which 211 were represented by a collective bargaining unit. These employees are employed subject to the terms of a collective bargaining agreement that expires on April 30, 2015. The business believes it has a good relationship with the union and there have been no major disruptions in operations due to labor matters for over 30 years. Management of the business is headquartered in Honolulu, Hawaii.

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District Energy

Business Overview

Through December 22, 2009, District Energy consisted of a 100% ownership of Thermal Chicago and a 75% interest in Northwind Aladdin. The remaining 25% equity interest in Northwind Aladdin was owned by Nevada Electric Investment Company, or NEICO, an indirect subsidiary of NV Energy, Inc.