

KINDER MORGAN INC  
Form S-3/A  
May 09, 2001

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 9, 2001

REGISTRATION NO. 333-55868  
REGISTRATION NO. 333-55866  
REGISTRATION NO. 333-55866

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

AMENDMENT NO. 5

TO

FORM S-1

KINDER MORGAN MANAGEMENT, LLC  
(EXACT NAME OF REGISTRANT AS SPECIFIED  
IN CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

76-0669886  
(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

4610  
(PRIMARY STANDARD INDUSTRIAL  
CLASSIFICATION CODE NUMBER)

FORM S-3

KINDER MORGAN, INC.  
KINDER MORGAN ENERGY PARTNERS, L.P.  
(EXACT NAME OF REGISTRANT AS  
SPECIFIED IN CHARTER)

KANSAS  
DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

48-0290000  
76-0380342  
(I.R.S. EMPLOYER IDENTIFICATION  
NUMBER)

4923  
4610  
(PRIMARY STANDARD INDUSTRIAL  
CLASSIFICATION CODE NUMBER)

ONE ALLEN CENTER, SUITE 1000  
500 DALLAS STREET  
HOUSTON, TEXAS 77002  
(713) 369-9000  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF EACH REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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JOSEPH LISTENGART  
ONE ALLEN CENTER, SUITE 1000  
500 DALLAS STREET  
HOUSTON, TEXAS 77002  
(713) 369-9000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

-----  
Please send copies of communications to:

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NEW YORK, NY 10103  
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(917) 206-8100 (FAX)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as  
practicable after this registration statement becomes effective.

-----  
If the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box. [ ]

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box. [X]

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please check the following box  
and list the Securities Act registration statement number of the earlier  
effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. [ ]

-----  
THE REGISTRANTS HEREBY AMEND THESE REGISTRATION STATEMENTS ON SUCH DATE OR  
DATES AS MAY BE NECESSARY TO DELAY THEIR EFFECTIVE DATE UNTIL THE REGISTRANTS  
SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THESE REGISTRATION  
STATEMENTS SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF  
THE SECURITIES ACT OF 1933 OR UNTIL THESE REGISTRATION STATEMENTS SHALL BECOME

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EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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EXPLANATORY NOTE

This registration statement contains a prospectus to be used in connection with the offer and sale of Kinder Morgan Management, LLC shares. This registration statement also registers:

- the deemed offer and sale by Kinder Morgan Energy Partners, L.P. of i-units to be acquired by Kinder Morgan Management, LLC with most of the net proceeds of the offering of its shares, pursuant to Rule 140 of the Securities Act of 1933, as amended;
- the obligation of Kinder Morgan, Inc. to deliver common units of Kinder Morgan Energy Partners, L.P. to owners of shares of Kinder Morgan Management, LLC in exchange for their shares pursuant to the terms of an agreement between Kinder Morgan, Inc. and Kinder Morgan Management, LLC, for itself and for the express benefit of the owners of its shares;
- the delivery by Kinder Morgan, Inc. of the common units of Kinder Morgan Energy Partners, L.P. pursuant to the exchange feature; and
- the obligation of Kinder Morgan, Inc. to purchase shares of Kinder Morgan Management, LLC under specified circumstances pursuant to the terms of an agreement between Kinder Morgan, Inc. and Kinder Morgan Management, LLC, for itself and for the express benefit of the owners of its shares.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ARE EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION. DATED MAY 9, 2001

9,000,000 SHARES  
REPRESENTING LIMITED LIABILITY COMPANY INTERESTS

[KINDER MORGAN MANAGEMENT, LLC LOGO]  
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This is an initial public offering of our shares representing limited liability company interests, a class of our equity with limited voting rights. We are offering 9,000,000 of our shares through the underwriters named below, including 900,000 shares to be offered to our affiliate, Kinder Morgan, Inc.

We are a recently formed limited liability company that has elected to be treated as a corporation for United States income tax purposes. We will manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. and will use substantially all of the proceeds of this offering to acquire limited partner interests, referred to as i-units, in Kinder Morgan Energy Partners, L.P.

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When Kinder Morgan Energy Partners, L.P. makes distributions on its common units, we will make distributions on our shares in the form of additional shares. As an owner of our shares, you will receive that number of additional shares equal to the amount of cash distributions you would have received had you owned Kinder Morgan Energy Partners, L.P. common units divided by the average market price of our shares. On April 18, 2001, Kinder Morgan Energy Partners, L.P. announced an increase in its quarterly distribution for the first quarter of 2001 to \$1.05 per common unit, or \$4.20 per common unit on an annualized basis.

Kinder Morgan, Inc. has agreed that at any time after the 45th day following the closing of this offering, owners of our shares may exchange each of their shares for a common unit of Kinder Morgan Energy Partners, L.P. owned by Kinder Morgan, Inc. and its affiliates. This exchange feature is subject to Kinder Morgan, Inc.'s right to settle the exchange in cash rather than in common units.

Prior to this offering, there has been no public market for our shares. We expect our shares to be offered at a price within approximately 5% of the last reported sales price of Kinder Morgan Energy Partners, L.P. common units on the New York Stock Exchange prior to the determination of the offering price. The common units trade on the NYSE under the symbol "KMP". The last reported sales price of the common units on the NYSE on May 8, 2001 was \$69.90 per common unit. The shares have been approved for listing on the NYSE under the symbol "KMR".

INVESTING IN THE SHARES OR IN THE COMMON UNITS FOR WHICH THEY MAY BE EXCHANGED INVOLVES RISK. A DISCUSSION OF RISK FACTORS BEGINS ON PAGE 20. These risks include the following:

- Our success will be dependent upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance.
- Our management may have different interests than you and may not always conduct our business as you would wish.
- As an owner of shares, you will have limited voting rights and therefore will have little opportunity to influence or change our management.
- Your shares are subject to mandatory and optional purchase provisions which could result in your having to sell your shares at a time or price which you do not like.
- The fiduciary duties owed by our board of directors to our shareholders and the fiduciary duties of the general partner of Kinder Morgan Energy Partners, L.P. to its unitholders have been restricted or eliminated.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PER SHARE	TOTAL
	-----	-----
Initial public offering price.....	\$	\$

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Underwriting discount (1).....	\$	\$
Proceeds, before expenses, to Kinder Morgan Management, LLC .....	\$	\$

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(1) The underwriters will receive no discount or commission on the sale of 900,000 shares to Kinder Morgan, Inc.

To the extent that the underwriters sell more than 9,000,000 shares, the underwriters have the option to purchase up to an additional 1,350,000 shares from Kinder Morgan Management, LLC at the initial public offering price less the underwriting discount.

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The underwriters expect to deliver the shares against payment in New York, New York on , 2001.

GOLDMAN, SACHS & CO.

CREDIT SUISSE FIRST BOSTON

LEHMAN BROTHERS

DAIN RAUSCHER WESSELS

FIRST UNION SECURITIES, INC.

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Prospectus dated , 2001

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Until \_\_\_\_\_, 2001, all dealers that buy, sell or trade our shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

### PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before buying shares in this offering. Therefore, you should read this entire prospectus carefully, including the risks discussed under the "Risk Factors" section and our financial statements and the related notes. This prospectus also incorporates by reference important information about Kinder Morgan Energy

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Partners, L.P. and Kinder Morgan, Inc., including information about their businesses and financial and operating data, and certain financial information with respect to Kinder Morgan G.P., Inc., the general partner of Kinder Morgan Energy Partners, L.P. You should also read carefully the information, including the financial statements and the footnotes to those statements, which is incorporated by reference in this prospectus.

KINDER MORGAN Management, LLC

We are a recently formed limited liability company that has elected to be treated as a corporation for United States income tax purposes. Our shares have been approved for listing on the New York Stock Exchange under the symbol "KMR". We will be a limited partner in Kinder Morgan Energy Partners, L.P. and will manage and control its business and affairs. The one outstanding share of the class that votes to elect our directors is owned by Kinder Morgan G.P., Inc., the general partner of Kinder Morgan Energy Partners, L.P. Upon the closing of this offering, Kinder Morgan G.P., Inc., will delegate to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. and the operating partnerships owned by Kinder Morgan Energy Partners, L.P., subject to Kinder Morgan G.P., Inc.'s right to approve specified actions. We were formed in Delaware on February 14, 2001. For more information regarding our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P., please read "Business -- Kinder Morgan Management, LLC."

KINDER MORGAN ENERGY PARTNERS, L.P.

### BUSINESS DESCRIPTION

Kinder Morgan Energy Partners, L.P., a Delaware limited partnership with its common units traded on the New York Stock Exchange under the symbol "KMP", was formed in August 1992. Kinder Morgan Energy Partners, L.P. is the largest publicly-traded pipeline limited partnership in the United States in terms of market capitalization. It owns and operates one of the largest refined petroleum products pipeline systems in the United States. Since February 1997, when current management assumed control of the operations of Kinder Morgan Energy Partners, L.P., quarterly common unit distributions have more than tripled from \$0.315 per common unit to \$1.05 per common unit for the first quarter of 2001. Its operations are grouped into the following business segments:

- PRODUCT PIPELINES: Over 10,000 miles of pipelines and associated terminals delivering gasoline, diesel fuel, jet fuel and natural gas liquids to various markets;
- NATURAL GAS PIPELINES: Transports, treats, processes and stores natural gas on approximately 12,000 miles of pipeline;
- CO(2) PIPELINES: Markets and transports carbon dioxide, commonly called CO(2), to oil fields which use CO(2) to increase production of oil;
- BULK TERMINALS: 29 bulk terminal facilities which handle more than 40 million tons of coal, petroleum coke and other products annually; and
- LIQUIDS TERMINALS: Handles refined petroleum products, chemicals, and other liquid products.

GATX TRANSACTION



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In March 2001, Kinder Morgan Energy Partners, L.P. completed the acquisition of GATX Corporation's domestic pipeline and terminal business for approximately \$1.17 billion. The primary assets acquired include CALNEV Pipe Line Company, a 550-mile petroleum products pipeline system extending from Colton, California to Las Vegas, Nevada; Central Florida Pipeline Company, a 195-mile petroleum products pipeline system extending from Tampa, Florida to Orlando, Florida; and 12 liquids terminals with a storage capacity of 35.6 million barrels. CALNEV Pipe Line Company, Central Florida Pipeline Company, and those terminals located on the West Coast are now included in Kinder Morgan Energy Partners, L.P.'s Product Pipelines segment. The remaining terminals comprise a new business segment of Kinder Morgan Energy Partners, L.P. called Liquids Terminals.

### BUSINESS STRATEGY

Kinder Morgan Energy Partners, L.P.'s objective is to grow by:

- providing, for a fee, transportation, storage and handling services which are core to the energy infrastructure of growing markets;
- increasing utilization of assets while controlling costs;
- leveraging economies of scale from incremental acquisitions; and
- maximizing the benefits of its financial structure.

Kinder Morgan Energy Partners, L.P. primarily transports and/or handles products for a fee and generally is not engaged in the purchase and resale of commodity products. As a result, Kinder Morgan Energy Partners, L.P. does not face significant risks relating directly to movements in commodity prices.

Generally, as utilization of its pipelines and terminals increases, Kinder Morgan Energy Partners, L.P.'s fee-based revenues increase. Increases in utilization are principally driven by increases in demand for gasoline, jet fuel, natural gas and other energy products transported and handled by Kinder Morgan Energy Partners, L.P. Increases in demand for these products are generally driven by demographic growth in markets served by Kinder Morgan Energy Partners, L.P., including the rapidly growing western and southeastern United States.

Since February 1997, Kinder Morgan Energy Partners, L.P. has closed 21 acquisitions valued at approximately \$4.8 billion. These acquisitions have assisted Kinder Morgan Energy Partners, L.P. in growing distributions to all partners from \$30.1 million for 1997 to \$333.3 million for 2000. Kinder Morgan Energy Partners, L.P. intends to make additional acquisitions of pipelines, terminals and other energy-related transportation assets.

### KINDER MORGAN, INC.

Kinder Morgan, Inc., a Kansas corporation, with its stock traded on the NYSE under the symbol "KMI", is one of the largest energy transportation and storage companies in America in terms of market capitalization, miles of pipeline and net income, operating more than 30,000 miles of natural gas and products pipelines. Kinder Morgan, Inc. also provides retail natural gas distribution service to approximately 225,000 customers, and develops, owns and operates power plants fueled by natural gas. Kinder Morgan, Inc.'s ownership of both general and limited partner interests in Kinder Morgan Energy Partners, L.P. contributed \$140.9 million of earnings in 2000 representing 46% of Kinder Morgan, Inc.'s income from continuing operations before income taxes.

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### RECENT DEVELOPMENTS

On April 18, 2001, Kinder Morgan Energy Partners, L.P. announced first quarter 2001 net income of \$101.7 million, or \$0.89 per unit, compared to \$59.6 million, or \$0.63 per unit, for the first quarter of 2000.

On April 18, 2001, Kinder Morgan, Inc. announced first quarter 2001 net income of \$56.8 million, or \$0.47 per diluted common share, before an extraordinary item for the early extinguishment of debt, compared to \$46.3 million, or \$0.41 per diluted common share, for the first quarter of 2000. After the previously announced extraordinary loss for early extinguishment of debt, net income for the first quarter of 2001 was \$44.7 million or \$0.37 per diluted common share.

On May 2, 2001, Kinder Morgan Energy Partners, L.P. and Calpine Corporation, an independent power company listed on the New York Stock Exchange, announced plans to jointly develop the Sonoran Pipeline, subject to customary approvals and sufficient interest by potential shippers. As proposed, the Sonoran Pipeline will be a 1,160-mile, high-pressure interstate natural gas pipeline from the San Juan Basin in northern New Mexico to markets in California. The project, with an estimated cost of \$1.8 billion, will provide natural gas transportation capacity to California to serve growing electric generation demand. The proposed pipeline will be evaluated and developed in two phases, which will be subject to the jurisdiction of the Federal Energy Regulatory Commission. The first phase will run from the San Juan Basin to the California border, with the second phase extending from the California border to the San Francisco Bay area. The first phase of the pipeline is expected to be completed in the summer of 2003.

### OFFICES

The principal executive offices of Kinder Morgan Management, LLC, Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. are located at One Allen Center, Suite 1000, 500 Dallas Street, Houston, Texas 77002, and the phone number at this address is (713) 369-9000.

### RISK FACTORS

You should be aware that there are various risks relating to an investment in our shares. For more information about these risks, see "Risk Factors." You should carefully consider these risk factors together with all of the other information included in this prospectus before you invest in our shares.

#### RISKS RELATED TO KINDER MORGAN MANAGEMENT, LLC SHARES, I-UNITS AND KINDER MORGAN MANAGEMENT, LLC

- The market price of our shares may be volatile and may be less than the market price of the common units of Kinder Morgan Energy Partners, L.P.
- The value of the quarterly per-share distribution of an additional fractional share may be less than the cash distribution on a common unit.
- Kinder Morgan Energy Partners, L.P. could be treated as a corporation for United States income tax purposes. The treatment of Kinder Morgan Energy Partners, L.P. as a corporation would substantially reduce the cash distributions on the common units and the value of i-units that Kinder Morgan Energy Partners, L.P. will distribute quarterly to us and the value of our shares that we will distribute quarterly to you.
- If owners of Kinder Morgan Management, LLC shares exchange their shares for common units of Kinder Morgan Energy Partners, L.P., the market for

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our shares may become less liquid.

- Kinder Morgan Energy Partners, L.P. may issue additional common or other units and we may issue additional shares, which would dilute your ownership interest.

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- Our success will be dependent upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance.
- Your shares are subject to optional and mandatory purchase provisions which could result in your having to sell your shares at a time or price you do not like.
- Our board of directors will have the discretion and power to change the terms of the shares in ways our board determines, in its sole discretion, are not materially adverse to the owners of our shares. You may not like the changes, and even if you believe the changes are materially adverse to the owners of shares, you may have no recourse to prevent them.
- Kinder Morgan, Inc. may be unable to satisfy its obligation to exchange common units or cash for shares or to purchase shares upon the occurrence of the mandatory purchase events, resulting in a loss in value of your shares.
- As an owner of i-units, we may not receive value equivalent to the common unit value for our i-unit interest in Kinder Morgan Energy Partners, L.P. if Kinder Morgan Energy Partners, L.P. is liquidated. As a result, you may receive less per share in our liquidation than is received by an owner of a common unit in a liquidation of Kinder Morgan Energy Partners, L.P.
- A person or group owning 20% or more of the aggregate number of issued and outstanding common units and Kinder Morgan Management, LLC shares, other than Kinder Morgan, Inc. and its affiliates, may not vote common units or shares; as a result, you are less likely to receive a premium for your shares in a hostile takeover.
- The exercise of the exchange feature or the mandatory or optional purchase right associated with our shares is a taxable event to the owners of Kinder Morgan Management, LLC shares who dispose of their shares pursuant to that exercise.
- Owners of Kinder Morgan Management, LLC shares have limited voting rights and therefore will have little or no opportunity to influence or change our management.
- Our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P. and its operating partnerships could result in our being liable for obligations to third parties who transact business with Kinder Morgan Energy Partners, L.P. and its operating partnerships and who reasonably believe that we are a general partner.
- If we are not fully indemnified by Kinder Morgan Energy Partners, L.P. for all the liabilities we incur in performing our obligations under the delegation of control agreement, we could face material difficulties in paying those liabilities, and the net value of our assets could be adversely affected.

RISKS RELATED TO THE COMMON UNITS OF KINDER MORGAN ENERGY PARTNERS, L.P.

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- Common unitholders have limited voting rights and therefore have little or no opportunity to influence or change the management of Kinder Morgan Energy Partners, L.P.
- There are tax risks to common unitholders of Kinder Morgan Energy Partners, L.P. that do not exist for owners of our shares. For example, the ownership of common units will result in unrelated business taxable income to tax exempt persons, nonqualifying income to mutual funds and withholding of taxes on distributions made to non U.S. persons. If you are one of these persons, this may reduce the value to you of the right to exchange your shares for common units.
- Common unitholders may have negative tax consequences if Kinder Morgan Energy Partners, L.P. defaults on its debt or sells assets.
- There is the potential for a change of control of Kinder Morgan Energy Partners, L.P. if Kinder Morgan, Inc. defaults on its debt.

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- Common unitholders may have liability to repay distributions by Kinder Morgan Energy Partners, L.P.
- Common unitholders may be liable if Kinder Morgan Energy Partners, L.P. has not complied with state partnership law.
- The general partner of Kinder Morgan Energy Partners, L.P. can protect itself against dilution.

### RISKS RELATED TO KINDER MORGAN ENERGY PARTNERS, L.P.'S BUSINESS

- Pending Federal Energy Regulatory Commission and California Public Utilities Commission proceedings seek substantial refunds and reductions in tariff rates on some of Kinder Morgan Energy Partners, L.P.'s pipelines. If these proceedings are determined adversely, they could have a material adverse impact on us.
- Kinder Morgan Energy Partners, L.P.'s acquisition strategy requires access to new capital. Tightened credit markets or more expensive capital would impair Kinder Morgan Energy Partners, L.P.'s ability to grow.
- Environmental regulation could result in increased operating and capital costs for Kinder Morgan Energy Partners, L.P.
- Competition could ultimately lead to lower levels of profits and lower Kinder Morgan Energy Partners, L.P.'s cash flow.
- Kinder Morgan Energy Partners, L.P. does not own approximately 97.5% of the land on which its pipelines are constructed and Kinder Morgan Energy Partners, L.P. is subject to the possibility of increased costs to retain necessary land use.
- Kinder Morgan Energy Partners, L.P.'s rapid growth may cause difficulties integrating new operations.
- Kinder Morgan Energy Partners, L.P.'s debt instruments may limit its financial flexibility and increase its financing costs.
- Restrictions on Kinder Morgan Energy Partners, L.P.'s ability to prepay the debt of SFPP, L.P. may limit its financial flexibility and increase

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its financing costs.

RISKS RELATED TO CONFLICTS OF INTEREST AND LIMITATIONS ON LIABILITY

- The interests of Kinder Morgan, Inc. may differ from our interests, the interests of our shareholders and the interests of unitholders of Kinder Morgan Energy Partners, L.P.
- Our limited liability company agreement restricts or eliminates a number of the fiduciary duties that would otherwise be owed by our board of directors to our shareholders and the partnership agreement of Kinder Morgan Energy Partners, L.P. restricts or eliminates a number of the fiduciary duties that would otherwise be owed by the general partner to the unitholders.

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ORGANIZATIONAL STRUCTURE

The following charts depict the current organizational structure of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. and the organizational structure following the offering.

[CHART]

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[CHART]

OWNERSHIP OF KINDER MORGAN ENERGY PARTNERS, L.P. AND ITS SUBSIDIARY OPERATING PARTNERSHIPS, ON A COMBINED BASIS AFTER THE OFFERING:

i-units (entire class owned by Kinder Morgan Management, LLC).....	11.5%
Common units owned by the public.....	68.6%
Common units and Class B units owned by Kinder Morgan, Inc. and affiliates.....	17.9%
General partner interest.....	2.0%
	-----
Total.....	100.0%

The above chart assumes that no holder of our shares has exercised its right to exchange its shares for common units of Kinder Morgan Energy Partners, L.P.

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THE OFFERING

Shares offered.....	9,000,000 shares representing limited liability company interests
Shares offered to the public.....	8,100,000 shares representing limited liability company interests

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Shares offered to Kinder Morgan, Inc..... 900,000 shares representing limited liability company interests

Shares outstanding after this offering..... - 9,000,000 shares representing limited liability company interests; and

- one voting share owned by Kinder Morgan G.P., Inc.

Use of proceeds..... We will use all of the net proceeds of the offering of our shares, expected to be approximately \$592 million based on the assumed public offering price of \$69.90 per share, as follows:

- approximately \$591 million for the purchase of a number of i-units from Kinder Morgan Energy Partners, L.P. that will equal the number of our shares to be sold in this offering; and

- approximately \$1 million to compensate Kinder Morgan, Inc. for its purchase, exchange and tax indemnity obligations, which we refer to as the "related rights".

The i-units are a new class of Kinder Morgan Energy Partners, L.P.'s limited partner interests. Kinder Morgan Energy Partners, L.P. will use the cash it receives from the sale of i-units to us to reduce short-term debt it incurred in its acquisition of the domestic pipeline and terminal businesses of GATX Corporation. Kinder Morgan Energy Partners, L.P.'s total debt prior to this offering is approximately \$3 billion. This total debt will be reduced to approximately \$2.4 billion following the close of this offering. Kinder Morgan, Inc. will use the proceeds it receives from Kinder Morgan Management, LLC for general corporate purposes.

NYSE Trading Symbol..... KMR

Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' option to purchase up to 1,350,000 additional shares to cover over-allotments.

THE SHARES

Kinder Morgan Management, LLC ..... Our shares are interests in Kinder Morgan Management, LLC, a limited liability company treated as a corporation for United States income tax purposes. Kinder Morgan Management,

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LLC will be a limited partner in Kinder Morgan Energy Partners, L.P. and will manage and control that partnership's business and affairs.

Federal Income Tax Matters

Associated with our

Shares.....

Because we will be treated as a corporation for United States income tax purposes, an owner of our shares will not report on its United States income tax return any of our items of income, gain, loss and deduction. As a result of owning our shares, you will not receive a Schedule K-1 and will not be subject to state tax filings in the various states in which Kinder Morgan Energy Partners, L.P. conducts business.

A tax-exempt investor's ownership or sale of our shares will not generate income derived from an unrelated trade or business regularly carried on by the tax-exempt investor, which is generally referred to as unrelated business taxable income or "UBTI", unless its ownership of our shares is debt financed by it.

The ownership or sale of our shares by a mutual fund will generate qualifying income to it, which generally includes interest, dividends and gains from the sale of stock or securities. Furthermore, the ownership of our shares by a mutual fund will be treated as a qualifying asset, which generally includes cash, certain receivables, government securities and other securities.

There will not be any withholding taxes imposed on quarterly or other distributions of additional shares to non U.S. persons or gain from the sale of our shares by a non U.S. person provided it owns fewer than 5% of our shares and our shares are traded on a nationally recognized securities exchange.

Income Tax Matters Associated

with i-units.....

We will be subject to income taxes on our taxable income; however, the i-units owned by us generally will not be entitled to allocations of income, gain, loss or deduction of Kinder Morgan Energy Partners, L.P. Therefore, we do not anticipate that we generally will have material amounts of taxable income resulting from our ownership of the i-units. In the event that we do have taxable income, Kinder Morgan, Inc. has agreed to indemnify us for the related tax liability to the extent that liability exceeds the cash we receive relating to that income.

Distributions.....

We will make distributions on our shares only

in additional shares except upon our liquidation. The fraction of an additional share distributed each quarter per share outstanding will be calculated by dividing the amount of the cash distribution declared by Kinder Morgan Energy Partners, L.P. on each common unit for that quarter by the average market price of one of our shares as determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for the shares.

Exchange Feature..... At any time after the 45th day following the closing of this offering, owners of our shares may exchange some or all

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of their whole shares for common units of Kinder Morgan Energy Partners, L.P. owned by Kinder Morgan, Inc. and its subsidiaries on a one for one basis. Upon exercise of this right to exchange, Kinder Morgan, Inc. may elect to deliver cash rather than common units. As of the date of this prospectus, Kinder Morgan, Inc. and its subsidiaries own 11,312,000 common units and 2,656,700 Class B units which are convertible into common units under some circumstances.

Mandatory Purchase..... If any of the events listed below occurs, Kinder Morgan, Inc. will be required to purchase all of our then outstanding shares not owned by it or its affiliates at a purchase price equal to the higher of the average market price of the shares and the common units as determined for a ten-trading day period ending on the trading day immediately prior to the date of the applicable event. The events include:

- aggregate distributions or other payments by Kinder Morgan Energy Partners, L.P. on its common units, including pursuant to an issuer tender offer by Kinder Morgan Energy Partners, L.P., during a 360-day period exceeding 50% of the average market price of a common unit for the ten trading days ending on the trading day immediately prior to the beginning of that 360-day period;
- an event resulting in Kinder Morgan, Inc. and its affiliates ceasing to be the beneficial owners of more than 50% of the total voting power of all shares of capital stock of the general partner of Kinder Morgan Energy Partners, L.P., unless:
  - a new person or entity that becomes the beneficial owner of more than 50% of that total voting power is organized under the



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laws of a state in the United States and has long term unsecured debt with an investment grade credit rating (as determined by Moody's and Standard & Poor's) immediately prior to the closing of the transaction; and

- that beneficial owner assumes all obligations of Kinder Morgan, Inc. to us and to the owners of our shares;
- Kinder Morgan Energy Partners, L.P. merges with another entity where Kinder Morgan Energy Partners, L.P. is not the surviving entity, or sells substantially all of its assets, unless in the transaction:
  - the owners of common units receive a security that has in all material respects the same rights and privileges as the common units;
  - we receive a security that has in all material respects the same rights and privileges as the i-units;

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- an owner of common units receives no consideration other than securities of the type described above and/or cash, and the amount of cash received per common unit does not exceed 33 1/3% of the average market price of a common unit for the ten-trading day period ending on the trading day immediately prior to the date of execution of the definitive agreement for the transaction; and
- no consideration is received by us, as the owner of i-units, other than the securities referred to above.

For purposes of the mandatory purchase provisions, including the definitions of the mandatory purchase events, and the optional purchase provisions and the exchange provisions, Kinder Morgan, Inc. will be deemed to include Kinder Morgan, Inc., its successors by merger, and any entity that succeeds to Kinder Morgan, Inc.'s obligations under the purchase provisions, the exchange provisions, the registration rights agreement and the tax indemnification agreement in connection with an acquisition of all or substantially all of the assets of Kinder Morgan, Inc.

Optional Purchase..... Kinder Morgan, Inc. has the right to purchase all of our shares not owned by it or its affiliates in two circumstances:

- when Kinder Morgan, Inc. and its affiliates own 80% or more of our outstanding shares; and
- when Kinder Morgan, Inc. and its affiliates own a number of our shares and common units which equals 80% or more of the sum of the aggregate number of our outstanding shares and the aggregate number of outstanding common units. In this second case, however, Kinder Morgan, Inc. has the right to purchase both the shares and the common units not owned by it or its affiliates, and cannot purchase either the shares or the common units alone.

In these two circumstances, the purchase price per share is calculated differently. If the first circumstance exists and Kinder Morgan, Inc. elects to purchase the shares, the purchase price per share will equal 110% of the higher of:

- the average closing price for the shares for the ten consecutive trading days ending five days prior to the date the notice of the purchase is mailed to the owners of our shares; and
- the highest price Kinder Morgan, Inc. or its affiliates paid for such shares during the 90 days prior to the giving of the notice, excluding exchanges or cash settlements pursuant to the exchange feature of the shares.

If the second circumstance exists and Kinder Morgan, Inc. elects to purchase both the shares and the common units,

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the purchase price per share and the purchase price per common unit will both equal the higher of:

- the average closing price for the shares or common units for the 20 consecutive trading days ending five days prior to the date the notice of the purchase is mailed to the owners; and
- the highest price Kinder Morgan, Inc. or its affiliates paid for such shares or common units during the 90 days prior to the giving of the notice, excluding exchanges or cash settlements pursuant to the exchange feature of the shares.

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Voting Rights..... Kinder Morgan G.P., Inc. will own all shares of the class that elects our directors, and in this prospectus we sometimes refer to this class of shares as voting shares. Owners of the class of shares issued in this offering may vote on the following matters, but do not vote in the election of our directors:

- on any matter submitted by Kinder Morgan Energy Partners, L.P. for a vote of the i-units as a class or as part of a vote of all units, the i-units we own will be voted proportionately to the number of affirmative and negative votes cast and abstentions and non-votes by the owners of our shares, including the voting shares. In general the i-units vote with the Kinder Morgan Energy Partners, L.P. common units and Class B units on all matters the common units and Class B units vote on, and also, as a class, on additional matters related to the i-units alone, such as amendments to the Kinder Morgan Energy Partners, L.P. partnership agreement that would have a material adverse effect on owners of the i-units in relation to the owners of other then existing classes of limited partner interests; and
- on amendments to our limited liability company agreement, including the purchase or exchange provisions, the Kinder Morgan Energy Partners, L.P. registration rights agreement, the Kinder Morgan, Inc. tax indemnification agreement and the delegation of control agreement, each as described below, but only if any of these amendments would have a material adverse effect on us or the owners of our shares, except for limited amendments or changes required by law or to accomodate mergers, recapitalizations and similar transactions.

Kinder Morgan, Inc. and its affiliates may not vote any shares owned by them:

- on any matter involving a class vote of i-units as well as some other matters principally involving the general partner of Kinder Morgan Energy Partners, L.P. where a class vote is not required; and

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- on any amendment of the agreements under the circumstances described in the second bullet point in the preceding paragraph.

When Kinder Morgan, Inc. and its affiliates may not vote as described above, the relevant agreements provide that the approval of the specified percentage of the shares not owned by

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Kinder Morgan, Inc. and its affiliates is required.

A person or group owning shares, common units or both common units and shares which constitute 20% or more of the aggregate number of issued and outstanding common units and shares cannot vote. This particular limitation, however, does not apply to Kinder Morgan, Inc. and its affiliates. However, as described above, there are a number of circumstances in which Kinder Morgan, Inc. and its affiliates may not vote their shares.

Anti-dilution Adjustments..... Through the combined effect of the provisions in the Kinder Morgan Energy Partners, L.P. partnership agreement and the provisions of our limited liability company agreement, the number of our outstanding shares and the number of outstanding i-units will always be equal.

Our Covenants..... Our limited liability company agreement provides:

- that our activities will be limited to being a limited partner in Kinder Morgan Energy Partners, L.P. and managing and controlling its business and affairs;
- that we may not issue other classes of shares; and
- for the maintenance of a one-to-one relationship between the number of i-units owned by us and the number of our outstanding shares.

Covenants of Kinder Morgan Energy Partners, L.P..... Upon the closing of this offering, the Kinder Morgan Energy Partners, L.P. partnership agreement will be amended to provide that Kinder Morgan Energy Partners, L.P. will not:

- except in liquidation, make a distribution on an i-unit other than in additional i-units or a security that has in all material respects the same rights and privileges as the i-units;
- make a distribution on a common unit or Class B unit other than in cash, additional common units or Class B units or a security that has in all material respects the same rights and privileges as the common units or Class B units;
- allow an owner of common units or Class B units to receive any consideration other than cash, common units or a security that has in all material respects the same rights and privileges as the common units or Class B units, or allow us as the owner of the

i-units to receive

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any consideration other than i-units or a security that has in all material respects the same rights and privileges as the i-units, in a:

- merger in which Kinder Morgan Energy Partners, L.P. is not the survivor, if the unitholders of Kinder Morgan Energy Partners, L.P. immediately prior to the transaction own more than 50% of the common equity securities of the survivor immediately after the transaction;
- merger in which Kinder Morgan Energy Partners, L.P. is the survivor if the unitholders of Kinder Morgan Energy Partners, L.P. immediately prior to the transaction own more than 50% of the limited partner interests in Kinder Morgan Energy Partners, L.P. immediately after the transaction; or
- recapitalization, reorganization or similar transaction;
- be a party to a merger, sell substantially all of its assets to another person, or enter into similar transactions, if:
  - the survivor of the merger or the other person is to be controlled by Kinder Morgan, Inc. or its affiliates after the transaction; and
  - the transaction would be a mandatory purchase event;
- make a tender offer for common units unless the consideration:
  - is exclusively cash; and
  - together with any cash payable in respect of any tender offer by Kinder Morgan Energy Partners, L.P. for the common units concluded within the preceding 360 days and the aggregate amount of any cash distributions to all owners of common units made within the preceding 360-day period is less than 12% of the aggregate average market value of all classes of units of Kinder Morgan Energy Partners, L.P. determined on the trading day immediately preceding the commencement of the tender offer;

or

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- issue any of its i-units to any person other than us.

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SUMMARY FINANCIAL DATA

You should read the following financial data together with the financial statements and related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in or incorporated by reference in this prospectus.

Kinder Morgan Management, LLC Balance Sheet Data

	FEBRUARY 16, 2001 HISTORICAL	PRO FORMA AS ADJUSTED FOR THE OFFER (UNAUDITED)
	-----	-----
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
ASSETS		
Cash.....	\$100	\$ 100
i-units and related rights.....	--	592,100
	----	-----
Total assets.....	\$100	\$592,200
	====	=====
LIABILITIES AND EQUITY		
Liabilities:.....	--	--
Equity:		
Voting shares.....	\$100	\$ 100
Outstanding non-voting shares.....	--	592,100
	----	-----
Total liabilities and equity.....	\$100	\$592,200
	====	=====

The pro forma as adjusted balance sheet reflects the sale of 9,000,000 shares offered at an assumed initial public offering price of \$69.90 per share, after deducting underwriting discounts and estimated offering expenses, and the application of all those funds to purchase i-units from Kinder Morgan Energy Partners, L.P. and to acquire the related rights from Kinder Morgan, Inc.

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KINDER MORGAN ENERGY PARTNERS, L.P. SELECTED FINANCIAL DATA

You should read the following selected financial data of Kinder Morgan Energy Partners, L.P. in connection with the financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere or incorporated by reference in this prospectus. Our historical results are not necessarily indicative of results to

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be expected for future periods.

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998 (4)	1999 (5)	2000
	(IN THOUSANDS, EXCEPT PER UNIT)				
<b>INCOME AND CASH FLOW DATA:</b>					
Revenues.....	\$ 71,250	\$ 73,932	\$ 322,617	\$ 428,749	\$
Cost of product sold.....	7,874	7,154	5,860	16,241	
Operating expense.....	22,347	17,982	77,162	111,275	
Fuel and power.....	4,916	5,636	22,385	31,745	
Depreciation and amortization.....	9,908	10,067	36,557	46,469	
General and administrative.....	9,132	8,862	39,984	35,612	
Operating income.....	17,073	24,231	140,669	187,407	
Earnings from equity investments.....	5,675	5,724	25,732	42,918	
Amortization of excess cost of equity investments.....	--	--	(764)	(4,254)	
Interest (expense).....	(12,634)	(12,605)	(40,856)	(54,336)	
Interest income and other, net.....	3,129	(353)	(5,992)	22,988	
Income tax (provision) benefit.....	(1,343)	740	(1,572)	(9,826)	
Income before extraordinary charge.....	11,900	17,737	117,217	184,897	
Extraordinary charge.....	--	--	(13,611)	(2,595)	
Net income.....	\$ 11,900	\$ 17,737	\$ 103,606	\$ 182,302	\$
General partner's interest in net income.....	\$ 218	\$ 4,074	\$ 33,447	\$ 56,273	\$
Limited partners' interest in net income.....	\$ 11,682	\$ 13,663	\$ 70,159	\$ 126,029	\$
Basic Limited Partners' income per unit before extraordinary charge (1).....	\$ 0.90	\$ 1.02	\$ 2.09	\$ 2.63	\$
Basic Limited Partners' net income per unit.....	\$ 0.90	\$ 1.02	\$ 1.75	\$ 2.57	\$
Diluted Limited Partners' net income per unit(2).....	\$ 0.90	\$ 1.02	\$ 1.75	\$ 2.57	\$
Per unit cash distribution(3).....	\$ 1.26	\$ 1.88	\$ 2.47	\$ 2.85	\$
Additions to property, plant and equipment...	\$ 8,575	\$ 6,884	\$ 38,407	\$ 82,725	\$
<b>BALANCE SHEET DATA (AT END OF PERIOD):</b>					
Net property, plant and equipment.....	\$235,994	\$244,967	\$1,763,386	\$2,578,313	\$3
Total assets.....	\$303,603	\$312,906	\$2,152,272	\$3,228,738	\$4
Long-term debt.....	\$160,211	\$146,824	\$ 611,571	\$ 989,101	\$1
Partners' capital.....	\$118,344	\$150,224	\$1,360,663	\$1,774,798	\$2

(1) Represents income before extraordinary charge per unit adjusted for the two-for-one split of units on October 1, 1997. Basic Limited Partners' income per unit before extraordinary charge was computed by dividing the interest of our unitholders in income before extraordinary charge by the weighted average number of units outstanding during the period.

(2) Diluted Limited Partners' net income per unit reflects the potential dilution, by application of the treasury stock method, that could occur if

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options to issue units were exercised, which would result in the issuance of additional units that would then share in Kinder Morgan Energy Partners, L.P.'s net income.

- (3) Represents cash distributions declared for the four quarters of the calendar year. Actual cash distributions paid during each year is slightly different since distributions are paid 45 days after the end of the respective quarter.
- (4) Includes results of operations for the Pacific operations, Kinder Morgan Bulk Terminals, Inc. and the 24% interest in Plantation Pipe Line Company since the respective dates of acquisition. The Pacific

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operations were acquired on March 6, 1998, Kinder Morgan Bulk Terminals, Inc. was acquired effective July 1, 1998 and our 24% interest in Plantation Pipe Line Company was acquired on September 15, 1998.

- (5) Includes results of operations for the 51% interest in Plantation Pipe Line Company, Product Pipelines' transmix operations and the 33 1/3% interest in Trailblazer Pipeline Company since the respective dates of acquisition. Our second investment in Plantation Pipe Line Company, representing a 27% interest was made on June 16, 1999. The Product Pipelines' transmix operations were acquired on September 10, 1999, and our initial 33 1/3% investment in Trailblazer was made on November 30, 1999.
- (6) Includes results of operations for Kinder Morgan Interstate Gas Transmission LLC, the 66 2/3% interest in Trailblazer Pipeline Company, the 49% interest in Red Cedar Gathering Company, Kinder Morgan CO(2) Company acquisitions, Milwaukee and Dakota bulk terminals, Kinder Morgan Transmix Company, LLC, the 32.5% interest in Cochin Pipeline System and Delta Terminal Services since dates of acquisition. Kinder Morgan Interstate Gas Transmission, LLC, Trailblazer Pipeline Company assets, and our 49% interest in Red Cedar Gathering Company were acquired effective December 31, 1999. Milwaukee Bulk Terminals, Inc. and Dakota Bulk Terminal, Inc. were acquired effective January 1, 2000. Our remaining 80% interest in Kinder Morgan CO(2) Company, was acquired on April 1, 2000. The Devon Energy carbon dioxide properties were acquired on June 1, 2000. Kinder Morgan Transmix Company, LLC (formerly Buckeye Transmix) was acquired on October 25, 2000. Our 32.5% interest in Cochin Pipeline System was acquired effective November 3, 2000, and Delta Terminal Services, Inc. was acquired effective December 1, 2000.

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### KINDER MORGAN ENERGY PARTNERS, L.P. PRO FORMA FINANCIAL DATA

The following table shows selected income and cash flow data and balance sheet data for Kinder Morgan Energy Partners, L.P.:

- for the year ended December 31, 2000;
- pro forma to reflect:
  - the acquisition of the U.S. terminals and pipeline operations of GATX Corporation; and
  - the issuance of \$700 million of 6.75% notes due 2011 and \$300 million of 7.40% notes due 2031, and the application of the proceeds to retire short-term debt; and



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- as adjusted to reflect the payment by Kinder Morgan Management, LLC of substantially all of the net proceeds of our public offering of the shares to purchase a number of i-units from Kinder Morgan Energy Partners, L.P. equal to the number of outstanding shares of Kinder Morgan Management, LLC. These proceeds are expected to be \$591 million, which represents 9 million shares sold at \$69.90 per share, net of underwriting discount, expected expenses and \$1 million paid to Kinder Morgan, Inc. for the related rights. Kinder Morgan Energy Partners, L.P. will use its share of those net proceeds to retire short-term debt.

The unaudited pro forma data for GATX have been derived from the historical balance sheets and income statements of Kinder Morgan Energy Partners, L.P. and GATX Terminals Companies as of December 31, 2000 and for the year then ended. The unaudited pro forma data have been prepared using the purchase method of accounting to give effect to the acquisition of the domestic terminals and pipeline operations of GATX Terminals Companies for \$1.17 billion, consisting of \$988.5 million in cash and assumed debt and other liabilities of \$181.5 million, exclusive of working capital. On March 1, 2001, Kinder Morgan Energy Partners, L.P. closed the acquisition of all of the assets purchased from GATX other than the CALNEV Pipe Line Company. Kinder Morgan Energy Partners, L.P. completed the acquisition of the CALNEV Pipe Line Company on March 30, 2001. The unaudited pro forma data have been prepared assuming the acquisition had been consummated on January 1, 2000.

The purchase price allocated in the unaudited pro forma data is based on management of Kinder Morgan Energy Partners, L.P.'s estimate of the fair market values of assets acquired and liabilities assumed.

The unaudited pro forma data include assumptions and adjustments as described in the notes to the unaudited pro forma combined financial statements incorporated by reference and should be read in conjunction with the historical financial statements and related notes of Kinder Morgan Energy Partners, L.P. and GATX Terminals Companies incorporated by reference into this prospectus.

The unaudited pro forma data may not be indicative of the results that would have occurred if the GATX acquisition had been consummated on the date indicated or which will be obtained in the future.

(continued on next page)

	YEAR ENDED DECEMBER 31, 2000 -----	PRO FORMA FOR GATX AND DEBT OFFERING ----- (UNAUDITED)	PRO AS A FOR I- ----- (UNAU
(IN THOUSANDS, EXCEPT PER UNIT AMO			
INCOME AND CASH FLOW DATA:			
Revenues.....	\$ 816,442	\$1,075,632	\$1,
Cost of product sold.....	124,641	124,641	

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Operations and maintenance.....	164,379	263,125	
Fuel and power.....	43,216	43,216	
Depreciation and amortization.....	82,630	109,583	
General and administrative.....	60,065	91,728	
Taxes, other than income taxes.....	25,950	25,950	
	-----	-----	
Operating income.....	315,561	417,389	
Earnings from equity investments.....	71,603	71,603	
Amortization of excess cost of equity investments.....	(8,195)	(8,195)	
Interest, net.....	(93,284)	(174,393)	
Other, net.....	14,584	14,584	
Minority interest.....	(7,987)	(8,167)	
	-----	-----	
Income before income taxes.....	292,282	312,821	
Income tax benefit (expense).....	(13,934)	(13,934)	
	-----	-----	
Net income.....	\$ 278,348	\$ 298,887	\$
	=====	=====	
General partner's interest in net income.....	\$ 109,470	\$ 122,094	\$
Limited partner's interest in net income.....	\$ 168,878	\$ 176,793	\$
Basic limited partners' net income per unit.....	\$ 2.68	\$ 2.80	\$
	=====	=====	
Number of units used in computation.....	63,107	63,107	
Diluted limited partners' net income per unit.....	\$ 2.67	\$ 2.80	\$
	=====	=====	
Number of units used in computation.....	63,150	63,150	
Additions to property, plant and equipment.....	\$ 125,523	\$ 180,760	\$
BALANCE SHEET DATA (AT END OF PERIOD):			
Net property, plant and equipment.....	\$3,306,305	\$4,433,818	\$4,
Total assets.....	\$4,625,210	\$5,829,015	\$5,
Short-term debt.....	\$ 648,949	\$ 654,678	\$
Long-term debt.....	\$1,255,453	\$2,375,203	\$2,
Partners' capital.....	\$2,117,067	\$2,117,067	\$2,

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### RISK FACTORS

Any investment in our shares involves a high degree of risk. You should carefully consider the following risks and all of the information contained in, or incorporated by reference into, this prospectus before deciding whether to purchase our shares. If any of the following risks actually occur the trading price of our shares could decline, and you may lose all or part of your investment in our shares.

RISKS RELATED TO KINDER MORGAN MANAGEMENT, LLC SHARES, I-UNITS AND KINDER MORGAN MANAGEMENT, LLC

THE MARKET PRICE OF OUR SHARES MAY BE VOLATILE AND MAY BE LESS THAN THE MARKET PRICE OF THE COMMON UNITS OF KINDER MORGAN ENERGY PARTNERS, L.P. Prior to this offering, you could not buy or sell Kinder Morgan Management, LLC shares. An active public trading market for our shares may not develop or continue after this offering. The market price after this offering may vary significantly from the initial public offering price in response to any of the following factors, some of which are beyond our control:

- the complexity of the terms of our shares, including the exchange feature, optional and mandatory purchases, and the tax indemnity; and

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- announcements by Kinder Morgan Energy Partners, L.P. or its competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments.

THE VALUE OF THE QUARTERLY PER-SHARE DISTRIBUTION OF AN ADDITIONAL FRACTIONAL SHARE MAY BE LESS THAN THE CASH DISTRIBUTION ON A COMMON UNIT. The fraction of a Kinder Morgan Management, LLC share to be issued in distributions per share outstanding will be based on the average closing price of the shares for the ten consecutive trading days preceding the ex-dividend date. Because the market price of our shares may vary substantially over time, the market value on the date you receive a distribution of additional shares may vary substantially from the cash you would have received had you owned common units instead of shares.

KINDER MORGAN ENERGY PARTNERS, L.P. COULD BE TREATED AS A CORPORATION FOR UNITED STATES INCOME TAX PURPOSES. THE TREATMENT OF KINDER MORGAN ENERGY PARTNERS, L.P. AS A CORPORATION WOULD SUBSTANTIALLY REDUCE THE CASH DISTRIBUTIONS ON THE COMMON UNITS AND THE VALUE OF I-UNITS THAT KINDER MORGAN ENERGY PARTNERS, L.P. WILL DISTRIBUTE QUARTERLY TO US AND THE VALUE OF OUR SHARES THAT WE WILL DISTRIBUTE QUARTERLY TO YOU. The anticipated benefit of an investment in our shares depends largely on the treatment of Kinder Morgan Energy Partners, L.P. as a partnership for income tax purposes. Kinder Morgan Energy Partners, L.P. has not requested, and does not plan to request, a ruling from the IRS on this or any other matter affecting Kinder Morgan Energy Partners, L.P. Current law requires Kinder Morgan Energy Partners, L.P. to derive at least 90% of its annual gross income from specific activities to continue to be treated as a partnership for income tax purpose. Kinder Morgan Energy Partners, L.P. may not find it possible, regardless of its efforts, to meet this income requirement or may inadvertently fail to meet this income requirement. Current law may change so as to cause Kinder Morgan Energy Partners, L.P. to be treated as a corporation for United States income tax purposes without regard to its sources of income or otherwise subject Kinder Morgan Energy Partners, L.P. to entity-level taxation.

If Kinder Morgan Energy Partners, L.P. were to be treated as a corporation for United States income tax purposes, it would pay United States income tax on its income at the corporate tax rate, which is currently a maximum of 35% and would pay state income taxes at varying rates. Distributions to us of additional i-units would generally be taxed as a corporate distribution. Because a tax would be imposed upon Kinder Morgan Energy Partners, L.P. as a corporation, the cash available for distribution to a common unitholder would be substantially reduced which would reduce the values of i-units distributed quarterly to us and our shares distributed quarterly

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to you. Treatment of Kinder Morgan Energy Partners, L.P. as a corporation would cause a substantial reduction in the value of our shares.

IF OWNERS OF KINDER MORGAN MANAGEMENT, LLC SHARES EXCHANGE THEIR SHARES FOR COMMON UNITS OF KINDER MORGAN ENERGY PARTNERS, L.P., THE MARKET FOR OUR SHARES MAY BECOME LESS LIQUID. Subject to Kinder Morgan, Inc.'s election to deliver cash in lieu of common units, an owner of our shares may exchange some or all of the whole shares that it owns at any time after the 45th day following the closing of this offering for common units of Kinder Morgan Energy Partners, L.P. on a one for one basis. If any owners of our shares exercise their exchange features, the number of shares owned by parties that are not our affiliates will decrease. Therefore, fewer shares may be available in the open market, reducing the liquidity of our shares. If a liquid market does not develop for our shares, the value of your investment may be reduced.

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KINDER MORGAN ENERGY PARTNERS, L.P. MAY ISSUE ADDITIONAL COMMON OR OTHER UNITS AND WE MAY ISSUE ADDITIONAL SHARES, WHICH WOULD DILUTE YOUR OWNERSHIP INTEREST. The issuance of additional common units or shares other than in our quarterly distributions to you may have the following effects:

- the amount available for distributions on each share may decrease;
- the relative voting power of each previously outstanding share will be decreased; and
- the market price of shares may decline.

OUR SUCCESS WILL BE DEPENDENT UPON OUR OPERATION AND MANAGEMENT OF KINDER MORGAN ENERGY PARTNERS, L.P. AND ITS RESULTING PERFORMANCE. After this offering we will be a limited partner in Kinder Morgan Energy Partners, L.P. In the event that Kinder Morgan Energy Partners, L.P. decreases its cash distributions to its common unitholders, distributions of i-units on our i-units will decrease correspondingly, and distributions to holders of our shares will decrease as well.

YOUR SHARES ARE SUBJECT TO OPTIONAL AND MANDATORY PURCHASE PROVISIONS WHICH COULD RESULT IN YOUR HAVING TO SELL YOUR SHARES AT A TIME OR PRICE YOU DO NOT LIKE. If either of the optional purchase rights are exercised by Kinder Morgan, Inc., or if there is a mandatory purchase event, you will be required to sell your shares at a time or price that may be undesirable, and could receive less than you paid for your shares. You may also incur a tax liability upon the sale of your shares. For further information regarding the optional and mandatory purchase rights, please read "Description of Our Shares -- Optional Purchase" and "Description of Our Shares -- Mandatory Purchase."

OUR BOARD OF DIRECTORS WILL HAVE THE POWER TO CHANGE THE TERMS OF THE SHARES IN WAYS OUR BOARD DETERMINES, IN ITS SOLE DISCRETION, ARE NOT MATERIALLY ADVERSE TO THE OWNERS OF OUR SHARES. YOU MAY NOT LIKE THE CHANGES, AND EVEN IF YOU BELIEVE THE CHANGES ARE MATERIALLY ADVERSE TO THE OWNERS OF SHARES, YOU MAY HAVE NO RECOURSE TO PREVENT THEM. As an owner of our shares, you may not like the changes made to the terms of the shares and you may disagree with the board's decision that the changes are not materially adverse to you as a shareholder. Your recourse if you disagree will be limited because our limited liability company agreement gives broad latitude and discretion to the board of directors and eliminates or reduces the fiduciary duties that our board of directors would otherwise owe to you. For further information regarding amendments to the shares, our limited liability company agreement and other agreements, please read "Description of Our Shares -- Limited Voting Rights."

KINDER MORGAN, INC. MAY BE UNABLE TO SATISFY ITS OBLIGATION TO EXCHANGE COMMON UNITS OR CASH FOR SHARES OR TO PURCHASE SHARES UPON THE OCCURRENCE OF THE MANDATORY PURCHASE EVENTS, RESULTING IN A LOSS IN VALUE OF YOUR SHARES. The obligations of Kinder Morgan, Inc. to exchange common units or cash for shares or to purchase shares following a purchase event is dependent on Kinder Morgan, Inc.'s financial ability to meet its obligations. There is no

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requirement for Kinder Morgan, Inc. to secure its obligations or comply with financial covenants to ensure its performance of these obligations. In either of these circumstances you may not receive cash or common units in exchange for your shares.

AS AN OWNER OF I-UNITS, WE MAY NOT RECEIVE VALUE EQUIVALENT TO THE COMMON UNIT VALUE FOR OUR I-UNIT INTEREST IN KINDER MORGAN ENERGY PARTNERS, L.P. IF KINDER MORGAN ENERGY PARTNERS, L.P. IS LIQUIDATED. AS A RESULT, YOU MAY RECEIVE

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LESS PER SHARE IN OUR LIQUIDATION THAN IS RECEIVED BY AN OWNER OF A COMMON UNIT IN A LIQUIDATION OF KINDER MORGAN ENERGY PARTNERS, L.P. If Kinder Morgan Energy Partners, L.P. is liquidated and Kinder Morgan, Inc. does not satisfy its obligation to purchase your shares which is triggered by a liquidation, then the value of your shares will depend on the liquidating distribution received by us as the owner of i-units. The terms of the i-units provide that no allocations of income, gain, loss or deduction will be made in respect of the i-units until such time as there is a liquidation of Kinder Morgan Energy Partners, L.P. If there is a liquidation of Kinder Morgan Energy Partners, L.P., it is intended that we will receive allocations of income and gain in an amount necessary for the capital account attributable to each i-unit to be equal to that of a common unit. As a result, we will likely realize taxable income upon the liquidation of Kinder Morgan Energy Partners, L.P. However, there may not be sufficient amounts of income and gain to cause the capital account attributable to each i-unit to be equal to that of a common unit. If they are not equal, we and therefore you may receive less value than would be received by an owner of common units.

Further, the tax indemnity provided to us by Kinder Morgan, Inc. only indemnifies us for our tax liabilities to the extent we have not received sufficient cash in the transaction generating the tax liability to pay the tax. Prior to liquidation of Kinder Morgan Energy Partners, L.P. we do not expect to receive cash in a taxable transaction. If a liquidation of Kinder Morgan Energy Partners, L.P. occurs, however, we would likely receive cash which would need to be used at least in part to pay taxes. As a result our residual value and the value of our shares could be reduced.

A PERSON OR GROUP OWNING 20% OR MORE OF THE AGGREGATE NUMBER OF ISSUED AND OUTSTANDING COMMON UNITS AND KINDER MORGAN MANAGEMENT, LLC SHARES, OTHER THAN KINDER MORGAN, INC. AND ITS AFFILIATES, MAY NOT VOTE COMMON UNITS OR SHARES; AS A RESULT, YOU ARE LESS LIKELY TO RECEIVE A PREMIUM FOR YOUR SHARES IN A HOSTILE TAKEOVER. Any common units and shares owned by a person or group that owns 20% or more of the aggregate number of issued and outstanding common units and shares cannot be voted. This limitation does not apply to Kinder Morgan, Inc. and its affiliates. This provision may:

- discourage a person or group from attempting to take over control of us or Kinder Morgan Energy Partners, L.P.; and
- reduce the price at which the common units will trade under certain circumstances.

For example, a third party will probably not attempt to remove the general partner of Kinder Morgan Energy Partners, L.P. and take over our management of Kinder Morgan Energy Partners, L.P. by making a tender offer for the common units at a price above their trading market price.

THE EXERCISE OF THE EXCHANGE FEATURE OR THE MANDATORY OR OPTIONAL PURCHASE RIGHT ASSOCIATED WITH OUR SHARES IS A TAXABLE EVENT TO THE OWNERS OF KINDER MORGAN MANAGEMENT, LLC SHARES WHO DISPOSE OF THEIR SHARES PURSUANT TO THAT EXERCISE. Any sale or exchange of our shares, with Kinder Morgan, Inc. or otherwise, for common units or cash will be a taxable transaction to the owner of the shares sold or exchanged. Accordingly, a gain or loss will be recognized on the sale or exchange equal to the difference between the fair market value of the common units or cash received and the owner's tax basis in the shares sold or exchanged.

OWNERS OF KINDER MORGAN MANAGEMENT, LLC SHARES HAVE LIMITED VOTING RIGHTS AND THEREFORE WILL HAVE LITTLE OR NO OPPORTUNITY TO INFLUENCE OR CHANGE OUR MANAGEMENT. Kinder Morgan G.P., Inc., owns all of our shares eligible to vote

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on the election of our directors and, therefore, is entitled to elect all of the members of our board of directors. For a description of the limited voting rights you will have as an owner of shares, see "Description of the Shares -- Limited Voting Rights."

Upon the closing of this offering Kinder Morgan G.P., Inc. will delegate to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., subject to Kinder Morgan G.P., Inc.'s right to approve specified actions. For a more detailed description of these approval rights, please see "Business -- Kinder Morgan Management, LLC."

OUR MANAGEMENT AND CONTROL OF THE BUSINESS AND AFFAIRS OF KINDER MORGAN ENERGY PARTNERS, L.P. AND ITS OPERATING PARTNERSHIPS COULD RESULT IN OUR BEING LIABLE FOR OBLIGATIONS TO THIRD PARTIES WHO TRANSACT BUSINESS WITH KINDER MORGAN ENERGY PARTNER, L.P. AND ITS OPERATING PARTNERSHIPS AND WHO REASONABLY BELIEVE THAT WE ARE A GENERAL PARTNER. Kinder Morgan Energy Partners, L.P. may not be able to reimburse or indemnify us as a result of its insolvency or bankruptcy. The primary adverse impact of that insolvency or bankruptcy on us will be the decline in or elimination of the value of our i-units, which are our only assets. Assuming under these circumstances that we have some residual value in our i-units, a direct claim against us could further reduce our net asset value and cause us also to declare bankruptcy. Another risk with respect to third party claims will come, however, under the circumstances when Kinder Morgan Energy Partners, L.P. is financially able to pay us but for some other reason does not reimburse or indemnify us. For additional information, see the following risk factor.

IF WE ARE NOT FULLY INDEMNIFIED BY KINDER MORGAN ENERGY PARTNERS, L.P. FOR ALL THE LIABILITIES WE INCUR IN PERFORMING OUR OBLIGATIONS UNDER THE DELEGATION OF CONTROL AGREEMENT, WE COULD FACE MATERIAL DIFFICULTIES IN PAYING THOSE LIABILITIES, AND THE NET VALUE OF OUR ASSETS COULD BE ADVERSELY AFFECTED. Under the delegation of control agreement, we have been delegated management and control of Kinder Morgan Energy Partners, L.P. and the operating partnerships. There are circumstances under which we may not be indemnified by Kinder Morgan Energy Partners, L.P. or Kinder Morgan G.P., Inc. for liabilities we incur in managing the business of Kinder Morgan Energy Partners, L.P. These circumstances include:

- if we act in bad faith; and
- if we breach laws like the federal securities laws where indemnification may not be allowed.

RISKS RELATED TO THE COMMON UNITS OF KINDER MORGAN ENERGY PARTNERS, L.P.

COMMON UNITHOLDERS HAVE LIMITED VOTING RIGHTS AND THEREFORE HAVE LITTLE OR NO OPPORTUNITY TO INFLUENCE OR CHANGE THE MANAGEMENT OF KINDER MORGAN ENERGY PARTNERS, L.P. Owners of common units have only limited voting rights on matters affecting Kinder Morgan Energy Partners, L.P. Kinder Morgan Management, LLC, will manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. as the delegatee of Kinder Morgan, G.P., Inc., the general partner of Kinder Morgan Energy Partners, L.P., to the extent permitted by Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement. Owners of common units have no right to elect the general partner of Kinder Morgan Energy Partners, L.P. on an annual or other ongoing basis. If the general partner of Kinder Morgan Energy Partners, L.P. withdraws, however, its successor may be elected by the owners of a majority of the outstanding units, excluding units owned by the departing general partner and its affiliates. The withdrawal

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removal of the general partner of Kinder Morgan Energy Partners, L.P. will simultaneously terminate our power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P.

The limited partners may remove the general partner of Kinder Morgan Energy Partners, L.P. only if:

- the owners of at least 66 2/3% of the outstanding common units, excluding common units owned by the departing general partner and its affiliates, vote to remove the general partner;
- a successor general partner is approved by at least 66 2/3% of the outstanding common units, excluding common units owned by the departing general partner and its affiliates; and
- Kinder Morgan Energy Partners, L.P. receives an opinion of counsel that the removal would not result in the loss of limited liability to any limited partner or the limited partner of the operating partnerships or cause the partnership or its operating partnerships to be taxed other than as a partnership for federal income tax purposes.

THERE ARE TAX RISKS TO COMMON UNITHOLDERS OF KINDER MORGAN ENERGY PARTNERS, L.P. THAT DO NOT EXIST FOR OWNERS OF OUR SHARES. FOR EXAMPLE, THE OWNERSHIP OF COMMON UNITS WILL RESULT IN UNRELATED BUSINESS TAXABLE INCOME TO TAX EXEMPT PERSONS, NONQUALIFYING INCOME TO MUTUAL FUNDS AND WITHHOLDING OF TAXES ON DISTRIBUTIONS MADE TO NON U.S. PERSONS. IF YOU ARE ONE OF THOSE PERSONS, THIS MAY REDUCE THE VALUE TO YOU OF THE RIGHT TO EXCHANGE YOUR SHARES FOR COMMON UNITS. The income tax consequences of owning common units in an entity like Kinder Morgan Energy Partners, L.P. which is treated as a partnership for income tax purposes are different than those associated with owning shares in an entity like ours which is treated as a corporation for income tax purposes. Likewise, there is different tax treatment for sales of common units in Kinder Morgan Energy Partners, L.P. than for the sale of our shares. Before exercising a right to exchange our shares for common units in Kinder Morgan Energy Partners, L.P., you should read "Federal Income Tax Considerations Associated with the Ownership and Disposition of Common Units" for a more complete discussion of the federal income tax risks and consequences related to owning and disposing of common units of Kinder Morgan Energy Partners, L.P. These risks include the impact of the IRS challenging federal income tax positions taken by Kinder Morgan Energy Partners, the fact that more taxable income and gain will be allocated to common unitholders upon the issuance of additional i-units by Kinder Morgan Energy Partners, L.P., and the fact that tax-exempt entities, regulated investment companies, mutual funds, or non U.S. persons may have adverse tax consequences from owning and selling common units. For example, virtually all of Kinder Morgan Energy Partners, L.P.'s income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Very little of Kinder Morgan Energy Partners, L.P.'s income will be qualifying income to a regulated investment company or mutual fund. Distributions to non U.S. persons will be reduced by withholding taxes, currently at the rate of 39.6%, and non U.S. persons will be required to file United States federal income returns and pay tax on their share of Kinder Morgan Energy Partners, L.P.'s taxable income.

COMMON UNITHOLDERS MAY HAVE NEGATIVE TAX CONSEQUENCES IF KINDER MORGAN ENERGY PARTNERS, L.P. DEFAULTS ON ITS DEBT OR SELLS ASSETS. If Kinder Morgan Energy Partners, L.P. defaults on any of its debt, the lenders will have the

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right to sue it for non-payment. Such an action could cause an investment loss and cause negative tax consequences for common unitholders through the realization of taxable income by common unitholders without a corresponding cash distribution. Likewise, if Kinder Morgan Energy Partners, L.P. were to dispose of assets and realize a taxable gain while there is substantial debt outstanding and

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proceeds of the sale were applied to the debt, common unitholders could have increased taxable income without a corresponding increase in cash distribution.

THERE IS THE POTENTIAL FOR A CHANGE OF CONTROL OF KINDER MORGAN ENERGY PARTNERS, L.P. IF KINDER MORGAN, INC. DEFAULTS ON ITS DEBT. Kinder Morgan, Inc. indirectly owns all of the outstanding capital stock of the general partner. Kinder Morgan, Inc. has significant operations which provide cash independent of dividends that Kinder Morgan, Inc. receives from the general partner of Kinder Morgan Energy Partners, L.P. Nevertheless, if Kinder Morgan, Inc. defaults on its debt, its lenders could acquire control of the general partner of Kinder Morgan Energy Partners, L.P.

COMMON UNITHOLDERS MAY HAVE LIABILITY TO REPAY DISTRIBUTIONS BY KINDER MORGAN ENERGY PARTNERS, L.P. Common unitholders will not be liable for assessments in addition to their initial capital investment in common units. Under certain circumstances, however, common unitholders may have to repay amounts wrongfully returned or distributed to them. Under Delaware law, Kinder Morgan Energy Partners, L.P. may not make a distribution to the owners of common units if the distribution causes its liabilities to exceed the fair value of its assets. Liabilities to partners on account of their partnership interests and non-recourse liabilities are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that for a period of three years from the date of such a distribution, a limited partner who receives the distribution and knew at the time of the distribution that the distribution violated Delaware law will be liable to the limited partnership for the distribution amount. Under Delaware law, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to the assignee at the time the assignee became a limited partner if the liabilities could not be determined from the partnership agreement.

COMMON UNITHOLDERS MAY BE LIABLE IF KINDER MORGAN ENERGY PARTNERS, L.P. HAS NOT COMPLIED WITH STATE PARTNERSHIP LAW. Kinder Morgan Energy Partners, L.P. conducts its business in a number of states. In some of those states the limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established. Common unitholders might be held liable for Kinder Morgan Energy Partners, L.P.'s obligations as if they were a general partner if:

- a court or government agency determined that Kinder Morgan Energy Partners, L.P. was conducting business in the state but had not complied with the state's partnership statute; or
- common unitholders' rights to act together to remove or replace the general partner or take other actions under Kinder Morgan Energy Partners, L.P.'s partnership agreement constitute "control" of Kinder Morgan Energy Partners, L.P.'s business.

THE GENERAL PARTNER OF KINDER MORGAN ENERGY PARTNERS, L.P. CAN PROTECT ITSELF AGAINST DILUTION. Whenever Kinder Morgan Energy Partners, L.P. issues equity securities to any person other than its general partner and its



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affiliates, its general partner has the right to purchase additional limited partnership interests on the same terms.

### RISKS RELATED TO KINDER MORGAN ENERGY PARTNERS, L.P.'S BUSINESS

PENDING FEDERAL ENERGY REGULATORY COMMISSION AND CALIFORNIA PUBLIC UTILITIES COMMISSION PROCEEDINGS SEEK SUBSTANTIAL REFUNDS AND REDUCTIONS IN TARIFF RATES ON SOME OF KINDER MORGAN ENERGY PARTNERS, L.P.'S PIPELINES. IF THE PROCEEDINGS ARE DETERMINED ADVERSELY, THEY COULD HAVE A MATERIAL ADVERSE IMPACT ON US. In 1992, 1995 and 1999, some shippers on Kinder Morgan Energy Partners, L.P.'s pipelines filed complaints with the Federal Energy Regulatory Commission and California Public Utilities Commission that seek substantial refunds for alleged

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overcharges during the years in question and prospective reductions in the tariff rates on our Pacific operations.

The complaints predominantly attacked the interstate pipeline tariff rates of the Kinder Morgan Energy Partners, L.P.'s Pacific operations, contending that the rates were not just and reasonable under the Interstate Commerce Act and should not be entitled to "grandfathered" status under the Energy Policy Act. Complaining shippers seek substantial reparations for alleged overcharges during the years in question and request prospective rate reductions on each of the challenged facilities. These complaints are expected to proceed to hearing in August 2001, with an initial decision by the administrative law judge expected in the first half of 2002.

The complaints filed before the California Public Utilities Commission challenge the rates charged for intrastate transportation of refined petroleum through the Pacific operations' pipeline system in California. After the California Public Utilities Commission dismissed these complaints and subsequently granted a limited rehearing on April 10, 2000, the complainants filed a new complaint with the California Public Utilities Commission asserting SFPP, L.P.'s intrastate rates were not just and reasonable.

The Federal Energy Regulatory Commission complaint seeks approximately \$105 million in tariff refunds and approximately \$35 million in prospective annual tariff reductions. The California Public Utilities Commission complaint seeks approximately \$17 million in tariff refunds and approximately \$10 million in prospective annual tariff reductions. Decisions regarding these complaints could negatively impact Kinder Morgan Energy Partners, L.P.'s cash flow. Additional challenges to tariff rates could be filed with the Federal Energy Regulatory Commission and California Public Utilities Commission in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Kinder Morgan Energy Partners, L.P."

KINDER MORGAN ENERGY PARTNERS, L.P.'S ACQUISITION STRATEGY REQUIRES ACCESS TO NEW CAPITAL. TIGHTENED CREDIT MARKETS OR MORE EXPENSIVE CAPITAL WOULD IMPAIR KINDER MORGAN ENERGY PARTNERS, L.P.'S ABILITY TO GROW. Part of Kinder Morgan Energy Partners, L.P.'s business strategy includes acquiring additional businesses that will allow it to increase distributions to unitholders. During the period from December 31, 1996 to December 31, 2000, Kinder Morgan Energy Partners, L.P. made several acquisitions that increased its asset base over 14 times and increased its net income over 23 times. Kinder Morgan Energy Partners, L.P. regularly considers and enters into discussions regarding potential acquisitions and is currently contemplating potential acquisitions. These transactions can be effected quickly, may occur at any time and may be significant in size relative to Kinder Morgan Energy Partners, L.P.'s existing assets. Kinder Morgan Energy Partners, L.P. may need new capital to finance

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these acquisitions. Limitations on Kinder Morgan Energy Partners, L.P.'s access to capital will impair its ability to execute this strategy. Expensive capital will limit Kinder Morgan Energy Partners, L.P.'s ability to make acquisitions that increase net income and distributable cash on a per unit basis. Kinder Morgan Energy Partners, L.P.'s ability to maintain its capital structure may impact the market value of its common units.

ENVIRONMENTAL REGULATION COULD RESULT IN INCREASED OPERATING AND CAPITAL COSTS FOR KINDER MORGAN ENERGY PARTNERS, L.P. Kinder Morgan Energy Partners, L.P.'s business operations are subject to federal, state and local laws and regulations relating to environmental protection. If an accidental leak or spill of liquid petroleum products occurs from Kinder Morgan Energy Partners, L.P.'s pipelines or at its storage facilities, it may have to pay a significant amount to clean up the leak or spill. The resulting costs and liabilities could negatively affect Kinder Morgan Energy Partners, L.P.'s level of cash flow. In addition, emission controls required under the Federal Clean Air Act and other similar federal and state laws could require significant capital expenditures at Kinder Morgan Energy Partners, L.P.'s facilities. The impact of Environmental Protection Agency standards or future environmental measures on Kinder Morgan Energy Partners, L.P. could increase its costs significantly if environmental laws and regulations become

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stricter. Since the costs of environmental regulation are already significant, additional regulation could negatively affect Kinder Morgan Energy Partners, L.P.'s business.

COMPETITION COULD ULTIMATELY LEAD TO LOWER LEVELS OF PROFITS AND LOWER KINDER MORGAN ENERGY PARTNERS, L.P.'S CASH FLOW. Kinder Morgan Energy Partners, L.P. faces competition from other pipelines and terminals in the same markets as Kinder Morgan Energy Partners, L.P.'s assets, as well as from other means of transporting and storing energy products. For a description of the competitive factors facing the business of Kinder Morgan Energy Partners, L.P., please see "Business -- Kinder Morgan Energy Partners, L.P. -- Competition."

KINDER MORGAN ENERGY PARTNERS, L.P. DOES NOT OWN APPROXIMATELY 97.5% OF THE LAND ON WHICH ITS PIPELINES ARE CONSTRUCTED AND KINDER MORGAN ENERGY PARTNERS, L.P. IS SUBJECT TO THE POSSIBILITY OF INCREASED COSTS TO RETAIN NECESSARY LAND USE. Instead, it obtains the right to construct and operate the pipelines on other people's land for a period of time. If Kinder Morgan Energy Partners, L.P. were to lose these rights, its business could be affected negatively.

Southern Pacific Transportation Company has allowed Kinder Morgan Energy Partners, L.P. to construct and operate a significant portion of its Pacific operations' pipeline under their railroad tracks. Southern Pacific Transportation Company and its predecessors were given the right to construct their railroad tracks under federal statutes enacted in 1871 and 1875. The 1871 statute was thought to be an outright grant of ownership that would continue until the land ceased to be used for railroad purposes. Two United States Circuit Courts, however, ruled in 1979 and 1980 that railroad rights-of-way granted under laws similar to the 1871 statute provide only the right to use the surface of the land for railroad purposes without any right to the underground portion. If a court were to rule that the 1871 statute does not permit the use of the underground portion for the operation of a pipeline, Kinder Morgan Energy Partners, L.P. may be required to obtain permission from the land owners in order to continue to maintain the pipelines. Approximately 10% of Kinder Morgan Energy Partners, L.P.'s pipeline assets are located in the ground underneath railroad rights-of-way.

Whether Kinder Morgan Energy Partners, L.P. has the power of eminent domain

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for its pipelines varies from state to state depending upon the type of pipeline -- petroleum liquids, natural gas or carbon dioxide -- and the laws of the particular state. Kinder Morgan Energy Partners, L.P.'s inability to exercise the power of eminent domain could negatively affect its business if it were to lose the right to use or occupy the property on which its pipelines are located.

KINDER MORGAN ENERGY PARTNERS, L.P.'S RAPID GROWTH MAY CAUSE DIFFICULTIES INTEGRATING NEW OPERATIONS. Part of Kinder Morgan Energy Partners, L.P.'s business strategy includes acquiring additional businesses that will allow it to increase distributions to its unitholders. During the period from December 31, 1996 to December 31, 2000, Kinder Morgan Energy Partners, L.P. made several acquisitions that increased its asset base over 14 times and increased its net income over 23 times. Unexpected costs or challenges may arise whenever businesses with different operations and management are combined. Successful business combinations require management and other personnel to devote significant amounts of time to integrating the acquired business with existing operations. These efforts may temporarily distract their attention from day-to-day business, the development or acquisition of new properties and other business opportunities. In addition, the management of the acquired business often will not join our management team. The change in management may make it more difficult to integrate an acquired business with Kinder Morgan Energy Partners, L.P.'s existing operations.

KINDER MORGAN ENERGY PARTNERS, L.P.'S DEBT INSTRUMENTS MAY LIMIT ITS FINANCIAL FLEXIBILITY AND INCREASE ITS FINANCING COSTS. The instruments governing Kinder Morgan Energy Partners, L.P. debt contain restrictive covenants that may prevent it from engaging in certain transactions that it deems beneficial and that may be beneficial to us. The agreements governing Kinder

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Morgan Energy Partners, L.P.'s debt generally require it to comply with various affirmative and negative covenants, including the maintenance of certain financial ratios and restrictions on:

- incurring additional debt;
- entering into mergers, consolidations and sales of assets; and
- granting liens.

The instruments governing any future debt may contain similar restrictions.

RESTRICTIONS ON KINDER MORGAN ENERGY PARTNERS, L.P.'S ABILITY TO PREPAY THE DEBT OF SFPP, L.P. MAY LIMIT ITS FINANCIAL FLEXIBILITY AND INCREASE ITS FINANCING COSTS. SFPP, L.P. is subject to restrictions with respect to its debt that may limit Kinder Morgan Energy Partners, L.P.'s flexibility in structuring or refinancing existing or future debt. These restrictions include the following:

- before December 15, 2002, Kinder Morgan Energy Partners, L.P. may prepay SFPP, L.P.'s first mortgage notes with a make-whole prepayment premium; and
- Kinder Morgan Energy Partners, L.P. agreed as part of the acquisition of the Pacific operations not to take actions with respect to \$190 million of SFPP, L.P.'s debt that would cause adverse tax consequences for the prior general partner of SFPP, L.P.

RISKS RELATED TO CONFLICTS OF INTEREST AND LIMITATIONS ON LIABILITY

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THE INTERESTS OF KINDER MORGAN, INC. MAY DIFFER FROM OUR INTERESTS, THE INTERESTS OF OUR SHAREHOLDERS AND THE INTERESTS OF UNITHOLDERS OF KINDER MORGAN ENERGY PARTNERS, L.P. Kinder Morgan, Inc. owns all of the stock of the general partner of Kinder Morgan Energy Partners, L.P. and elects all of its directors. The general partner of Kinder Morgan Energy Partners, L.P. owns all of our voting shares and elects all of our directors. Furthermore, some of our directors and officers are also directors and officers of Kinder Morgan, Inc. and the general partner of Kinder Morgan Energy Partners, L.P. and have fiduciary duties to manage the businesses of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. in a manner that may not be in the best interest of our shareholders. Kinder Morgan, Inc. has a number of interests that differ from the interests of our shareholders and the interests of the common unitholders. As a result, there is a risk that important business decisions will not be made in your best interest as one of our shareholders. For a description of the situations in which a conflict of interest could arise, please read "Conflicts of Interest and Fiduciary Responsibilities."

OUR LIMITED LIABILITY COMPANY AGREEMENT RESTRICTS OR ELIMINATES A NUMBER OF THE FIDUCIARY DUTIES THAT WOULD OTHERWISE BE OWED BY OUR BOARD OF DIRECTORS TO OUR SHAREHOLDERS AND THE PARTNERSHIP AGREEMENT OF KINDER MORGAN ENERGY PARTNERS, L.P. RESTRICTS OR ELIMINATES A NUMBER OF THE FIDUCIARY DUTIES THAT WOULD OTHERWISE BE OWED BY THE GENERAL PARTNER TO THE UNITHOLDERS. Modifications of state law standards of fiduciary duties may significantly limit the ability of our shareholders and the unitholders to successfully challenge the actions of our board of directors and the general partner, respectively, in the event of a breach of their fiduciary duties. These state law standards include the highest duties of good faith, fairness and loyalty to the shareholders and to the unitholders, as applicable. The duty of loyalty would generally prohibit our board of directors or the general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. Our limited liability company agreement provides that none of our directors or officers will be liable to us or any other person for any act or omission taken or omitted in the reasonable belief that the act or omission is in or is not contrary to our best interests and is within his scope of authority, provided that the act or omission does not constitute fraud, willful misconduct, bad faith or gross negligence. For further information on the limitation of liability of our board of directors, our voting shareholder and the general partner of Kinder Morgan Energy Partners, L.P., please read "Conflicts of Interest and Fiduciary Responsibilities."

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### INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This prospectus and the documents of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. incorporated in this prospectus by reference include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," "will," or the negative of those terms or other variations of them or by comparable terminology. In particular, statements, express or implied, concerning future actions, conditions or events or future operating results or the ability to generate sales, income or cash flow are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond the ability of us, Kinder Morgan Energy

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Partners, L.P., Kinder Morgan, Inc. and their affiliates to control or predict. Specific factors which could cause actual results to differ from those in the forward-looking statements, include:

- price trends and overall demand for natural gas liquids, refined petroleum products, oil, carbon dioxide, natural gas, coal and other bulk materials in the United States; economic activity, weather, alternative energy sources, conservation and technological advances may affect price trends and demand;
- changes in Kinder Morgan Energy Partners, L.P.'s tariff rates implemented by the Federal Energy Regulatory Commission or the California Public Utilities Commission;
- Kinder Morgan, Inc.'s and Kinder Morgan Energy Partners, L.P.'s ability to integrate any acquired operations into their respective existing operations