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

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

FORM 10-K

(Mark One)

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

OR

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

Commission File Number: 001-32384

Macquarie Infrastructure Company LLC

(Exact Name of Registrant as Specified in Its Charter)

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

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

MACQUARIE INFRASTRUCTURE COMPANY LLC

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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PART I

ITEM 1. BUSINESS

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

General

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

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

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

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

Our Manager

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

We have entered into a management services agreement with MIMUSA. MIMUSA is responsible for our day-to-day operations and affairs and oversees the management teams of our operating businesses. The Company does not have any employees. MIMUSA has assigned, or seconded, to the Company two of its employees to serve as chief executive officer and chief financial officer of the Company and seconds or makes other personnel available as required. The services performed for the Company are provided at our Manager s expense, and include the compensation of our seconded personnel.

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

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

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

Industry

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

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

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

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

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

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Strategy

There are four principal components to our corporate strategy:

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

Our Businesses and Investments

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

IMTT

Business Overview

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

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

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

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

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IMTT (continued)

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

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

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

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

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

Industry Overview

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

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

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

Strategy

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

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

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IMTT (continued)

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

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

Locations

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

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

* Collectively the Louisiana facilities.

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

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

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

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IMTT (continued)

St. Rose/Gretna/Avondale/Geismar

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

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

Bayonne, New Jersey

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

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

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

Competition

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

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

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

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

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

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IMTT (continued)

Customers

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

Storage Contracts

A typical IMTT storage contract includes:

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

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

Regulation

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

The Bayonne terminal was acquired and expanded over a 29 year period. It has significant environmental remediation requirements that were partially assumed at the time of purchase from the various former owners. One former owner retained environmental remediation responsibilities for a purchased site as well as responsibility for sharing other remediation costs. Remediation efforts entail removal of the free product, groundwater control and treatment, soil treatment, repair/replacement of sewer systems, and the implementation of containment and monitoring systems. These remediation activities are expected to continue for an additional ten to twenty years.

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

IMTT (continued)

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

Management and Governance

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

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

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

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

Employees

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

Hawaii Gas

Business Overview

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

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

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

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

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

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

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

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

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

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

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

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Hawaii Gas (continued)

Strategy

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

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

Products

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

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

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

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

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

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

Utility Regulation

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

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

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Hawaii Gas (continued)

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

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

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

Competition

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

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

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

Fuel Supply, SNG Plant and Distribution System

Fuel Supply

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

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

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Hawaii Gas (continued)

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

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

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

SNG Plant and Distribution System (Utility Business)

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

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

Distribution System (Non-Utility Business)

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

Environmental Matters

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

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

Employees and Management

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

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District Energy

Business Overview

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

On December 23, 2009, we sold 49.99% of our membership interests in District Energy to John Hancock Life Insurance Company and John Hancock Life Insurance Company (U.S.A.) (collectively John Hancock) for $29.5 million. NEICO continues to own a 25% equity stake in Northwind Aladdin. The financial results discussed in this Form 10-K reflect 100% of District Energy s full year performance.

District Energy operates one of the largest district cooling systems in the United States. The system currently serves approximately 100 customers in downtown Chicago and one customer outside the downtown area under long-term contracts. District Energy produces chilled water at five plants located in downtown Chicago and distributes it through a closed loop of underground piping for use in the air conditioning systems of large commercial, retail and residential buildings in the central business district. The first of the plants became operational in 1995, and the most recent came on line in June of 2002. With modifications made in 2009, the downtown system has the capacity to produce approximately 92,000 tons of chilled water, although it has approximately 105,000 tons of cooling under contract. The business is able to sell continuous service capacity in excess of the total system capacity because not all customers use their contracted capacity at the same time.

District Energy also owns a site-specific heating and cooling plant that serves a single customer in Chicago outside the downtown area. This plant has the capacity to produce 4,900 tons of cooling and 58 million British Thermal Units, or BTUs, of heating per hour.

District Energy s Las Vegas operation owns and operates a stand-alone facility that provides cold and hot water (for chilling and heating, respectively) to three customers in Las Vegas, Nevada. These customers consist of a resort and casino, a condominium and a shopping complex and represent approximately 47%, 45% and 8%, respectively, of the Las Vegas operation s cash flows. All three Las Vegas contracts expire in February of 2020. The Las Vegas operation represented approximately 25% of the cash flows of District Energy in 2012.

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

	As of, and for the Year Ended, December 31,		
	2012	2011	2010
Revenue	$ 53.3	$ 52.4	$ 56.8
EBITDA excluding non-cash items[1]	22.2	22.7	22.8
Total assets	207.1	217.6	228.5
% of our consolidated revenue	5.2 %	5.3 %	6.8 %

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

Industry Overview

District energy systems provide chilled water, steam and/or hot water from a centralized plant through underground piping for cooling and heating purposes. A typical district energy customer is the owner/manager of a large office or residential building or facilities such as hospitals, universities or municipal buildings. District energy systems exist in many major North American and European cities and some have been in operation for over 100 years.

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District Energy (continued)

Strategy

District Energy s strategy comprises attracting and connecting new customers to the system and investing in further expansion. We believe that District Energy s successful execution of this strategy will contribute to the continued generation of consistent revenue and stable cash flows as a result of the long-term contractual relationships with its customers and the management team s proven ability to improve the operating performance of the business.

1. *Business Management*: The business focuses on minimizing the cost of electricity consumed per unit of chilled water produced by its plants. District Energy is able to maintain and potentially increase its competitive advantage over self cooling by consuming electricity efficiently. District Energy has the ability to create ice during off-peak hours when electricity costs are typically lower. District Energy uses the cold energy in the ice to produce chilled water during the day when electricity prices are typically higher. The resulting cost savings are passed through to its customers.
2. *Growth*: This business intends to grow revenue and profits by marketing its services to real estate developers in the downtown Chicago market. Its value proposition is centered on high reliability, ease of operation and maintenance. The management team develops and maintains relationships with property developers, engineers, architects and city planners as a means of keeping District Energy and these attributes top of mind when decisions involving building cooling systems and services are made.
3. *System Expansion*: Management is continuously reviewing opportunities to increase the efficiency and capacity of the downtown Chicago system. District Energy has identified projects that can further expand the system capability and accommodate increased demand for district cooling in Chicago.

Operations

Maintenance is typically performed by qualified contract personnel and off-season maintenance is performed by a combination of plant staff and contract personnel. The majority of preventive maintenance is conducted off-season.

Customers

District Energy currently serves approximately 100 customers in downtown Chicago and one outside the downtown area. Its customer base is diverse and consists of retail stores, office buildings, residential buildings, theaters and government facilities. Office and commercial buildings constitute approximately 67% of its customer base. No one customer accounts for more than 10% of total contracted capacity at December 31, 2012 and 2011.

The business typically enters into contracts with the owners of the buildings to which the chilled water service is provided. The weighted average life of customer contracts as of December 31, 2012 is approximately 8 years. The majority of these contracts require a termination payment if a customer wishes to terminate a contract early or if the business terminates the contract for customer default. The termination payment allows the business to recover the remaining capital that it invested to provide service to the customer.

Customers pay two charges to receive chilled water services: a fixed capacity charge and a variable consumption charge. The capacity charge is a fixed monthly amount based on the maximum number of tons of chilled water that the business has contracted to make available to the customer at any point in time whether they use it or not. The consumption charge is a variable amount based on the volume of chilled water actually used during a billing period.

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District Energy (continued)

Contractual adjustments to the capacity charge and consumption charge occur periodically, typically annually. Capacity charges generally increase at a fixed rate or are indexed to the Consumer Price Index, or CPI, as a broad measure of inflation. Consumption payments generally increase in line with a number of indices that reflect the cost of electricity, labor and other input costs relevant to the operations of the business. The largest and most variable direct expense of the operation is electricity. District Energy passes through to its customers changes in electricity costs. The business focuses on minimizing the cost of electricity consumed per unit of chilled water produced by operating its plants to maximize efficient use of electricity.

Seasonality

Consumption revenue is higher in the summer months when the demand for chilled water is at its highest. Approximately 75% of consumption revenue is received in the second and third quarters combined each year.

Competition

District Energy is not subject to substantial competitive pressures. Customers are generally contractually prohibited from cooling their premises by means other than the chilled water service the business provides. In addition, the primary alternative available to building owners is the installation of a stand-alone water chilling system (self-cooling). While competition from self-cooling exists, the business expects that the majority of its current contracts will be renewed at maturity. Installation of a water chilling system can require significant building reconfiguration as well as space for reconfiguration, and capital expenditure. District Energy has the advantage of economies of scale in terms of efficiency, staff and electricity procurement.

District Energy believes competition from an alternative district energy system in the Chicago downtown market is unlikely. There are significant barriers to entry including the considerable capital investment required, the need to obtain City of Chicago consent and the difficulty in obtaining sufficient customers given the number of buildings in downtown Chicago already committed under long-term contracts to use its system.

City of Chicago Use Agreement

The business is not subject to specific government regulation, but its downtown Chicago system operates under the terms of a Use Agreement with the City of Chicago. The Use Agreement establishes the rights and obligations of District Energy and the City of Chicago with respect to its use of the public ways. Under the Use Agreement, the business has a non-exclusive right to construct, install, repair, operate and maintain the plants, facilities and piping essential in providing district cooling to customers. In 2008, the Chicago City Council extended the term of the Use Agreement for an additional 20 years until December 31, 2040. Any proposed renewal, extension or modification of the Use Agreement will be subject to approval by the City Council of Chicago.

Employees and Management

As of December 31, 2012, District Energy had 43 full-time employees and one part-time employee. In Chicago, 29 plant staff members are employed under a three-year collective bargaining agreement expiring on January 14, 2015. In Las Vegas, 7 plant staff members are employed under a four-year labor agreement expiring on March 31, 2013. Negotiations regarding the renewal/extension of the labor agreement are underway and we expect a new contract will be in place in a timeframe consistent with the expiration of the existing agreement. We believe employee relations at District Energy are good. The day-to-day operations of District Energy are managed by a team located in Chicago, Illinois.

The business is governed by a board of directors on which we have three representatives and our co-shareholder has two. Although we control decisions that require a simple majority, certain issues require super majority approval. These issues include the sale or other disposal of all or substantially all of the business property or assets, entry into a new line of business, modifications of constituent or governing documents and pursuit of an initial public offering of any membership interests.

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Atlantic Aviation

Business Overview

Atlantic Aviation operates fixed base operations, or FBOs, at 62 airports in the United States. Atlantic Aviation s FBOs provide fueling and fuel-related services, aircraft parking and hangar services to owners/operators of jet aircraft, primarily in the general aviation sector of the air transportation industry, but also commercial, military, freight and government aviation customers.

Summary financial information for Atlantic Aviation is as follows ($ in millions):

	As of, and for the Year Ended, December 31,		
	2012	2011	2010
Revenue	$ 719.9	$ 683.6	$ 573.4
EBITDA excluding non-cash items(1)	130.8	126.7	117.5
Total assets	1,311.4	1,374.4	1,410.1
% of our consolidated revenue	69.6 %	69.1 %	68.2 %

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

Industry Overview

FBOs service primarily the general aviation segment of the air transportation industry. General aviation includes corporate and leisure flying and does not include commercial air carriers or military operations. Local airport authorities, the owners of the airport property, grant FBO operators the right to provide fueling and other services pursuant to a long-term ground lease. Fuel sales provide the majority of an FBO s revenue and gross profit.

FBOs generally operate in environments with high barriers to entry. Airports often have limited physical space for additional FBOs. Airport authorities generally do not have an incentive to add additional FBOs unless there is a significant demand for additional capacity, as profit-making FBOs are more likely to reinvest in the airport and provide a broad range of services, thus attracting increased airport traffic. The increased traffic tends to generate additional revenue for the airport authority in the form of landing and fuel flowage fees. Government approvals and design and construction of a new FBO can also take significant time and capital expenditures. Furthermore, airports typically impose minimum standards with respect to the experience, capital investment and breadth of services provided.

Demand for FBO services is driven by the level of general aviation flight activity. The general aviation activity level can be measured by the number of take-offs and landings in a given period. General aviation business jet take-offs and landings decreased by 0.3% in 2012 compared with 2011 according to flight data reported by the Federal Aviation Administration, or FAA. Because Atlantic Aviation operates at a subset of the airports surveyed by the FAA, the correlation between Atlantic Aviation s performance and the industry data will not be perfect. Nonetheless, the business believes it is a useful directional tool to assess trends in the general aviation sector. The business believes business jet traffic will expand if economic activity continues to recover.

Strategy

Atlantic Aviation is pursuing a strategy that has five principal components:

1. an overarching commitment to providing superior service and safety to its customers;
2. organically growing the business and leveraging the size of the Atlantic Aviation network and its information technology capabilities to identify marketing leads and implement cross-selling initiatives;
3. aggressively managing the business so as to minimize, to the extent possible, its operating expenses;
4. optimizing the portfolio through selective site acquisition and divestitures as well as taking actions to extend the life of its existing leases; and

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Atlantic Aviation (continued)

5. implementing a sustainable debt structure that supports the payment of distributions to the shareholder.

These components are discussed in greater detail in the *Operations* and *Marketing* sections below.

Operations

The business has high-quality facilities and focuses on attracting customers who desire a high level of personal service. Fuel and fuel-related services generated 83% of Atlantic Aviation s revenue and accounted for 66% of Atlantic Aviation s gross profit in 2012. Other services, including de-icing, aircraft parking, hangar rental and catering, provided the balance. Fuel is stored in fuel tank farms and each FBO operates refueling vehicles owned or leased by the FBO. The FBO either owns or has access to the fuel storage tanks to support its fueling activities. At some of Atlantic Aviation s locations, services are also provided to commercial carriers and the military. These may include refueling from the carrier s own fuel supplies stored in the carrier s fuel farm, de-icing and/or ground and ramp handling services.

Atlantic Aviation buys fuel at a wholesale price and sells fuel to customers at a contracted price, or at a price negotiated at the point of purchase. While wholesale fuel costs can be volatile, Atlantic Aviation generally passes fuel cost changes through to customers and attempts to maintain and, when possible, increase its dollar-based margin per gallon of fuel sold. Atlantic Aviation also fuels aircraft with fuel owned by other parties and charges customers a service fee.

Atlantic Aviation has limited exposure to commodity price risk as it generally carries a limited inventory of jet fuel on its books and passes fluctuations in the wholesale cost of fuel through to its customers.

Atlantic Aviation remains focused on managing costs effectively. Atlantic Aviation will continue to evaluate opportunities to reduce expenses through, for example, business reengineering, more efficient purchasing, partnering with service providers and capturing synergies in acquisitions.

Atlantic Aviation periodically evaluates its portfolio of FBOs. As a result, the business may conclude that some of its sites do not have sufficient scale nor do they serve a market with sufficiently strong growth prospects to warrant continued operations at these sites. Consistent with this, in 2012, Atlantic Aviation divested two FBOs. Atlantic Aviation will continue to evaluate its portfolio and may opportunistically divest/acquire additional sites.

Locations

Atlantic Aviation s FBO facilities operate pursuant to long-term leases from airport authorities or local government agencies. The business and its predecessors have a strong history of successfully renewing leases, and have held some leases for almost 50 years.

Atlantic Aviation was able to increase its weighted average remaining lease length from 17.8 years at December 31, 2011 to 19.0 years currently, including extension options. The leases at 11 of Atlantic Aviation s FBOs, accounting for 16.4% of Atlantic Aviation s gross profit, will expire within the next five years. No individual FBO generates more than 10% of the gross profit of the business at December 31, 2012.

The airport authorities have termination rights in each of Atlantic Aviation s leases. Standard terms allow for termination if Atlantic Aviation defaults on the terms and conditions of the lease, abandons the property or becomes insolvent or bankrupt. Fewer than ten leases may be terminated with notice by the airport authority for convenience or other similar reasons. In each of these cases, there are compensation agreements based on amortization schedules or obligations of the authority to make best efforts to relocate the FBO. Most of the leases allow for termination if liens are filed against the property.

Marketing

Atlantic Aviation has a number of marketing programs, each utilizing an internally-developed point-of-sale (POS) system that tracks general aviation flight movements. One program supports flight tracking and provides customer relationship management data that facilitates up-selling of fuel and optimization of revenue per customer.

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Atlantic Aviation (continued)

In 2012, Atlantic Aviation continued to enhance its business intelligence systems and incorporated external flight information into its POS system. This information is being used to service customers more effectively and drive operational efficiencies. Work in this area is expected to continue into 2014.

Atlantic Aviation also participates in a loyalty program for pilots known as Atlantic Awards that provides an incentive to purchase fuel from Atlantic Aviation. These awards are recorded as a reduction in fuel-revenue in Atlantic Aviation s consolidated financial statements.

Competition

Atlantic Aviation competes with other FBO operators at approximately half of its locations. The FBOs compete on the basis of location of the facility relative to runways and street access, service, value-added features, reliability and price. Each FBO also faces competitive pressure from the fact that aircraft may take on sufficient fuel at one location and not need to refuel at a specific destination. FBO operators also face indirect competition from facilities located at nearby airports.

Atlantic Aviation s main competitors are Signature Flight Support, Landmark Aviation and Million Air. Other than Signature, these competitors are privately owned. To our knowledge, other than the three main competitors listed, no other competitor operates more than 20 FBOs in the United States.

Landmark Aviation was acquired by a new owner during 2012. We believe this new owner may have, or may obtain, greater financial resources than the prior owner and may enhance its ability to grow its portfolio and compete with Atlantic Aviation.

Regulation

The aviation industry is overseen by a number of regulatory bodies, but its primary regulator is the FAA. The business is also regulated by the local airport authorities through lease contracts with those authorities. The business must comply with federal, state and local environmental statutes and regulations associated in part with the operation of underground fuel storage tanks. These requirements include, among other things, tank and pipe testing for tightness, soil sampling for evidence of leaking and remediation of detected leaks and spills. Atlantic Aviation s FBOs are subject to regular inspection by federal and local environmental agencies and local fire and airline quality control departments. The business does not expect that compliance and related remediation work will have a material negative impact on earnings or the competitive position of Atlantic Aviation. The business has not received notice requiring it to cease operations at any location or of any abatement proceeding by any government agency as a result of failure to comply with applicable environmental laws and regulations.

Employees and Management

As of December 31, 2012, the business employed 1,656 people across all of its sites. Approximately 9.0% of the employee population is covered by collective bargaining agreements. We believe employee relations at Atlantic Aviation are good.

The day-to-day operations of Atlantic Aviation are managed by individual site managers who are responsible for all aspects of the operations at their site. Local managers within a geographic region are supervised by one of four regional managers covering the United States. Atlantic Aviation s operations are overseen by senior personnel with an average of approximately 25 years experience each in the aviation industry.

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MIC Solar Energy Holdings (MIC Solar)

We invested in two utility-scale solar photovoltaic (solar PV) power generation facilities in the fourth quarter of 2012. The facilities are located in the southwest United States, one in Arizona and one in Texas, and are capable of generating a combined approximately 30 megawatts (MWac) of electricity. The facility in Arizona is currently operating, while the facility in Texas is expected to commence operations during the second quarter of 2013.

Our equity invested in these facilities totals $9.4 million. These two investments, which we refer to collectively as MIC Solar, constitute a business segment that does not meet the threshold of a reportable segment. Accordingly, the results of operations of MIC Solar are aggregated with our Corporate results in this report.

Utility-scale solar PV technologies convert energy from sunlight directly into electricity, using large arrays of solar panels. These are proven technologies that produce highly predictable amounts of electricity.

Owners of solar PV facilities typically sell substantially all of the electricity generated from these facilities at a fixed price to electric utilities pursuant to long-term (typically 20-25 years) power purchase agreements (PPAs). Accordingly, revenue from solar PV facilities is predictable over the term of the PPA.

The primary ongoing cost of the business is the operations and maintenance expense (O&M) of the facility. Owners of solar PV facilities typically enter into long-term O&M contracts with an O&M service provider at a fixed annual cost. Accordingly, operating costs of solar PV facilities are predictable as well. We believe that the combination of predictable revenue streams and good visibility into operating costs provides us with a good degree of certainty regarding the cash generating capacity of these investments.

These facilities are also expected to produce significant tax benefits. A substantial portion of the cost of these facilities is expected to qualify for a 30% investment tax credit (ITC). The tax credit is generated immediately upon construction completion and commencement of operations. Another portion of the cost of solar facilities is typically eligible for five-year MACRS depreciation for tax purposes.

We own the solar facilities in a common LLC structure with a co-investor. The co-investor receives an amount of the tax benefits disproportionate to its investment. For these two facilities, a subsidiary of Chevron Energy Solutions Company, a division of Chevron U.S.A. Inc. (together referred to as ``Chevron), is the co-investor. The co-investor typically contributes significantly more capital at acquisition and retains an interest in the tax attributes of the LLC disproportionate to its investment during the early years of the facility. This allows the tax benefits, most of which will be realized in the early years, to flow primarily to the co-investor. Around the time most of the tax benefits have been realized, a portion of the tax attributes in the LLC shifts to MIC.

This type of LLC structure is commonly referred to as a flip partnership and the period up to the majority ownership change is referred to as the flip period . All major decisions involving the investments typically must be approved by both members regardless of the level of their ownership interest. MIC has an option to purchase the co-investor s interest following the flip period. The two investments made during the fourth quarter of 2012 have been structured as flip partnerships. We have determined that consolidation of both of the solar facilities in which we have invested is appropriate under United States Generally Accepted Accounting Principles, with Chevron s interest reflected as a ``noncontrolling interest in our financial statements.

In addition to providing equity in the transactions, Chevron is contributing its considerable experience and expertise as the Engineering, Procurement and Construction (EPC) contractor on the project in Texas. It is the responsibility of the

EPC contractor to deliver the completed facility at the agreed upon price and within the agreed upon timeframe as defined in the EPC contract. We are pleased to add this project to our relationships with Chevron as a customer at IMTT and a supplier to Hawaii Gas.

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MIC Solar (continued)

Determining our proportionate share of free cash flow, as defined by us historically, from MIC Solar is difficult due to the complexities of the changing ownership interests and different treatment of tax attributes and actual cash flows between the members over time as described above. Therefore, we believe the most appropriate measure of our proportionate share of free cash flow from MIC Solar is the actual cash distributions received during the applicable period.

See Note 5, Acquisitions and Dispositions , in our consolidated financial statements in Financial Statements and Supplementary Data in Part II, Item 8, of this Form 10-K for financial information and further discussions.

Our Employees Consolidated Group

As of December 31, 2012, we employed approximately 2,020 people across our three ongoing, consolidated businesses (excluding IMTT) of which approximately 20% were subject to collective bargaining agreements. The Company itself does not have any employees.

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AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the operations of the public reference room. The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Macquarie Infrastructure Company LLC) file electronically with the SEC. The SEC s website is *www.sec.gov*.

Our website is *www.macquarie.com/mic*. You can access our Investor Center through this website. We make available free of charge, on or through our Investor Center, our proxy statements, annual reports to shareholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, as amended, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also make available through our Investor Center statements of beneficial ownership of the LLC interests filed by our Manager, our directors and officers, any holders of 10% or more of our LLC interests outstanding and others under Section 16 of the Exchange Act.

You can also find information on the Governance page on our website where we post documents including:

Third Amended and Restated Operating Agreement of Macquarie Infrastructure Company LLC;
Amended and Restated Management Services Agreement, as further amended;
Corporate Governance Guidelines;
Code of Ethics and Conduct;
Charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee;
Policy for Shareholder Nomination of Candidates to Become Directors of Macquarie Infrastructure Company LLC; and
Information for Shareholder Communication with our Board of Directors, our Audit Committee and our Lead Independent Director.

Our Code of Ethics and Conduct applies to all of our directors, officers and employees as well as all directors, officers and employees of our Manager involved in the management of the Company and its businesses. We will post any amendments to the Code of Ethics and Conduct, and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange (NYSE), on our website. The information on our website is not incorporated by reference into this report.

You can request a copy of these documents at no cost, excluding exhibits, by contacting Investor Relations at 125 West 55th Street, New York, NY 10019 (212-231-1825).

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ITEM 1A. RISK FACTORS

An investment in our LLC interests involves a number of risks. The occurrence of any of these risks could have a significant or material adverse effect on our results of operations or financial condition and a corresponding decline in the market price of the LLC interests.

Risks Related to Our Business Operations

We own, and may acquire in the future, investments in which we share voting control with third parties and, consequently, our ability to exercise significant influence over the business or level of their distributions to us may be limited.

We own 50% of IMTT and 50.01% of District Energy and may acquire less than majority ownership in other businesses in the future. Our ability to influence the management of businesses in which we own noncontrolling interests, and the ability of these businesses to continue operating without disruption, depends on our reaching agreement with our co-investors and reconciling investment and performance objectives for these businesses. Our co-investors may become bankrupt or may have economic or other business interests that are inconsistent with our interests and goals. To the extent that we are unable to agree with co-investors regarding the business and operations of the relevant investment, the performance of the investment and the operations may suffer, we may not receive anticipated distributions or such distributions may be delayed and there may be a material adverse impact on our results. In addition, we may become involved in costly litigation or other dispute resolution procedures to resolve disagreements with our co-investors, which would divert management s attention.

Furthermore, we may, from time to time, own noncontrolling interests in investments. Management and controlling shareholders of these investments may develop different objectives than we have and we may be unable to control the timing or amount of distributions we receive from these investments. Our inability to exercise significant influence over the operations, strategies and policies of non-controlled investments means that decisions could be made that could adversely affect our results and our ability to generate cash and pay dividends on our LLC interests. See also Risks Related to IMTT *We share ownership and voting control of IMTT with a third party co-investor. A representative and beneficiary of that co-investor is currently the CEO of IMTT. Our ability to exercise significant influence over the business or level of distributions from IMTT is limited, and we have been, and we may again be negatively impacted by disagreements with our co-investor regarding IMTT s business and operations* .

Our holding company structure may limit our ability to make regular dividends in the future to our shareholders because we will rely on the cash flows and distributions from our businesses.

The Company is a holding company with no operations. Therefore, it is dependent upon the ability of our businesses and investments to pay dividends and make distributions to the Company to enable it to meet its expenses, and to make dividends to shareholders in the future. The ability of our operating subsidiaries and the businesses in which we will hold investments to make distributions to the Company is subject to limitations based on their operating performance, the terms of their debt agreements and the applicable laws of their respective jurisdictions. In addition, the ability of each business to reduce its outstanding debt will be similarly limited by its operating performance, as discussed below and in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations .

Fluctuations in economic, equity and credit market conditions may have a material adverse effect on our results of operations, our liquidity or our ability to obtain credit on acceptable terms.

Should the economic, equity and credit market conditions become disrupted, our ability to raise equity or obtain capital, to repay or refinance credit facilities at maturity, pay significant capital expenditures or fund growth may be costly and/or impaired. Our access to debt financing in particular will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit history and credit capacity, as well as the historical performance of our businesses and lender perceptions of their and our financial prospects. In the event we are unable to obtain debt financing, particularly as significant credit facilities mature, our internal sources of liquidity may not be sufficient.

Economic conditions may also increase our counterparty risk, particularly in those businesses whose revenues are determined under multi-year contracts, such as IMTT and District Energy. Should conditions deteriorate, we would expect to see increases in counterparty defaults and/or bankruptcies, which could result in an increase in bad debt expense and may cause our operating results to decline.

The volatility in the financial markets makes projections regarding future obligations under pension plans difficult. Two of our businesses, Hawaii Gas and IMTT, have defined benefit retirement plans. Future funding obligations under those plans depend in large part on the future performance of plan assets and the mix of investment assets. Our defined benefit plans hold a significant amount of equity securities as well as fixed income securities. If the market values of these securities decline or if interest rates decline, our pension expense and cash funding requirements would increase and, as a result, could materially adversely affect the results and liquidity of these businesses and the Company.

If borrowing costs increase or if debt terms become more restrictive, the cost of refinancing and servicing our debt will increase, reducing our profitability and ability to freely deploy free cash flow.

The majority of indebtedness at our primary businesses matures within one to four years. Refinancing this debt may result in substantially higher interest rates or margins or substantially more restrictive covenants. Any of these could limit operational flexibility or reduce dividends and/or distributions from our operating businesses to us, which would have an adverse impact on our ability to freely deploy free cash flow. We cannot provide assurance that we or the other owners of any of our businesses will be able to make capital contributions to repay some or all of the debt if required.

The debt facilities at our businesses contain terms that become more restrictive over time, with stricter covenants and increased amortization schedules. Those terms will limit our ability to freely deploy free cash flow.

Security breaches or interruptions in our information systems could materially adversely affect our business.

We rely on information technology networks and systems to process, transmit and store electronic information used to operate our businesses. We also share certain information technology networks with our Manager. The information technology infrastructure we use, as well as the information technology systems used by our Manager, could be vulnerable to security breach, damage or interruption from computer viruses, cyber attacks, cyber terrorism, natural disasters or telecommunications failures. If our technology systems were to fail or be breached and we were unable to recover in a timely manner, we may be unable to fulfill critical business functions and confidential data could be compromised, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Unfavorable publicity or public perception of the industries in which we operate could adversely impact our operating results and our reputation.

Accidents and incidents involving the aviation industry, particularly those involving the airports and heliport at which we operate, whether or not directly related to the Company s services, and the media coverage thereof, can adversely impact the Company s reputation and the demand for our services. Similarly, negative publicity or public perception of the energy-related industries in which we operate, including through media coverage of environmental contamination and climate change concerns, could reduce demand for our services and harm our reputation. Any reduction in demand for the services our businesses provide or damage to our reputation could have a material adverse effect on our results of operations and business prospects.

Our businesses are subject to environmental risks that may impact our future profitability.

Our businesses (including businesses in which we invest) are subject to numerous statutes, rules and regulations relating to environmental protection. Atlantic Aviation is subject to environmental protection requirements relating to the storage, transport, pumping and transfer of fuel, and District Energy is subject to requirements relating mainly to its handling of significant amounts of hazardous materials. Hawaii Gas is subject to risks and hazards associated with the refining, handling, storage and transportation of combustible products. These risks could result in substantial losses due to personal injury, loss of life, damage or

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destruction of property and equipment and environmental damage. Any losses we face could be greater than insurance levels maintained by our businesses, which could have an adverse effect on their and our financial results. In addition, disruptions to physical assets could reduce our ability to serve customers and adversely affect sales and cash flows.

IMTT s operations in particular are subject to complex, stringent and expensive environmental regulation and future compliance costs are difficult to estimate with certainty. IMTT also faces risks relating to the handling and transportation of significant amounts of hazardous materials. Failure to comply with regulations or other claims may give rise to interruptions in operations and civil or criminal penalties and liabilities that could adversely affect the profitability of this business and the distributions it makes to us, as could significant unexpected compliance costs. Further, these rules and regulations are subject to change and compliance with any changes that could result in a restriction of the activities of our businesses, significant capital expenditures and/or increased ongoing operating costs.

A number of the properties owned by IMTT have been subject to environmental contamination in the past and require remediation for which IMTT is liable. These remediation obligations exist principally at IMTT s Bayonne and Lemont facilities and could cost more than anticipated or could be incurred earlier than anticipated, or both. In addition, IMTT may discover additional environmental contamination at its Bayonne, Lemont or other facilities that may require remediation at significant cost to IMTT. Further, the past contamination of the properties owned by IMTT, including by former owners or operators of such properties, could result in remediation obligations, personal injury, property damage, environmental damage or similar claims by third parties.

We may also be required to address other prior or future environmental contamination, including soil and groundwater contamination that results from the spillage of fuel, hazardous materials or other pollutants. Under various federal, state, local and foreign environmental statutes, rules and regulations, a current or previous owner or operator of real property may be liable for noncompliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability, whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. Persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person and whether or not the original disposal or treatment activity accorded with all regulatory requirements. The presence of hazardous materials on a property could result in personal injury, loss of life, damage or destruction of property and equipment, environmental damage and/or claims by third parties that could have a material adverse effect on our financial condition or operating results.

Climate change, climate change regulations and greenhouse effects may adversely impact our operations and markets.

Climate change is receiving increased attention from the scientific and political communities. There is an ongoing debate as to the extent to which our climate is changing, the possible causes of this change and its potential impacts. Some attribute global warming to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. The outcome of federal and state actions to address global climate change could result in significant new regulations, additional changes to fund energy efficiency activities or other regulatory actions. These actions could increase the costs of operating our businesses, reduce the demand for our products and services and impact the prices we charge our customers, any or all of which could adversely affect our results of operations. In addition, climate change could make severe weather events more frequent, which would increase the likelihood of capital expenditures to replace damaged infrastructure at our businesses.

Energy efficiency and technology advances, as well as conservation efforts, may result in reduced demand for our products and services.

The trend toward increased conservation, as well as technological advances, including installation of improved insulation, the development of more efficient heating and cooling devices and advances in energy generation technology, may reduce demand for certain of our products and services. During periods of high energy commodity costs, the prices of certain of our products and services generally increase, which may lead to customer conservation. In addition, federal and/or state regulation may require mandatory conservation measures, which would also reduce demand. A reduction in demand for our products and services could adversely affect our results of operations.

Our businesses are dependent on our relationships, on a contractual and regulatory level, with government entities that may have significant leverage over us. Government entities may be influenced by political considerations to take actions adverse to us.

Our businesses generally are, and will continue to be, subject to substantial regulation by governmental agencies. In addition, our businesses rely on obtaining and maintaining government permits, licenses, concessions, leases or contracts. Government entities, due to the wide-ranging scope of their authority, have significant leverage over us in their contractual and regulatory relationships with us that they may exercise in a manner that causes us delays in the operation of our businesses or pursuit of our strategy, or increased administrative expense. Furthermore, government permits, licenses, concessions, leases and contracts are generally very complex, which may result in periods of non-compliance, or disputes over interpretation or enforceability. If we fail to comply with these regulations or contractual obligations, we could be subject to monetary penalties or we may lose our rights to operate the affected business, or both. Where our ability to operate an infrastructure business is subject to a concession or lease from the government, the concession or lease may restrict our ability to operate the business in a way that maximizes cash flows and profitability. Further, our ability to grow our current and future businesses will often require consent of numerous government regulators. Increased regulation restricting the ownership or management of U.S. assets, particularly infrastructure assets, by non-U.S. persons, given the non-U.S. ultimate ownership of our Manager, may limit our ability to pursue acquisitions. Any such regulation may also limit our Manager s ability to continue to manage our operations, which could cause disruption to our businesses and a decline in our performance. In addition, any required government consents may be costly to seek and we may not be able to obtain them. Failure to obtain any required consents could limit our ability to achieve our growth strategy.

Our contracts with government entities may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, a lease, concession or general service contract may enable the government to terminate the agreement without requiring them to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of our operations, or implement laws or regulations affecting our operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact these businesses. Governments may be influenced by political considerations to take actions that may hinder the efficient and profitable operation of our businesses and investments.

Many of our contracts, especially those with government entities or quasi-government entities are long-term contracts. These long-term contracts may be difficult to replace if terminated. In addition, buy-out or other early termination provisions could adversely affect our results of operations if exercised before the end of the contract.

Governmental agencies may determine the prices we charge and may be able to restrict our ability to operate our businesses to maximize profitability.

Where our businesses or investments are sole or predominant service providers in their respective service areas and provide services that are essential to the community, they are likely to be subject to rate regulation by governmental agencies that will determine the prices they may charge. We may also face fees or other charges imposed by government agencies that increase our costs and over which we have no control. We may be subject to increases in fees or unfavorable price determinations that may be final with no right of appeal or that, despite a right of appeal, could result in our profits being negatively affected. In addition, we may have very little negotiating leverage in establishing contracts with government entities, which may decrease the prices that we otherwise might be able to charge or the terms upon which we provide products or services. Businesses and investments we acquire in the future may also be subject to rate regulation or similar negotiating limitations.

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Our income may be affected adversely if additional compliance costs are required as a result of new safety, health or environmental regulation.

Our businesses and investments are subject to federal, state and local safety, health and environmental laws and regulations. These laws and regulations affect all aspects of their operations and are frequently modified. There is a risk that any one of our businesses or investments may not be able to comply with some aspect of these laws and regulations, resulting in fines or penalties. Additionally, if new laws and regulations are adopted or if interpretations of existing laws and regulations change, we could be required to increase capital spending and incur increased operating expenses in order to comply. Because the regulatory environment frequently changes, we cannot predict when or how we may be affected by such changes. Environmental emissions and other compliance testing technologies continue to improve, which may result in more stringent, targeted environmental regulations and compliance obligations in the future, for example at IMTT, the costs of which could be material and adversely affect our cash flows and results of operations.

A significant and sustained increase in the price of oil could have a negative impact on the revenue of a number of our businesses.

A significant and sustained increase in the price of oil could have a negative impact on the profitability of a number of our businesses. Higher prices for jet fuel could result in less use of aircraft by general aviation customers, which would have a negative impact on the profitability of Atlantic Aviation. Higher fuel prices could increase the cost of power to our businesses generally which they may not be able to fully pass on to customers.

We may face a greater exposure to terrorism than other companies because of the nature of our businesses and investments.

We believe that infrastructure businesses face a greater risk of terrorist attack than other businesses, particularly those businesses that have operations within the immediate vicinity of metropolitan and suburban areas. Specifically, because of the combustible nature of the products of Hawaii Gas and consumer reliance on these products for basic services, the business SNG plant, transmission pipelines, barges and storage facilities may be at greater risk for terrorism attacks than other businesses, which could affect its operations significantly. Any terrorist attacks that occur at or near our business locations would likely cause significant harm to our employees and assets. In recent years, insurers have significantly reduced the amount of insurance coverage available for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. A terrorist attack that makes use of our property, or property under our control, may result in liability far in excess of available insurance coverage. In addition, any terrorist attack, regardless of location, could cause a disruption to our business and a decline in earnings. Furthermore, it is likely to result in an increase in insurance premiums and a reduction in coverage, which could cause our profitability to suffer.

We are dependent on certain key personnel, and the loss of key personnel, or the inability to retain or replace qualified employees, could have an adverse effect on our businesses, financial condition and results of operations.

We operate our businesses on a stand-alone basis, relying on existing management teams for day-to-day operations. Consequently, our operational success, as well as the success of our internal growth strategy, will be dependent on the continued efforts of the management teams of our businesses, who have extensive experience in the day-to-day operations of these businesses. Furthermore, we will likely be dependent on the operating management teams of businesses that we may acquire in the future. The loss of key personnel, or the inability to retain or replace qualified employees, could have an adverse effect on our business, financial condition and results of operations.

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Risks Related to IMTT

We share ownership and voting control of IMTT with a third party co-investor. A representative and beneficiary of that co-investor is currently the CEO of IMTT. Our ability to exercise significant influence over the business or level of distributions from IMTT is limited, and we have been, and we may again be negatively impacted by disagreements with our co-investor regarding IMTT s business and operations.

We own 50% of IMTT; the remaining 50% is owned by a trust for the benefit of members of IMTT s founding family. Our co-investor currently manages the day to day operations of IMTT, and our ability to influence the business is limited to our rights under the Shareholders Agreement governing our investment in IMTT. Our co-investor may fail to act in compliance with the Shareholders Agreement and may have other business interests that are inconsistent with our interests and goals, and may again take actions that are contrary to our business objectives and requests. For example, management, operating under the express or implied direction of the CEO or the co-investor, may oppose MIC s interests in dealings with lenders, contractors, customers, suppliers, regulators and other third party stakeholders, as well MIC s interests in normal business planning and budgeting processes. We may not agree with our co-investor as to the payment, amount or timing of distributions or as to transactions such as capital expenditures, acquisitions or dispositions of assets and financings. Disputes with our co-investor have resulted in arbitration that has been costly and diverted the attention of our management. Our inability to exercise control over the management of IMTT s business, could materially adversely affect IMTT s and our results of operations. MIC s ability to enhance or change the senior management team is prohibited without consent of its co-investor, a representative of whom is also the CEO of the business. To the extent that our co-investor and IMTT senior management again act in ways inconsistent with their obligations to MIC, further arbitration or litigation will be necessary to preserve MIC s rights.

IMTT s business is dependent on the demand for bulk liquid storage capacity in the locations where it operates.

Demand for IMTT s bulk liquid storage is largely a function of U.S. domestic demand for chemical, petroleum and vegetable and animal oil products and, less significantly, the extent to which such products are imported into and/or exported out of the United States. U.S. domestic demand for chemical, petroleum and vegetable and animal oil products is influenced by a number of factors, including economic conditions, growth in the U.S. economy, the pricing of chemical, petroleum and vegetable and animal oil products and their substitutes. Import and export volumes of these products to and from the United States are influenced by demand and supply imbalances in the United States and overseas, the cost of producing chemical, petroleum and vegetable and animal oil products domestically versus overseas and the cost of transporting the products between the United States and overseas destinations. Specifically, production of natural gas from mainland North America may increase or decrease the demand for bulk liquid storage. This situation continues to develop and the effects are not yet predictable.

In addition, changes in government regulations that affect imports and exports of bulk chemical, petroleum, renewable fuels and vegetable and animal oil products, including the imposition of surcharges or taxes on imported or exported products, could adversely affect import and export volumes to and from the United States. A reduction in demand for bulk liquid storage, particularly in the New York Harbor or the lower Mississippi River, as a consequence of lower U.S. domestic demand for, or imports/exports of, chemical, petroleum or vegetable and animal oil products, could lead to a decline in storage rates and tankage volumes rented out by IMTT and adversely affect IMTT s revenue and profitability and the distributions it makes to us.

IMTT s business could be adversely affected by a substantial increase in bulk liquid storage capacity in the locations where it operates.

An increase in available bulk liquid storage capacity in excess of growth in demand for such storage in the key locations in which IMTT operates, such as New York Harbor and the lower Mississippi River, could result in overcapacity and a decline in storage rates and tankage volumes rented out by IMTT and could adversely affect IMTT s revenue and profitability and the distributions it makes to us.

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IMTT s business could be adversely affected by the insolvency of one or more large customers.

IMTT has a number of customers that together generate a material proportion of IMTT s revenue and gross profit. In 2012, IMTT s ten largest customers by revenue generated approximately 52.0% of terminal revenue. The insolvency of any of these large customers could result in an increase in unutilized storage capacity in the absence of such capacity being rented to other customers and adversely affect IMTT s revenue and profitability and the distributions it makes to us.

IMTT s business involves hazardous activities and is partly located in a region with a history of significant adverse weather events and is potentially a target for terrorist attacks. We cannot assure you that IMTT is, or will be in the future, adequately insured against all such risks.

The transportation, handling and storage of petroleum, chemical and vegetable and animal oil products are subject to the risk of spills, leakage, contamination, fires and explosions. Any of these events may result in loss of revenue, loss of reputation or goodwill, fines, penalties and other liabilities. In certain circumstances, such events could also require IMTT to halt or significantly alter operations at all or part of the facility at which the event occurred. IMTT carries insurance to protect against most of the accident-related risks involved in the conduct of the business; however, the limits of IMTT s coverage mean IMTT cannot insure against all risks. In addition, because IMTT s facilities are not insured against loss from terrorism or acts of war, such an attack that significantly damages one or more of IMTT s major facilities would have a negative impact on IMTT s future cash flow and profitability and the distributions it makes to us. Further, future losses sustained by insurers during hurricanes in the U.S. Gulf and northeast regions may result in lower insurance coverage and/or increased insurance premiums for IMTT s properties in Louisiana.

Risks Related to Hawaii Gas

Disruptions or shutdowns at either of the oil refineries on Oahu from which Hawaii Gas obtains both LPG and the primary feedstock for its SNG plant may have an adverse effect on the operations of the business.

Hawaii Gas processes SNG and distributes SNG and LPG. SNG feedstock or LPG supply disruptions or refinery shutdowns that limit the business ability to process and/or deliver gas to customers could increase costs as a result of an inability to source feedstock at rates comparable to those being paid currently. The extended unavailability of one or both of the refineries or disruption to crude oil supplies or feedstock to Hawaii could also result in an increased reliance on imported sources. An inability to purchase LPG from foreign sources would adversely affect operations. The business is also limited in its ability to store LPG, and any disruption in supply may cause a depletion of LPG stocks.

Currently, the business has only one contracted source of feedstock for SNG, the Tesoro refinery. The announced closure of the Tesoro refinery and subsequent conversion to a terminal could significantly and adversely impact Hawaii Gas s utility business. Although a contingency plan to replace the feedstock is in place, an inability to execute this plan in a timely or cost effective manner could cause a significant disruption and potentially result in operating cost increases and/or capital expenditures. The business is also limited in its ability to store SNG feedstock in the event of a disruption. Additional costs are likely to be incurred if Tesoro is unsuccessful or unwilling to follow through with its announced plan to convert the refinery to a terminal. All supply disruptions of SNG or LPG, if occurring for an extended period, could adversely impact the business contribution margin and cash flows.

The most significant costs for Hawaii Gas are locally-sourced LPG, LPG imports and feedstock for the SNG plant, the costs of which are directly related to petroleum prices. To the extent that these costs cannot be passed on to customers, the business contribution margin and cash flows will be adversely affected.

The profitability of Hawaii Gas is based on the margin of sales prices over costs. Since LPG and feedstock for the SNG plant are commodities, changes in global supply of and demand for these products can have a significant impact on costs. In addition, increased reliance on higher-priced foreign sources of LPG, whether as a result of disruptions to or shortages in local sources or otherwise, could also have a significant impact on costs. Hawaii Gas has no control over these costs, and, to the extent that these costs cannot be passed on to customers, the business financial condition and the results of operations would be adversely affected. Higher prices could result in reduced customer demand or customer conversion to alternative energy sources, or both, that would reduce the volume of gas sold and adversely affect the profitability of Hawaii Gas.

Hawaii Gas relies on its SNG plant, including its transmission pipeline, for a significant portion of its sales. Disruptions at that facility could adversely affect the business ability to serve customers.

Disruptions at the SNG plant resulting from mechanical or operational problems or power failures could affect the ability of Hawaii Gas to produce SNG. Most of the utility sales on Oahu are of SNG and all SNG is produced at the Oahu plant. Disruptions to the primary and redundant production systems would have a significant adverse effect on Hawaii Gas s revenues and cash flows.

The operations of Hawaii Gas are subject to a variety of competitive pressures and the actions of competitors, particularly those involved in other energy sources, could have a materially adverse effect on operating results.

Other fuel sources such as electricity, diesel, solar energy, geo-thermal, wind, other gas providers and alternative energy sources may be substituted for certain gas end-use applications, particularly if the price of gas increases relative to other fuel sources, whether due to higher costs or otherwise. Customers could, for a number of reasons, including increased gas prices, lower costs of alternative energy or convenience, meet their energy needs through alternative sources. This could have an adverse effect on the business revenues and cash flows.

Reductions in U.S. military spending could result in a reduction in demand for gas in Hawaii.

The U.S. military has a significant presence in Hawaii. To the extent that federal spending cuts, including voluntary cuts in U.S. military spending or mandatory cuts pursuant to sequestration, result in a reduced military presence in Hawaii, such reductions could reduce the demand for gas products in Hawaii.

Hawaii Gas s utility business is subject to regulation by the Hawaii Public Utilities Commission, or HPUC, and actions by the HPUC or changes to the regulatory environment may constrain the operation or profitability of the business.

If the business fails to comply with certain HPUC regulatory conditions, the profitability of Hawaii Gas could be adversely impacted. The business agreed to 14 regulatory conditions with the HPUC that address a variety of matters including: a requirement that Hawaii Gas and HGC s ratio of consolidated debt to total capital does not exceed 65%; and a requirement to maintain $20.0 million in readily-available cash resources at Hawaii Gas, HGC or MIC. The HPUC regulates all franchised or certificated public service companies operating in Hawaii; prescribes rates, tariffs, charges and fees; determines the allowable rate of earnings in establishing rates; issues guidelines concerning the general management of franchised or certificated utility businesses; and acts on requests for the acquisition, sale, disposition or other exchange of utility properties, including mergers and consolidations. Any adverse decision by the HPUC concerning the level or method of determining utility rates, the items and amounts that may be included in the rate base, the returns on equity or rate base found to be reasonable, the potential consequences of exceeding or not meeting such returns, or any prolonged delay in rendering a decision in a rate or other proceeding, could have an adverse effect on the business.

Hawaii Gas s operations on the islands of Hawaii, Maui and Kauai rely on LPG that is transported to those islands by Jones Act qualified barges from Oahu and from non-Jones Act vessels from foreign ports. Disruptions to service by those vessels could adversely affect the financial performance of the business.

The Jones Act requires that all goods transported by water between U.S. ports be carried in U.S.-flag ships and that they meet certain other requirements. The business has time charter agreements allowing the use of two barges that currently have a cargo capacity of approximately 420,000 gallons and 500,000 gallons of LPG, respectively. The barges used by the business are the only two Jones Act qualified barges available in the Hawaiian Islands capable of carrying large volumes of LPG. If the barges are unable to transport LPG from Oahu and the business is not able to secure foreign-source LPG or obtain an exemption to the Jones Act that would permit importation of a sufficient quantity of LPG from the mainland U.S., the profitability of the business could be adversely impacted. If the barges require refurbishment or repair at a greater frequency than forecast, cash outflows for capital costs could adversely impact Hawaii Gas s results and cash flows.

Hawaii Gas is subject to risks associated with volatility in the Hawaii economy.

Tourism and government activities (including the military) are two of the largest components of Hawaii s economy. Hawaii s economy is heavily influenced by economic conditions in the U.S. and Asia and their impact on tourism, as well as by government spending. A large portion of Hawaii Gas s sales are generated by businesses that rely on tourism. If the local economy deteriorates, the volume of gas sold could be negatively affected by business closures and/or lower usage and adversely impact the business financial performance. Additionally, a lack of growth in the Hawaiian economy could reduce the level of new residential construction, and adversely impact growth in volume from new residential customers. A reduction in government activity, particularly military activity, or a shift by either away from the use of gas products, could also have a negative impact on Hawaii Gas s results.

Because of its geographic location, Hawaii, and in turn Hawaii Gas, is subject to earthquakes and certain weather risks that could materially disrupt operations.

Hawaii is subject to earthquakes and certain weather risks, such as hurricanes, floods, heavy and sustained rains and tidal waves. Because the business SNG plant, SNG transmission line and several storage facilities are close to the ocean, weather-related disruptions to operations are possible. In addition, earthquakes may cause disruptions. These events could damage the business assets or could result in wide-spread damage to its customers, thereby reducing the volumes of gas sold and, to the extent such damages are not covered by insurance, the business revenues and cash flows.

Because of its geographic location and the unique economy of Hawaii, Hawaii Gas is subject to challenges in hiring and maintaining staff with specialized skill sets.

The changing nature of the Hawaiian energy complex, combined with the impact of the global economic recession has had an impact on the Company s staffing requirements. Volatility in feedstock prices, together with the impact of the State of Hawaii s goals to reduce dependency on imported petroleum, requires staff with specialized knowledge of the energy sector. Because the resident labor pool in Hawaii is both small, and oriented mainly to Hawaii s basic industries, it is difficult to find individuals with the ideal skill sets. Moreover, relocation to Hawaii is costly and often requires employees to make cultural and family adjustments not normally required for a change of employment. The inability to source and retain staff with appropriate skill sets could adversely impact the performance of the business.

The renewable natural gas and LNG initiative exposes Hawaii Gas to new supply, counterparty, facility and technology risks.

Hawaii Gas expects it will convert up to 1.0 million gallons per year of animal fat and non-food grade oils to renewable natural gas. The technology used to produce renewable gas from non-petroleum based feedstock is not widely used and must be customized by Hawaii Gas for its particular application. Hawaii Gas may not be able to obtain sufficient quantities of feedstock from locally produced sources to satisfy its needs. Commencing April 1, 2012, Hawaii Gas must report the percentage of renewable and sustainable components in its feedstock to the HPUC. In the event Hawaii Gas fails to produce a reasonable proportion of gas from renewable and sustainable sources, its reputation could be adversely impacted.

Transporting of LNG from the U.S. mainland and utilization of LNG by Hawaii Gas involves products, systems and technologies not previously employed by the business. The application of these could result in higher than anticipated cost, systems failures and an inability to meet customer needs for gas services and consequent loss of revenue and reputational harm to Hawaii Gas.

Risks Related to District Energy

Pursuant to the terms of a use agreement with the City of Chicago, the City of Chicago has rights that, if exercised, could have a significant negative impact on District Energy.

In order to operate the district cooling system in downtown Chicago, the business has obtained the right to use certain public ways of the City of Chicago under a use agreement, which we refer to as the Use

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Agreement. Under the terms of the Use Agreement, the City of Chicago retains the right to use the public ways for a public purpose and has the right in the interest of public safety or convenience to cause the business to remove, modify, replace or relocate its facilities at the expense of the business. If the City of Chicago exercises these rights, District Energy could incur significant costs and its ability to provide service to its customers could be disrupted, which would have an adverse effect on the business financial condition and results of operations. In addition, the Use Agreement is non-exclusive, and the City of Chicago is entitled to enter into use agreements with the business potential competitors.

The Use Agreement expires on December 31, 2040 and may be terminated by the City of Chicago for any uncured material breach of its terms and conditions. The City of Chicago may also require District Energy to pay liquidated damages of $6,000 a day if the business fails to remove, modify, replace or relocate its facilities when required to do so, if it installs any facilities that are not properly authorized under the Use Agreement or if the district cooling system does not conform to the City of Chicago s standards. Each of these non-compliance penalties could result in substantial financial loss or effectively shut down the district cooling system in downtown Chicago.

Any proposed renewal, extension or modification of the Use Agreement requires approval by the City Council of Chicago. Extensions and modifications subject to the City of Chicago s approval include those to enable the expansion of chilling capacity and the connection of new customers to the district cooling system. The City of Chicago s approval is contingent upon the timely filing of an Economic Disclosure Statement, or EDS (disclosure required by Illinois state law and Chicago city ordinances to certify compliance with various laws and ordinances), by us and certain of the beneficial owners of our stock. If any of these investors fails to file a completed EDS form within 30 days of the City of Chicago s request or files an incomplete or inaccurate EDS, the City of Chicago has the right to refuse to provide the necessary approval for any extension or modification of the Use Agreement or to rescind the Use Agreement altogether. If the City of Chicago declines to approve extensions or modifications to the Use Agreement, District Energy may not be able to increase the capacity of its district cooling system and pursue its growth strategy. Furthermore, if the City of Chicago rescinds or voids the Use Agreement, the district cooling system in downtown Chicago would be effectively shut down and the business financial condition and results of operations would be materially and adversely affected as a result.

A certain number of our investors may be required to comply with certain disclosure requirements of the City of Chicago and non-compliance may result in the City of Chicago s rescission or voidance of the Use Agreement and any other arrangements District Energy may have with the City of Chicago at the time of the non-compliance.

In order to secure any amendment to the Use Agreement with the City of Chicago to pursue expansion plans or otherwise, or to enter into other contracts with the City of Chicago, the City of Chicago may require any person who owns or acquires 15% or more of our LLC interests to make a number of representations to the City of Chicago by filing a completed EDS. Our LLC agreement requires that in the event that we need to obtain approval from the City of Chicago in the future for any specific matter, including to expand the district cooling system or to amend the Use Agreement, we and each of our then 15% investors would need to submit an EDS to the City of Chicago within 30 days of the City of Chicago s request. In addition, our LLC agreement requires each 15% investor to provide any supplemental information needed to update any EDS filed with the City of Chicago as required by the City of Chicago and as requested by us from time to time.

Any EDS filed by an investor may become publicly available. By completing and signing an EDS, an investor will have waived and released any possible rights or claims which it may have against the City of Chicago in connection with the public release of information contained in the EDS and also will have authorized the City of Chicago to verify the accuracy of information submitted in the EDS. The requirements and consequences of filing an EDS with the City of Chicago will make compliance with the EDS requirements difficult for our investors.

If any investor fails to comply with the EDS requirements on time or the City of Chicago determines that any information provided in any EDS is false, incomplete or inaccurate, the City of Chicago may rescind or void the Use Agreement or any other arrangements Thermal Chicago has with the City of Chicago, and pursue any other remedies available to them. If the City of Chicago rescinds or voids the Use Agreement, the business district cooling system in downtown Chicago would be effectively shut down and the business financial condition and results of operations would be adversely affected as a result.

The deteriorating financial condition of the City of Chicago may provide it with the incentive to take positions on contracts with District Energy that could have an adverse affect on the cash flows generated of the business.

District Energy has several long-term contracts with the City of Chicago, some of which contain early buy-out provisions, pursuant to which the City may terminate the contracts early. The City may take an aggressive position on the buy-outs in an effort to save costs, which may lead to disputes with the City.

In the event we are unable to resolve such disputes, our financial condition and results of operations could be adversely affected, whilst we litigate or take other steps to protect our rights. We may be required to incur significant litigation costs, and the attention of District Energy s management may be diverted for extended periods.

If certain events within or beyond the control of District Energy occur, District Energy may be unable to perform its contractual obligations to provide chilling and heating services to its customers. If, as a result, its customers elect to terminate their contracts, District Energy may suffer loss of revenue. In addition, District Energy may be required to make payments to such customers for damages.

In the event of a shutdown of one or more of District Energy s plants due to operational breakdown, strikes, the inability to retain or replace key technical personnel or events outside its control, such as an electricity blackout, or unprecedented weather conditions in Chicago, District Energy may be unable to continue to provide chilling and heating services to all of its customers. As a result, District Energy may be in breach of the terms of some or all of its customer contracts. In the event that such customers elect to terminate their contracts with District Energy as a consequence of their loss of service, its revenue may be materially adversely affected. In addition, under a number of contracts, District Energy may be required to pay damages to a customer in the event that a cessation of service results in loss to that customer.

Northwind Aladdin currently derives a majority of its operating cash flows from a contract with a single customer, the Planet Hollywood Resort and Casino, which emerged from bankruptcy several years ago. If this customer were to enter into bankruptcy again, Northwind s Aladdin s contract may be amended or terminated and the business may receive no compensation, which could result in the loss of our investment in Northwind Aladdin.

Northwind Aladdin derives a majority of its cash flows from a contract with the Planet Hollywood resort and casino (formerly known as the Aladdin resort and casino) in Las Vegas to supply cold and hot water and back-up electricity. The Aladdin resort and casino emerged from bankruptcy immediately prior to District Energy s acquisition of Northwind Aladdin in September of 2004, and during the course of those proceedings, the contract with Northwind Aladdin was amended to reduce the payment obligations of the Aladdin resort and casino. If the Planet Hollywood resort and casino were to enter into bankruptcy again and a cheaper source of the services that Northwind Aladdin provides can be found, the current contract may be terminated or amended. This could result in a total loss or significant reduction in District Energy s income from Northwind Aladdin, for which the business may receive no compensation.

Weather conditions and conservation efforts may negatively impact District Energy s results of operations.

District Energy s earnings are generated by the sale of cooling and heating services. Weather conditions that are significantly cooler than normal in District Energy s service areas may negatively affect demand for the services it provides. Demand for its services may also be reduced by the conservation efforts of its customers and by any conservation mandated by regulations to curb the effects of climate change and global warming. A reduction in demand for District Energy s services could adversely affect District Energy s results of operations.

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Risks Related to Atlantic Aviation

Deterioration of business jet traffic at airports where Atlantic Aviation operates would decrease Atlantic Aviation s ability to refinance its debt.

As of December 31, 2012, Atlantic Aviation had total long-term debt outstanding of $731.5 million, consisting of $675.8 million in term loan debt; $50.0 million in capital expenditure facilities; and $5.7 million in stand-alone debt facility. The terms of these debt arrangements require compliance with certain operating and financial covenants. The ability of Atlantic Aviation to meet their respective debt service obligations and to refinance or repay their outstanding indebtedness will depend primarily upon cash produced by this business.

Deterioration in the economy in general or in the aviation industry that results in less air traffic at airports that Atlantic Aviation services would have a material adverse impact on our business.

A large part of the business revenue is derived from fuel sales and other services provided to general aviation customers and, to a lesser extent, commercial air travelers. An economic downturn could reduce the level of air travel, adversely affecting Atlantic Aviation. General aviation travel is primarily a function of economic activity. Consequently, during periods of economic downturn, FBO customers are more likely to curtail air travel.

Air travel and air traffic volume can also be affected by events that have nationwide and industry-wide implications. Events such as wars, outbreaks of disease, severe weather and terrorist activities in the United States or overseas may reduce air travel. Local circumstances include downturns in the general economic conditions of the area where an airport is located or other situations in which the business major FBO customers relocates their home base or preferred fueling stop to alternative locations.

In addition, changes to regulations governing the tax treatment relating to general aviation travel, either for businesses or individuals, may cause a reduction in general aviation travel. Increased environmental regulation restricting or increasing the cost of aviation activities could also cause the business revenue to decline.

Atlantic Aviation is subject to a variety of competitive pressures, and the actions of competitors may have a material adverse effect on its revenue.

FBO operators at a particular airport compete based on a number of factors, including location of the facility relative to runways and street access, service, value added features, reliability and price. Many of Atlantic Aviation s FBOs compete with one or more FBOs at their respective airports and with FBOs at nearby airports. Furthermore, leases related to FBO operations may be subject to competitive bidding at the end of their term. Some present and potential competitors may have or may obtain greater financial and marketing resources than Atlantic Aviation, which may negatively impact Atlantic Aviation s ability to compete at each airport or for lease renewal. Some competitors may aggressively or irrationally price their bids for airport concessions, which may limit the business ability to grow or renew its portfolio.

Atlantic Aviation s FBOs do not have the right to be the sole provider of FBO services at any airport. The authority responsible for each airport has the ability to grant other leases to other operators and new competitors could be established at those airports. The addition of new competitors may reduce or impair Atlantic Aviation s ability to grow or improve its financial performance.

Increased pricing competition at Atlantic Aviation may have an adverse effect on market share and fuel margins, causing a decline in the profitability of that business.

Atlantic Aviation s competitors may pursue more aggressive pricing strategies. These competitors may operate FBOs at a number of airports where Atlantic Aviation operates or at airports near where it operates. Excessive price discounting may cause fuel volume and market share decline, potential decline in hangar rentals and de-icing and may result in increased margin pressure, adversely affecting the profitability of this business.

Atlantic Aviation is subject to a variety of competitive pressures, and theactions of competitors may have a material

The termination for cause or convenience of one or more of the FBO leases would damage Atlantic Aviation s operations significantly.

Atlantic Aviation s revenue is derived from long-term leases at 62 airports in the U.S. If Atlantic Aviation defaults on the terms and conditions of its leases, including upon insolvency, the relevant authority may terminate the lease without compensation. In this case, Atlantic Aviation would then lose the income from that location and potentially the expected returns from prior capital expenditures. Atlantic Aviation would also likely be in default under the loan agreements and be obliged to repay its lenders a portion or the entire outstanding loan amount. Any such events would have a material adverse effect on Atlantic Aviation s results of operations.

Reductions in U.S. military spending could result in a reduction in demand for services provided by Atlantic Aviation at certain airports in the U.S.

The U.S. military operates non-combat aircraft that are serviced at Atlantic Aviation FBOs around the U.S. and combat and non-combat aircraft at certain airports where fuel and fuel-related services are provided by Atlantic Aviation. Cuts in U.S. military spending, to the extent they result in a reduction in the number of flights by military aircraft, could reduce fuel and non-fuel revenue at Atlantic Aviation.

The Transportation Security Administration, or TSA, is considering new regulations which could impair the relative convenience of general aviation and adversely affect demand for Atlantic Aviation s services.

The TSA has proposed new regulations known as the Large Aircraft Security Program (LASP), which would require all U.S. operators of general aviation aircraft exceeding 12,500 pounds maximum take-off weight to implement security programs that are subject to TSA audit. In addition, the proposed regulations would require airports servicing these aircraft to implement security programs involving additional security measures, including passenger and baggage screening. The business believes these new regulations, if implemented, will affect many of Atlantic Aviation s customers and all of the airports at which it operates. These rules, if adopted, could decrease the convenience and attractiveness of general aviation travel relative to commercial air travel and, therefore, may adversely impact demand for Atlantic Aviation s services.

The lack of accurate and reliable industry data can result in unfavorable strategic planning, mergers and acquisitions and macro pricing decisions.

The business uses industry and airport-specific general aviation traffic data published by the FAA to identify trends in the FBO industry. The business also uses this traffic data as a key input to decision-making in strategic planning, mergers and acquisitions and macro pricing matters. However, as noted by the FAA on their website, the data has several limitations and challenges. As a result, the use of the FAA traffic data may result in conclusions in strategic planning, mergers and acquisitions or macro pricing decisions that are ultimately unfavorable.

Risks Related to MIC Solar

MIC Solar depends on counterparties performing in accordance with their agreements. If they fail to so perform, MIC Solar could incur substantial expenses and business disruptions which could materially adversely affect MIC Solar s financial condition, cash flows and results of operations.

MIC Solar is exposed to the risk that counterparties under long-term agreements will not perform their obligations in accordance with such agreements. Should they fail to so perform, MIC Solar may be required to acquire alternative purchasers of the power MIC Solar s power generation facilities produce. The failure of any of the parties to perform in accordance with these agreements could adversely affect MIC Solar s results of operations, cash flows and financial condition.

MIC Solar is the managing member of the operating LLCs that own the solar generation facilities in Arizona and Texas. MIC Solar s failure to uphold its obligations as managing member could materially adversely affect MIC Solar s financial condition, cash flows and results of operations.

MIC Solar has entered into an operating LLC agreement as managing member with its co-investor for the solar generation facilities in Arizona and Texas. As managing member, MIC Solar is obligated to perform certain actions, including providing certain reporting items to its co-investor and in relation to filing tax returns. As managing member, MIC Solar is also obligated to refrain from performing certain actions, including selling its interest to certain entities that would result in adverse economic outcomes to MIC Solar and its co-investor due to tax regulations. MIC Solar s failure to perform its obligations or to take any actions contrary to its obligations under the operating LLC agreement could adversely affect MIC Solar s results of operations, cash flows and financial condition.

Risks Related to Ownership of Our Stock

MIC s inherently complex structure and financial reporting may make it difficult for some investors to value our LLC interests.

We are a limited liability company structured as a non-operating holding company of four operating businesses and one substantial, unconsolidated investment. We have elected to be treated as a corporation for tax purposes. Our consolidated federal income tax group is comprised of two of our operating businesses. Our investment and one of our operating businesses file stand-alone federal income tax returns. To the extent we receive distributions either from our investment or operating business that is not a part of our tax group, and these distributions are characterized as a dividend for tax purposes (as opposed to a return of capital), such distributions would be eligible for the federal dividends received deductions (80% exclusion in calculating taxes). These and other factors may make it difficult for some potential investors, particularly those without a moderate level of financial acumen, to accurately assess the value of our LLC interests and may adversely impact the market for our LLC interests.

Our Manager s decision to reinvest its quarterly base management fees and performance fees, as applicable, in LLC interests or retain the cash will affect holders of LLC interests differently.

Our Manager earned $21.9 million and $67.3 million in base management and performance fees, respectively, during 2012. These fees are based on the Company s market capitalization and performance and maybe higher or lower than these levels in the future. Our Manager, in its sole discretion, may elect to retain base management fees and performance fees, if applicable, paid in cash or to reinvest such payments in additional LLC interests. In the event the Manager chooses not to reinvest the fees to which it is entitled in additional LLC interests, the amount paid will reduce the cash that may otherwise be distributed as a dividend to all shareholders or used in the Company s operations. In the event the Manager chooses to reinvest the fees to which it is entitled in additional LLC interests, effectively returning the cash to us, such reinvestment will dilute existing shareholders by the increase in the percentage of shares owned by the Manager. Either option may adversely impact the market for our LLC interests.

Our reported EBITDA excluding non-cash items and free cash flow will be lower if the Manager elects to retain base management and/or performance fees in cash as compared with its election to reinvest such base management and/or performance fees in additional LLC interests. The amount by which these items are lower could be material. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Part II, Item 7 for further information on how we calculate these items and what management uses these items for.

Our Manager owns a significant portion of MIC s shares outstanding. A sale of all or a portion of the interests owned by our Manager could be interpreted by the equity markets as a lack of confidence in the prospects of the Company.

Our Manager, in its sole discretion, determines whether to reinvest base and performance fees in shares and whether to hold or sell those securities. Reinvestment of base and performance fees in additional shares during the past two years has substantially increased our Manager s ownership stake in the Company. As of February 20, 2013, our Manager owned 11.55% of our outstanding LLC interests. If our Manager decides, for reasons other than the performance and prospects of the Company, to reduce its position in the Company, such sales may be interpreted by some market participants as a lack of confidence in the Company and put downward pressure on the market price of our shares.

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Our total assets include a substantial amount of goodwill and intangible assets. The write-off of a significant portion of intangible assets would negatively affect our reported earnings.

Our total assets reflect a substantial amount of goodwill and other intangible assets. At December 31, 2012, goodwill and other intangible assets, net, represented approximately 51.3% of total assets from continuing operations. Goodwill and other intangible assets were primarily recognized as a result of the acquisitions of our businesses and investments. Other intangible assets consist primarily of airport operating rights, customer relationships and trade names. On at least an annual basis, we assess whether there has been an impairment in the value of goodwill and assess for impairment of other intangible assets with indefinite lives when there are triggering events or circumstances. If the carrying value of the tested asset exceeds its estimated fair value, impairment is deemed to have occurred. In this event, the amount is written down to fair value. Under current accounting rules, this would result in a charge to reported earnings. We have recognized significant impairments in the past, and any future determination requiring the write-off of a significant portion of goodwill or other intangible assets would negatively affect our reported earnings and total capitalization, and could be material.

Our total assets include a substantial amount of goodwill, intangible assets and fixed assets. The depreciation and amortization of these assets may negatively impact our reported earnings.

The high level of intangible and physical assets written up to fair value upon acquisition of our businesses generates substantial amounts of depreciation and amortization. These non-cash items serve to lower net income as reported in our statement of operations as well as our taxable income. The generation of net losses or relatively small net income may contribute to a net operating loss (NOL) carryforward that can be used to offset currently taxable income in future periods. However, the continued reporting of little or negative net income may adversely affect the attractiveness of the Company among some potential investors and may reduce the market for our LLC interests.

Our Manager s affiliation with Macquarie Group Limited and the Macquarie Group may result in conflicts of interest or a decline in our stock price.

Our Manager is an affiliate of Macquarie Group Limited and a member of the Macquarie Group. From time to time, we have entered into, and in the future we may enter into, transactions and relationships involving Macquarie Group Limited, its affiliates, or other members of the Macquarie Group. Such transactions have included and may include, among other things, the entry into debt facilities and derivative instruments with members of the Macquarie Group serving as lender or counterparty, and financial advisory services provided to us by the Macquarie Group.

Although our audit committee, all of the members of which are independent directors, is required to approve of any related party transactions, including those involving members of the Macquarie Group or its affiliates, the relationship of our Manager to the Macquarie Group may result in conflicts of interest.

In addition, as a result of our Manager s being a member of the Macquarie Group, negative market perceptions of Macquarie Group Limited generally or of Macquarie s infrastructure management model, or Macquarie Group statements or actions with respect to other managed vehicles, may affect market perceptions of our Company and cause a decline in the price of our LLC interests unrelated to our financial performance and prospects.

Our Manager can resign with 90 days notice and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations, which could adversely affect our financial results and negatively impact the market price of our LLC interests.

Our Manager has the right, under the management services agreement, to resign at any time with 90 days notice, whether we have found a replacement or not. The resignation of our Manager will trigger mandatory repayment obligations under debt facilities at our operating companies other than IMTT and Hawaii Gas. If our Manager resigns, we may not be able to find a new external manager or hire internal management with similar expertise within 90 days to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial results could be adversely affected, perhaps materially, and the market price of our LLC interests may decline substantially. In addition, the coordination of our internal management, acquisition activities and supervision of our

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businesses and investments are likely to suffer if we were unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Manager and its affiliates.

Furthermore, if our Manager resigns, the Company and its subsidiaries will be required to cease use of the Macquarie brand entirely, and change their names to remove any reference to Macquarie . This may cause the value of the Company and the market price of our LLC interests to decline.

In the event of the underperformance of our Manager, we may be unable to remove our Manager, which could limit our ability to improve our performance and could adversely affect the market price of our LLC interests.

Under the terms of the management services agreement, our Manager must significantly underperform in order for the management services agreement to be terminated. The Company s Board of Directors cannot remove our Manager unless:

our LLC interests underperform a weighted average of two benchmark indices by more than 30% in relative terms and more than 2.5% in absolute terms in 16 out of 20 consecutive quarters prior to and including the most recent full quarter, and the holders of a minimum of 66.67% of the outstanding LLC interests (excluding any LLC interests owned by our Manager or any affiliate of the Manager) vote to remove our Manager;
our Manager materially breaches the terms of the management services agreement and such breach continues unremedied for 60 days after notice;
our Manager acts with gross negligence, willful misconduct, bad faith or reckless disregard of its duties in carrying out its obligations under the management services agreement, or engages in fraudulent or dishonest acts; or
our Manager experiences certain bankruptcy events.

Because our Manager s performance is measured by the market performance of our LLC interests relative to a benchmark index, even if the absolute market performance of our LLC interests does not meet expectations, the Company s Board of Directors cannot remove our Manager unless the market performance of our LLC interests also significantly underperforms the benchmark index. If we were unable to remove our Manager in circumstances where the absolute market performance of our LLC interests does not meet expectations, the market price of our LLC interests could be negatively affected.

Certain provisions of the management services agreement and the operating agreement of the Company makes it difficult for third parties to acquire control of the Company and could deprive investors of the opportunity to obtain a takeover premium for their LLC interests.

In addition to the limited circumstances in which our Manager can be terminated under the terms of the management services agreement, the management services agreement provides that in circumstances where the stock ceases to be listed on a recognized U.S. exchange as a result of the acquisition of stock by third parties in an amount that results in the stock ceasing to meet the distribution and trading criteria on such exchange or market, the Manager has the option to either propose an alternate fee structure and remain our Manager or resign, terminate the management services agreement upon 30 days written notice and be paid a substantial termination fee. The termination fee payable on the Manager s exercise of its right to resign as our Manager subsequent to a delisting of our LLC interests could delay or prevent a change in control that may favor our shareholders. Furthermore, in the event of such a delisting, any proceeds from the sale, lease or exchange of a significant amount of assets must be reinvested in new assets of our Company, subject to debt repayment obligations. We would also be prohibited from incurring any new indebtedness or engaging in any transactions with shareholders of the Company or its affiliates without the prior written approval of the Manager. These provisions could deprive shareholders of opportunities to realize a premium on the LLC interests owned by them.

The operating agreement of the Company, which we refer to as the LLC agreement, contains a number of provisions that could have the effect of making it more difficult for a third-party to acquire, or discouraging a third-party from acquiring, control of the Company. These provisions include:

- restrictions on the Company s ability to enter into certain transactions with our major shareholders, with the exception of our Manager, modeled on the limitation contained in Section 203 of the Delaware General Corporation Law;
- allowing only the Company s Board of Directors to fill vacancies, including newly created directorships and requiring that directors may be removed only for cause and by a shareholder vote of 66 2/3%;
- requiring that only the Company s chairman or Board of Directors may call a special meeting of our shareholders;
- prohibiting shareholders from taking any action by written consent;
- establishing advance notice requirements for nominations of candidates for election to the Company s Board of Directors or for proposing matters that can be acted upon by our shareholders at a shareholders meeting;
- having a substantial number of additional LLC interests authorized but unissued;
- providing the Company s Board of Directors with broad authority to amend the LLC agreement; and
- requiring that any person who is the beneficial owner of 15% or more of our LLC interests make a number of representations to the City of Chicago in its standard form of EDS, the current form of which is included in our LLC agreement, which is incorporated by reference as an exhibit to this report.

The market price and marketability of our LLC interests may from time to time be significantly affected by numerous factors beyond our control, which may adversely affect our ability to raise capital through future equity financings.

The market price of our LLC interests may fluctuate significantly. Many factors that are beyond our control may significantly affect the market price and marketability of our LLC interests and may adversely affect our ability to raise capital through equity financings. These factors include the following:

- price and volume fluctuations in the stock markets generally;
- significant volatility in the market price and trading volume of securities of Macquarie Group Limited and/or vehicles managed by the Macquarie Group or branded under the Macquarie name or logo;
- significant volatility in the market price and trading volume of securities of registered investment companies, business development companies or companies in our sectors, which may not be related to the operating performance of these companies;
- changes in our earnings or variations in operating results;
- any shortfall in EBITDA excluding non-cash items or free cash flow from levels expected by securities analysts;
- changes in regulatory policies or tax law;
- operating performance of companies comparable to us; and
- loss of funding sources.

Risks Related to Taxation

We have significant income tax Net Operating Losses, or NOLs, which may not be realized before they expire.

We have $192.2 million in federal NOL carryforwards at December 31, 2012. While we have concluded that all but $7.8 million of the NOLs will more likely than not be realized, there can be no assurance that we will utilize the NOLs generated to date or any NOLs we might generate in the future. In addition, we have incurred state NOLs and have provided a valuation allowance against a portion of those. As with our federal NOLs, there is also no assurance that we will utilize those state losses or future losses that maybe generated. Further, the State of Illinois has suspended the use of NOL carryforwards through 2014, similar to the State of California s suspension of an NOL deduction through 2011 for large corporations. There can be no assurance

We have significant income tax Net Operating Losses, or NOLs, which maynot be realized before they expire.

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that other states will not suspend the use of NOL carryforwards or that California and Illinois will not extend the suspension of the use of NOL carryforwards.

Our ability to use our NOL carryforwards to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation (or other entity taxable as a corporation, such as the Company) that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change NOLs and certain other tax attributes to offset future taxable income. Generally speaking, an ownership change occurs if the aggregate percentage ownership of the stock of the corporation held by one or more five-percent shareholders (as defined in the Code) increases by more than fifty percentage points over such shareholders lowest percentage ownership during the testing period, which is generally the three year-period ending on the transaction date. If we undergo an ownership change, our ability to utilize NOLs and certain other tax attributes could be limited.

The current treatment of qualified dividend income and long-term capital gains under current U.S. federal income tax law may be adversely affected, changed or repealed in the future.

Under current law, qualified dividend income and long-term capital gains are taxed to non-corporate investors at a maximum U.S. federal income tax rate of 20% beginning in 2013. This tax treatment may be adversely affected, changed or repealed by future changes in tax laws at any time. In addition, certain holders that are individuals, estates or trusts are subject to 3.8% surtax on all or a portion of their net investment income, which may include all or a portion of their dividend income and net gains from the disposition of our LLC interests. This may affect market perceptions of our Company and the market price of our LLC interests could be negatively affected.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

In general, the assets of our businesses, including real property, are pledged to secure the financing arrangements of each business on a stand-alone basis. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in Part II, Item 7 for a further discussion of these financing arrangements.

IMTT

IMTT operates ten wholly-owned bulk liquid storage facilities in the United States and has part ownership in two companies that each own bulk liquid storage facilities in Canada. The land on which the facilities are located is either owned or leased by IMTT with leased land comprising a small proportion of the total land in use. IMTT also owns the storage tanks, piping and transportation infrastructure such as truck and rail loading equipment located at the facilities and related ship docks, except in Quebec and Geismar, where the docks are leased. The business believes that the aforementioned equipment is generally well maintained and adequate for the present operations. For further details, see Our Businesses and Investments IMTT Locations in Part I, Item 1.

Hawaii Gas

Hawaii Gas has facilities and equipment on all major Hawaiian Islands including: leased land beneath the SNG plant; several LPG holding tanks and cylinders; approximately 1,100 miles of underground piping, of which approximately 900 miles are on Oahu; and a 22-mile transmission pipeline from the SNG plant to Pier 38 in Honolulu.

A summary of selected properties, by island, follows. For more information regarding Hawaii Gas s operations, see Our Businesses and Investments Hawaii Gas Fuel Supply, SNG Plant and Distribution System in Part I, Item 1.

Island	Description	Use	Own/Lease
Oahu	SNG Plant	Production of SNG	Lease
	Kamakee Street Buildings and Maintenance yard	Engineering, Maintenance Facility, Warehouse	Own
	LPG Baseyard	Storage facility for tanks and cylinders	Lease
	Topa Fort Street Tower	Executive Offices	Lease
	Various Holding Tanks	Store and supply LPG to utility customers	Lease
Maui	Office, tank storage facilities and baseyard	Island-wide operations	Lease
Kauai	Office	Island-wide operations	Own
Kauai	Tank storage facility and baseyard	Island-wide operations	Lease
Hawaii	Office, tank storage facilities and baseyard	Island-wide operations	Own

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District Energy

District Energy owns or leases six plants in Chicago as follows:

Plant Number	Ownership or Lease Information
P-1	The building and equipment are owned by District Energy and the business has a long-term property lease until 2043 with an option to renew for 49 years.
P-2	Property, building and equipment are owned by District Energy.
P-3	District Energy has a property lease that expires in 2033 with a right to renew for ten years. The equipment is owned by District Energy, but the landlord has a purchase option over approximately one-fourth of the equipment.
P-4	District Energy has a property lease that expires in 2016 and the business may renew the lease for another 10 years for the P-4B property unilaterally, and for P-4A, with the consent of the landlord. The equipment at P-4A and P-4B is owned by District Energy. The landlord can terminate the service agreement and the P-4A property lease upon transfer of the property, on which P-4A and P-4B are located, to a third-party.
P-5	District Energy has an exclusive perpetual easement for the use of the basement where the equipment is located. The equipment is owned by District Energy.
Stand-Alone	District Energy has a contractual right to use the property pursuant to a service agreement and will own the equipment until the earliest of 2025 when the equipment reverts to the customer or if the customer exercises an early purchase option.

District Energy also owns approximately 15 miles of underground piping through which it distributes chilled water from its facilities to the customers in downtown Chicago.

The equipment at District Energy s Las Vegas facility is housed in its own building on a parcel of leased property within the perimeter of the Planet Hollywood resort. The property lease expires in 2020 and is co-terminous with the supply contract with the Planet Hollywood resort. The building and equipment are owned by District Energy and upon expiration of the lease the business is required to either abandon the building and equipment or remove them at the landlord s expense. For further details, see Our Business and Investments District Energy Business Overview in Part I, Item 1.

Atlantic Aviation

Atlantic Aviation does not own any real property. Its operations are carried out under various long-term leases. The business leases office space for its head office in Plano, Texas. For more information regarding Atlantic Aviation s FBO locations, see Our Businesses and Investments Atlantic Aviation Business Locations in Part I, Item 1.

Atlantic Aviation owns or leases a number of vehicles, including fuel trucks and other equipment needed to provide service to customers. Routine maintenance is performed on this equipment and a portion is replaced in accordance with a pre-determined schedule. Atlantic Aviation believes that the equipment is generally well maintained and adequate for present operations. Changes in market conditions allowed Atlantic Aviation to move to purchasing or procuring capital leases for larger equipment. Atlantic Aviation believes that these assets are a core part of the business and have long useful lives making ownership desirable if conditions permit.

MIC Solar

MIC Solar has two utility-scale solar photovoltaic power generation facilities located in the southwest United States that are capable of generating a combined approximately 30 megawatts of electricity. The first facility is a fully operational solar farm located in Tucson, Arizona and the second facility is in construction and is located in Presidio, Texas. The Company and a co-investor own the facilities. The land upon which these facilities are constructed is leased pursuant to operating leases ranging from 20 to 30 years, with options to extend at the end of the leases.

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ITEM 3. LEGAL PROCEEDINGS

IMTT Bayonne Clean Air Act

Section 185 of the Clean Air Act (CAA) requires States (or in the absence of state action, the EPA) in severe and extreme non-attainment areas to adopt a penalty for major stationary sources of volatile organic compounds and nitrogen oxides if the area fails to attain the one-hour ozone National Ambient Air Quality Standard (NAAQS) set by the EPA. IMTT s Bayonne facility is a major stationary source of volatile organic compounds and nitrogen oxides in the New Jersey-Connecticut severe non-attainment area. Although we believe IMTT s Bayonne facility is in substantial compliance with CAA obligations, the subject area failed to meet the required NAAQS by the attainment date in 2007 and as a consequence IMTT-Bayonne believes it is likely to be assessed a penalty linked to its 2008 to 2011 emissions that were in excess of baseline levels. IMTT expects that the penalty related to these matters will be less than $500,000 in the aggregate and that it will not be payable until 2013 or later. IMTT continues to work to reduce, to the extent feasible, its emissions in order to avoid or reduce potential future penalties.

Except as noted above, there are no legal proceedings pending that we believe will have a material adverse effect on us other than ordinary course litigation incidental to our businesses. We are involved in ordinary course legal, regulatory, administrative and environmental proceedings. Typically, expenses associated with these proceedings are covered by insurance.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our LLC interests are traded on the NYSE under the symbol MIC . The following table sets forth, for the fiscal periods indicated, the high and low sales prices per LLC interest on the NYSE:

	High	Low
Fiscal 2011		
First Quarter	$ 25.19	$ 20.25
Second Quarter	28.63	21.69
Third Quarter	28.15	19.85
Fourth Quarter	28.46	21.34
Fiscal 2012		
First Quarter	$ 33.35	$ 27.25
Second Quarter	35.86	31.90
Third Quarter	43.21	32.38
Fourth Quarter	46.18	40.76
Fiscal 2013		
First Quarter (through February 15, 2013)	$ 51.95	$ 45.66

As of February 15, 2013, we had 47,453,943 LLC interests issued and outstanding that we believe were held by 61 holders of record, representing approximately 18,300 beneficial holders.

Dividend Policy

MIC has been structured to provide investors with an opportunity to generate an attractive total return based on the capital appreciation resulting from the improved operating performance of our businesses and investments over time and the payment of a sustainable and growing cash dividend. The amount of the dividend is determined based on the cash flows available to MIC from its operating companies. It is our intent to pay out the majority of the cash that is freely distributable at the MIC level, subject to maintaining a prudent level of reserves and without creating volatility in the amount of such dividends.

MIC is receiving distributions from Hawaii Gas and from its interest in IMTT. The cash generated by Atlantic Aviation and District Energy is being used to reduce each business indebtedness. We believe that when we successfully refinance Atlantic Aviation and District Energy, we will distribute the majority of the free cash flow generated by our businesses as a dividend to our shareholders.

Since January 1, 2011, MIC has made or declared the following dividends:

Declared	Period Covered	$ per LLC Interest	Record Date	Payable Date
December 12, 2012	Fourth quarter 2012	$ 0.6875	December 24, 2012	December 28, 2012
October 29, 2012	Third quarter 2012	$ 0.6875	November 12, 2012	November 15, 2012
July 30, 2012	Second quarter 2012	$ 0.625	August 13, 2012	August 16, 2012
April 30, 2012	First quarter 2012	$ 0.20	May 14, 2012	May 17, 2012
February 1, 2012	Fourth quarter 2011	$ 0.20	March 5, 2012	March 8, 2012
October 31, 2011	Third quarter 2011	$ 0.20	November 14, 2011	November 17, 2011
August 1, 2011	Second quarter 2011	$ 0.20	August 15, 2011	August 18, 2011
May 2, 2011	First quarter 2011	$ 0.20	May 11, 2011	May 18, 2011

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Tax Treatment of 2012 Dividends

The Company has determined that 64% of the dividends paid in 2012 were characterized as a dividend, with the balance characterized as a return of capital. The Company believes that the dividend portion will be eligible for treatment as qualified dividend income for U.S. federal income tax purposes, subject to the shareholder having met the holding period requirements as defined by the Internal Revenue Code.

Future dividends, if any, may be characterized as a dividend or a return of capital depending on the Earnings and Profits of the Company as determined in accordance with Internal Revenue Code. Holders of MIC LLC interests are encouraged to seek their own tax advice with regard to their investment in MIC.

Future Dividends

Our Board has expressed an intent to distribute a significant portion of the cash generated by our businesses to our shareholders in the form of a quarterly cash dividend. Not all of the cash flow generated by our businesses is currently available for distribution. The payment of a quarterly cash dividend of $0.6875 per share is being paid out of cash generated by certain of our operating entities, supplemented by cash on hand. Following the anticipated refinancing of Atlantic Aviation s debt facilities prior to their maturity in October of 2014, if consummated, and contingent upon the continued stable performance of MIC s businesses, and subject to prevailing economic conditions, our Board will consider increasing the amount of the quarterly cash dividend.

The declaration and payment of any future dividends will be subject to a decision of the Company s Board of Directors. The Board will take into account such matters as the state of the capital markets and general business conditions, the Company s financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company, and any other factors that it deems relevant. In particular, each of the Company s businesses and investments have substantial debt commitments and restrictive covenants, which must be satisfied before any of them can make distributions to the Company. Any or all of these factors could affect both the timing and amount, if any, of future dividends. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in Part II, Item 7.

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ITEM 6. SELECTED FINANCIAL DATA

The selected financial data includes the results of operations, cash flow and balance sheet data for the years ended, and as of, December 31, 2012, 2011, 2010, 2009 and 2008 for our consolidated group, with the results of businesses acquired during those years being included from the date of each acquisition. The selected financial data for each of the five years in the period ended December 31, 2012 have been derived from the consolidated financial statements of the Company, which financial statements have been audited by KPMG LLP, independent registered public accountants. The information below should be read in conjunction with the consolidated financial statements (and notes thereon) and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7.

	Macquarie Infrastructure Company LLC				
	Year Ended Dec 31, 2012	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008
	($ In Thousands, Except Share and Per Share Data)				
Statement of operations data:					
Revenue					
Revenue from product sales	$677,164	$ 639,521	$514,344	$394,200	$586,054
Revenue from product sales utility	144,439	140,746	113,752	95,769	121,770
Service revenue	207,907	203,532	204,852	215,349	264,851
Financing and equipment lease income	4,536	4,992	7,843	4,758	4,686
Total revenue	1,034,046	988,791	840,791	710,076	977,361
Cost of revenue					
Cost of product sales	462,229	437,049	326,734	233,376	408,690
Cost of product sales utility	122,254	116,413	90,542	73,907	105,329
Cost of services(1)	52,609	52,744	53,088	46,317	63,850
Gross profit	396,954	382,585	370,427	356,476	399,492
Selling, general and administrative expenses	213,372	202,486	201,787	209,783	227,288
Fees to manager related party	89,227	15,475	10,051	4,846	12,568
Goodwill impairment(2)				71,200	52,000
Depreciation(3)	31,587	33,815	29,721	36,813	40,140
Amortization of intangibles(4)	34,601	42,107	34,898	60,892	61,874
(Gain) loss on disposal of assets(5)	(1,358)	1,522	17,869		
Total operating expenses	367,429	295,405	294,326	383,534	393,870
Operating income (loss)	29,525	87,180	76,101	(27,058)	5,622
Interest income	222	112	29	119	1,090
Interest expense(6)	(46,623)	(59,361)	(106,834)	(95,456)	(88,652)
Equity in earnings and amortization charges of investees	32,327	22,763	31,301	22,561	1,324
Loss on derivative instruments				(25,238)	(2,843)
Other income (expense), net	1,085	912	712	570	(198)
	16,536	51,606	1,309	(124,502)	(83,657)

Net income (loss) from continuing operations before income taxes					
(Provision) benefit for income taxes	(2,285)	(22,718)	8,697	15,818	14,061
Net income (loss) from continuing operations	$14,251	$28,888	$10,006	$(108,684)	$(69,596)
Net income (loss) from discontinued operations, net of taxes			81,323	(21,860)	(110,045)
Net income (loss)	$14,251	$28,888	$91,329	$(130,544)	$(179,641)
Less: net income (loss) attributable to noncontrolling interests	930	1,545	659	(1,377)	(1,168)
Net income (loss) attributable to MIC LLC	$13,321	$27,343	$90,670	$(129,167)	$(178,473)

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	Macquarie Infrastructure Company LLC Year Ended Dec 31, 2012	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008
	($ In Thousands, Except Share and Per Share Data)				
Basic income (loss) per share from continuing operations attributable to MIC LLC interest holders	$0.29	$0.59	$0.21	$(2.43)	$(1.56)
Basic income (loss) per share from discontinued operations attributable to MIC LLC interest holders			1.78	(0.44)	(2.41)
Basic income (loss) per share attributable to MIC LLC interest holders	$0.29	$0.59	$1.99	$(2.87)	$(3.97)
Weighted average number of shares outstanding: basic	46,635,049	45,995,207	45,549,803	45,020,085	44,944,326
Diluted income (loss) per share from continuing operations attributable to MIC LLC interest holders	$0.29	$0.59	$0.21	$(2.43)	$(1.56)
Diluted income (loss) per share from discontinued operations attributable to MIC LLC interest holders			1.78	(0.44)	(2.41)
Diluted income (loss) per share attributable to MIC LLC interest holders	$0.29	$0.59	$1.99	$(2.87)	$(3.97)
Weighted average number of shares outstanding: diluted	46,655,289	46,021,015	45,631,610	45,020,085	44,944,326
Cash dividends declared per share	$2.20	$0.80	$	$	$2.125

	Macquarie Infrastructure Company LLC Year Ended Dec 31, 2012	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008
	($ In Thousands)				
Statement of cash flows data:					
Cash flow from continuing operations					
Cash provided by operating activities	$217,911	$91,042	$98,555	$82,976	$95,579
Cash provided by (used in) investing activities	2,477	(39,682)	(24,774)	(516)	(56,716)
Cash (used in) provided by financing activities	(101,798)	(53,137)	(76,528)	(117,818)	1,698

Net increase (decrease) in cash	$118,590	$(1,777)	$(2,747)	$(35,358)	$40,561
Cash flow from discontinued operations					
Cash used in operating activities	$	$	$(12,703)	$(4,732)	$(1,904)
Cash provided by (used in) investing activities			134,356	(445)	(26,684)
Cash (used in) provided by financing activities			(124,183)	2,144	(1,215)
Cash used in discontinued operations(7)	$	$	$(2,530)	$(3,033)	$(29,803)
Change in cash of discontinued operations held for sale(7)	$	$	$2,385	$(208)	$2,459

(1) Includes depreciation expense of $6.7 million, $6.6 million, $6.6 million, $6.1 million and $5.8 million for the years ended December 31, 2012, 2011, 2010, 2009, and 2008, respectively, relating to District Energy.

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(2) Reflects non-cash impairment charges of $71.2 million and $52.0 million recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

(3) Includes non-cash impairment charges of $1.4 million, $7.5 million and $13.8 million recorded during the second quarter of 2011, first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

(4) Includes non-cash impairment charges of $7.3 million, $23.3 million and $21.7 million for contractual arrangements recorded during the second quarter of 2011, first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

(5) Gain on disposal of assets includes $1.4 million for FBOs sold at Atlantic Aviation during the year ended December 31, 2012. Loss on disposal of assets includes $1.5 million and $17.9 million for FBOs sold at Atlantic Aviation during the years ended December 31, 2011 and 2010, respectively.

(6) Interest expense, net, includes adjustment to derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees. Interest rate swap breakage fees at Hawaii Gas were $8.7 million for the year ended December 31, 2012. Interest rate swap breakage fees at Atlantic Aviation were $595,000, $2.3 million, $5.5 million and $8.8 million for the years ended December 31, 2012, 2011, 2010 and 2009, respectively.

(7) Cash of discontinued operations held for sale is reported in assets of discontinued operations held for sale in our consolidated balance sheets. The net cash used in discontinued operations is different than the change in cash of discontinued operations held for sale due to intercompany transactions that are eliminated in consolidation.

	Macquarie Infrastructure Company LLC				
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
	($ In Thousands)				
Balance sheet data:					
Assets of discontinued operations held for sale	$	$	$	$86,695	$105,725
Total current assets from continuing operations	253,910	143,313	125,427	129,866	193,890
Property, equipment, land and leasehold improvements, net(1)	708,031	561,022	563,451	580,087	592,435
Intangible assets, net(2)	626,902	662,135	705,862	751,081	811,973
Goodwill(3)	514,640	516,175	514,253	516,182	586,249
Total assets	$2,223,694	$2,168,633	$2,196,742	$2,339,221	$2,552,436
Liabilities of discontinued operations held for sale	$	$	$	$220,549	$224,888
Total current liabilities from continuing operations	245,330	148,902	171,286	174,647	135,311
Deferred income taxes	169,392	177,262	156,328	107,840	83,228
Long-term debt, net of current portion	1,052,584	1,086,053	1,089,559	1,166,379	1,327,800
Total liabilities	1,526,129	1,474,773	1,510,047	1,764,453	1,918,175
Members' equity	$655,028	$703,682	$691,149	$578,526	$628,838

(1) Includes non-cash impairment charges of $1.4 million, $7.5 million and $13.8 million recorded during the second quarter of 2011, first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

(2) Includes non-cash impairment charges of $7.3 million, $23.3 million and $21.7 million for contractual arrangements recorded during the second quarter of 2011, first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

(3)

Reflects non-cash impairment charges of $71.2 million and $52.0 million recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of Macquarie Infrastructure Company LLC should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere herein.

We own, operate and invest in a diversified group of infrastructure businesses that provide basic services, such as chilled water for building cooling and utility gas services to businesses and individuals primarily in the U.S. The businesses we own and operate are a 50% interest in International Matex Tank Terminals, or IMTT, Hawaii Gas, our controlling interest in District Energy and MIC Solar, and Atlantic Aviation.

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

Overview

In analyzing the financial condition and results of operations of our businesses, we focus primarily on cash generation, and our ability to distribute cash to shareholders in particular. The ability of our businesses to generate cash, broadly, is tied to their ability to effectively manage the volume of products/services sold and the margin earned on those sales. Offsetting these are required payments on debt facilities, taxes and capital expenditures necessary to maintain the productivity of the fixed assets of the businesses, among others.

At IMTT, we focus on the amount of storage under contract and the rates at which that storage is leased to third parties and on making appropriate expenditures in maintaining fixed assets of the business. Both storage rates and aggregate capacity grew in 2012. Consistent with expectations for 2012, MIC believes that the average rates on all storage contracts in 2013 will increase between 5% and 7%. Capacity is expected to increase during 2013 with the commissioning of storage currently or soon to be under construction, while utilization may decline temporarily as tanks are removed from service for cleaning and inspection.

During the third quarter of 2012, our gas processing and distribution business rebranded itself as Hawaii Gas. At Hawaii Gas, our focus is on the number of customers served by each of the utility and non-utility portions of the business, and in the case of the non-utility portion, the margins achieved on sales of gas as well. Hawaii Gas has an active marketing program that seeks to develop new customers throughout Hawaii. We periodically pursue rate cases that allow for adjustment of the rates in the utility portion of the business, although we do not intend to pursue any significant rate case in 2013. The pricing of non-utility gas is adjusted to reflect changes in the cost of the product and the costs associated with delivering it to customers. In addition to the existing utility and non-utility operations, Hawaii Gas is advancing initiatives related to the distribution of Liquefied Natural Gas, or LNG. This initiative to bring LNG on a small scale is expected to begin in 2013. Variation in the volume of gas sold by Hawaii Gas is a function of tourism and economic activity in Hawaii generally. The volume of gas sold in 2013 is expected to increase compared with 2012 net of decreases in demand related to conservation and substitution.

At District Energy, we focus on attracting and maintaining relationships with building owners and managers such that they choose to install or continue to use the business cooling services. Absent a resurgence in new construction in downtown Chicago, we expect District Energy to produce financial results consistent with prior years, although full year results remain subject to slight variation based on the extent to which the temperatures and humidity in Chicago are above or below historic norms.

The investment in MIC Solar affords us the opportunity to generate what we believe to be an attractive return. We believe MIC Solar will generate a predictable and stable level of distributable cash with minimal operational risk and costs due to the simplicity of the physical facility and the existence of a robust operations and maintenance agreement with a highly reputable and experienced service provider. MIC Solar constitutes a business segment that does not meet the threshold of a reportable segment. Accordingly, the results of operations of MIC Solar are aggregated with our Corporate and Other results.

IMTT, Hawaii Gas, District Energy and MIC Solar are largely resistant to economic downturns, primarily due to the contracted or utility-like nature of their revenues combined with the essential services they provide and the contractual or regulatory ability to pass through most cost increases to customers. We believe these businesses are generally able to generate consistent cash flows throughout the business cycle.

At Atlantic Aviation, our focus is on attracting and maintaining relationships with general aviation aircraft owners and pilots such that they are incentivized to use our FBOs. General aviation activity has improved since the first quarter of 2009, although, forecasting flight activity levels remains difficult. We believe that flight activity levels will continue to increase in 2013, subject to continued economic recovery in the United States.

Improvement in general aviation activity levels has resulted in improvement in the operating performance of Atlantic Aviation. Atlantic Aviation is generating a substantial amount of cash; however a significant amount of the cash is being used to reduce Atlantic Aviation s indebtedness. Those repayments are expected to enhance the terms on which we may be able to refinance this debt.

Distributions From IMTT For Fiscal Year 2012

Distributions received from IMTT in 2012 totaled $188.1 million, including $77.5 million in distributions per the terms of the Shareholder s Agreement between MIC and its co-investor and $110.6 million received as a result of a judgment delivered in March of 2012. Included in the $77.5 million in distributions in 2012, was a payment of $12.0 million for the fourth quarter that would ordinarily have been paid in the first quarter of 2013.

Income Taxes

We file a consolidated federal income tax return that includes the taxable income of Hawaii Gas and Atlantic Aviation. IMTT and District Energy file separate federal income tax returns. Distributions from IMTT and District Energy may be characterized as non-taxable returns of capital and reduce our tax basis in these businesses, or as a taxable dividend. We will include in our taxable income the dividend portion of any distributions, which are eligible for the 80% dividends received deduction. We also receive and include in taxable income interest income from District Energy on intercompany debt.

As a result of having federal net operating loss, or NOL, carryforwards, we do not expect to make regular federal tax payments at least through the 2015 and into the 2016 tax year. However, we expect to pay an Alternative Minimum Tax of approximately $133,000 for 2012, all of which is related to District Energy. We expect that the Alternative Minimum Tax paid for 2012 will be available as a credit against regular federal income taxes in the future. The cash state and local taxes paid by our individual businesses are discussed in the sections entitled Income Taxes for each of these businesses.

Pursuant to the tax sharing agreements, the individual businesses included in our consolidated federal income tax return pay MIC an amount equal to the federal income taxes each would have paid on a standalone basis if they were not part of the MIC consolidated federal income tax return.

American Taxpayer Relief Act of 2012

In January of 2013, the American Taxpayer Relief Act of 2012 (the 2012 Tax Act) was signed. The 2012 Act extends the period over which the 50% bonus depreciation provided for in the Tax Relief, Unemployment Insurance Reauthorization Act of 2010 applies to include 2013. The Company expects to take the bonus depreciation provision into consideration when evaluating its maintenance and growth capital expenditure plans for 2013.

Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

In December of 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the 2010 Tax Act) was signed. The 2010 Tax Act provides for 100% tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this tax depreciation deduction in determining state taxable income. Importantly, Illinois and Louisiana, two states in which we have significant operations, do permit the use of federal tax depreciation deductions in

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calculating state taxable income. The Company took into consideration the benefits of these accelerated depreciation provisions of the 2010 Tax Act when evaluating its maintenance and growth capital expenditure plans for 2012 and 2011.

Taxpayer Accountability and Budget Stabilization Act

In January of 2011, Illinois enacted the Taxpayer Accountability and Budget Stabilization Act. The legislation increases the corporate income tax rate to 7.0% from 4.8% for taxable years beginning on or after January 1, 2011 and prior to January 1, 2015; to 5.25% for taxable years beginning on or after January 1, 2015 and prior to January 1, 2025; and returns the rate to 4.8% for taxable years beginning on or after January 1, 2025. The legislation also suspends the use of state NOL carryforwards until 2012, and limits the annual utilization in 2012 through 2014 to $100,000 per year. For purposes of determining the taxable years to which a net loss may be carriedforward, no taxable year for which a deduction is disallowed under this provision will be counted. As discussed below in District Energy s Results of Operations, the income tax expense for the year ended December 31, 2011 reflects a change in the deferred tax liability of this business consistent with the change in Illinois law.

Discontinued Operations PCAA Bankruptcy

On June 2, 2010, we concluded the sale in bankruptcy of an airport parking business (Parking Company of America Airports or PCAA), resulting in a pre-tax gain of $130.3 million, of which $76.5 million related to the forgiveness of debt and the elimination of $201.0 million of current debt from liabilities from our consolidated balance sheet. The results of operations from this business and the gain from the bankruptcy sale are separately reported as discontinued operations in the Company s consolidated financial statements. This business is no longer a reportable segment. As a part of the bankruptcy sale process, substantially all of the cash proceeds were used to pay the creditors of this business and were not paid to us. See Note 4, Discontinued Operations , in our consolidated financial statements in Financial Statements and Supplementary Data in Part II, Item 8, of this Form 10-K for financial information and further discussions.

Operating Segments and Businesses

IMTT

IMTT provides bulk liquid storage and handling services in North America through ten terminals located on the East, West and Gulf Coasts, the Great Lakes region of the United States and two partially owned terminals in Quebec and Newfoundland, Canada. IMTT s largest terminals are located in the lower Mississippi River near New Orleans and in New York Harbor. IMTT stores and handles petroleum products, various chemicals, renewable fuels, and vegetable and animal oils. Based on storage capacity, IMTT operates one of the largest independent bulk liquid storage terminal businesses in the United States.

The key drivers of IMTT s revenue and gross profit include the amount of tank capacity rented to customers and the rental rates. Customers generally rent tanks under contracts with terms of three to five years. Payments are due regardless of actual tank usage. Demand for storage capacity within a particular region (e.g. New York Harbor) serves as the key driver of storage capacity utilization and tank rental rates. This demand reflects both the level of consumption of the bulk liquid products stored by the terminals as well as import and export activity of such products. We believe major constraints on increases in the supply of new bulk liquid storage capacity in IMTT s key markets have been and will continue to be limited by availability of waterfront land with access to the infrastructure necessary for land based receipt and distribution of stored product (road, rail and pipelines), lengthy environmental permitting processes and high capital costs. We believe a favorable supply/demand imbalance for bulk liquid storage currently exists in many of the markets served by IMTT s facilities. This condition, when combined with the attributes of IMTT s facilities such as deep water drafts and access to land based infrastructure, have allowed IMTT to increase rental rates while maintaining high storage capacity utilization rates.

IMTT earns revenue at its terminals from a number of sources including storage charges for bulk liquids (per barrel, per month rental), throughput of liquids (handling charges), heating (a pass through of the cost associated with heating liquids to maintain viscosity) and other revenue (blending, packaging, warehousing, etc.). Most customer contracts include provisions for annual price increases based on inflation.

IMTT (continued)

In operating its terminals, IMTT incurs labor costs, fuel costs, repair and maintenance costs, real and personal property taxes and other costs (which include insurance and other operating costs such as utilities and inventory used in packaging and drumming activities). IMTT owns the majority of the land on which it operates and therefore does not incur significant land lease or rental payments.

In 2012, IMTT generated approximately 43% of its total terminal revenue and approximately 48% of its terminal gross profit at its St. Rose, Gretna, Avondale and Geismar facilities, which together service the lower Mississippi River region (with St. Rose being the largest contributor), and approximately 43% of its total terminal revenue and approximately 42% of its terminal gross profit at its Bayonne facility, which serves the New York Harbor market.

IMTT also owns OMI Environmental Solutions, or Oil Mop, an environmental emergency response, industrial services, waste transportation and disposal business. Oil Mop has a network of facilities along the U.S. Gulf Coast between Houston and New Orleans. These facilities predominantly service the Gulf region, but also respond to spill events and provide services as needed throughout the United States and internationally. In 2010, Oil Mop was involved in the clean up of the BP oil spill in the Gulf of Mexico and generated 33% of IMTT s total revenues. Oil Mop s contribution to IMTT s total revenues returned to a historical level of less than 10% of IMTT s total revenues during 2011 and 2012.

Our interest in IMTT Holdings, from the date of closing our acquisition on May 1, 2006, is reflected in our equity in earnings and amortization charges of investee line in our consolidated statements of operations. Cash distributions received by us in excess of our 50% interest in IMTT s earnings less amortization charges are reflected in our consolidated statements of cash flows from investing activities under return on investment in unconsolidated business.

Hawaii Gas

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

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

The utility business serves approximately 35,200 customers through localized distribution systems located on the islands of Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. Over 90% of these customers are on Oahu. The utility business includes the processing, distribution and sale of SNG on the island of Oahu and distribution and sale of LPG on all of the islands mentioned above. Utility revenue consists principally of sales of SNG and LPG. The operating costs for the utility business include the cost of locally purchased feedstock, the cost of processing SNG from the feedstock, LPG purchase costs and the cost of distributing SNG and LPG to customers. Utility sales represented approximately 38% of Hawaii Gas s total contribution margin in 2012.
The non-utility business sells and distributes LPG to approximately 33,400 customers. Trucks deliver LPG to individual tanks located on customer sites on Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. Non-utility revenue is generated primarily from the sale of LPG delivered to customers. The operating costs for the non-utility business include the cost of purchased LPG and the cost of distributing the LPG to customers. Non-utility sales represented approximately 62% of Hawaii Gas s total contribution margin in 2012.

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

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Hawaii Gas (continued)

Revenue is primarily a function of the volume of SNG and LPG sold to customers and the price per thermal unit or gallon charged to customers. Because both SNG and LPG are derived from crude oil, revenue levels, without volume changes, will generally track global oil prices. Utility revenue includes fuel adjustment charges through which the changes in feedstock costs are passed through to customers. Evaluating the performance of this business based on contribution margin removes the volatility associated with fluctuations in the price of feedstock.

Prices charged by Hawaii Gas to its customers for the utility gas business are based on HPUC utility rates that enable the business to recover its costs of providing utility gas service, including operating expenses and taxes, and capital investments through recovery of depreciation and a return on the capital invested. Hawaii Gas s rate structure generally allows it to maintain a relatively consistent dollar-based margin per thermal unit by passing increases or decreases in fuel costs through to customers via fuel adjustment charges without filing a general rate case.

The rates that are charged to non-utility customers are based on the cost of LPG plus delivery costs, the cost of alternative fuels and competitive factors.

Hawaii Gas incurs expenses in operating and maintaining its facilities and distribution network, comprising a SNG plant, a 22-mile transmission line, 1,100 miles of distribution and service pipelines, several tank storage facilities and a fleet of vehicles. These costs are generally fixed in nature. Other operating expenses incurred, such as for LPG, feedstock for the SNG plant and revenue-based taxes, generally fluctuate with the volume of product sold. In addition, the business incurs general and administrative expenses at its executive office that include expenses for senior management, accounting, information technology, human resources, environmental compliance, regulatory compliance, employee benefits, rents, utilities, insurance and other normal business costs.

District Energy

District Energy consists of Thermal Chicago and Northwind Aladdin, which are 50.01% and 37.51% indirectly owned by us, respectively. Thermal Chicago sells chilled water under long-term contracts to approximately 100 customers in downtown Chicago and one customer outside of the downtown area. Thermal Chicago receives both capacity and consumption payments. Capacity payments (cooling capacity revenue) are received regardless of the volume of chilled water used by a customer and these payments generally increase in line with inflation.

Consumption payments (cooling consumption revenue) are per unit charges for the volume of chilled water used. Such payments are higher in the second and third quarters of each year when the demand for building cooling is at its highest. Consumption payments also fluctuate moderately from year to year depending on weather conditions. By contract, consumption payments generally increase in line with a number of indices that reflect the cost of electricity, labor and other input costs relevant to the operations of Thermal Chicago. The weighting of the individual indices broadly reflects the composition of Thermal Chicago s direct expenses.

Thermal Chicago s principal direct expense is electricity. Other direct expenses are water, labor, operations and maintenance and depreciation and accretion. Electricity usage, and to a lesser extent water usage, fluctuates with the volume of chilled water produced. Other direct expenses are largely fixed regardless of the volume of chilled water produced.

Thermal Chicago has entered into a contract with a retail energy supplier to provide the majority of the business electricity needs at fixed prices in 2013. Electricity for one of the plants is purchased by the landlord/customer and the cost is passed through to the business. Thermal Chicago passes through changes in electricity costs to its customers. The business anticipates prices of electricity in supply contracts for 2014 and subsequent years will fluctuate based on underlying power costs.

Northwind Aladdin services customers (a hotel/casino complex, a condominium and a shopping mall) in Las Vegas, Nevada. Under its customer contracts, Northwind Aladdin receives monthly fixed payments totaling approximately $6.4 million per year through March of 2016 and monthly fixed payments totaling approximately $3.0 million per year thereafter through February of 2020.

Atlantic Aviation

The performance of Atlantic Aviation reflects the level of general aviation activity and jet fuel consumption. General aviation activity is in turn a function of economic activity and demographic trends in the regions serviced by the airport at which the business operates and the general level of economic activity in the United States. A number of the airports at which Atlantic Aviation operates are located near key business centers such as New York, Chicago, Philadelphia and Houston as well as recreational destinations such as Aspen, Colorado and Sun Valley, Idaho.

Fuel gross profit is a function of the volume (gallons) sold and the average dollar margin per gallon. The average price per gallon is based on the business cost of fuel plus, where applicable, fees and taxes paid to airports or other local authorities (cost of revenue fuel), plus Atlantic Aviation s margin. Dollar-based margins per gallon have been relatively insensitive to the wholesale price of fuel with both increases and decreases in the wholesale price of fuel generally passed through to customers, subject to the level of price competition that exists at the various FBOs. The average dollar-based margin varies based on business considerations and customer mix. Base tenants generally benefit from price discounts based on a higher utilization of Atlantic Aviation s networks. Transient customers typically pay a higher price.

Atlantic Aviation also earns revenue from activities other than fuel sales (non-fuel revenue). For example, Atlantic Aviation earns revenue from refueling some general aviation customers on a pass-through basis, where it acts as a fueling agent for fuel suppliers. Atlantic Aviation receives a fee for this service, generally calculated on a per gallon basis. In addition, the business earns revenue from aircraft parking and hangar rental fees and by providing general aviation customers with other services, such as de-icing. At some airports Atlantic Aviation also earns revenue from refueling and de-icing some commercial airlines on a fee for service basis.

Expenses associated with non-fuel revenue (cost of revenue non-fuel) include de-icing fluid costs and other costs directly related to the volume of service provided. These costs generally increase in line with non-fuel revenue.

Atlantic Aviation incurs expenses in operating and maintaining each FBO. Operating expenses include rent and insurance, which are generally fixed in nature and other expenses, such as salaries, that generally increase with the level of activity. In addition, Atlantic Aviation incurs general and administrative expenses at the head office that include senior management expenses as well as accounting, information technology, human resources, environmental compliance and other corporate costs.

Results of Operations

Consolidated

Key Factors Affecting Operating Results for 2012 Compared to 2011:

an increase in average storage rates at IMTT;
higher volume of general aviation (GA) fuel sold and lower interest expense at Atlantic Aviation; and
an increase in non-utility contribution margin at Hawaii Gas; partially offset by
performance fees incurred in 2012;
reduced spill response activity in 2012 compared with 2011 at IMTT; and
reduced de-icing revenue at Atlantic Aviation.

Key Factors Affecting Operating Results for 2011 Compared to 2010:

- an increase in average storage rates at IMTT;
- an increase in contribution margin at Hawaii Gas; and
- increased volume of GA fuel sold and lower interest expense; partially offset by
- reduced spill response activity in 2011 compared with 2010 at IMTT.

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Results of Operations: Consolidated (continued)

Our consolidated results of operations are as follows:

	Year Ended December 31,			Change (From 2011 to 2012) Favorable/(Unfavorable)		Change (From 2010 to 2011) Favorable/(Unfavorable)	
	2012	2011	2010	$	%	$	%
	($ In Thousands) (Unaudited)						
Revenue							
Revenue from product sales	$677,164	$ 639,521	$514,344	37,643	5.9	125,177	24.3
Revenue from product sales utility	144,439	140,746	113,752	3,693	2.6	26,994	23.7
Service revenue	207,907	203,532	204,852	4,375	2.1	(1,320)	(0.6)
Financing and equipment lease income	4,536	4,992	7,843	(456)	(9.1)	(2,851)	(36.4)
Total revenue	1,034,046	988,791	840,791	45,255	4.6	148,000	17.6
Costs and expenses							
Cost of product sales	462,229	437,049	326,734	(25,180)	(5.8)	(110,315)	(33.8)
Cost of product sales utility	122,254	116,413	90,542	(5,841)	(5.0)	(25,871)	(28.6)
Cost of services	52,609	52,744	53,088	135	0.3	344	0.6
Gross profit	396,954	382,585	370,427	14,369	3.8	12,158	3.3
Selling, general and administrative	213,372	202,486	201,787	(10,886)	(5.4)	(699)	(0.3)
Fees to manager related party	89,227	15,475	10,051	(73,752)	NM	(5,424)	(54.0)
Depreciation	31,587	33,815	29,721	2,228	6.6	(4,094)	(13.8)
Amortization of intangibles	34,601	42,107	34,898	7,506	17.8	(7,209)	(20.7)
(Gain) loss on disposal of assets	(1,358)	1,522	17,869	2,880	189.2	16,347	91.5
Total operating expenses	367,429	295,405	294,326	(72,024)	(24.4)	(1,079)	(0.4)
Operating income	29,525	87,180	76,101	(57,655)	(66.1)	11,079	14.6
Other income (expense)							
Interest income	222	112	29	110	98.2	83	NM
Interest expense[(1)]	(46,623)	(59,361)	(106,834)	12,738	21.5	47,473	44.4
Equity in earnings and amortization charges of investees	32,327	22,763	31,301	9,564	42.0	(8,538)	(27.3)
Other income, net	1,085	912	712	173	19.0	200	28.1
Net income from continuing operations before income taxes	16,536	51,606	1,309	(35,070)	(68.0)	50,297	NM
(Provision) benefit for income taxes	(2,285)	(22,718)	8,697	20,433	89.9	(31,415)	NM
	$14,251	$28,888	$10,006	(14,637)	(50.7)	18,882	188.7

Net income from continuing operations							
Net income from discontinued operations, net of taxes			81,323			(81,323)	(100.0)
Net income	$14,251	$28,888	$91,329	(14,637)	(50.7)	(62,441)	(68.4)
Less: net income attributable to noncontrolling interests	930	1,545	659	615	39.8	(886)	(134.4)
Net income attributable to MIC LLC	$13,321	$27,343	$90,670	(14,022)	(51.3)	(63,327)	(69.8)

NM Not meaningful

(1) Interest expense includes non-cash losses on derivative instruments of $21.6 million, $35.0 million and $81.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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Results of Operations: Consolidated (continued)

Gross Profit

Consolidated gross profit increased from 2011 to 2012 reflecting improved results in the non-utility business at Hawaii Gas. In addition, the increase in gross profit for 2012 reflects higher volume of GA fuel sold and higher weighted average GA fuel margins, partially offset by reduced de-icing revenue at Atlantic Aviation.

Consolidated gross profit increased from 2010 to 2011 reflecting improved results for fuel gross profit at Atlantic Aviation and Hawaii Gas generally, offset by decreases at District Energy and in non-fuel gross profit at Atlantic Aviation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased in 2012 compared with 2011 primarily as a result of legal costs at the MIC holding company level, most significantly those incurred in the arbitration proceedings and related matters between MIC and its IMTT co-investor. Selling, general and administrative expenses also include costs incurred in connection with the acquisition of MIC Solar during the fourth quarter of 2012. Selling, general and administrative expenses were also higher at Hawaii Gas due primarily to medical and benefit costs and overtime.

Selling, general and administrative expenses increased from 2010 to 2011 at the MIC holding company level, primarily due to the arbitration proceedings between MIC and its IMTT co-investor, offset by decreases at Hawaii Gas and Atlantic Aviation.

Fees to Manager

Our Manager is entitled to a quarterly base management fee based primarily on our market capitalization, and a performance fee, based on the performance of our stock relative to a U.S. utilities index. For 2012, we incurred performance fees of $67.3 million to our Manager. Our Manager elected to reinvest these performance fees in additional LLC interests. For 2011 and 2010, our Manager did not earn a performance fee.

For 2012, 2011 and 2010, we incurred base management fees of $21.9 million, $15.5 million and $10.1 million, respectively. The unpaid portion of the base management fees at the end of each reporting period is included in due to manager-related party in the consolidated balance sheets. The following table shows our Manager s election to reinvest its quarterly base management fees and performance fees, if any, in additional LLC interests:

Period	Base Management Fee Amount ($ in thousands)	Performance Fee Amount ($ in thousands)	LLC Interests Issued	Issue Date
2012 Activities:				
Fourth quarter 2012	$ 6,299	$ 43,820	(1)	(1)
Third quarter 2012	5,844	23,509	695,068	December 05, 2012
Second quarter 2012	4,760		113,847	August 30, 2012
First quarter 2012	4,995		147,682	May 31, 2012

2011 Activities:				
Fourth quarter 2011	$ 4,222	$	135,987	March 20, 2012
Third quarter 2011	3,465		130,344	November 30, 2011
Second quarter 2011	4,156		179,623	August 31, 2011
First quarter 2011	3,632		144,742	June 6, 2011
2010 Activities:				
Fourth quarter 2010	$ 3,214	$	136,079	March 22, 2011
First quarter 2010	2,189		155,375	June 11, 2010

(1) LLC interests for the fourth quarter of 2012 base management fee and performance fee will be issued to the Manager during the first quarter of 2013.

Results of Operations: Consolidated (continued)

Base management fees in the amount of $2.3 million and $2.4 million for the second and third quarters of 2010, respectively, were paid in cash to our Manager during the third and fourth quarters of 2010, respectively.

Depreciation

Depreciation expense decreased from 2011 to 2012 primarily due to non-cash write-offs of $2.9 million recorded during the quarter ended September 30, 2011 associated with leasehold improvements at Atlantic Aviation. This write-off was due to the consolidation of two FBOs it operated at one airport. In addition, depreciation for 2011 includes non-cash asset impairment charges of $1.4 million recorded at Atlantic Aviation during the quarter ended June 30, 2011. The impairment charges resulted from adverse trading conditions specific to three small locations.

Amortization of Intangibles

Amortization of intangibles decreased from 2011 to 2012 primarily due to non-cash impairment charges of $7.3 million recorded at Atlantic Aviation during the quarter ended June 30, 2011. The impairment charges resulted from adverse trading conditions specific to three small locations.

Gain (Loss) on Disposal of Assets

Atlantic Aviation concluded that two of its sites did not have sufficient scale or serve a market with sufficiently strong growth prospects to warrant continued operations at these sites and divested these two FBOs in 2012. Accordingly, Atlantic Aviation recorded gains on disposal of $1.4 million during 2012. Atlantic Aviation recorded losses on disposal of assets of $1.5 million and $17.9 million during 2011 and 2010, respectively. Proceeds from 2011 sales were redeployed into the acquisition of two FBOs in Oregon in the third quarter of 2011.

Interest Expense and Loss on Derivative Instruments

Interest expense includes non-cash losses on derivative instruments of $21.6 million and $35.0 million in 2012 and 2011, respectively. Non-cash losses on derivatives recorded in interest expense are attributable to the change in fair value of interest rate instruments and includes the reclassification of amounts from accumulated other comprehensive loss into earnings. Excluding the portion related to adjustments to derivative instruments and interest rate swap breakage fees at Hawaii Gas and Atlantic Aviation, interest expense decreased from 2011 to 2012 primarily due to the lower term loan principal balance at Atlantic Aviation. Interest was also lower in 2012 due to the expiration of unfavorable interest rate swaps at Atlantic Aviation in October of 2012.

Interest expense includes non-cash losses on derivative instruments of $35.0 million and $81.3 million in 2011 and 2010, respectively. Excluding the portion related to adjustments to derivative instruments and interest rate swap breakage fees at Atlantic Aviation, interest expense decreased from 2010 to 2011 due primarily to a lower principal balance at Atlantic Aviation, partially offset by the expiration of an interest rate basis swap agreements in March of 2010 at each of the consolidated operating businesses.

Equity in Earnings and Amortization Charges of Investees

The increase in equity in the earnings in 2012 compared with 2011 primarily reflects our share of the increase in operating results and our share of the decrease in non-cash derivative losses from IMTT.

The decrease in equity in the earnings in 2011 compared with 2010 primarily reflects our share of the decrease in operating results of IMTT and our share of the increase in non-cash derivative losses. IMTT s operating results reflect a lower level of spill response activity and related gross profit, as a result of the BP oil spill in 2010.

Income Taxes

For 2012, we expect a consolidated tax loss, for which we have recorded a deferred tax benefit. At December 31, 2012, our federal NOL balance is approximately $192.2 million. This balance excludes the NOL carryforwards of District Energy (see District Energy *Income Taxes* below), which was approximately $9.8 million at December 31, 2012. For 2012, we do not expect to pay a federal Alternative Minimum Tax, but do expect District Energy to pay a Federal Alternative Minimum Tax of approximately $133,000.

Results of Operations: Consolidated (continued)

As we own less than 80% of IMTT and District Energy, these businesses are not included in our consolidated federal tax return. These businesses file separate federal income tax returns. We expect that distributions from District Energy in 2012 will be treated in part as a taxable dividend and qualify for the 80% Dividends Received Deduction and in part as a return of capital. With respect to IMTT, we expect that approximately $12.6 million of distributions received will be taxable as a dividend, with the balance being a return of capital.

For 2012, our full year federal and state income taxes will be approximately $2.3 million, or 13.82% of net income before taxes. The provision for income taxes includes $647,000 for state and local income taxes. As discussed below, the provision for state and local income taxes includes a valuation allowance of approximately $3.0 million for the use of certain state NOL carryforwards. The difference between our effective tax rate and the U.S. federal statutory rate of 35% is primarily attributable to state and local income taxes and adjustments for our less than 80% owned businesses.

For 2011, we reported consolidated taxable income, although the tax thereon was fully offset by our NOL carryforwards.

For 2010, we reported a consolidated net operating loss, for which we recorded a deferred tax benefit. Further, our taxable income for 2010 included a capital loss of approximately $10.4 million on the disposal of our airport parking business, which we carriedback to 2009. The carriedback eliminated our 2009 consolidated taxable income.

Valuation allowance:

In calculating our consolidated state income tax provision, we have provided a valuation allowance for certain state income tax NOL carryforwards, the utilization of which is not assured beyond a reasonable doubt. In addition, we expect to incur certain expenses that will not be deductible in determining state taxable income. Accordingly, these expenses have also been excluded in determining our state income tax expense.

We increased the valuation allowance by $3.0 million and $1.3 million for 2012 and 2011, respectively, for certain state NOL carryforwards.

During 2010 we reduced the valuation allowance to approximately $9.2 million, resulting in a net decrease of $11.4 million. Of this decrease, $1.8 million was recorded as part of the benefit for federal and state income taxes included in continuing operations on the consolidated statements of operations. The remaining $9.6 million of the decrease was included in net income from discontinued operations.

Discontinued Operations

On June 2, 2010, we concluded the sale in bankruptcy of PCAA, resulting in a pre-tax gain of $130.3 million, of which $76.5 million related to the forgiveness of debt. The results of operations from this business and the gain from the bankruptcy sale are separately reported as discontinued operations in our consolidated financial statements and prior comparable periods have been restated to conform to the current period presentation. See Note 4, Discontinued Operations, in our consolidated financial statements in Financial Statements and Supplementary Data in Part II, Item 8, of this Form 10-K for financial information and further discussions.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow

We have disclosed EBITDA excluding non-cash items for our Company and each of our operating segments in Note 14, Reportable Segments , in our consolidated financial statements in Financial Statements and Supplementary Data in Part II, Item 8, of this Form 10-K, as a key performance metric relied on by management in evaluating our performance. EBITDA excluding non-cash items is defined as earnings before interest, taxes, depreciation and amortization and non-cash items, which includes impairments, derivative gains and losses and adjustments for other non-cash items reflected in the statements of operations. We believe EBITDA excluding non-cash items provides additional insight into the performance of our operating businesses relative to each other and similar businesses without regard to their capital structure, and their ability to service or reduce debt, fund capital expenditures and/or support distributions to the holding company.

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Results of Operations: Consolidated (continued)

We also disclose Free Cash Flow, as defined by us, as a means of assessing the amount of cash generated by our businesses and supplementing other information provided in accordance with GAAP. We define Free Cash Flow as cash from operating activities, less maintenance capital expenditures and changes in working capital, except for MIC Solar, for which we define Free Cash Flow as distributions received from this business. In relation to MIC Solar, determining our proportionate share of free cash flow, as defined by us historically, from MIC Solar is difficult due to the complexities of the changing ownership interests and different treatment of tax attributes and actual cash flows between the members over time. Therefore, we believe the most appropriate measure of our proportionate share of free cash flow from MIC Solar is the actual cash distributions received during the applicable period.

We believe that reporting Free Cash Flow will provide our investors with additional insight into our future ability to deploy cash, as GAAP metrics such as net income and cash from operating activities do not reflect all of the items that our management considers in estimating the amount of cash generated by our operating entities. In this Annual Report on Form 10-K, we have disclosed Free Cash Flow for our consolidated results and for each of our operating segments.

We note that Free Cash Flow does not fully reflect our ability to freely deploy generated cash, as it does not reflect required payments to be made on our indebtedness and other fixed obligations or the other cash items excluded when calculating Free Cash Flow. We also note that Free Cash Flow may be calculated in a different manner by other companies, which limits its usefulness as a comparative measure. Therefore, our Free Cash Flow should be used as a supplemental measure and not in lieu of our financial results reported under GAAP.

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Results of Operations: Consolidated (continued)

A reconciliation of net income attributable to MIC LLC from continuing operations to EBITDA excluding non-cash items and EBITDA excluding non-cash items to Free Cash Flow from continuing operations, on a consolidated basis, is provided below:

	Year Ended December 31,			Change (From 2011 to 2012) Favorable/(Unfavorable)		Change (From 2010 to 2011) Favorable/(Unfavorable)	
	2012	2011	2010	$	%	$	%
	($ in Thousands) (Unaudited)						
Net income attributable to MIC LLC from continuing operations[1]	$13,321	$27,343	$9,483				
Interest expense, net[2]	46,401	59,249	106,805				
Provision (benefit) for income taxes	2,285	22,718	(8,697)				
Depreciation[3]	31,587	33,815	29,721				
Depreciation cost of services[3]	6,727	6,639	6,555				
Amortization of intangibles[4]	34,601	42,107	34,898				
(Gain) loss on disposal of assets	(1,979)	617	17,869				
Equity in earnings and amortization charges of investees[5]		(22,763)	(16,301)				
Base management fees settled/to be settled in LLC interests	21,898	15,475	5,403				
Performance fees settled/to be settled in LLC interests	67,329						
Other non-cash expense, net	3,387	4,678	2,753				
EBITDA excluding non-cash items from continuing operations	$225,557	$189,878	$188,489	35,679	18.8	1,389	0.7
EBITDA excluding non-cash items from continuing operations	$225,557	$189,878	$188,489				
Interest expense, net[2]	(46,401)	(59,249)	(106,805)				
Interest rate swap breakage fee Hawaii Gas[2]	(8,701)						
Interest rate swap breakage fee Atlantic Aviation[2]	(595)	(2,327)	(5,528)				
Adjustments to derivative instruments recorded in interest expense[2]	(17,132)	(15,917)	28,938				
Amortization of debt financing costs[2]	4,232	4,086	4,347				
Cash distribution received in excess of equity in earning and amortization charges of investee[6]	54,625						
Equipment lease receivables, net	3,548	3,105	2,761				
Provision/benefit for income taxes, net of changes in deferred taxes	(3,865)	(3,509)	(3,032)				
Changes in working capital	6,643	(25,025)	(10,615)				
Cash provided by operating activities	217,911	91,042	98,555				
Changes in working capital	(6,643)	25,025	10,615				

Adjustment to free cash flow for MIC Solar(7)	3,850		
Maintenance capital expenditures	(19,851)	(18,062)	(14,509)
Free cash flow from continuing operations	$195,267	$98,005	&nb