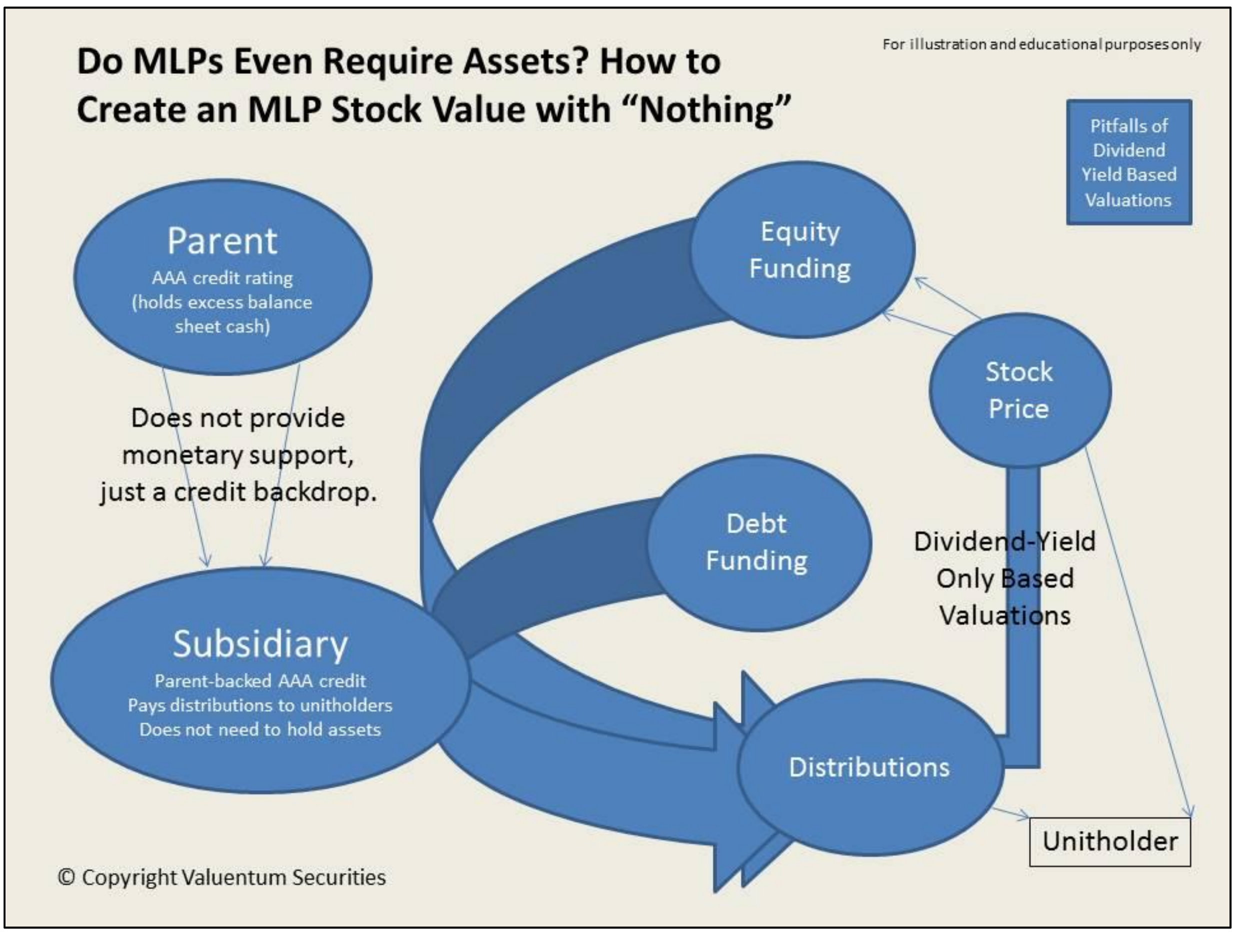
Discuss:

In the handouts, we saw that Energy Transfer Equity's (ETE) distribution is financed from the *financing* section of the cash flow statement ("FINANCING ACTIVITIES"), not from internally generated free cash flow (as traditionally defined as cash flow from operations less *all* capital spending). We call these types of distributions *financially-engineered* payouts.

Because these types of distributions are funded by external market issuance, not by internal means (traditional free cash flow), it stands to reason that the size of these types of distributions may not be a fair representative driver of the "true" intrinsic value of the operating assets of the business. By extension, should distribution yield analysis be used *at all* when valuing MLPs?

What If:



Slide shown <u>only</u> to illustrate pitfalls in distribution yield based analysis.