

Macquarie Infrastructure CO LLC
Form 10-K
February 23, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2010
OR**

**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:
Limited Liability Company Interests of
Macquarie Infrastructure Company LLC (LLC Interests)

Name of Exchange on Which Registered:
New York Stock Exchange

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

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

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 No

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 No

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.

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 No

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 Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

The aggregate market value of the outstanding shares of stock held by non-affiliates of Macquarie Infrastructure Company LLC at June 30, 2010 was \$531,493,528 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 45,715,448 shares of stock without par value outstanding at February 23, 2011.

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, 2010, to be held June 2, 2011, is incorporated by reference in Part III to the extent described therein.

MACQUARIE INFRASTRUCTURE COMPANY LLC

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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;

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, 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;

our holding company structure, which may limit our ability to pay or increase a dividend;

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;

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;

technological innovations leading to a change in energy consumption patterns;

changes in electricity or other energy costs;

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;

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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 production 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 production 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, the Company, we, us, and our refer to Macquarie Infrastructure Company LLC and its subsidiaries together. References to our shareholders herein means holders of LLC interests. The holders of LLC interests are also the members of our company. Macquarie Infrastructure Management (USA) Inc., the company that we refer to as our Manager, is part of the Macquarie Group of companies. References to the Macquarie Group means Macquarie Group Limited and its respective subsidiaries and affiliates worldwide.

General

We own, operate and invest in a diversified group of infrastructure businesses in the United States. We believe our infrastructure businesses, which provide basic services, have a sustainable and stable cash flow profile and offer the potential for capital growth. We offer investors an opportunity to participate directly in the ownership of infrastructure businesses, which traditionally have been owned by governments or private investors, or have formed part of vertically integrated companies.

The Company's four operating segments are classified into either energy-related businesses or aviation-related business, Atlantic Aviation. The energy-related businesses consist of three operating segments: The Gas Company, District Energy and an investment in IMTT, which is accounted for under the equity method. All of the business segments are managed separately and management has chosen to organize the Company around the distinct products and services offered.

The Energy-Related Businesses:

a 50% interest in a bulk liquid storage terminal business (International Matex Tank Terminals or IMTT), 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;

a gas production and distribution business (The Gas Company), which is a full-service gas energy company, making gas products and services available in Hawaii; and

a 50.01% controlling interest in a district energy business (District Energy), which operates the largest district cooling system in the U.S., serving various customers in Chicago, Illinois and Las Vegas, Nevada.

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Atlantic Aviation an airport services business providing products and services, including fuel and aircraft hangaring/parking, to owners and operators of private jets at 66 airports and one heliport in the U.S.

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 a 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. We received \$602,000 from the PCAA bankruptcy estate for expenses paid on behalf of PCAA during its operations. 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.

We have elected to treat MIC as a corporation for federal tax purposes. As a result, all investor tax reporting with respect to distributions made is based on our being a corporation for U.S. federal tax purposes and such reporting will be provided on Form 1099.

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Our Manager

Our Manager 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 our Manager. Our Manager is responsible for our day-to-day operations and affairs and oversees the management teams of our operating businesses. The Company neither has, nor will have, any employees. Our Manager has assigned, or seconded, to the Company, on a permanent and wholly dedicated basis, two of its employees to assume the offices of chief executive officer and chief financial officer and seconds or makes other personnel available as required. The services performed for the Company are provided at our Manager's expense, and includes the compensation of our seconded personnel.

We pay our Manager 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 dividends) exceeds the quarterly total return of a U.S. utilities index. The performance fee is equal to 20% of the difference between the benchmark return and the return for our shareholders. To be eligible for the performance fee, our Manager must deliver quarterly total returns that are positive and in excess of any prior underperformance. Please see the management services agreement filed as an exhibit to this Annual Report on Form 10-K for the full terms of this agreement.

We believe that Macquarie Group's demonstrated expertise and experience in the management, acquisition and funding of infrastructure businesses will provide us with a significant 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 100 businesses including toll roads, airports and airport-related infrastructure, ports, communications, media, electricity and gas distribution networks, water utilities, renewable energy generation, aged care, rail and ferry assets across 24 countries.

Industry

Infrastructure businesses, in general, tend to generate sustainable and growing cash flows resulting from relatively inelastic customer demand and strong competitive positions of the businesses. Characteristics of infrastructure businesses 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, such as those provided by our energy-related businesses;

strong competitive positions, largely due to high barriers to entry, including:

high initial development and construction costs;

difficulty in obtaining suitable land;

long-term, exclusive concessions or leases and customer contracts; and

lack of cost-effective alternatives to customers in the foreseeable future;

scalability, such that relatively small amounts of growth can generate significant increases in earnings before interest, taxes, depreciation and amortization, or EBITDA; and

the provision of basic, often essential services.

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In addition to the benefits related to these characteristics, the revenues generated by our infrastructure businesses generally can be expected to keep pace with inflation. The price escalators built into 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 also employ interest rate swaps in connection with our businesses' floating rate debt to effectively fix our interest expense and hedge variability from interest rate change.

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

contracted, 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;

regulated, such as the utility operations of The Gas Company; and

user pays, such as Atlantic Aviation, the revenues of which are based on patronage.

Strategy

There are three components to our strategy:

programs to improve the operating performance of each of our businesses;

a sustainable balance between distributions to our shareholders of available cash and investment in the growth of new or existing businesses; and

continued debt reduction at Atlantic Aviation to levels at which it is again prudent to distribute cash from the business to MIC.

Our Businesses and Investments

We provide below information about our businesses and investments, including key financial information for each business. We are disclosing earnings before interest, taxes, depreciation and amortization (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, and their ability 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 Conditions 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.

Energy-Related Businesses

IMTT

Business Overview

We own 50% of International-Matex Tank Terminals, or IMTT. The 50% we do not own is owned by 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, 2010, IMTT generated approximately 42% of its terminal revenue and approximately 40% of its terminal gross profit at its Bayonne, New Jersey facility in New York Harbor.

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Energy-Related Businesses: IMTT (continued)

Approximately 42% of IMTT's total terminal revenue and approximately 50% of its terminal gross profit was generated by its St. Rose, Gretna, Avondale and Geismar facilities, which together service the lower Mississippi River region (with St. Rose as the largest contributor).

IMTT also owns Oil Mop, an environmental response and spill clean-up business. Oil Mop has a network of facilities along the U.S. Gulf Coast between Houston and New Orleans. These facilities service predominantly the Gulf region, but also respond to spill events as needed throughout the United States and internationally.

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, 2010:

Proportion of Terminal Revenue from Major Commodities Stored

Petroleum/Asphalt	Chemical	Renewable/Vegetable & Animal Oil	Other
60%	27%	9%	4%

Financial information for 100% of this business is as follows (\$ in millions):

	As of, and for the Year Ended, December 31,		
	2010	2009	2008
Revenue	\$ 557.2	\$ 346.2	\$ 352.6
EBITDA excluding non-cash items	236.8	147.7	136.6
Total assets	1,221.9	1,064.8	1,006.3

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 basic and specialized chemicals. In addition to renting storage tanks, bulk liquid storage terminals generate revenues by offering ancillary

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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, which largely reflects the underlying economic activity over the medium term. 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 supply is generally created by the addition of tankage to existing terminals where existing infrastructure can be leveraged, 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.

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Energy-Related Businesses: IMTT (continued)

Strategy

The key components of IMTT's strategy are to 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 and to invest, where prudent, in additional storage capacity. IMTT believes that the successful execution of this strategy will be aided by its size, technology and service capability.

Flexibility: 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 along with ancillary services such as heating and blending. 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.

Investment in Growth: IMTT seeks to increase its available storage capacity, especially in New York Harbor and the lower Mississippi River, by building new tankage at existing facilities when supported by customer demand.

Locations

The following table summarizes the location of each IMTT facility and the corresponding millions of barrels of storage capacity in service and ship and barge docks available for product transfer. This information is as of December 31, 2010 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	Number of Ship & Barge Berths in Service
		(Millions of Barrels)	
Facilities in the United States:			
Bayonne, NJ	Owned	16.0	20
St. Rose, LA*	Owned	14.7	16
Gretna, LA*	Owned	2.0	5
Avondale, LA*	Owned	1.1	4

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Facility	Land	Aggregate Capacity of Storage Tanks in Service	Number of Ship & Barge Berths in Service
Geismar, LA*	Owned	0.9	3
Lemont, IL	Owned/Leased	1.0	1
Joliet, IL	Owned	0.9	3
Richmond, CA	Owned	0.7	2
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		43.7	60

* Collectively the Louisiana facilities.

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

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

Energy-Related Businesses: IMTT (continued)

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

Bayonne, New Jersey

The 16.0 million barrel storage terminal at Bayonne, New Jersey has the most storage capacity of any IMTT site. Located on the Kill Van Kull between New Jersey and Staten Island, the 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 imports. 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 45 feet (IMTT has dredged some but not all of its docks to that depth). 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 product through lightering (transferring cargo to barges at anchorage) before docking. This technique substantially increases the cost of loading and unloading vessels. This competitive advantage for Bayonne may improve as the USACE is in the process of dredging the Kill Van Kull to 50 feet (with no planned increase in the depth of the southern portion of the Arthur Kill). Demand for third-party bulk liquid storage in NYH has remained strong during the past several years.

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 18.7 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 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 deep water ship and barge docks as well as access to rail, road and pipeline infrastructure, are highly capable of performing these functions. Demand for third-party bulk liquid storage on the lower Mississippi River has remained strong during the past several years.

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. Kinder Morgan, which owns three bulk liquid storage facilities in New Jersey and Staten Island, New York, represents IMTT's major competitor in the NYH market. Kinder Morgan also owns facilities along the lower Mississippi River near New Orleans. 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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Energy-Related Businesses: IMTT (continued)

IMTT's minor facilities in Illinois, California and Virginia represent only a small proportion of available bulk liquid storage capacity in their respective markets and have numerous competitors with facilities of similar or larger size and with similar capabilities.

Secondary competition for IMTT's facilities comes from bulk liquid storage facilities located in the same broad geographic region as IMTT's terminals. For example, bulk liquid storage facilities located on the Houston Ship Channel provide indirect competition for IMTT's Louisiana facilities.

Customers

IMTT provides bulk liquid storage services principally to vertically integrated petroleum product producers and refiners, chemical manufacturers, food processors and traders of bulk liquid petroleum, chemical and agricultural products. BP represented more than 10% of IMTT's consolidated revenues and accounts receivable for the year ended and at December 31, 2010, primarily due to the non-recurring oil spill response activity in the Gulf of Mexico.

Customer Contracts

IMTT generally rents storage tanks to customers under contracts with terms of three to five years. Pursuant to these contracts, customers generally pay for the tank storage whether they use it or not. The contracts generally have no early termination provisions. Customers generally pay rental charges monthly at rates stated in terms of cents per barrel of storage capacity per month. Tank rental rates vary by commodity stored and by location. IMTT's standard form of customer contract generally permits a certain number of free product movements into and out of the storage tank with charges for throughput exceeding the prescribed levels. In cases where stored liquids require heating to keep viscosity at acceptable levels, IMTT generally charges the customer for the heating with such charges essentially reflecting a pass-through of IMTT's cost. Heating charges principally cover the cost of fuel used to produce steam. Pursuant to IMTT's standard form of customer contract, tank rental rates, throughput rates and the rates for other services generally increase based on annual inflation indices. Customers retain title to products stored in the tanks and have responsibility for securing insurance against loss. As a result, IMTT has no commodity price risk related to the liquids stored in its tanks and has limited liability from product loss. IMTT is responsible for ensuring appropriate care of products stored at its facilities and maintains adequate insurance with respect to its exposure.

Regulation

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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, 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 27 year period. It has significant 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 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 ten to twenty years.

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Energy-Related Businesses: IMTT (continued)

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 ten to twenty years.

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

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 28 years experience in the bulk liquid storage industry and 17 years of service with IMTT.

The IMTT head office in New Orleans provides the business with central management, 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, other than the terminal managers, have on average 36 years experience in the bulk liquid storage industry and 29 years service with IMTT.

The Board of IMTT Holdings consists of six members with three appointees each from Macquarie Terminal Holdings, LLC, our wholly owned subsidiary, and 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.

Distribution of funds to the Company from IMTT is governed by the Shareholders' Agreement between the Company and the co-investor that owns the remaining 50% stake. The co-investor has refused to vote in favor of distributing these funds, and the Company believes that such a refusal violates the Shareholders' Agreement.

As a result, the Company has formally initiated the dispute resolution process in the Shareholders' Agreement, and intends to proceed to arbitration with the co-investor if a satisfactory resolution cannot be reached within the timeframe prescribed in the Shareholders' Agreement.

Employees

As of December 31, 2010, IMTT (excluding non-consolidated sites) had a total of 1,024 employees, including 135 employed by Oil Mop. At the Bayonne terminal, 138 employees are unionized, 52 of the employees are unionized at the Lemont and Joliet terminals and 35 employees are unionized at the Quebec terminal. We believe employee relations at IMTT are good.

The Gas Company**Business Overview**

The Gas Company is Hawaii's only government franchised full-service gas company, manufacturing and distributing gas products and services in Hawaii. The market includes Hawaii's approximately 1.4 million residents and approximately 7.0 million visitors in 2010. The Gas Company manufactures 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.

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Energy-Related Businesses: The Gas Company (continued)

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

The utility business serves approximately 35,300 customers through localized pipeline distribution systems located on the islands of Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. The utility business includes the manufacture, distribution and sale of SNG on the island of Oahu and distribution and sale of LPG. 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 manufacturing SNG from the feedstock, LPG purchase costs and the cost of distributing SNG and LPG to customers. Utility sales comprised approximately 43% of The Gas Company's total contribution margin in 2010.

The non-utility business sells and distributes LPG to approximately 33,300 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 sales comprised approximately 57% of The Gas Company's total contribution margin in 2010.

The Gas Company's two 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 environmental impact makes lower emission products attractive to customers.

SNG and LPG have a wide number of commercial and residential applications including water heating, drying, cooking, emergency power generation and 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.

Financial information for this business is as follows (\$ in millions):

	As of, and for the Year Ended, December 31,		
	2010	2009	2008
Revenue	\$ 210.6	\$ 175.4	\$ 213.0
EBITDA excluding non-cash items	44.4	37.6	27.9
Total assets	350.4	344.9	330.2
% of our consolidated revenue	25.0%	24.7%	21.8%

Strategy

The Gas Company's long-term strategy is to increase and diversify its customer base. The business intends to increase penetration of the residential, the expanding government (primarily military) and the tourism-related markets. The business also intends to invest in and promote the value of The Gas Company's products and services and its attractiveness as a cleaner alternative to other energy sources in Hawaii.

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As a second component of its strategy, The Gas Company intends to diversify its sources of feedstock and LPG to ensure reliable supply and to mitigate any potential cost increases to its customers. The Gas Company is exploring other clean and renewable energy alternatives that may be distributed using its existing infrastructure.

The Gas Company also recognizes the important role it plays in the local community and, as a component of its strategy, will focus on maintaining good relationships with regulators, governments and the communities it serves.

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Energy-Related Businesses: The Gas Company (continued)

Products

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

Synthetic Natural Gas. The business converts a light hydrocarbon feedstock (currently naphtha) to SNG. The product is chemically similar in most respects to natural gas and has a similar heating value on a per cubic foot basis. The Gas Company has the only SNG manufacturing 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 or synthetic natural gas. LPG is typically transported in cylinders or tanks. Domestic and commercial applications of LPG are similar to those of natural gas and synthetic natural gas.

Utility Regulation

The Gas Company'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 The Gas Company 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.

Although the HPUC sets the base rate for the SNG and LPG sold by The Gas Company'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 commodity costs.

The business' utility rates are established by the HPUC in periodic rate cases typically initiated by The Gas Company. 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 by The Gas Company and submission by the Division of Consumer Advocacy and 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 The Gas Company 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; and acts on requests for the acquisition, sale, disposition or other exchange of utility properties, including mergers and consolidations. When we acquired The Gas Company, 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 The Gas Company, LLC and HGC Holdings LLC, or HGC, does not exceed 65%; and a requirement to maintain \$20.0 million in readily-available cash resources at The Gas Company, HGC or MIC.

Competition

Depending upon the end-use, the business competes with electricity, diesel, solar energy, geo-thermal, wind, other gas providers and alternative energy sources. Hawaii's electricity is generated by four electric utilities and various non-utility generators.

Energy-Related Businesses: The Gas Company (continued)

Utility Business. The Gas Company 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 The Gas Company or its competitors by using LPG tanks.

Non-Utility Business. The Gas Company 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. The Gas Company 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***

The business obtains its LPG from foreign sources and each of the Chevron and Tesoro oil refineries located on Oahu. The Gas Company has LPG supply agreements with each refinery. The business purchases its LPG from foreign sources under foreign supply agreements and through spot-market purchases, if needed.

In 2010, Chevron considered converting its Hawaii refinery to a storage terminal. Chevron concluded that it would continue operating as a refinery in Hawaii; however, Chevron has publicly stated that it is considering other alternatives for this facility. Chevron's Hawaii refinery supplied The Gas Company with approximately one-third of its total LPG purchases in 2010. The refinery also supplies the business' principal competitor in the non-utility market.

Any decision by Chevron regarding its operations in Hawaii could affect the business' cost of LPG and may adversely impact its non-utility 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 evaluating a number of alternatives, including additional shipments of foreign sourced product and additional storage.

The business also obtains its feedstock and fuel for SNG production, naphtha, from the Tesoro refinery on Oahu. The Gas Company has an agreement with Tesoro that expires August 31, 2011. The agreement was effective as of September 1, 2010 and remains subject to final HPUC approval expected by mid-2011. Under the rate structures in place in Hawaii, The Gas Company expects its utility business will have the ability to pass fluctuations in the cost of feedstock through to its customers.

SNG Plant and Distribution System (Utility Business)

The Gas Company manufactures SNG at its plant located west of the Honolulu business district. The SNG plant has an estimated remaining economic life of 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 that ends at Pier 38 in south Oahu. From Pier 38 a pipeline distribution system consisting of approximately 900 miles of distribution and service pipelines takes the gas to customers. Additionally, 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 that are not connected to the business' utility pipeline system. The majority of The Gas Company's non-utility customers are on the neighboring islands. LPG is distributed to the neighboring islands by direct deliveries from overseas suppliers.

Energy-Related Businesses: The Gas Company (continued)

and by barge delivery. The business also owns the infrastructure to distribute LPG to its customers, such as harbor pipelines, trucks, several holding facilities and storage base-yards on Kauai, Maui and Hawaii.

Employees and Management

As of December 31, 2010, The Gas Company had 315 employees, of which 213 are unionized. The unionized employees are subject to a collective bargaining agreement that expires on April 30, 2013. 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, Oahu with branch office management at operating locations.

Environmental Matters

Environmental Permits: Gas manufacturing requires environmental operating permits. The most significant are air and wastewater permits that are required for the SNG plant. The Gas Company 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. Under normal operating conditions, its facilities do not generate hazardous waste. Hazardous waste, when produced, poses little ongoing risk to the facilities from a regulatory standpoint because SNG and LPG dissipates quickly if released.

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 and all of the senior debt of Northwind Aladdin. The remaining 25% equity interest in Northwind Aladdin is 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. The financial results discussed below reflect 100% of District Energy's full year performance.

District Energy operates the largest district cooling system in the United States. The system currently serves approximately 100 customers in downtown Chicago under long-term contracts and one customer outside the downtown area. 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 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 103,000 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 full 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 that began receiving full service in February 2010 and a shopping complex. The three customers represent approximately 48%, 45% and 7% of the Las Vegas operation's cash flows, respectively. All three Las Vegas contracts expire in February 2020. The Las Vegas operation represented approximately 25% of the cash flows of District Energy in 2010.

Energy-Related Businesses: District Energy (continued)

Financial information for 100% of this business is as follows (\$ in millions):

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As of, and for the
Year Ended, December 31,

	2010	2009	2008
Revenue	\$ 56.8	\$ 48.6	\$ 48.0
EBITDA excluding non-cash items	22.8	20.8	21.1
Total assets	228.5	234.8	227.1
% of our consolidated revenue	6.8%	6.8%	4.9%

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.

Strategy

District Energy's strategy is to position the business in the market as the most effective and value-added method of providing building chilled water such that it attracts and connects new customers to the system and can invest in further expansion. We believe that District Energy will continue to generate 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.

Growth: This business intends to grow revenue and profits by marketing its services to 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 they select among building cooling systems and services.

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.

System Expansion: Since our acquisition in 2004, system modifications and expansion at the business' plants have increased total cooling capacity by approximately 15,000 tons or 15%. Projects currently under development will further expand the system capability and accommodate an expected increase in 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.

Energy-Related Businesses: District Energy (continued)

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 70% of its customer base. No one customer accounts for more than 10% of total contracted capacity at December 31, 2010.

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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, 2010 is approximately 9 years. The majority 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.

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 80% 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 not allowed to cool 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 vast 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, whereas 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

Energy-Related Businesses: District Energy (continued)

plants, facilities and piping essential in providing district cooling chilled water service to customers. During 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 the approval by the City Council of Chicago.

Management

The day-to-day operations of District Energy are managed by a team located in Chicago, Illinois. The management team has a broad range of experience that includes engineering, construction and project management, business development, operations and maintenance, project consulting, energy performance contracting and retail electricity sales. The team also has significant financial and accounting experience.

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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 including 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.

Employees

As of December 31, 2010, District Energy had 40 full-time employees and one part-time employee. In Chicago, 27 plant staff members are employed under a three-year collective bargaining agreement expiring on January 14, 2012. In Las Vegas, 6 plant staff members are employed under a four-year labor agreement expiring on March 31, 2013. We believe employee relations at District Energy are good.

Aviation-Related Business

Atlantic Aviation

Business Overview

The business, Atlantic Aviation, operates fixed-based operations, or FBOs, at 66 airports and one heliport throughout 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.

Financial information for this business is as follows (\$ in millions):

	As of, and for the Year Ended, December 31,		
	2010	2009	2008
Revenue	\$ 573.4	\$ 486.1	\$ 716.3
EBITDA excluding non-cash items	117.5	106.5	137.1
Total assets	1,410.1	1,473.2	1,660.8
% of our consolidated revenue	68.2%	68.5%	73.3%

Industry Overview

FBOs predominantly service 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.

Aviation-Related Business: Atlantic Aviation (continued)

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.

Demand for FBO services is driven by the level of general aviation aircraft activity. 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 increased in 2010. According to flight data reported by the Federal Aviation Administration, or FAA, take-offs and landings increased 6.9% and 11.3% in the fourth quarter and the year ended December 31, 2010, respectively, as compared to the prior comparable periods. However, as stated by the FAA on their website, the

data has several limitations and challenges. 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 continue to expand if economic activity continues to recover.

Strategy

Atlantic Aviation is pursuing a strategy that has five principal components. The first component encompasses an overarching commitment to provide superior service and safety to its customers. The second component is to continue to reduce debt. The third component addresses organic growth of the business and focuses on leveraging the size of the Atlantic Aviation network and its information technology capabilities to identify marketing leads and implement cross-selling initiatives. The fourth is to aggressively manage the business so as to minimize, to the extent possible, its operating expenses. The fifth is to optimize the portfolio through selective site acquisition and divestitures. These components are discussed in greater detail in the *Operations* and *Marketing* sections below.

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Aviation-Related Business: Atlantic Aviation (continued)

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 79% of Atlantic Aviation's revenue and accounted for 65% of Atlantic Aviation's gross profit in 2010. 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. 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 fuel costs can be volatile, Atlantic Aviation generally passes fuel cost changes through to customers and attempts to maintain and, when possible, grow a 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 is particularly focused on managing costs effectively. In light of the recent slowdown in general aviation activity, initiatives have been implemented that have reduced operating costs by more than \$30.0 million per year. These cost savings did not impair Atlantic's ability to continue to deliver superior customer service. Atlantic Aviation will continue to evaluate opportunities to reduce expenses through, for example, business reengineering, more efficient purchasing and capturing synergies resulting from acquisitions.

Atlantic Aviation has recently completed a strategic review of its portfolio of FBOs. During this process, the business concluded that several of its sites did not have sufficient scale or serve a market with sufficiently strong growth prospects to warrant continued operations at these sites. As a result, Atlantic Aviation has undertaken to exit certain markets and redeploy resources that may be made available in the process into markets which it views as having better growth profiles. Consistent with this, Atlantic Aviation anticipates opening a new FBO that is currently under construction at Will Rogers Airport in Oklahoma City in May of 2011. Atlantic Aviation expects to pursue opportunities to acquire or develop additional FBOs on an opportunistic basis over the coming year.

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 over 40 years.

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The existing leases have a weighted average remaining length of 16.8 years including extension options. The leases at 13 of Atlantic Aviation's FBOs, accounting for 13.2% of Atlantic'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, 2010.

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. Less 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 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.

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Aviation-Related Business: Atlantic Aviation (continued)

Marketing

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

Another program is a loyalty scheme for pilots known as Atlantic Awards. Atlantic Awards has gained wide acceptance among pilots. 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 about 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. To a lesser extent, 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 believes there are fewer than 10 competitors with operations at five or more U.S. airports. These include Signature Flight Support, Landmark Aviation and Million Air Interlink. Other than Signature, these competitors are privately owned. Atlantic Aviation's aggregate market share at the airports on which it operates increased in 2010.

Regulation

The aviation industry is overseen by a number of regulatory bodies, but primarily 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 FBO operations 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.

Management

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. Responsibilities include ensuring that customer requirements are met by the staff employed at the site and that revenue is collected, and expenses incurred, in accordance with internal guidelines. Local managers are, within the specified guidelines, empowered to make decisions as to fuel pricing and other services, thereby improving responsiveness and customer service. 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 20 years experience each in the aviation industry. The business management team has established close and effective working relationships with local authorities, customers, service providers and subcontractors. The team is responsible for overseeing the FBO operations, setting strategic direction and ensuring compliance

with all contractual and regulatory obligations.

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Aviation-Related Business: Atlantic Aviation (continued)

Atlantic Aviation's head office is in Plano, Texas. The head office provides the business with overall management and performs centralized functions including accounting, information technology, risk management, human resources, payroll and insurance arrangements. We believe Atlantic Aviation's head office facilities are adequate to meet its present and foreseeable operational needs.

Atlantic Aviation's management is evaluating various options to optimize Atlantic's FBO portfolio. These options include selective dispositions at locations where Atlantic's operations are sub-scale relative to their markets, and redeployment of sales proceeds in new or existing markets with attractive growth prospects.

Employees

As of December 31, 2010, the business employed 1,721 people across all of its sites. Approximately 8.1% of the employee population is covered by collective bargaining agreements. We believe employee relations at Atlantic Aviation are good.

Our Employees Consolidated Group

As of December 31, 2010, we employed approximately 2,100 people across our three ongoing, consolidated businesses (excluding IMTT) of which approximately 18% 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;

Amended and Restated Management Services Agreement, as further amended;

Corporate Governance Guidelines;

Code of Ethics and Conduct;

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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; 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 (212-231-1000).

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ITEM 1A. RISK FACTORS

An investment in our LLC interests involves a number of risks. Any of these risks could result in 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 jointly owned businesses, 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 non-controlling 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 distributions on our LLC interests. See also *Risks Related to IMTT We share ownership and voting control of IMTT with a third party. Our ability to exercise significant influence over the business or level of distributions from IMTT is limited, and we may 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 distributions 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 distributions 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.

The recent economic recession and adverse 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.

We have recently experienced the worst economic period since the Great Depression. The equity and credit markets experienced volatility and disruption. In some cases, the markets exerted downward pressure on the availability of liquidity and credit capacity. Should the credit and financial market conditions become disrupted again, our ability to raise equity or obtain capital, to repay or refinance credit facilities at maturity, pay significant capital expenditures or fund growth, is likely to 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

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event we are unable to obtain debt financing, particularly as significant credit facilities mature, our internal sources of liquidity may not be sufficient.

The current economic recession also increases our counterparty risk, particularly in those businesses whose revenues are determined under multi-year contracts, such as IMTT and District Energy. In this environment, 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, The Gas Company 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 our results and liquidity.

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 businesses matures within three to four years. Refinancing this debt may result in substantially higher interest rates or margins or substantially more restrictive covenants. Either event may 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 also 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.

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. The Gas Company 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 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. Because our businesses provide basic services, and face limited competition, governments may be influenced by political considerations to take actions that may hinder the efficient and profitable operation of our businesses and investments.

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.

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.

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 The Gas Company 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. As a result of the terrorist attacks in New York on September 11, 2001, insurers 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 further 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.

Risks Related to IMTT

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

We own 50% of IMTT; the 50% we do not own is owned by members of IMTT's founding family. Our co-investor manages the day to day operations of IMTT, and our ability to influence the business is limited to our rights under the shareholder agreement governing our investment in IMTT. Our co-investor may have economic or other business interests that are inconsistent with our interests and goals, and may take actions that are contrary to our business objectives and requests. We may not agree with our co-investor as to the payment, amount or timing of distributions or as to transactions such as significant capital expenditures, acquisitions or dispositions of assets and financings. Disputes with our co-investor may result in litigation or arbitration that could be costly and would divert 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.

Distribution of funds to the Company from IMTT is governed by the Shareholders' Agreement between the Company and the co-investor that owns the remaining 50% stake. The co-investor has refused to vote in favor of distributing certain of these funds, and the Company believes that such a refusal violates the Shareholders' Agreement.

As a result, the Company has formally initiated the dispute resolution process in the Shareholders' Agreement, and intends to proceed to arbitration with the co-investor if a satisfactory resolution cannot be reached within the timeframe prescribed in the Shareholders' Agreement. Although we expect that the day to day operations of existing facilities will run as usual at IMTT during this dispute, no assurance can be given that this dispute will not adversely impact the operations of IMTT. We also cannot assure you that this dispute will be resolved favorably for us or within the time frame expected, that any negative publicity will not adversely affect

the Company or IMTT, or that the costs involved, and the possible diversion of management's attention, will not adversely impact our results of operations. In addition, the value and trading price of our LLC interests may be negatively impacted by the uncertainty surrounding the outcome of this dispute.

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 vis-à-vis 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 is a developing situation and the effects are not yet predictable.

In addition, changes in government regulations that affect imports and exports of bulk chemical, petroleum 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.

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 2010, excluding BP, IMTT's ten largest customers by revenue generated approximately 55.0% 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. Consistent with industry practice, 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 region may result in lower insurance coverage and/or increased insurance premiums for IMTT's properties in Louisiana.

Risks Related to The Gas Company

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

The Gas Company manufactures SNG and distributes SNG and LPG. SNG feedstock or LPG supply disruptions or refinery shutdowns that limit the business's ability to manufacture and/or deliver gas to customers could increase costs as a result of an inability to source feedstock at acceptable rates. 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, and if Tesoro chooses to discontinue the production or sale of feedstock to the business, which they could do with little notice, The Gas Company's utility business would suffer a significant disruption and potentially incur significant operating cost increases and/or capital expenditures until alternative supplies of feedstock could be developed. All supply disruptions of SNG or LPG, if occurring for an extended period, could adversely impact the business's contribution margin and cash flows.

In 2010, Chevron considered converting its Hawaii refinery to a storage terminal. Chevron concluded that it would continue operating as a refinery in Hawaii; however, Chevron has publicly stated that it is considering other alternatives for this facility. Chevron's Hawaii refinery supplied The Gas Company with approximately one-third of its total LPG purchases in 2010. Any decision by Chevron regarding its operations in Hawaii could affect the business's cost of LPG and may adversely impact its non-utility contribution margin and profitability.

The most significant costs for The Gas Company 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 The Gas Company 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. The Gas Company 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 The Gas Company.

The Gas Company 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 The Gas Company 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 The Gas Company's sales and cash flows.

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The operations of The Gas Company 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 commodity supply 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' revenue and cash flows.

The Gas Company'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 The Gas Company could be adversely impacted. The business agreed to 14 regulatory conditions with the HPUC that address a variety of matters including: a requirement that The Gas Company 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 The Gas Company, 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.

The Gas Company'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 business' results of operations.

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 550,000 gallons of LPG each. 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. They are near the end of their useful economic lives. 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.

The Gas Company 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. As a result of the economic downturn, Hawaii has experienced significant declines in levels of tourism which have affected the local economy generally. A large portion of The Gas Company's sales are generated by businesses that rely on tourism. If the local economy fails to improve or declines, 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 Hawaii 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 The Gas Company's results.

Because of its geographic location, Hawaii, and in turn The Gas Company, 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 volume of gas sold and, to the extent such damages are not covered by insurance, the business' revenue and cash flows.

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 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 also may 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 avoidance 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.

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 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 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, this 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 or warmer than normal in District Energy's service areas may reduce demand for the services it provides. Demand for our services may also be reduced by the conservation efforts of our 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.

Risks Related to Atlantic Aviation

Deterioration of business jet traffic at airports where Atlantic Aviation operates would cause Atlantic Aviation to default on its debt obligations.

As of December 31, 2010, Atlantic Aviation had total long-term debt outstanding of \$763.3 million in term loan debt and \$45.5 million in capital expenditure facilities. 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.

At December 31, 2010, Atlantic Aviation's current debt-to-EBITDA ratio, as defined under its loan agreement, was 6.91x. This compares with a maximum permitted debt-to-EBITDA ratio of 8.00x. The maximum permitted debt-to-EBITDA ratio drops to 7.50x in March 31, 2011. A decline in business jet take-offs and landings at airports where Atlantic Aviation operates FBOs could result in a reduction of Atlantic Aviation's EBITDA as defined under its loan agreement. Consequently, Atlantic Aviation could exceed the maximum permitted debt-to-EBITDA ratio under its loan agreement and default on its debt obligations. If the default remains uncured, the lenders under the loan agreement, may accelerate the repayment of the outstanding balance of the borrowings under the agreement. If Atlantic Aviation is unable to repay or refinance this debt, it may be rendered insolvent. A default on the debt obligations leading to bankruptcy or insolvency would cause Atlantic Aviation to default on its FBO leases and would allow the local airport authorities to terminate the leases.

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's 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.

The economic downturn of 2008 and 2009 had a significant impact on the activity levels of many FBO customers, which resulted in significant declines in the gross profit of this business. According to general aviation traffic data reported by the FAA, business jet take-offs and landings in the United States decreased by 11.6% and 17.7% in 2008 and 2009, respectively. As a result of these traffic declines, business jet traffic levels in 2009 were 27.2% below their 2007 levels. General aviation traffic recovered in 2010 as economic activity improved. Business jet take-offs and landings increased by 11.3% compared with 2009 levels. However, 2010 business jet traffic levels remain 19.0% lower than their 2007 levels. The trajectory and pace of further general aviation traffic recovery could be impacted by the change in seasonal demand for FBO services or extreme adverse weather conditions. If the economy experiences a renewed deterioration or

negative sentiment regarding corporate jet usage re-emerges, the business may experience a decline in the volumes of fuel sold, which could materially adversely affect the results of this business.

Air travel and air traffic volume can also be affected by events that have nationwide and industry-wide implications, such as the events of September 11, 2001, as well as local circumstances. Events such as wars, outbreaks of disease such as SARS, 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's 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's 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, to a lesser extent, 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 have or may obtain greater financial and marketing resources than Atlantic Aviation, which may negatively impact Atlantic's Aviation 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 our ability to grow or renew our portfolio.

Atlantic Aviation's FBOs do not have the right to be the sole provider of FBO services at any of its FBO locations. The authority responsible for each airport has the ability to grant other FBO leases at the airport and new competitors could be established at those FBO locations. The addition of new competitors may reduce, or impair Atlantic Aviation's ability to increase, the revenue of the FBO business.

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.

Some of Atlantic Aviation's competitors have recently pursued more aggressive pricing strategies. These competitors 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.

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 66 airports and one heliport. If Atlantic Aviation defaults on the terms and conditions of its leases, including upon insolvency, the relevant authority may terminate the lease without compensation. Additionally, leases at Chicago Midway, Philadelphia, North East Philadelphia, New Orleans International and Orange County airports and the Metroport 34th Street Heliport in New York City, representing approximately 12.1% of Atlantic Aviation's gross profit in 2010, allow the relevant authority to terminate the lease at their convenience. In each 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.

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 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 three 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 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 in LLC interests or retain the cash will affect holders of LLC interests differently.

Our Manager, in its sole discretion, may elect to retain base management fees 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. 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 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, 2010, goodwill and other intangible assets, net, represented approximately 55.5% 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, trade names and customer relationships. 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 all of our operating companies other than IMTT. 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 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.

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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.

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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 revenue or net income or any increase in losses 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 which may not be realized before they expire.

We have accumulated over \$140.0 million in federal NOL carryforwards. 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 state NOLs. As with our federal NOLs, there is also no assurance that we will utilize those state losses or future losses. 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 that other states will not suspend the use of NOL carryforwards or that California and Illinois will not further suspend the use of NOL carryforwards.

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 15%. This tax treatment may be adversely affected, changed or repealed by future changes in tax laws at any time and is currently scheduled to expire for tax years beginning after December 31, 2012. This may affect market perceptions of our Company and the market price of our LLC interests could be negatively affected.

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.

Energy-Related Businesses

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.

The Gas Company

The Gas Company has facilities and equipment on all major Hawaiian Islands including: land beneath the SNG plant; several LPG holding tanks and cylinders; approximately 1,000 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 property, by island, follows. For more information regarding The Gas Company's operations, see Our Businesses and Investments The Gas Company 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

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 14 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-terminus 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.

Aviation-Related Business

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. The lease in Plano expires in 2012. We believe that these facilities are adequate to meet current and foreseeable future needs.

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.

ITEM 3. LEGAL PROCEEDINGS

Dispute Proceedings between MIC and Co-Investor in IMTT

The Company has formally initiated the dispute resolution process in the Shareholders Agreement governing the Company's investment in IMTT as a result of a disagreement with our co-investor regarding the distribution of certain funds from the cash flow of IMTT. The Company intends to proceed to arbitration with the co-investor if a satisfactory resolution cannot be reached within the timeframe prescribed in the Shareholders Agreement. See Management's Discussion and Analysis of Financial Condition and Results of Operations Distributions.

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 and 2009 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 2011 or later. IMTT continues to work to reduce, to the extent feasible, its emissions in order to avoid or reduce potential future penalties.

Except 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. [Removed and Reserved].

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 closing prices per LLC interest on the NYSE:

	<u>High</u>	<u>Low</u>
Fiscal 2009		
First Quarter	\$ 5.74	\$ 0.79
Second Quarter	4.36	1.50
Third Quarter	9.38	3.10
Fourth Quarter	12.60	7.38
Fiscal 2010		
First Quarter	\$ 14.13	\$ 12.20
Second Quarter	16.95	12.79
Third Quarter	15.50	12.49
Fourth Quarter	21.17	15.40
Fiscal 2011		
First Quarter (through February 15, 2011)	\$ 24.39	\$ 20.56

As of February 23, 2011, we had 45,715,448 LLC interests issued and outstanding that we believe were held by 105 holders of record, representing approximately 20,000 beneficial holders.

Distribution Policy

In February 2009 we suspended payment of quarterly cash distributions to shareholders in favor of applying the cash generated by our operating businesses to the reduction of holding company debt and operating company debt, principally at Atlantic Aviation. Our circumstances have changed over the intervening two years. We have repaid all of our holding company debt and improved the financial condition of our operating businesses. In particular we have strengthened the balance sheet of our Atlantic Aviation business by reducing its long-term debt and we have improved the financial flexibility of our bulk liquid storage by increasing the size and extending the maturity of its primary debt facility. As a result of these improvements, and taking into consideration the prospect of continued generation of excess cash by our businesses, we expect to resume payment of quarterly cash distributions to shareholders commencing with a distribution for the first quarter of 2011 to be paid during the second quarter of 2011.

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

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, 2010, 2009, 2008, 2007 and 2006 for our consolidated group, with the results of businesses acquired during those years being included from the date of each acquisition.

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Macquarie Infrastructure Company LLC

	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009 ⁽¹⁾	Year Ended Dec 31, 2008 ⁽¹⁾	Year Ended Dec 31, 2007 ⁽¹⁾	Year Ended Dec 31, 2006 ⁽¹⁾
(\$ In Thousands, Except Per LLC Interest Data)					
Statement of operations data:					
Revenue					
Revenue from product sales	\$ 514,344	\$ 394,200	\$ 586,054	\$ 445,852	\$ 262,432
Revenue from product sales utility	113,752	95,769	121,770	95,770	50,866
Service revenue	204,852	215,349	264,851	207,680	125,773
Financing and equipment lease income	7,843	4,758	4,686	4,912	5,118
Total revenue	840,791	710,076	977,361	754,214	444,189
Cost of revenue					
Cost of product sales	326,734	233,376	408,690	303,796	193,821
Cost of product sales utility	90,542	73,907	105,329	66,226	16,127
Cost of services ⁽²⁾	53,088	46,317	63,850	53,387	37,905
Gross profit	370,427	356,476	399,492	330,805	196,336
Selling, general and administrative expenses	201,787	209,783	227,288	181,830	111,006
Fees to manager related party	10,051	4,846	12,568	65,639	18,631
Goodwill impairment ⁽³⁾		71,200	52,000		
Depreciation ⁽⁴⁾	29,721	36,813	40,140	20,502	12,102
Amortization of intangibles ⁽⁵⁾	34,898	60,892	61,874	32,356	18,283
Loss on disposal of assets ⁽⁶⁾	17,869				
Total operating expenses	294,326	383,534	393,870	300,327	160,022
Operating income (loss)	76,101	(27,058)	5,622	30,478	36,314
Dividend income					8,395
Interest income	29	119	1,090	5,705	4,670
Interest expense ⁽⁷⁾	(106,834)	(95,456)	(88,652)	(65,356)	(60,484)
Loss on extinguishment of debt				(27,512)	
Equity in earnings (losses) and amortization charges of investees	31,301	22,561	1,324	(32)	12,558
Loss on derivative instruments		(25,238)	(2,843)	(1,362)	(822)
Gain on sale of equity investment					3,412
Gain on sale of investment					49,933
Gain on sale of marketable securities					6,737
Other income (expense), net	712	570	(198)	(1,260)	(89)
Net income (loss) from continuing operations before income taxes	1,309	(124,502)	(83,657)	(59,339)	60,624
Benefit for income taxes	8,697	15,818	14,061	16,764	4,287
Net income (loss) from continuing operations	\$ 10,006	\$ (108,684)	\$ (69,596)	\$ (42,575)	\$ 64,911
Net income (loss) from discontinued operations, net of taxes	81,323	(21,860)	(110,045)	(9,960)	(15,016)
Net income (loss)	\$ 91,329	\$ (130,544)	\$ (179,641)	\$ (52,535)	\$ 49,895
Less: net income (loss) attributable to noncontrolling interests	659	(1,377)	(1,168)	(481)	(23)

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Net income (loss) attributable to MIC LLC	\$ 90,670	\$ (129,167)	\$ (178,473)	\$ (52,054)	\$ 49,918
Basic income (loss) per share from continuing operations attributable to MIC LLC interest holders	\$ 0.21	\$ (2.43)	\$ (1.56)	\$ (1.05)	\$ 2.23
Basic income (loss) per share from discontinued operations attributable to MIC LLC interest holders	1.78	(0.44)	(2.41)	(0.22)	(0.50)
Basic income (loss) per share attributable to MIC LLC interest holders	\$ 1.99	\$ (2.87)	\$ (3.97)	\$ (1.27)	\$ 1.73
Weighted average number of shares outstanding: basic	45,549,803	45,020,085	44,944,326	40,882,067	28,895,522

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Macquarie Infrastructure Company LLC

	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009 ⁽¹⁾	Year Ended Dec 31, 2008 ⁽¹⁾	Year Ended Dec 31, 2007 ⁽¹⁾	Year Ended Dec 31, 2006 ⁽¹⁾
(\$ In Thousands, Except Per LLC Interest Data)					
Diluted income (loss) per share from continuing operations attributable to MIC LLC interest holders	\$ 0.21	\$ (2.43)	\$ (1.56)	\$ (1.05)	\$ 2.23
Diluted income (loss) per share from discontinued operations attributable to MIC LLC interest holders	1.78	(0.44)	(2.41)	(0.22)	(0.50)
Diluted income (loss) per share attributable to MIC LLC interest holders	\$ 1.99	\$ (2.87)	\$ (3.97)	\$ (1.27)	\$ 1.73
Weighted average number of shares outstanding: diluted	45,631,610	45,020,085	44,944,326	40,882,067	28,912,346
Cash distributions declared per share	\$	\$	\$ 2.125	\$ 2.385	\$ 2.075

Statement of cash flows data:

Cash flow from continuing operations

Cash provided by operating activities	\$ 98,555	\$ 82,976	\$ 95,579	\$ 93,499	\$ 38,979
Cash used in investing activities	(24,774)	(516)	(56,716)	(638,853)	(681,994)
Cash (used in) provided by financing activities	(76,528)	(117,818)	1,698	570,618	556,259
Effect of exchange rate				(1)	(272)
Net (decrease) increase in cash	\$ (2,747)	\$ (35,358)	\$ 40,561	\$ 25,263	\$ (87,028)

Cash flow from discontinued operations

Cash (used in) provided by operating activities	\$ (12,703)	\$ (4,732)	\$ (1,904)	\$ 3,051	\$ 7,386
Cash provided by (used in) investing activities	134,356	(445)	(26,684)	(5,157)	(4,202)

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Macquarie Infrastructure Company LLC

Cash (used in) provided by financing activities	(124,183)	2,144	(1,215)	(3,072)	6,069
Cash (used in) provided by discontinued operations ⁽⁸⁾	\$ (2,530)	\$ (3,033)	\$ (29,803)	\$ (5,178)	\$ 9,253
Change in cash of discontinued operations held for sale ⁽⁸⁾	\$ 2,385	\$ (208)	\$ 2,459	\$ 5,902	\$ (2,740)

- (1) Reclassified to conform to current period presentation.
- (2) Includes depreciation expense of \$6.6 million, \$6.1 million, \$5.8 million, \$5.8 million and \$5.7 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively, relating to District Energy.
- (3) Reflects non-cash impairment charge 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.
- (4) Includes a non-cash impairment charge of \$7.5 million and \$13.8 million recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.
- (5) Includes a non-cash impairment charge of \$23.3 million and \$21.7 million for contractual arrangements recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation and a \$1.3 million non-cash impairment charge on the airport management contracts at Atlantic Aviation in 2007.
- (6) Loss on disposal includes write-offs of intangible assets of \$10.4 million, property, equipment, land and leasehold improvements of \$5.6 million and goodwill of \$1.9 million at Atlantic Aviation.
- (7) Interest expense includes non-cash losses on derivative instruments of \$23.4 million and \$4.3 million for the years ended December 31, 2010 and 2009, respectively.
- (8) 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) provided by discontinued operations is different than the change in cash of discontinued operations held for sale due to intercompany transactions that are eliminated in consolidation.

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Macquarie Infrastructure Company LLC

	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006
(\$ In Thousands)					
Balance sheet data:					
Assets of discontinued operations held for sale	\$	\$ 86,695	\$ 105,725	\$ 258,899	\$ 268,327
Total current assets from continuing operations	125,427	129,866	193,890	201,604	216,620
Property, equipment, land and leasehold improvements, net ⁽¹⁾	563,451	580,087	592,435	577,498	425,045
Intangible assets, net ⁽²⁾	705,862	751,081	811,973	846,941	513,466
Goodwill ⁽³⁾	514,253	516,182	586,249	636,336	352,213

Macquarie Infrastructure Company LLC

Total assets	\$2,196,742	\$2,339,221	\$2,552,436	\$2,813,029	\$2,097,531
Liabilities of discontinued operations held for sale	\$	\$ 220,549	\$ 224,888	\$ 225,042	\$ 220,452
Total current liabilities from continuing operations	171,286	174,647	135,311	121,892	62,981
Deferred income taxes	156,328	107,840	83,228	202,683	163,923
Long-term debt, net of current portion	1,089,559	1,166,379	1,327,800	1,225,150	758,400
Total liabilities	1,510,047	1,764,453	1,918,175	1,841,159	1,227,946
Members' equity	\$ 691,149	\$ 578,526	\$ 628,838	\$ 966,552	\$ 864,425

- (1) Includes a non-cash impairment charge of \$7.5 million and \$13.8 million recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation.
- (2) Includes a non-cash impairment charge of \$23.3 million and \$21.7 million for contractual arrangements recorded during the first six months of 2009 and the fourth quarter of 2008, respectively, at Atlantic Aviation and a \$1.3 million non-cash impairment charge on the airport management contracts at Atlantic Aviation in 2007.
- (3) Reflects non-cash impairment charge 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.

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 the Company 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 gas utility services to businesses and individuals primarily in the U.S. The businesses we own and operate are energy-related businesses consisting of: a 50% interest in IMTT, The Gas Company, and our controlling interest in District Energy; and an aviation-related business, Atlantic Aviation.

Our infrastructure businesses generally operate in sectors with limited competition and 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.

Distributions

We believe we achieved prudent levels of cash reserves at both our holding company and operating companies. In addition, our results of operations and balance sheet have improved sufficiently, along with improved capital market conditions, to give us confidence in our ability to refinance our debt on or before maturity. As a result, we expect to declare a quarterly cash dividend for the first quarter of 2011 of \$0.20 per share to be paid during the second quarter of 2011. We currently expect to sustain this dividend for the foreseeable future.

In determining the amount of the dividend, we had expected to include certain funds from the cash flow of IMTT. Distribution of funds to us from IMTT is governed by the Shareholders' Agreement between us and the co-investor that owns the remaining 50% stake. The co-investor has refused to vote in favor of distributing certain of these funds, and we believe that such a refusal violates the Shareholders' Agreement. As a result, we have formally initiated the dispute resolution process in the Shareholders' Agreement, and intend to proceed to arbitration with the co-investor if a satisfactory resolution cannot be reached within the timeframe prescribed in the Shareholders' Agreement. Contingent upon the favorable outcome of the arbitration and the continued recovery of operating and capital market environments, we believe we could increase the

quarterly dividend to as much as \$0.375 per share.

The precise timing and amount of any future distribution will be based on the continued stable performance of the Company's businesses and the economic conditions prevailing at the time of any authorization. Management believes that any distribution would be characterized as a dividend for tax purposes rather than as a return of capital.

Continuing Operations

Our energy-related businesses were largely resistant to the recent economic downturn, 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.

The results of Atlantic Aviation have been negatively affected since mid-2008 by the slower economy and declining general aviation activity levels through mid-2009. However, general aviation activity levels stabilized in the second half of 2009 and showed year on year growth in December 2009 and through 2010. This stabilization, combined with expense reduction efforts, results in an improving outlook for the business.

We will continue to apply excess cash flow generated by Atlantic Aviation to the reduction of that business' term loan principal, consistent with the amendments to the debt facility that we agreed to in

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February 2009. Such repayments are expected to enhance our ability to successfully refinance this debt when it matures in 2014.

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 a 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.

Disposal of Assets at Atlantic Aviation

During 2010, Atlantic Aviation completed a strategic review of its portfolio of FBOs. As a result of this process, the business concluded that several of its sites did not have sufficient scale or serve a market with sufficiently strong growth prospects to warrant continued operations at these sites. Therefore, Atlantic Aviation has undertaken to exit certain markets and redeploy resources that may be made available in the process into markets which it views as having better growth profiles and recorded \$17.9 million in loss on disposal of assets in both the Atlantic Aviation and our consolidated statement of operations.

In 2010, Atlantic Aviation bid for renewal of an operating lease at Atlanta's Hartsfield airport. This lease had been operating on a month to month basis since being acquired by Atlantic in August 2007. In November 2010, the lease was tentatively awarded to a party other than Atlantic. As a result, in December 2010, Atlantic recorded a non-cash loss on disposal of its assets totaling \$3.7 million. As of February 23, 2011, Atlantic Aviation continues to operate at this FBO on a month to month basis, while the airport negotiates with the third party.

On January 31, 2011, Atlantic Aviation concluded the sale of FBOs at Fresno Yosemite International Airport and Cleveland Cuyahoga County Airport. As a result, during the fourth quarter of 2010, the business recorded a non-cash loss on disposal of its assets totaling \$9.8 million.

In February 2011 Atlantic Aviation entered into an asset purchase agreement pertaining to an FBO. As a result, during the fourth quarter of 2010, the business recorded a non-cash loss on disposal of its assets totaling \$4.4 million. This sale is pending as of this report date.

MIC Inc. Revolving Credit Facility

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Until March 31, 2010, the Company had a revolving credit facility provided by various financial institutions, including entities within the Macquarie Group. The facility was repaid in full in December 2009 and no amounts were outstanding under the revolving credit facility as of December 31, 2009 or at the facility's maturity on March 31, 2010. This facility was not renewed or replaced. We have no holding company debt.

Income Taxes

We file a consolidated federal income tax return that includes the taxable income of The Gas Company 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 companies, or as a taxable dividend. We will include in our taxable income the taxable portion of any distributions from IMTT and District Energy characterized as a dividend. Such dividends are eligible for the 80% dividend received deduction.

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As a result of our having federal NOL carryforwards, we do not expect to have consolidated regular federal taxable income or regular federal tax payments at least through the 2012 tax year. The cash state and local taxes paid by our individual businesses are discussed in the sections entitled "Income Taxes" for each of our individual businesses.

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

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the "Act") was signed. The Act provides for 100% bonus depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% bonus depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Importantly, Illinois and Louisiana, two states in which we have significant operations, do permit the use of bonus depreciation in calculating state taxable income. Generally, states do not allow this bonus depreciation deduction in determining state taxable income. The Company will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating our capital expenditure plans for 2011 and 2012.

Operating Segments and Businesses

Energy-Related 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 partially owned terminals in Quebec and Newfoundland, Canada. IMTT has its largest terminals in the strategic locations of New York Harbor and the lower Mississippi River near New Orleans. IMTT stores and handles petroleum products, various chemicals, renewable fuels, and vegetable and animal oils and, based on storage capacity, 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 between three and five years that require payment 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 for capacity 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 balance for bulk liquid storage currently exists in the markets serviced by IMTT's major 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 prices 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 prevent excessive viscosity) and other (revenue from blending, packaging and warehousing, etc.). Most customer contracts include provisions for annual price increases based on inflation.

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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).

In 2010, IMTT generated approximately 42% of its total terminal revenue and approximately 40% of its terminal gross profit at its Bayonne facility, which services New York Harbor, and approximately 42% of its total terminal revenue and approximately 50% of its terminal gross profit at its St. Rose, Gretna, Avondale and

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Energy-Related Businesses: IMTT (continued)

Geismar facilities, which together service the lower Mississippi River region (with St. Rose being the largest contributor).

IMTT also owns Oil Mop, an environmental response and spill clean-up business. Oil Mop has a network of facilities along the U.S. Gulf Coast between Houston and New Orleans. These facilities service predominantly the Gulf region, but also respond to spill events as needed throughout the United States and internationally. In 2010, Oil Mop was involved in the clean up of the spill in the Gulf of Mexico and contributed 33% of total revenues. This level of activity is not expected to recur in 2011.

Our interest in IMTT Holdings, from the date of closing our acquisition, 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 equity in IMTT's earnings and amortization charges are reflected in our consolidated statements of cash flows from investing activities under return on investment in unconsolidated business.

The Gas Company

The Gas Company is Hawaii's only government franchised full-service gas company, manufacturing and distributing gas products and services in Hawaii. The market includes Hawaii's approximately 1.4 million residents and approximately 7.0 million visitors in 2010. The Gas Company manufactures 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.

The Gas Company has two primary businesses: utility (or regulated) and non-utility (or unregulated).

The utility business serves approximately 35,300 customers through localized distribution systems located on the islands of Oahu, Hawaii, Maui, Kauai, Molokai and Lanai. The utility business includes the manufacture, distribution and sale of SNG on the island of Oahu and distribution and sale of LPG. 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 manufacturing SNG from the feedstock, LPG purchase costs and the cost of distributing SNG and LPG to customers. Utility sales comprised approximately 43% of The Gas Company's total contribution margin in 2010.

The non-utility business sells and distributes LPG to approximately 33,300 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 comprised approximately 57% of The Gas Company's total contribution margin in 2010.

SNG and LPG have a wide number of commercial and residential applications, including water heating, drying, cooking, emergency power generation and 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.

Revenue is primarily a function of the volume of SNG and LPG consumed by 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 The Gas Company 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

Energy-Related Businesses: The Gas Company (continued)

invested. The Gas Company'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, and on the cost of alternative fuels and competitive factors.

The Gas Company incurs expenses in operating and maintaining its facilities and distribution network, comprising a SNG plant, a 22-mile transmission line, 1,000 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. Under the long-term contracts, 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 in line with the volume of chilled water produced. Thermal Chicago focuses on minimizing the cost of electricity consumed per unit of chilled water produced by operating its plants to maximize efficient use of electricity. Other direct expenses are largely fixed regardless of the volumes of chilled water produced.

Thermal Chicago has entered into a contract with a retail energy supplier to provide the majority of the business' electricity in 2011 at a fixed price. 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 it will enter into supply contracts for 2012 and subsequent years and prices 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 annum through March 2016 and monthly fixed payments totaling approximately \$3.0 million per year thereafter through February 2020.

Aviation-Related Business

Atlantic Aviation

The performance of Atlantic Aviation depends upon the level of general aviation activity, and jet fuel consumption, for the largest portion of its gross profit. 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 these airports are located near key business centers such as New York, New York; Chicago, Illinois and Philadelphia, Pennsylvania 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 our 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 sites where Atlantic Aviation operates an FBO business, it 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 payments to airport authorities which vary from site to site. Cost of revenue – non-fuel is directly related to the volume of services provided and therefore generally increases in line with non-fuel revenue in dollar terms.

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

strong performance in our energy-related businesses reflecting:

increase in revenue and gross profit from IMTT spill response activity in the Gulf Coast;

increases in average storage rates and storage capacity at IMTT;

increase in underlying margins at The Gas Company; and

increase in gross profit at District Energy driven by higher average temperatures and new customers.

improved contribution from Atlantic Aviation reflecting:

higher general aviation fuel volumes and margins;

cost reductions; and

lower interest expense as a result of the early repayment of the outstanding term loan debt; partially offset by

a decrease in non-fuel revenue.

Results of Operations: Consolidated (continued)

Our consolidated results of operations are as follows:

	Year Ended December 31,			Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
	2010	2009 ⁽¹⁾	2008 ⁽¹⁾	\$	%	\$	%
(\$ In Thousands) (Unaudited)							
Revenue							
Revenue from product sales	\$ 514,344	\$ 394,200	\$ 586,054	120,144	30.5	(191,854)	(32.7)
Revenue from product sales utility	113,752	95,769	121,770	17,983	18.8	(26,001)	(21.4)
Service revenue	204,852	215,349	264,851	(10,497)	(4.9)	(49,502)	(18.7)
Financing and equipment lease income	7,843	4,758	4,686	3,085	64.8	72	1.5
Total revenue	840,791	710,076	977,361	130,715	18.4	(267,285)	(27.3)
Costs and expenses							
Cost of product sales	326,734	233,376	408,690	(93,358)	(40.0)	175,314	42.9
Cost of product sales utility	90,542	73,907	105,329	(16,635)	(22.5)	31,422	29.8
Cost of services	53,088	46,317	63,850	(6,771)	(14.6)	17,533	27.5
Gross profit	370,427	356,476	399,492	13,951	3.9	(43,016)	(10.8)
Selling, general and administrative	201,787	209,783	227,288	7,996	3.8	17,505	7.7
Fees to manager related party	10,051	4,846	12,568	(5,205)	(107.4)	7,722	61.4
Goodwill impairment		71,200	52,000	71,200	NM	(19,200)	(36.9)
Depreciation	29,721	36,813	40,140	7,092	19.3	3,327	8.3
Amortization of intangibles	34,898	60,892	61,874	25,994	42.7	982	1.6
Loss on disposal of assets	17,869			(17,869)	NM		
Total operating expenses	294,326	383,534	393,870	89,208	23.3	10,336	2.6
Operating income (loss)	76,101	(27,058)	5,622	103,159	NM	(32,680)	NM
Other income (expense)							
Interest income	29	119	1,090	(90)	(75.6)	(971)	(89.1)
Interest expense ⁽²⁾	(106,834)	(95,456)	(88,652)	(11,378)	(11.9)	(6,804)	(7.7)
Equity in earnings and amortization charges of investees	31,301	22,561	1,324	8,740	38.7	21,237	NM
Loss on derivative instruments		(25,238)	(2,843)	25,238	NM	(22,395)	NM
Other income (expense), net	712	570	(198)	142	24.9	768	NM

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	Year Ended December 31,			Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
Net income (loss) from continuing operations before income taxes	1,309	(124,502)	(83,657)	125,811	101.1	(40,845)	(48.8)
Benefit for income taxes	8,697	15,818	14,061	(7,121)	(45.0)	1,757	12.5
Net income (loss) from continuing operations	\$ 10,006	\$(108,684)	\$ (69,596)	118,690	109.2	(39,088)	(56.2)
Net income (loss) from discontinued operations, net of taxes	81,323	(21,860)	(110,045)	103,183	NM	88,185	80.1
Net income (loss)	\$ 91,329	\$(130,544)	\$(179,641)	221,873	170.0	49,097	27.3
Less: net income (loss) attributable to noncontrolling interests	659	(1,377)	(1,168)	(2,036)	(147.9)	209	17.9
Net income (loss) attributable to MIC LLC	\$ 90,670	\$(129,167)	\$(178,473)	219,837	170.2	49,306	27.6

NM Not meaningful

- (1) Reclassified to conform to current period presentation.
- (2) Interest expense includes non-cash losses on derivative instruments of \$23.4 million and \$4.3 million for the years ended December 31, 2010 and 2009, respectively.

Results of Operations: Consolidated (continued)

Gross Profit

Consolidated gross profit increased from 2009 to 2010 reflecting improved results at our energy-related businesses and for fuel-related services at Atlantic Aviation, offset by a decrease in non-fuel gross profit from Atlantic Aviation.

The decrease in our consolidated gross profit from 2008 to 2009 was due to a decline in fuel volumes at Atlantic Aviation, partially offset by improved results at our consolidated energy-related businesses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2010 decreased at all of our consolidated businesses, especially at Atlantic Aviation.

The decrease in our selling, general and administrative expenses in 2009 was primarily a result of cost reduction efforts at Atlantic Aviation, partially offset by higher costs at the holding company mainly attributable to the sale of the noncontrolling stake in District Energy and increased incentive compensation, pension expense and professional services at our consolidated energy-related businesses.

Fees to Manager

Base management fees to our Manager increased due to increased market capitalization. Our Manager elected to reinvest its first quarter 2010 base management fees in additional LLC interests, which were issued to our Manager during the second quarter of 2010. The base management fee for the second and third quarters of 2010 was paid in cash to our Manager during the second half of 2010. Our Manager has elected to reinvest its fourth quarter 2010 base management fee of \$3.2 million in LLC interests, which will be issued during the first quarter of 2011.

Base management fees to our Manager decreased in 2009 due to decreased market capitalization. Our Manager elected to reinvest the base management fees for the second, third and fourth quarters of 2009 in additional LLC interests. LLC interests for the second and third quarters of 2009 were issued to our Manager during the second half of 2009. LLC interests for the fourth quarter of 2009 were issued to our Manager during the first quarter of 2010.

Goodwill Impairment

During the first six months of 2009 and the fourth quarter of 2008, we recognized goodwill impairment charges of \$71.2 million and \$52.0 million, respectively, at Atlantic Aviation. There were no impairment charges in 2010.

Depreciation

Depreciation includes non-cash asset impairment charges of \$7.5 million during the first six months of 2009 and \$13.8 million during the fourth quarter of 2008, recorded at Atlantic Aviation. Excluding these impairment charges, depreciation expense increased each year as a result of capital expenditures by our businesses resulting in higher asset balances. There were no impairment charges in 2010.

Amortization of Intangibles

Amortization of intangibles expense includes non-cash asset impairment charges of \$23.3 million during the first six months of 2009 and \$21.7 million during the fourth quarter of 2008, recorded by Atlantic Aviation. The impairments reduced the amortizable balance. There were no impairment charges in 2010.

Results of Operations: Consolidated (continued)

Loss on disposal of assets

During 2010, Atlantic Aviation completed a strategic review of its portfolio of FBOs. As a result of this process, the business concluded that several of its sites did not have sufficient scale or serve a market with sufficiently strong growth prospects to warrant continued operations at these sites. Therefore, Atlantic Aviation has undertaken to exit certain markets and redeploy resources that may be made available in the process into markets which it views as having better growth profiles and recorded \$17.9 million in loss on disposal of assets in the consolidated statement of operations.

Interest Expense and Loss on Derivative Instruments

Interest expense includes non-cash losses on derivative instruments of \$23.4 million and \$4.3 million for 2010 and 2009, respectively. The change in the non-cash losses on derivatives recorded both in interest expense and in loss on derivative instruments is attributable to the change in fair value of interest rate swaps, interest rate swap break fees related to the pay down of debt at Atlantic Aviation and includes the reclassification of amounts from accumulated other comprehensive loss into earnings, as Atlantic Aviation paid down its debt more quickly than anticipated.

Excluding the portion related to non-cash losses on derivatives, interest expense decreased due to a \$136.7 million reduction of term loan debt at Atlantic Aviation and the repayment in the full amount of the outstanding balance of \$66.4 million of MIC holding company debt during December 2009.

Interest expense increased from 2008 to 2009 primarily at Atlantic Aviation due to payments of interest rate swap breakage fees. Given the downward movement in interest rates since the interest rate swap contracts were put in place, this business pays interest rate swap breakage fees as it pays down its term loan debt. This increase was partially offset by the favorable LIBOR movements on unhedged debt during the year,

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primarily the MIC Inc. revolving credit facility, which was repaid in December 2009.

Equity in Earnings and Amortization Charges of Investees

Our equity in the earnings of IMTT increased from 2009 to 2010 reflecting our share of the improved operating results of the business, offset by our share of non-cash derivative losses of \$7.8 million for 2010 compared with our share of non-cash derivative gains of \$15.3 million.

Our equity in the earnings of IMTT increased from 2008 to 2009 due to improved operating results of the business for that period, together with our share of the non-cash derivative gains of \$15.3 million compared with our share of non-cash derivative losses of \$23.1 million in 2008.

Income Taxes

For 2010, we expect to report a consolidated net operating loss, for which we will record a deferred tax benefit, and we do not expect to pay a federal Alternative Minimum Tax for 2010. Further, we expect taxable income for 2010 to include a capital loss of approximately \$10.4 million on the disposal of our airport parking business, which we will carryback to 2009. Accordingly, our 2009 consolidated taxable income will be reduced to approximately \$1.1 million.

For 2009, we reported consolidated federal taxable income of \$11.5 million, which was offset by a portion of our consolidated federal NOL carryforward. For 2009, we paid a federal Alternative Minimum tax of \$203,000.

For 2008, we reported consolidated federal taxable loss of \$14.5 million, for which we recorded a deferred tax benefit. The benefit recorded in 2008 was net of certain state NOLs and a portion of our impairments attributable to non-deductible goodwill.

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 consolidated income tax returns, and we include

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Results of Operations: Consolidated (continued)

the dividends received from IMTT and District Energy in our consolidated income tax return. Further, we expect that any dividends from IMTT and District Energy in 2010 will be treated as taxable dividends, which qualify for the 80% Dividends Received Deduction (DRD).

Valuation allowance:

As discussed in Note 17, *Income Taxes*, 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, from the date of sale of the noncontrolling interest in District Energy and onwards, we evaluate the need for a valuation allowance against our deferred tax assets without taking into consideration the deferred tax liabilities of District Energy. As of December 31, 2009, our valuation allowance was approximately \$20.6 million.

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 has been 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 is included in net income from discontinued operations.

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.

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 a 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*

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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

In accordance with GAAP, we have disclosed EBITDA excluding non-cash items for our Company and each of our operating segments in Note 15, 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 noncash 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.

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. Working capital movements are excluded on the basis that these are largely timing differences in payables and receivables, and are therefore not reflective of our ability to generate cash.

We believe that reporting Free Cash Flow will provide our investors with additional insight into our 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

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Results of Operations: Consolidated (continued)

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, pay dividends 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.

In 2008, we disclosed EBITDA only. The following tables, reflecting results of operations for the consolidated group and for our businesses for the years ended December 31, 2010, 2009 and 2008, have been conformed to current periods presentation reflecting EBITDA excluding non-cash items and Free Cash Flow.

A reconciliation of net income (loss) attributable to MIC LLC from continuing operations to free cash flow from continuing operations, on a consolidated basis, is provided below:

	Year Ended December 31,			Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
	2010	2009 ⁽¹⁾	2008 ⁽¹⁾	\$	%	\$	%
(\$ in Thousands) (Unaudited)							
Net income (loss) attributable to MIC LLC from continuing operations ⁽²⁾	\$ 9,483	\$(109,170)	\$ (70,181)				
Interest expense, net ⁽³⁾	106,805	95,337	87,562				
Benefit for income taxes	(8,697)	(15,818)	(14,061)				
Depreciation ⁽⁴⁾	29,721	36,813	40,140				
	6,555	6,086	5,813				

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	Year Ended December 31,			Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
Depreciation cost of services ⁽⁴⁾							
Amortization of intangibles ⁽⁵⁾	34,898	60,892	61,874				
Goodwill impairment		71,200	52,000				
Loss on disposal of assets	17,869						
Loss on derivative instruments		25,238	2,843				
Equity in earnings and amortization charges of investees ⁽⁶⁾	(16,301)	(15,561)					
Base management fees settled in LLC interests	5,403	4,384					
Other non-cash expense, net	2,753	2,784	4,883				
EBITDA excluding non-cash items from continuing operations	\$ 188,489	\$ 162,185	\$ 170,873	26,304	16.2	(8,688)	(5.1)
EBITDA excluding non-cash items from continuing operations	\$ 188,489	\$ 162,185	\$ 170,873				
Interest expense, net ⁽³⁾	(106,805)	(95,337)	(87,562)				
Interest rate swap breakage fee ⁽³⁾	(5,528)	(8,776)					
Non-cash derivative losses recorded in interest expense ⁽³⁾	28,938	13,078					
Amortization of debt financing costs ⁽³⁾	4,347	5,121	4,762				
Equipment lease receivables, net	2,761	2,752	2,460				
Provision for income taxes, net of changes in deferred taxes	(3,032)	(2,105)	(1,976)				
Changes in working capital	(10,615)	6,058	7,022				
Cash provided by operating activities	98,555	82,976	95,579				
Changes in working capital	10,615	(6,058)	(7,022)				
Maintenance capital expenditures	(14,509)	(9,453)	(14,846)				
Free cash flow from continuing operations	\$ 94,661	\$ 67,465	\$ 73,711	27,196	40.3	(6,246)	(8.5)

Results of Operations: Consolidated (continued)

(1) Reclassified to conform to current period presentation.

- (2) Net income (loss) attributable to MIC LLC from continuing operations excludes net income attributable to noncontrolling interests of \$523,000, \$486,000 and \$585,000 for the years ended December 31, 2010, 2009 and 2008, respectively.
- (3) Interest expense, net, includes non-cash losses on derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees.
- (4) Depreciation cost of services includes depreciation expense for District Energy, which is reported in cost of services in our consolidated statements of operations. Depreciation and Depreciation cost of services does not include acquisition-related step-up depreciation expense of \$6.9 million for each year in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investees in our consolidated statements of operations.
- (5) Amortization of intangibles does not include acquisition-related step-up amortization expense of \$1.1 million for each year related to intangible assets in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investees in our consolidated statements of operations.
- (6) Equity in earnings and amortization charges of investees in the above table includes our 50% share of IMTT's earnings, offset by distributions we received only up to our share of the earnings recorded.

Energy-Related Businesses

IMTT

We account for our 50% interest in IMTT under the equity method. We recognized income of \$31.3 million in our consolidated results for 2010. This includes our 50% share of IMTT's net income, equal to \$36.0 million for the period, offset by \$4.7 million of acquisition-related step up depreciation and amortization expense (net of taxes). For the year ended December 31, 2009, we recognized income of \$22.6 million in our consolidated results. This included our 50% share of IMTT's net income, equal to \$27.3 million for the period, offset by \$4.7 million of acquisition-related step up depreciation and amortization expense (net of taxes).

Distributions from IMTT, to the degree classified as taxable dividends and not a return of capital for income tax purposes, qualify for the federal dividends received deduction. Therefore, 80% of any taxable dividend is excluded in calculating our consolidated federal taxable income. Any distributions classified as a return of capital for income tax purposes will reduce our tax basis in IMTT.

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Energy-Related Businesses: IMTT (continued)

To enable meaningful analysis of IMTT's performance across periods, IMTT's overall performance is discussed below, rather than IMTT's contribution to our consolidated results.

Year Ended December 31,

2010	2009 ⁽¹⁾	Change		2009 ⁽¹⁾	2008	Change	
		Favorable/(Unfavorable)				Favorable/(Unfavorable)	
\$	\$	\$	%	\$	\$	\$	%

(\$ In Thousands) (Unaudited)

Revenue								
Terminal revenue	372,205	330,380	41,825	12.7	330,380	306,103	24,277	7.9
Environmental response revenue	184,979	15,795	169,184	NM	15,795	46,480	(30,685)	(66.0)

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Year Ended December 31,

Total revenue	557,184	346,175	211,009	61.0	346,175	352,583	(6,408)	(1.8)
Costs and expenses								
Terminal operating costs	168,713	156,552	(12,161)	(7.8)	156,552	155,000	(1,552)	(1.0)
Environmental response operating costs	115,937	14,792	(101,145)	NM	14,792	34,658	19,866	57.3
Total operating costs	284,650	171,344	(113,306)	(66.1)	171,344	189,658	18,314	9.7
Terminal gross profit	203,492	173,828	29,664	17.1	173,828	151,103	22,725	15.0
Environmental response gross profit	69,042	1,003	68,039	NM	1,003	11,822	(10,819)	(91.5)
Gross profit	272,534	174,831	97,703	55.9	174,831	162,925	11,906	7.3
General and administrative expenses	37,125	27,437	(9,688)	(35.3)	27,437	30,076	2,639	8.8
Depreciation and amortization	61,277	55,998	(5,279)	(9.4)	55,998	44,615	(11,383)	(25.5)
Operating income	174,132	91,396	82,736	90.5	91,396	88,234	3,162	3.6
Interest expense, net ⁽²⁾	(50,335)	(2,130)	(48,205)	NM	(2,130)	(23,540)	21,410	91.0
Other income	1,953	522	1,431	NM	522	2,141	(1,619)	(75.6)
Unrealized gains (losses) on derivative instruments		3,306	(3,306)	NM	3,306	(46,277)	49,583	107.1
Provision for income taxes	(53,521)	(38,842)	(14,679)	(37.8)	(38,842)	(9,452)	(29,390)	NM
Noncontrolling interest	(165)	332	(497)	(149.7)	332	1,003	(671)	(66.9)
Net income	72,064	54,584	17,480	32.0	54,584	12,109	42,475	NM
<i>Reconciliation of net income to EBITDA excluding non-cash items:</i>								
Net income	72,064	54,584			54,584	12,109		
Interest expense, net ⁽²⁾	50,335	2,130			2,130	23,540		
Provision for income taxes	53,521	38,842			38,842	9,452		
Depreciation and amortization	61,277	55,998			55,998	44,615		
Unrealized (gains) losses on derivative instruments		(3,306)			(3,306)	46,277		
Other non-cash (income) expenses	(361)	(590)			(590)	601		
	236,836	147,658	89,178	60.4	147,658	136,594	11,064	8.1

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Year Ended December 31,

EBITDA excluding non-cash items								
EBITDA excluding non-cash items	236,836	147,658			147,658	136,594		
Interest expense, net ⁽²⁾	(50,335)	(2,130)			(2,130)	(23,540)		
Non-cash derivative losses (gains) recorded in interest expense ⁽²⁾	15,653	(27,380)			(27,380)			
Amortization of debt financing costs ⁽²⁾	2,011	543			543	473		
Provision for income taxes, net of changes in deferred taxes	(12,514)	(1,593)			(1,593)	(4,053)		
Changes in working capital	4,536	16,284			16,284	(15,387)		
Cash provided by operating activities	196,187	133,382			133,382	94,087		
Changes in working capital	(4,536)	(16,284)			(16,284)	15,387		
Maintenance capital expenditures	(44,995)	(39,977)			(39,977)	(42,690)		
Free cash flow	146,656	77,121	69,535	90.2	77,121	66,784	10,337	15.5

NM Not meaningful

(1) Reclassified to conform to current period presentation.

(2) Interest expense, net, includes non-cash gains (losses) on derivative instruments and non-cash amortization of deferred financing fees.

Energy-Related Businesses: IMTT (continued)

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Key Factors Affecting Operating Results

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environmental response service revenue and gross profit increased principally due to spill response work and other activities related to the oil spill in the Gulf of Mexico; and

terminal revenue and gross profit increased principally due to:

increases in average tank rental rates; and

increase in volume of storage under contract.

Revenue and Gross Profit

The increase in terminal revenue primarily reflects growth in storage revenue. Storage revenue grew due to an increase in average rental rates of 7.2% during the year and an increase in storage capacity mainly attributable to certain expansion projects at IMTT's Louisiana facilities.

Capacity utilization was essentially flat at 93.6% during 2010 compared with 94.0% in 2009. Utilization rates were lower in the second half of 2010, primarily due to tanks being taken out of service for inspection and repairs and maintenance. Many of these tanks were returned to service in early 2011; however, cleaning and inspection activity is anticipated to remain at elevated levels through 2014. IMTT expects utilization rates to be approximately 93.0% to 94.0% during 2011.

Terminal operating costs increased during the year ended December 31, 2010 primarily as a result of an increase in salaries and wages and higher repairs and maintenance.

Revenue and gross profit from environmental response services increased substantially during 2010 primarily due to the increase in spill response activities following the April 20, 2010 BP oil spill in the Gulf of Mexico. The business has substantially reduced its clean-up efforts in the Gulf relating to the BP spill and anticipates that Oil Mop's contribution to revenue and gross profit in 2011 will be materially less than 2010.

General and Administrative Expenses

General and administrative expenses for the year increased primarily due to the increase in environmental response services activity compared with the prior comparable period. The increase reflects a year to date \$9.1 million increase from the environmental response service business, primarily related to cash and accrued bonuses and sales commissions.

Depreciation and Amortization

Depreciation and amortization expense increased as IMTT completed several major expansion projects, resulting in higher asset balances.

Interest Expense, Net

Interest expense, net, includes non-cash losses on derivative instruments of \$15.7 million in 2010 and non-cash gains of \$27.4 million in 2009. Excluding the non-cash (losses) gains on derivative instruments, interest expense is higher due to increased rates on the revolving credit facility, an increase in the notional value of the hedged portion of the revolving credit facility and letter of credit fees associated with the additional issuance of Gulf Opportunity Zone Bonds, partially offset by a lower outstanding amount on the revolving credit facility.

Energy-Related Businesses: IMTT (continued)

Cash interest paid was \$34.1 million and \$29.0 million for years ended December 31, 2010 and 2009, respectively.

Income Taxes

The business files a consolidated federal income tax return and files a separate state income tax return in six states. For the year ended December 31, 2009, the business paid state income taxes of approximately \$1.6 million.

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For the year ended December 31, 2010, IMTT recorded \$5.5 million of current federal income tax expense and \$7.0 million of current state income tax expense. At December 31, 2009, IMTT had a federal net operating loss of \$50.5 million, of which \$5.8 million was carriedback to and used in year 2008 and \$44.7 million was carriedforward to and was fully utilized in 2010.

A significant difference between IMTT's book and federal taxable income relates to depreciation of terminalling fixed assets. For book purposes, these fixed assets are depreciated primarily over 15 to 30 years using the straight-line method of depreciation. For federal income tax purposes, these fixed assets are depreciated primarily over 5 to 15 years using accelerated methods. Most terminalling fixed assets placed in service in 2010 qualify for the federal 50% or 100% bonus depreciation, except assets placed in service in Louisiana financed with GO Zone Bonds. A significant portion of Louisiana terminalling fixed assets constructed since Hurricane Katrina are or will be financed with GO Zone Bonds. GO Zone Bond financed assets are depreciated primarily over 9 to 20 years using the straight-line depreciation method. Most of the states in which the business operates do not allow the use of the federal bonus depreciation calculation methods.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Key Factors Affecting Operating Results

terminal revenue and terminal gross profit increased principally due to:

increases in average tank rental rates and volume of storage under contract; and

increases in revenue from the provision of storage and other services with the full year of operations at IMTT's Geismar storage facility.

lower environmental response gross profit due to reduced spill activity in 2009.

Revenue and Gross Profit

The increase in terminal revenue primarily reflects growth in storage and other services revenues, partially offset by declines in throughput and heating revenues. Storage revenue grew primarily as average rental rates increased by 9.7% during the year. The increase in storage revenue also reflected an increase in storage capacity mainly attributable to certain expansion projects at IMTT's Louisiana facilities.

Gross profit increased primarily due to an increase in storage revenues and \$15.2 million of additional revenue as a result of a full year of storage and related logistics services at IMTT's Geismar terminal, which was partially offset by a customer reimbursement for capital projects completed at Bayonne in 2008 which did not recur. Throughput and heating revenues declined reflecting lower activity levels at IMTT's facilities and lower heating costs due to the decline in fuel prices passed through to customers. Storage capacity utilization, defined as storage capacity rented divided by total capacity available, remained relatively constant at 94.0% and 94.3% during 2009 and 2008, respectively.

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Energy-Related Businesses: IMTT (continued)

The terminal operating costs increased primarily as a result of increased health insurance claims, pension costs, salaries and wages, pipeline related work and a full year of operations at Geismar, partially offset by a \$2.0 million excise tax settlement in the first half of 2008 that did not recur in 2009.

Gross profit from environmental services decreased from 2008 to 2009 primarily due to higher spill response activity in 2008 relating to IMTT's central role in response activities following the July 23, 2008 fuel oil spill on the Mississippi River near New Orleans.

General and Administrative Expenses

Lower general and administrative costs during 2009 resulted primarily from the recovery of receivables that had been fully provisioned for in prior periods and reserves under bad debt expense in 2008 that did not recur in 2009.

Depreciation and Amortization

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Depreciation and amortization expense increased as IMTT completed several major expansion projects, resulting in higher asset balances.

Interest Expense, Net

Interest expense, net, includes non-cash gains on derivative instruments of \$27.4 million for the year ended December 31, 2009. Excluding the non-cash gains on derivative instruments, interest expense is higher due to higher borrowings to fund growth capital expenditures along with the discontinuation of the capitalization of construction period interest upon the commencement of operations at Geismar, partially offset by a decrease in interest rates on unhedged debt balances.

Cash interest paid was \$29.0 million and \$25.7 million for years ended December 31, 2009 and 2008, respectively.

Income Taxes

For the year ended December 31, 2009, IMTT generated a loss for federal income tax purposes. This loss was carried forward and utilized to reduce current taxable income in 2010.

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Energy-Related Businesses: The Gas Company

The Gas Company

Year Ended December 31,

	2010		Change Favorable/(Unfavorable)		2009 ⁽¹⁾		2008 ⁽¹⁾		Change Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%		
	(\$ In Thousands) (Unaudited)									
Contribution margin										
Revenue utility	113,752	95,769	17,983	18.8	95,769	121,770	(26,001)	(21.4)		
Cost of revenue utility	76,891	60,227	(16,664)	(27.7)	60,227	91,978	31,751	34.5		
Contribution margin utility	36,861	35,542	1,319	3.7	35,542	29,792	5,750	19.3		
Revenue non-utility	96,855	79,597	17,258	21.7	79,597	91,244	(11,647)	(12.8)		
Cost of revenue non-utility	48,896	36,580	(12,316)	(33.7)	36,580	55,504	18,924	34.1		
Contribution margin non-utility	47,959	43,017	4,942	11.5	43,017	35,740	7,277	20.4		
Total contribution margin	84,820	78,559	6,261	8.0	78,559	65,532	13,027	19.9		
Production	6,725	6,471	(254)	(3.9)	6,471	6,488	17	0.3		
Transmission and distribution	19,269	19,152	(117)	(0.6)	19,152	17,947	(1,205)	(6.7)		
Gross profit	58,826	52,936	5,890	11.1	52,936	41,097	11,839	28.8		
Selling, general and administrative expenses	16,684	16,720	36	0.2	16,720	14,389	(2,331)	(16.2)		
	6,649	6,829	180	2.6	6,829	6,739	(90)	(1.3)		

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Year Ended December 31,

Depreciation and amortization								
Operating income	35,493	29,387	6,106	20.8	29,387	19,969	9,418	47.2
Interest expense, net ⁽²⁾	(16,505)	(9,250)	(7,255)	(78.4)	(9,250)	(9,390)	140	1.5
Other expense	(90)	(355)	265	74.6	(355)	(31)	(324)	NM
Unrealized losses on derivative instruments		(327)	327	NM	(327)	(221)	(106)	(48.0)
Provision for income taxes	(7,400)	(7,619)	219	2.9	(7,619)	(4,044)	(3,575)	(88.4)
Net income⁽³⁾	11,498	11,836	(338)	(2.9)	11,836	6,283	5,553	88.4
<i>Reconciliation of net income to EBITDA excluding non-cash items:</i>								
Net income ⁽³⁾	11,498	11,836			11,836	6,283		
Interest expense, net ⁽²⁾	16,505	9,250			9,250	9,390		
Provision for income taxes	7,400	7,619			7,619	4,044		
Depreciation and amortization	6,649	6,829			6,829	6,739		
Unrealized losses on derivative instruments		327			327	221		
Other non-cash expenses	2,384	1,771			1,771	1,180		
EBITDA excluding non-cash items	44,436	37,632	6,804	18.1	37,632	27,857	9,775	35.1
EBITDA excluding non-cash items	44,436	37,632			37,632	27,857		
Interest expense, net ⁽²⁾	(16,505)	(9,250)			(9,250)	(9,390)		
Non-cash derivative losses recorded in interest expense ⁽²⁾	7,334	309			309			
Amortization of debt financing costs ⁽²⁾	478	478			478	478		
Provision for income taxes, net of changes in deferred taxes	(4,333)	(4,936)			(4,936)			
Changes in working capital	(2,079)	1,327			1,327	8,133		
	29,331	25,560			25,560	27,078		

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Year Ended December 31,

Cash provided by operating activities									
Changes in working capital	2,079	(1,327)			(1,327)	(8,133)			
Maintenance capital expenditures	(6,275)	(3,939)			(3,939)	(6,202)			
Free cash flow	25,135	20,294	4,841	23.9	20,294	12,743	7,551	59.3	

NM Not meaningful

- (1) Reclassified to conform to current period presentation. For the year ended December 31, 2010, payroll taxes and certain employee welfare and benefit costs that were previously recorded in selling, general and administrative costs were reclassified to production, transmission and distribution and other expense where the

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Energy-Related Businesses: The Gas Company (continued)

costs were incurred. Accordingly, the years ended December 31, 2009 and 2008 were restated to reflect this change.

- (2) Interest expense, net, includes non-cash losses on derivative instruments and non-cash amortization of deferred financing fees.
- (3) Corporate allocation expense, other intercompany fees and the federal tax effect have been excluded from the above table as they are eliminated on consolidation at the MIC Inc. level.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Key Factors Affecting Operating Results

utility rate increase effective June 11, 2009; and

effective non-utility margin management.

Although the presentation and analysis of contribution margin is a non-GAAP performance measure, management believes that it is meaningful to understanding the business performance under both a utility rate structure and a non-utility competitive pricing structure. Regulation of the utility portion of The Gas Company's operations provides for the pass through of increases or decreases in feedstock costs to utility customers. Changes in the cost of propane distributed to non-utility customers can be recovered in pricing, subject to competitive conditions generally.

Contribution margin should not be considered an alternative to revenue, gross profit, operating income, or net income, determined in accordance with U.S. GAAP. A reconciliation of contribution margin to gross profit is presented in the above table. The business calculates contribution margin as revenue less direct costs of revenue other than production and transmission and distribution costs. Other companies may calculate contribution margin differently or may use different metrics and, therefore, the contribution margin presented for The Gas Company is not necessarily comparable with metrics of other companies.

Contribution Margin and Operating Income

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Utility contribution margin was higher for 2010 due to implementation of a rate increase from June 11, 2009, partially offset by the timing of fuel adjustment charge reconciliations, higher gas hauling and transportation costs and the implementation of the final rate case order. The volume of gas products sold for 2010 was relatively flat compared with 2009.

The Gas Company renegotiated its synthetic natural gas, or SNG, feedstock contract with Tesoro during 2010. The contract is subject to approval by the Hawaii Public Utilities Commission (HPUC) that is expected by mid-2011. The Gas Company expects that the changes in cost of feedstock will be passed through to consumers via the fuel adjustment charge mechanism and will have no impact on utility contribution margin.

Non-utility contribution margin was higher for 2010 as a result of effective margin management. The volume of gas products sold in 2010 was approximately 1.7% higher than 2009. The Gas Company renegotiated its liquefied petroleum gas, or LPG, supply contracts which are expected to increase the amount of locally supplied propane. In the fourth quarter, Chevron had an unexpected shut down, which impacted the business local supplies, requiring the business to procure higher-priced foreign sources of LPG.

Production, transmission and distribution and selling, general and administrative expenses are primarily comprised of labor-related expenses and professional fees. On a combined basis, these costs were 0.8% higher than 2009 primarily due to higher salary and electricity costs, mostly offset by capitalized labor costs.

Interest Expense, Net

Interest expense, net, includes non-cash losses on derivative instruments of \$7.3 million and \$309,000 for 2010 and 2009, respectively. Excluding the non-cash losses on derivative instruments, interest expense was

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Energy-Related Businesses: The Gas Company (continued)

slightly higher in 2010 compared with 2009 due to the expiration of an interest rate basis swap agreement. Cash interest paid was \$8.6 million and \$8.5 million for 2010 and 2009, respectively.

Income Taxes

Income from The Gas Company is included in our consolidated federal income tax return and is subject to Hawaii state income taxes. The tax expense in the table above includes both state taxes and the portion of the consolidated federal tax liability attributable to the business.

The business federal taxable income differs from book income primarily as a result of differences in the depreciation of fixed assets. The state of Hawaii does not allow for the federal bonus depreciation deduction of 50% or 100% in determining state taxable income. For 2010, the business expects to have a current state income tax expense of approximately \$1.4 million on current state taxable income of approximately \$18.7 million. In 2011, the business expects its cash state income taxes to be the same relative percentage of book income.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Key Factors Affecting Operating Results

increased utility contribution margin due to an interim rate increase implemented from June 11, 2009;

increased non-utility contribution margin resulting from new business processes that improved the business ability to acquire and price the non-utility LPG; partially offset by

a marginal reduction in volumes.

Contribution Margin and Operating Income

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Utility contribution margin was higher, primarily due to implementation of the interim rate increase from June 11, 2009, partially offset by volume declines related almost entirely to commercial customers, who are more exposed to the variability of the economic cycle. The volume of gas sold in 2009 was approximately 3.0% lower than 2008. Non-utility contribution margin was higher, primarily due to lower input costs, partially offset by a 0.6% volume decline from 2008.

Selling, general and administrative costs increased due to an approximate \$930,000 increase in pension expense, higher incentive compensation based upon strong 2009 performance and professional service costs primarily related to the implementation of a profit center structure in 2009.

Interest Expense, net

Interest expense, net, includes non-cash losses on derivative instruments of \$309,000 for 2009. Excluding the non-cash losses on derivative instruments, interest expense decreased \$449,000 primarily due to a lower weighted average annual interest rate on the business primary facilities due to the basis swap agreement entered into in March 2009.

Cash interest paid was \$8.5 million and \$8.8 million for 2009 and 2008, respectively.

Income Taxes

When preparing its 2009 income tax returns, The Gas Company elected to change its method of tax accounting for certain repair expenditures that were previously capitalized and depreciated in determining both book and taxable income. This change reduced current federal and state taxable income by approximately \$7.8 million, of which \$2.4 million was attributable to the 2009, and the balance attributable to the tax write-off of expenditures capitalized in prior years.

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Energy-Related Businesses: The Gas Company (continued)

The business federal taxable income differs from book income primarily as a result of differences in the depreciation of fixed assets. Net book income before taxes includes depreciation based on asset values and lives that differ from those used in determining taxable income. The Gas Company's current state income tax liability for 2009 was \$462,000.

District Energy

Customers of District Energy pay two charges to receive chilled water services: a fixed charge based on contracted capacity and a variable charge based on the consumption of chilled water. Capacity charges are typically adjusted annually at a fixed rate or are indexed to the Consumer Price Index (CPI). The terms of the business customer contracts provide for the pass through of increases or decreases in electricity costs, the largest component of the business direct expenses.

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Energy-Related Businesses: District Energy (continued)

The financial results discussed below reflect 100% of District Energy's full year performance.

Year Ended December 31,							
2010	2009 ⁽¹⁾	Change Favorable/(Unfavorable)		2009 ⁽¹⁾	2008 ⁽¹⁾	Change Favorable/(Unfavorable)	
\$	\$	\$	%	\$	\$	\$	%

(\$ In Thousands) (Unaudited)

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Year Ended December 31,

Cooling capacity revenue	21,162	20,430	732	3.6	20,430	19,350	1,080	5.6
Cooling consumption revenue	24,386	20,236	4,150	20.5	20,236	20,894	(658)	(3.1)
Other revenue	3,371	3,137	234	7.5	3,137	3,115	22	0.7
Finance lease revenue	7,843	4,758	3,085	64.8	4,758	4,686	72	1.5
Total revenue	56,762	48,561	8,201	16.9	48,561	48,045	516	1.1
Direct expenses electricity	16,343	13,356	(2,987)	(22.4)	13,356	13,842	486	3.5
Direct expenses other ⁽²⁾	20,349	18,647	(1,702)	(9.1)	18,647	17,809	(838)	(4.7)
Direct expenses total	36,692	32,003	(4,689)	(14.7)	32,003	31,651	(352)	(1.1)
Gross profit	20,070	16,558	3,512	21.2	16,558	16,394	164	1.0
Selling, general and administrative expenses	3,217	3,407	190	5.6	3,407	3,390	(17)	(0.5)
Amortization of intangibles	1,368	1,368			1,368	1,372	4	0.3
Operating income	15,485	11,783	3,702	31.4	11,783	11,632	151	1.3
Interest expense, net ⁽³⁾	(20,671)	(8,995)	(11,676)	(129.8)	(8,995)	(10,341)	1,346	13.0
Other income	1,804	1,235	569	46.1	1,235	201	1,034	NM
Unrealized (losses) gains on derivative instruments		(1,378)	1,378	NM	(1,378)	26	(1,404)	NM
Benefit (provision) for income taxes	1,844	(773)	2,617	NM	(773)	(242)	(531)	NM
Noncontrolling interest	(1,284)	(690)	(594)	(86.1)	(690)	(585)	(105)	(17.9)
Net (loss) income⁽⁴⁾	(2,822)	1,182	(4,004)	NM	1,182	691	491	71.1
<i>Reconciliation of net (loss) income to EBITDA excluding non-cash items:</i>								
Net (loss) income ⁽⁴⁾	(2,822)	1,182			1,182	691		
Interest expense, net ⁽³⁾	20,671	8,995			8,995	10,341		
(Benefit) provision for income taxes	(1,844)	773			773	242		
Depreciation ⁽²⁾	6,555	6,086			6,086	5,813		
Amortization of intangibles	1,368	1,368			1,368	1,372		
Unrealized losses (gains) on derivative instruments		1,378			1,378	(26)		

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Year Ended December 31,

Other non-cash (income) expenses	(1,082)	1,009			1,009	2,654		
EBITDA excluding non-cash items	22,846	20,791	2,055	9.9	20,791	21,087	(296)	(1.4)
EBITDA excluding non-cash items	22,846	20,791			20,791	21,087		
Interest expense, net ⁽³⁾	(20,671)	(8,995)			(8,995)	(10,341)		
Non-cash derivative losses (gains) recorded in interest expense ⁽³⁾	10,136	(1,158)			(1,158)			
Amortization of debt financing costs ⁽³⁾	681	681			681	682		
Equipment lease receivable, net	2,761	2,752			2,752	2,460		
Changes in working capital	(794)	377			377	3,878		
Cash provided by operating activities	14,959	14,448			14,448	17,766		
Changes in working capital	794	(377)			(377)	(3,878)		
Maintenance capital expenditures	(1,207)	(1,001)			(1,001)	(989)		
Free cash flow	14,546	13,070	1,476	11.3	13,070	12,899	171	1.3

NM Not meaningful

(1) Reclassified to conform to current period presentation.

Energy-Related Businesses: District Energy (continued)

- (2) Includes depreciation expense of \$6.6 million, \$6.1 million and \$5.8 million for the years ended December 31, 2010, 2009 and 2008, respectively.
- (3) Interest expense, net, includes non-cash (losses) gains on derivative instruments and non-cash amortization of deferred financing fees.
- (4) Corporate allocation expense and the federal tax effect have been excluded from the above table as they are eliminated on consolidation at the MIC Inc. level.

Key Factors Affecting Operating Results

an increase in consumption gross profit driven by warmer average temperatures in 2010; and

a net increase in contracted capacity revenue from new customers.

Gross Profit

Gross profit increased primarily due to warmer average temperatures during the second and third quarters of 2010 compared with the comparable period in 2009 resulting in higher ton-hour sales. Additionally, cooling capacity revenue increased due to a net increase in contracted capacity provided to new customers that began service predominantly in the second quarter of 2009, and annual inflation-related increases of contract capacity rates in accordance with customer contract terms.

Finance Lease Revenue

Finance lease revenue is comprised of the interest portion of lease payments received from equipment leases with various customers. The principal cash receipts on these equipment leases are recorded in the operating activities of the cash flow statement.

Finance lease revenue increased by \$3.1 million from 2009 to 2010 primarily due to a one-time \$2.5 million adjustment primarily in the allocation of cash received from customers between principal and interest since the inception of the lease. The increase in the interest portion of the lease in 2010 was directly offset by a decrease in other non-cash (income) expenses on District Energy and the consolidated statement of cash flows in 2010. This has no effect on free cash flow or cash flow, as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in Part II, Item 7.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased due to a reduction in incentives. This decrease was offset by a reimbursement from a customer for professional fees related to the Las Vegas plant expansion that occurred in 2009.

Other Income

Other income increased due to the timing of payments earned under agreements to review and manage the business' energy demand during periods of peak demand in 2010.

Energy-Related Businesses: District Energy (continued)

Interest Expense, Net

Interest expense, net, includes non-cash losses on derivative instruments of \$10.1 million for 2010 and non-cash gains of \$1.2 million for 2009. Excluding the non-cash (losses) gains on derivative instruments, interest expense was higher in 2010 compared with 2009 due to the expiration of an interest rate basis swap agreement, and a higher debt balance during 2010 compared with 2009. Cash interest paid was \$9.8 million and \$9.5 million for 2010 and 2009, respectively.

Income Taxes

For periods prior to the sale of a 49.99% noncontrolling interest in the business, the income from District Energy was included in our consolidated federal income tax return and District Energy filed a separate Illinois state income tax return.

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Beginning with periods subsequent to the sale of the 49.99% noncontrolling interest, District Energy files a separate federal income tax return and will continue to file a separate Illinois state income tax return. The business has approximately \$18.5 million in federal and \$18.0 million in state NOL carryforwards available to offset positive taxable income. The business expects to have federal taxable income in 2011 and 2012, which will be wholly offset by NOL carryforwards.

In 2011, the State of Illinois enacted legislation that will increase the state corporate income tax rate by 2.2% through 2014 and suspend the use of NOL carryovers through 2014. Had this legislation been enacted in 2010, District Energy's 2010 current state income tax liability would have been approximately \$645,000. District Energy will not pay state income taxes for 2010 because of its state NOL carryforwards.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Key Factors Affecting Operating Results

cooler average temperatures through the summer of 2009 compared with 2008, resulting in decreased cooling consumption revenue and decreased electricity costs due to lower ton-hour sales, partially offset by

increase in contracted capacity as new customers began service and annual inflation-linked increases in contract capacity rates.

Gross Profit

Gross profit increased primarily due to a net increase in contract capacity as six new customers began service and annual inflation-related increases of contract capacity rates in accordance with customer contract terms. This was partially offset by reduced cooling consumption revenue related to lower ton-hour sales resulting from cooler average temperatures through the summer of 2009 compared with 2008, and an adjustment for electricity costs passed through in 2008. A cooler summer in the Chicago area, compared with 2008, contributed to a significant decrease in chilled water demand.

Other Income

Other income increased due to payments received under agreements to review and manage the business' energy demand during periods of peak demand in 2008 and 2009 and a one-time termination payment received from a customer in 2009.

Interest Expense, Net

Interest expense, net, includes non-cash gains on derivative instruments of \$1.2 million for the year ended December 31, 2009. Excluding the non-cash gains on derivative instruments, interest expense was

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Energy-Related Businesses: District Energy (continued)

slightly lower in 2009 compared with 2008 due to the interest rate basis swap agreement. Cash interest paid was \$9.5 million for the years ended December 31, 2009 and 2008.

Income Taxes

For the period preceding the sale of a 49.99% noncontrolling interest in the business, the income from District Energy was included in our consolidated federal income tax return, and District Energy filed a separate Illinois state income tax return.

Subsequent to the sale of the 49.99% noncontrolling interest, District Energy filed a separate consolidated federal income tax return, and continued to file a combined Illinois state income tax return. At December 31, 2009, the business had approximately \$26.0 million in federal and state NOL carryforwards available to offset positive taxable income. The business did not have positive taxable income in 2009.

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Aviation-Related Business

Atlantic Aviation

Year Ended December 31,

	2010	2009 ⁽¹⁾	Change Favorable/(Unfavorable)		2009 ⁽¹⁾	2008	Change Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%
(\$ In Thousands) (Unaudited)								
Revenue								
Fuel revenue	417,489	314,603	102,886	32.7	314,603	494,810	(180,207)	(36.4)
Non-fuel revenue	155,933	171,546	(15,613)	(9.1)	171,546	221,492	(49,946)	(22.5)
Total revenue	573,422	486,149	87,273	18.0	486,149	716,302	(230,153)	(32.1)
Cost of revenue								
Cost of revenue-fuel	265,493	184,853	(80,640)	(43.6)	184,853	342,102	157,249	46.0
Cost of revenue-non-fuel	16,397	14,314	(2,083)	(14.6)	14,314	32,198	17,884	55.5
Total cost of revenue	281,890	199,167	(82,723)	(41.5)	199,167	374,300	175,133	46.8
Fuel gross profit	151,996	129,750	22,246	17.1	129,750	152,708	(22,958)	(15.0)
Non-fuel gross profit	139,536	157,232	(17,696)	(11.3)	157,232	189,294	(32,062)	(16.9)
Gross profit	291,532	286,982	4,550	1.6	286,982	342,002	(55,020)	(16.1)
Selling, general and administrative expenses ⁽²⁾	174,526	179,949	5,423	3.0	179,949	205,304	25,355	12.3
Goodwill impairment		71,200	71,200	NM	71,200	52,000	(19,200)	(36.9)
Depreciation and amortization	56,602	89,508	32,906	36.8	89,508	93,903	4,395	4.7
Loss on disposal of assets	17,869		(17,869)	NM				
Operating income (loss)	42,535	(53,675)	96,210	179.2	(53,675)	(9,205)	(44,470)	NM
Interest expense, net ⁽³⁾	(69,409)	(72,929)	3,520	4.8	(72,929)	(62,967)	(9,962)	(15.8)
Other expense	(917)	(1,451)	534	36.8	(1,451)	(241)	(1,210)	NM
Unrealized losses on derivative instruments		(23,331)	23,331	NM	(23,331)	(1,871)	(21,460)	NM
Benefit for income taxes	9,497	61,009	(51,512)	(84.4)	61,009	29,936	31,073	103.8
Net loss⁽⁴⁾	(18,294)	(90,377)	72,083	79.8	(90,377)	(44,348)	(46,029)	(103.8)
<i>Reconciliation of net loss to EBITDA excluding non-cash items:</i>								
Net loss ⁽⁴⁾	(18,294)	(90,377)			(90,377)	(44,348)		
	69,409	72,929			72,929	62,967		

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Year Ended December 31,

Interest expense, net ⁽³⁾								
Benefit for income taxes	(9,497)	(61,009)			(61,009)	(29,936)		
Depreciation and amortization	56,602	89,508			89,508	93,903		
Goodwill impairment		71,200			71,200	52,000		
Loss on disposal of assets	17,869							
Unrealized losses on derivative instruments		23,331			23,331	1,871		
Other non-cash expenses	1,388	903			903	624		
EBITDA excluding non-cash items	117,477	106,485	10,992	10.3	106,485	137,081	(30,596)	(22.3)
EBITDA excluding non-cash items	117,477	106,485			106,485	137,081		
Interest expense, net ⁽³⁾	(69,409)	(72,929)			(72,929)	(62,967)		
Interest rate swap breakage fees ⁽³⁾	(5,528)	(8,776)			(8,776)			
Non-cash derivative losses recorded in interest expense ⁽³⁾	11,473	13,722			13,722			
Amortization of debt financing costs ⁽³⁾	2,984	3,144			3,144	2,613		
Provision for income taxes, net of changes in deferred taxes	(1,486)	(190)			(190)	(7,950)		
Changes in working capital	(1,476)	9,474			9,474	4,351		
Cash provided by operating activities	54,035	50,930			50,930	73,128		
Changes in working capital	1,476	(9,474)			(9,474)	(4,351)		
Maintenance capital expenditures	(7,027)	(4,513)			(4,513)	(7,655)		
Free cash flow	48,484	36,943	11,541	31.2	36,943	61,122	(24,179)	(39.6)

NM Not meaningful

Aviation-Related Business: Atlantic Aviation (continued)

- (1) Reclassified to conform to current period presentation.
- (2) Includes \$2.4 million increase in the bad debt reserve in the first quarter of 2009 due to the deterioration of accounts receivable aging.
- (3) Interest expense, net, includes non-cash losses on derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees.
- (4) Corporate allocation expense and the federal tax effect have been excluded from the above table as they are eliminated on consolidation at the MIC Inc. level.

Results for 2008 include SevenBar FBOs from March 4, 2008 (acquisition date) to December 31, 2008. Results for 2009 include SevenBar FBOs for the full year ended December 31, 2009. Results for the two months ended February 28, 2009 have not been presented separately as they are not significant.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Key Factors Affecting Operating Results

higher general aviation (GA) fuel volumes and higher weighted average GA fuel margins;

lower selling, general and administrative expenses due to ongoing expense reduction initiatives; and

lower interest expense driven by reduced debt levels; partially offset by

a decrease in other non-fuel revenue primarily driven by lower landing fees and miscellaneous fixed based operations related-services.

Revenue and Gross Profit

The majority of the revenue and gross profit in Atlantic Aviation is generated through fueling GA aircrafts at 66 airports and one heliport in the U.S. Revenue is categorized according to who owns the fuel used to service these aircraft. If our business owns the fuel, it records the cost to purchase that fuel as cost of revenue-fuel. The business corresponding fuel revenue is its cost to purchase that fuel plus a margin. The business generally pursues a strategy of maintaining, and where appropriate increasing, dollar-based margins, thereby passing any increase in fuel prices to the customer.

Atlantic Aviation also has into-plane arrangements whereby it fuels aircraft with fuel owned by another party. It collects a fee for this service that is recorded as non-fuel revenue. Other non-fuel revenue also includes various services such as hangar rentals, de-icing, landing fees, tie-down fees and miscellaneous services.

The business fuel-related revenue and gross profit are driven by fuel volume and dollar-based margin per gallon. This applies to both fuel and into-plane revenue. Customers will sometimes move from one category to the other.

The business believes discussing total fuel-related revenue and gross profit, including both fuel sales and into-plane arrangements (as recorded in the non-fuel revenue line) and related key metrics on an aggregate basis, provides a more meaningful analysis of Atlantic Aviation. In 2010, the business derived 65.1% of total gross profit from fuel and fuel-related services. In 2009, Atlantic Aviation derived 63.3% from these services.

Gross profit for 2010 increased 1.6% compared with 2009 as a result of an increase in aggregate fuel-related gross profit, offset by lower gross profit from other services. The increase in aggregate fuel-related gross profit resulted from a 2.8% increase in GA fuel volume, driven by increased business jet traffic. The full year GA fuel volume increase reflects volume growth in the first nine months of the year and relatively flat volume in the fourth quarter as a result of weaker fuel sales to military customers. Weighted average fuel margin increased by 2.0% compared with the previous year. Margins started to increase in the third quarter and expanded at an accelerated rate in the fourth quarter.

Aviation-Related Business: Atlantic Aviation (continued)

The year-on-year change in fuel-related gross profit includes a number of events which will not reoccur in any given year, such as the G-20 meeting in Pittsburgh in 2009 and the temporary closure of the runway at Rifle airport in 2010. Excluding such events, GA fuel volume would have increased 5.8%, and weighted average fuel related margin would have remained flat in 2010. Margin contraction in the first half of the year was offset by margin expansion in the second half of the year. On the same basis, gross profit from other services would have decreased 1.1% for the year ended December 31, 2010.

Gross profit from other services decreased by 3.9% for the quarter ended December 31, 2010 compared with the fourth quarter in 2009. The decrease in other services gross profit mainly reflects non-recurring revenue recorded at a location in December 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased from 2009 to 2010 due to the ongoing cost reduction initiatives and a one time increase of \$2.0 million to the bad debt reserve in the first quarter of 2009 due to the deterioration of the accounts receivable aging. Accounts receivables aging improved significantly since the first quarter of 2009. No further adjustment to the bad debt reserve was necessary in subsequent periods as a result of continued improvement in the aging of accounts receivables. Excluding this one-time adjustment in 2009, the underlying selling, general and administrative expenses would have decreased by a 1.9% in 2010.

Atlantic Aviation expects selling, general and administrative expense to be less than \$175.0 million for 2011.

Goodwill Impairment

In addition to its annual impairment test in the fourth quarter, the business performed an impairment test at the reporting unit level during the first six months of 2009. Goodwill is considered impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two step approach. Based on the testing performed, the business recognized goodwill impairment charges of \$71.2 million in the first six months of 2009. There were no impairment charges in 2010.

Depreciation and Amortization

The decrease in depreciation and amortization expense was due to non-cash impairment charges of \$30.8 million incurred in the first half of 2009. There were no impairment charges in 2010.

Loss on disposal of assets

During 2010, Atlantic Aviation completed a strategic review of its portfolio of FBOs. As a result of this process, the business concluded that several of its sites did not have sufficient scale or serve a market with sufficiently strong growth prospects to warrant continued operations at these sites. Therefore, Atlantic Aviation has undertaken to exit certain markets and redeploy resources that may be made available in the process into markets which it views as having better growth profiles and recorded \$17.9 million in loss on disposal of assets in the consolidated statement of operations.

Interest Expense, Net

Interest expense, net, primarily includes interest incurred on the business debt, amortization of deferred financing costs and non-cash losses on derivatives instruments. These items are summarized in the table below.

Aviation-Related Business: Atlantic Aviation (continued)

Year Ended December 31,

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	Year Ended December 31,			
	2010	2009	Change Favorable/(Unfavorable)	
	\$	\$	\$	%
(\$ In Thousands)				
Interest income	(17)	(89)	(72)	(80.9)
Interest paid on debt facility	54,616	57,213	2,597	4.5
Amortization of deferred financing costs	2,984	3,144	160	5.1
Non-cash losses on derivative instruments	11,473	13,722	2,249	16.4
Less: capitalized interest	353	(1,061)	(1,414)	(133.3)
Total interest expense, net	69,409	72,929	3,520	4.8

The decrease in interest paid on debt facility primarily reflects an aggregate \$136.7 million of prepayments of the term loan principal since February 2009.

Income Taxes

Income generated by Atlantic Aviation is included in our consolidated federal income tax return. The business files state income tax returns in more than 30 states in which it operates. The tax expense in the table above includes both state taxes and the portion of the consolidated federal tax liability attributable to the business.

While Atlantic Aviation as a whole expects to generate a current year federal income tax loss, certain entities within the business will generate state taxable income. For the year ended December 31, 2010, the business expects to pay state income taxes of approximately \$1.0 million.

The business has approximately \$59.0 million of state NOL carryforwards. State NOL carryforwards are specific to the state in which the NOL was generated and various states impose limitations on the utilization of NOL carryforwards. Therefore, the business may incur state income tax liabilities in the near future, even if its consolidated state taxable income is less than \$59.0 million.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Key Factors Affecting Operating Results

lower GA fuel volumes and essentially flat weighted average fuel margins;

higher interest expense related to interest rate swap break fee costs associated with prepayment of debt during 2009; partially offset by

lower compensation expense resulting from staff rationalization and decreased credit card fees stemming from lower jet fuel prices and lower activity levels.

Revenue and Gross Profit

Gross profit for 2009 declined compared with 2008 mainly due to lower volume of GA fuel sold. Fuel volumes declined 15.6% as compared with 2008. Weighted average margins, including into-plane sales, were essentially flat. Excluding the results from the Charter operations and Management Contracts business, which were sold in the second half of 2008, gross profit from other services (including hangar rentals, de-icing and miscellaneous services) decreased by 7.0% for the year, primarily due to lower hangar rentals resulting from lower transient traffic.

Gross profit for the quarter ended December 31, 2009 decreased by 6.5% compared with the fourth quarter of 2008 as a result of lower fuel volume, decreased weighted average fuel margin and weaker de-icing activities. Gross profit for the fourth quarter of 2009 is sequentially flat compared with the third quarter of 2009 as de-icing revenue, higher fuel volume and miscellaneous FBO services were offset by lower weighted average fuel margins resulting from customer mix. GA fuel volume increased 5.4% as compared with third quarter of 2009 as business jet traffic

at Atlantic Aviation's FBOs improved.

Aviation-Related Business: Atlantic Aviation (continued)

Selling, General and Administrative Expenses

The decrease in selling, general and administrative expenses is primarily due to integration synergies and the implementation of cost reduction initiatives. These cost savings were offset by a \$2.4 million increase in the bad debt reserve in the first quarter of 2009 due to the deterioration of the accounts receivables aging. Account receivables aging improved significantly since the first quarter of 2009.

Selling, general and administrative expenses for the quarter ended December 31, 2009 declined 6.5% compared with the fourth quarter of 2008 as a result of cost reduction initiatives. Operating cost sequentially increased by 4.2% reflecting typical seasonality of the business driven by increase utilities expense, repairs and maintenance expense and overtime expense related to snow removal.

Goodwill Impairment

In addition to its annual impairment test in the fourth quarter, the business performed an impairment test at the reporting unit level during the first six months of 2009. Goodwill is considered impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two step approach. Based on the testing performed, the business recognized goodwill impairment charges of \$71.2 million in the first six months of 2009 and \$52.0 million in the fourth quarter of 2008, respectively.

Depreciation and Amortization

The decrease in depreciation and amortization expense was due to non-cash impairment charges of \$30.8 million incurred in the first half of 2009 as compared with a non-cash cash impairment charge of \$35.5 million in the fourth quarter of 2008.

Interest Expense, Net

Interest expense, net, primarily includes interest incurred on the business debt, amortization of deferred financing costs and non-cash losses on derivatives instruments. These items are summarized in the table below.

	Year Ended December 31,			
	2009	2008	Change Favorable/(Unfavorable)	
	\$	\$	\$	%
	(\$ In Thousands)			
Interest income	(89)	(576)	(487)	(84.5)
Interest paid on debt facility	57,213	62,622	5,409	8.6
Amortization of deferred financing costs	3,144	2,613	(531)	(20.3)
Non-cash losses on derivative instruments	13,722		(13,722)	NM
Less: capitalized interest	(1,061)	(1,692)	(631)	(37.3)
Total interest expense, net	72,929	62,967	(9,962)	(15.8)

NM Not meaningful

Interest expense increased despite a reduction of \$81.6 million of debt due to the payment of \$8.8 million of swap termination fees paid during 2009.

Income Taxes

Income generated by Atlantic Aviation is included in our consolidated federal income tax return. The business files separate state income tax returns in more than 30 states in which it operates. The tax expense in

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Aviation-Related Business: Atlantic Aviation (continued)

the table above includes both state taxes and the portion of the consolidated federal tax liability attributable to the business.

While the business as a whole generated a current year federal income tax loss, certain entities within the business did generate state taxable income. The current state income tax expense in 2009 was approximately \$1.0 million.

Liquidity and Capital Resources

Consolidated

Our primary cash requirements include normal operating expenses, debt service, debt principal payments, payments of dividends and maintenance capital expenditures. Our primary source of cash is operating activities, although we may borrow against existing credit facilities for growth capital expenditures, issue additional LLC interests or sell assets to generate cash.

We believe we achieved prudent levels of cash reserves at both our holding company and operating companies. In addition, our results of operations and balance sheet have improved sufficiently, along with improved capital market conditions, to give us confidence in our ability to refinance our debt on or before maturity. As a result, we expect to declare a quarterly cash dividend for the first quarter of 2011 of \$0.20 per share to be paid during the second quarter of 2011. We currently expect to sustain this dividend for the foreseeable future.

In determining the amount of the dividend, we had expected to include certain funds from the cash flow of IMTT. Distribution of funds to us from IMTT is governed by the Shareholders Agreement between us and the co-investor that owns the remaining 50% stake. The co-investor has refused to vote in favor of distributing certain of these funds, and we believe that such a refusal violates the Shareholders Agreement. As a result, we have formally initiated the dispute resolution process in the Shareholders Agreement, and intend to proceed to arbitration with the co-investor if a satisfactory resolution cannot be reached within the timeframe prescribed in the Shareholders Agreement. Contingent upon the favorable outcome of the arbitration and the continued recovery of operating and capital market environments, we believe we could increase the quarterly dividend to as much as \$0.375 per share.

The precise timing and amount of any future distribution will be based on the continued stable performance of the Company's businesses and the economic conditions prevailing at the time of any authorization. Management believes that any distribution would be characterized as a dividend for tax purposes rather than as a return of capital.

We believe that our operating businesses will have sufficient liquidity and capital resources to meet future requirements, including servicing long-term debt obligations and making distribution payments. We base our assessment of the sufficiency of our liquidity and capital resources on the following assumptions:

our businesses and investments overall generate, and we expect will continue to generate, significant operating cash flow;

the ongoing maintenance capital expenditures associated with our businesses are readily funded from their respective operating cash flow or available financing;

all significant short-term growth capital expenditures will be funded with cash on hand or from committed undrawn credit facilities; and

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we will be able to refinance, extend and/or repay the principal amount of maturing long-term debt on terms that can be supported by our businesses.

We have capitalized our businesses, in part, using project finance style debt. Project finance style debt is limited-recourse, floating rate, non-amortizing debt with a medium term maturity of between five and seven

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Liquidity and Capital Resources: Consolidated (continued)

years, although the principal balance on the term loan debt at Atlantic Aviation is being prepaid using the excess cash generated by the business. At December 31, 2010, the average remaining maturity of the drawn balances of the primary debt facilities across all of our businesses, including our proportional interest in the revolving credit facility of IMTT, was approximately 3.6 years. In light of the improvement in the functioning of the credit markets generally, and the leverage and interest coverage ratios, we expect each of these businesses to successfully refinance their long-term debt on economically reasonable terms on or before maturity.

Until March 31, 2010, MIC Inc. had a revolving credit facility provided by various financial institutions, including entities within the Macquarie Group. The facility was repaid in full in December 2009 and no amounts were outstanding under the revolving credit facility as of December 31, 2009 or at the facility's maturity on March 31, 2010. This facility was not renewed or replaced. We have no holding company debt.

The section below discusses the sources and uses of cash on a consolidated basis and for each of our businesses and investments. All inter-company activities such as corporate allocations, capital contributions to our businesses and distributions from our businesses have been excluded from the tables as these transactions are eliminated in consolidation.

COMMITMENTS AND CONTINGENCIES

The following table summarizes our future obligations, due by period, as of December 31, 2010, under our various contractual obligations and commitments. We had no off-balance sheet arrangement at that date or currently. The following information does not include IMTT, which is not consolidated.

Payments Due by Period

	Total	Less than One Year	1 3 Years	3 5 Years	More than 5 Years
(\$ In Thousands)					
Long-term debt ⁽¹⁾	\$ 1,138,884	\$ 49,325	\$ 290,405	\$ 799,154	\$
Interest obligations	208,919	74,610	104,845	29,464	
Capital lease obligations ⁽²⁾	148	85	50	13	
Notes payable	1,347	990	186	171	
Operating lease obligations ⁽³⁾	411,773	33,358	63,605	57,857	256,953
Time charter obligations ⁽⁴⁾	1,880	768	1,112		
Pension benefit obligations	24,894	2,136	4,746	4,883	13,129
Post-retirement benefit obligations	2,059	213	429	385	1,032
Other	533	417	116		
Total contractual cash obligations ⁽⁵⁾	\$ 1,790,437	\$ 161,902	\$ 465,494	\$ 891,927	\$ 271,114

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- (1) The long-term debt represents the consolidated principal obligations to various lenders. The debt facilities, which are obligations of the operating businesses and have maturities between 2013 and 2014, are subject to certain covenants, the violation of which could result in acceleration of the maturity dates.
- (2) Capital lease obligations are for the lease of certain transportation equipment. Such equipment could be subject to repossession upon violation of the terms of the lease agreements.
- (3) This represents the minimum annual rentals required to be paid under non-cancelable operating leases with terms in excess of one year.
- (4) The Gas Company currently has a time charter arrangement for the use of two barges for transporting liquefied petroleum gas between Oahu and its neighbor islands.
- (5) The above table does not reflect certain long-term obligations, such as deferred taxes, for which we are unable to estimate the period in which the obligation will be incurred.

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Liquidity and Capital Resources: Consolidated (continued)

In addition to these commitments and contingencies, we typically incur capital expenditures on a regular basis to:

maintain our existing revenue-producing assets in good working order (maintenance capital expenditures); and

expand our existing revenue-producing assets or acquire new ones (growth capital expenditures).

See Investing Activities below for further discussion of capital expenditures.

We also have other contingencies, including pending threatened legal and administrative proceedings that are not reflected above as amounts at this time are not ascertainable. See Legal Proceedings in Part I, Item 3.

Our sources of cash to meet these obligations are as follows:

cash generated from our operations (see Operating Activities below);

sale of all or part of any of our businesses (see Investing Activities below);

refinancing our current credit facilities on or before maturity (see Financing Activities below); and

cash available from our undrawn credit facilities (see Financing Activities below).

Analysis of Consolidated Historical Cash Flows from Continuing Operations

	Year Ended December 31,			Change		Change	
	2010	2009	2008	(From 2009 to 2010) Favorable/(Unfavorable)		(From 2008 to 2009) Favorable/(Unfavorable)	
(\$ In Thousands)	\$	\$	\$	\$	%	\$	%

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Year Ended December 31,

Cash provided by operating activities	98,555	82,976	95,579	15,579	18.8	(12,603)	(13.2)
Cash used in investing activities	(24,774)	(516)	(56,716)	(24,258)	NM	56,200	99.1
Cash (used in) provided by financing activities	(76,528)	(117,818)	1,698	41,290	35.0	(119,516)	NM

NM Not meaningful

Operating Activities

Consolidated cash provided by operating activities comprises primarily the cash from operations of the businesses we own, as described in each of the business discussions below. The cash flow from our consolidated business operations is partially offset by expenses paid at the holding company, including base management fees paid in cash, professional fees and interest incurred in the prior periods on any amounts drawn on our revolving credit facility.

The increase in consolidated cash provided by operating activities from 2009 to 2010 was primarily due to:

- improved operating performance at Atlantic Aviation due to stable gross profit and cost savings;
- lower interest paid on the reduced term loan balance for Atlantic Aviation and no interest paid on holding company debt;
- a larger dividend received from IMTT; and
- improved operating results at the consolidated energy-related businesses.

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Liquidity and Capital Resources: Consolidated (continued)

The decrease in consolidated cash provided by operating activities from 2008 to 2009 was due primarily to:

- lower operating performance at Atlantic Aviation; and
- payment of interest rate swap breakage fees relating to the prepayment of the outstanding principal balance on Atlantic Aviation's term loan debt; partially offset by
- lower interest paid on the reduced term loan balance for Atlantic Aviation;
- reduced levels of working capital, reflecting decreased activities combined with receivable collection efforts at Atlantic Aviation; and
- improved operating results at The Gas Company.

Distributions from IMTT are reflected in our consolidated cash provided by operating activities only up to our 50% share of IMTT's positive earnings. Amounts in excess of this, and any distributions when IMTT records a net loss, are reflected in our consolidated cash from investing activities as a return of investment in unconsolidated business. For 2010, \$15.0 million in distributions were included in cash from operating activities compared with \$7.0 million in 2009. In 2008, \$1.3 million of the \$28.0 million dividends received were included in cash from

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operating activities and \$26.7 million were included in cash from investing activities.

We believe our operating activities overall provide a source of sustainable and stable cash flows over the long-term with the opportunity for future growth due to:

consistent customer demand driven by the basic nature of the services provided;

our strong competitive position due to factors including:

high initial development and construction costs;

difficulty in obtaining suitable land near many of our operations (for example, airports, waterfront near ports);

long-term concessions/contracts;

required government approvals, which may be difficult or time-consuming to obtain;

lack of cost-efficient alternatives to the services we provide in the foreseeable future; and

product/service pricing that we expect to generally keep pace with price changes due to factors including:

consistent demand;

limited alternatives;

contractual terms; and

regulatory rate setting.

Investing Activities

The increase in consolidated cash used in investing activities from 2009 to 2010 was primarily due to:

cash received from the sale of the noncontrolling stake in District Energy in 2009; and

higher capital expenditures at The Gas Company; partially offset by

lower capital expenditures at District Energy in 2010; and

cash received in 2010 from the PCAA bankruptcy estate for expenses paid on behalf of PCAA during its operations.

Liquidity and Capital Resources: Consolidated (continued)

The decrease in consolidated cash used in investing activities from 2008 to 2009 was primarily due to:

the absence of acquisition activity in 2009;

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cash received from the sale of the noncontrolling stake in District Energy in 2009 compared with the sale of two small, non-core businesses at Atlantic Aviation in 2008;

lower capital expenditures at Atlantic Aviation and The Gas Company; partially offset by

cash retained by IMTT to fund growth capital expenditures during 2009; and

increase in capital expenditures at District Energy in 2009 for the expansion of a new plant.

The primary driver of cash used in investing activities in our consolidated cash flows has been acquisitions of businesses in new and existing segments, and the sale of the noncontrolling stake in District Energy. The other main driver is capital expenditures. Maintenance capital expenditures are generally funded by cash from operating activities and growth capital expenditures generally have been funded by drawing on our available credit facilities or by equity capital. We may fund maintenance capital expenditures from credit facilities or equity capital and growth capital expenditures from operating activities from time to time. We expect that our growth capital expenditures will generally be yield accretive once placed in service. Acquisitions of businesses are generally funded on a long-term basis through raising additional equity capital and/or project-financing style credit facilities. On December 28, 2009, with the cash received from the sale of the 49.99% noncontrolling interest in District Energy, and cash on hand, we paid off the outstanding principal balance of the facility.

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) was signed. The Act provides for 100% bonus depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% bonus depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this bonus depreciation deduction in determining state taxable income. Importantly, Illinois and Louisiana, two states in which we have significant operations, do permit the use of bonus depreciation in calculating state taxable income. We will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating our capital expenditure plans for 2011 and 2012.

Financing Activities

The decrease in consolidated cash used in financing activities from 2009 to 2010 was primarily due to:

higher debt repayment during 2009 at Atlantic Aviation; and

full repayment of the MIC Inc. revolving credit facility during 2009; partially offset by

debt draw downs at District Energy and The Gas Company to fund capital expenditures during 2009;

full repayment on The Gas Company working capital facility during 2010; and

distributions paid to the noncontrolling interest at District Energy.

The increase in consolidated cash used in financing activities from 2008 to 2009 was primarily due to:

debt repayment during 2009 at Atlantic Aviation;

debt draw downs in 2008, primarily against the MIC Inc. revolving credit facility, to fund acquisitions; and

full repayment of the MIC Inc. revolving credit facility; partially offset by

the suspension of distributions to shareholders in 2009; and

the increase in debt draw downs at District Energy to fund capital expenditures.

Liquidity and Capital Resources: Consolidated (continued)

The primary drivers of cash provided by financing activities are equity offerings, debt financing of acquisitions and capital expenditures, the subsequent refinancing of our businesses and the repayment of the outstanding principal balance on maturing debt. A smaller portion of cash provided by financing activities relates to principal payments on capital leases.

For 2011, we expect to apply substantially all excess cash flows from Atlantic Aviation to prepay the debt principal under the amended terms of the credit facility. Actual prepayment amounts through the maturity of the facility will depend on the operating performance of the business.

Our businesses are capitalized with a mix of equity and project-financing style debt. We believe we can prudently maintain relatively high levels of leverage due to the generally sustainable and stable long-term cash flows our businesses have provided in the past and which we currently expect to continue in the future as discussed above. Our project finance debt is non-amortizing and we expect to be able to refinance the outstanding balances of the term loan on or before maturity, except at Atlantic Aviation, where all excess cash flow from the business is being used to prepay the outstanding principal balance of the term loan. Similarly, excess cash flow generated at District Energy will be applied toward the principal balance of the term loan during the last two years before maturity. The majority of our businesses also maintain revolving capital expenditure and/or working capital facilities.

See below for further description of the cash flows related to our businesses.

Energy-Related Businesses**IMTT**

The following analysis represents 100% of the cash flows of IMTT, rather than just the composition of cash flows that are included in our consolidated cash flows. We believe this is the most appropriate and meaningful approach to discussing the historical cash flow trends of IMTT. We account for our 50% ownership of this business using the equity method. Distributions from IMTT when IMTT records a net loss, or pays distributions in excess of our share of its earnings, are reflected in investing activities in our consolidated cash flow.

	Year Ended December 31,						
	2010	2009	2008	Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
	\$	\$	\$	\$	%	\$	%
Cash provided by operating activities	196,187	133,382	94,087	62,805	47.1	39,295	41.8
Cash used in investing activities	(168,084)	(141,216)	(166,640)	(26,868)	(19.0)	25,424	15.3
Cash (used in) provided by financing activities	(20,249)	6,262	71,815	(26,511)	NM	(65,553)	(91.3)

NM Not meaningful

Operating Activities

Cash provided by operating activities at IMTT is generated primarily from storage rentals and ancillary services that are billed monthly and paid on various terms. Cash used in operating activities is mainly for payroll and benefits costs, maintenance and repair of fixed assets, utilities and professional services, interest payments and payments to tax jurisdictions. Cash provided by operating activities increased primarily due to cash received from customers in connection with the oil spill in the Gulf of Mexico and improved terminal operating results.

Cash provided by operating activities in 2009 increased primarily due to the collection of accounts receivable outstanding at 2008 and improved operating results, partially offset by an increase in cash interest paid.

Energy-Related Businesses: IMTT (continued)

Investing Activities

Cash used in investing activities primarily relates to capital expenditures and an investment in a tax-exempt bond escrow in 2010.

The increase in cash used in investing activities was primarily due to the tax-exempt bond escrow, partially offset by lower capital expenditures in 2010 as compared with 2009. Total capital expenditures decreased from \$137.0 million in 2009 to \$107.8 million in 2010 primarily reflecting a reduction in growth capital expenditures, partially offset by an increase in maintenance capital expenditures.

Capital expenditures decreased from \$221.7 million in 2008 to \$137.0 million in 2009, reflecting a reduction in growth capital expenditures as projects were completed. Maintenance capital expenditures also decreased in the same period, resulting from reduced levels of tank inspections and repairs and remediation work at the Bayonne facility. However, cash used in investing activities in 2008 was offset by \$55.5 million of proceeds received from the sale of GO Zone Bond investments, which did not recur in 2009.

Maintenance Capital Expenditure

IMTT incurs maintenance capital expenditures to prolong the useful lives and increase the service capacity of existing revenue-producing assets. Maintenance capital expenditures include the refurbishment of storage tanks, piping, dock facilities, and environmental capital expenditures, principally in relation to improvements in containment measures and remediation.

During the years ended December 31, 2010, 2009 and 2008, IMTT incurred \$45.0 million, \$40.0 million and \$42.7 million, respectively, on maintenance capital expenditures, including (i) \$37.5 million, \$36.0 million and \$35.4 million, respectively, principally in relation to refurbishments of tanks, docks and other infrastructure and (ii) \$7.5 million, \$4.0 million and \$7.3 million, respectively, on environmental capital expenditures, principally in relation to improvements in containment measures and remediation.

For the full-year 2011, IMTT expects to spend approximately \$55.0 million on maintenance capital expenditures. IMTT anticipates that maintenance capital expenditures will remain at elevated levels through 2014.

Growth Capital Expenditure

During 2010, IMTT incurred growth capital expenditures of \$65.8 million. This compares to growth capital expenditures incurred of \$82.6 million and \$187.6 million for 2009 and 2008, respectively.

The 2010 expenditure included the completion of the majority of projects for the construction or refurbishment of barrels of storage that had been previously announced. In total, the projects outstanding at December 31, 2009 cost \$94.2 million and added 2.2 million barrels of storage which are expected to contribute \$19.2 million to gross profit and EBITDA on an annualized basis. These projects were commissioned at various points in 2010 and contributed \$12.2 million to the 2010 results.

During 2010, IMTT committed to construct or refurbish 2.9 million barrels of storage. These projects are expected to cost \$125.0 million in total and contribute \$21.4 million to gross profit and EBITDA on an annualized basis. The projects are expected to be commissioned during 2011 and early 2012. At December 31, 2010, \$100.2 million of the \$125.0 million remained to be spent.

In addition, IMTT is engaged in the construction or upgrade of storage related infrastructure. During 2010, IMTT spent \$25.6 million on infrastructure projects with \$11.2 million remaining to be spent.

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) was signed. The Act provides for 100% bonus depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% bonus depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this bonus

Energy-Related Businesses: IMTT (continued)

depreciation deduction in determining state taxable income. Importantly, Louisiana, in which IMTT has significant operations, does permit the use of bonus depreciation in calculating state taxable income. IMTT will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating its capital expenditure plans for 2011 and 2012.

Financing Activities

Cash flows from financing activities decreased primarily due to net debt repayments in 2010 as compared with net borrowings in 2009 and increased distributions to its shareholders. During 2010, IMTT made \$15.0 million of distributions to each of its shareholders, compared with \$7.0 million to each of its shareholders in 2009. Cash flows provided by financing activities decreased from 2008 to 2009 primarily due to decreases in debt draw downs on the revolving credit facility, offset by the Regions term loan used to fund growth capital expenditures, lower dividend payments and the repayment of shareholder loans in 2009.

At December 31, 2010, the outstanding balance on IMTT's debt facilities, excluding capitalized leases, consisted of \$98.2 million in revolving credit facilities, \$336.3 million in letter of credit backed tax exempt bonds, \$190.0 million in bank owned tax exempt bonds and \$31.3 million in shareholder loans. The weighted average interest rate of the outstanding debt facilities, including any interest rate swaps and fees associated with outstanding letters of credit is 4.84%. Cash interest paid was \$34.1 million, \$29.0 million and \$25.7 million for 2010, 2009 and 2008, respectively.

The following tables summarize the key terms of IMTT's senior debt facilities as of December 31, 2010.

Revolving Credit Facility

On June 7, 2007, IMTT entered into a Revolving Credit Agreement with Suntrust Bank, Citibank N.A., Regions Bank, Rabobank Nederland, Branch Banking & Trust Co., DNB NOR Bank ASA, Bank of America N.A., BNP Paribas, Bank of Montreal, The Royal Bank of Scotland PLC, Mizuho Corporate Bank Ltd. and eight other banks establishing a \$600.0 million U.S. dollar denominated revolving credit facility and a \$25.0 million equivalent Canadian dollar revolving credit facility. The Agreement also allowed for an increase in the U.S. dollar denominated revolving credit facility of up to \$300.0 million on the same terms at the election of IMTT. No increased commitments were sought from the lenders.

On June 18, 2010, IMTT amended its revolving credit facility. The amendment increased the size of the facility from \$625.0 million to \$1.1 billion and extended the maturity on \$970.0 million by two years from June 7, 2012 to June 7, 2014, with the remaining \$130.0 million maturing on June 7, 2012. The facility was used to fully repay the \$30.0 million Regions Term Loan as well as the \$65.0 million DNB Term Loan in full. Subsequently, an additional \$55.0 million has been extended to June 7, 2014. The facility is guaranteed by IMTT's key operating subsidiaries.

In addition, the amendment now allows IMTT to agree, in other debt agreements, that if IMTT is ever required to collateralize the revolving credit facility, it will collateralize the other debt on a pari-passu basis. The increased commitment will be used to fund IMTT's expansion and is expected to be more than adequate to fully fund existing and reasonably foreseeable growth capital expenditure plans.

The revolving credit facilities have been used primarily to fund IMTT's growth capital expenditures in the U.S. and Canada. The terms of IMTT's U.S. dollar and Canadian dollar denominated revolving credit facilities are summarized in the table below.

Energy-Related Businesses: IMTT (continued)

<u>USD Revolving Credit Facility Extended</u>	<u>USD Revolving Credit Facility Non Extended</u>	<u>USD DNB Nor Loans</u>	<u>CAD Revolving Credit Facility Extended</u>
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Total Committed Amount	\$930.0 million	\$75.0 million	\$65.0 million	\$30.0 million
Maturity	June 7, 2014	June 7, 2012	December 31, 2012 (at which time it converts to USD Revolving Credit Facility Extended)	June 7, 2014
Amortization	Revolving, payable at maturity	Revolving, payable at maturity	Term loan, payable at maturity	Revolving, payable at maturity
Interest Rate	Floating at LIBOR plus a margin based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates as follows:	Floating at LIBOR plus a margin based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates as follows:	Floating at LIBOR plus 1.0% through December 2012, thereafter per the terms of the USD Revolving Credit Facility	Floating at Bankers Acceptances (BA) Rate plus a margin based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates, as follows:
	< 2.0x L+1.50%	< 2.0x L+0.55%		< 2.0x BA+1.50%
	< 2.5x L+1.75%	< 2.5x L+0.70%		< 2.5x BA+1.75%
	< 3.0x L+2.00%	< 3.0x L+0.85%		< 3.0x BA+2.00%
	< 3.75x L+2.25%	< 3.75x L+1.00%		< 3.75x BA+2.25%
	< 4.0x L+2.50%	< 4.0x L+1.25%		< 4.0x BA+2.50%
	> = 4.0x L+2.75%	> = 4.0x L+1.50%		> = 4.0x BA+2.75%
Commitment Fees	A percentage of undrawn committed amounts based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates, as follows:	A percentage of undrawn committed amounts based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates, as follows:	N/A	A percentage of undrawn committed amounts based on the ratio of Debt to adjusted EBITDA of IMTT and its affiliates, as follows:
	< 2.0x 0.250%	< 2.0x 0.125%		< 2.0x 0.250%
	< 2.5x 0.250%	< 2.5x 0.150%		< 2.5x 0.250%
	< 3.0x 0.250%	< 3.0x 0.175%		< 3.0x 0.250%
	< 3.75x 0.375%	< 3.75x 0.200%		< 3.75x 0.375%
	< 4.0x 0.375%	< 4.0x 0.250%		< 4.0x 0.375%
	> = 4.0x 0.500%	> = 4.0x 0.250%		

Interest Rate	Floating at tax exempt bond weekly tender rates	Floating at tax exempt bond weekly tender rates	Monthly at 68% of 1-month LIBOR plus 65% of LIBOR margin under Revolving Credit Agreement	Monthly at 68% of 1-month LIBOR plus 65% of LIBOR margin under Revolving Credit Agreement
	USD Revolving Credit Facility Extended	USD Revolving Credit Facility Non Extended	USD DNB Nor Loans	CAD Revolving Credit Facility Extended Agreement
Security	Secured (required to be supported at all times by bank letter of credit issued under the revolving credit facility)	Secured (required to be supported at all times by bank letter of credit issued under the revolving credit facility)	Unsecured	Unsecured
Financial Covenants (applicable to IMTT's key operating subsidiaries on a combined basis)	None	None	Same as Revolving Credit Facility	Same as Revolving Credit Facility
Restrictions on Payments of Dividends	None, provided no default as a result of payment	None, provided no default as a result of payment	None, provided no default as a result of payment	None, provided no default as a result of payment
Interest Rate Hedging	Hedged through June 2017 with \$215.0 million at 3.662% fixed vs. 67% of monthly LIBOR interest rate swap	None	None	None

Energy-Related Businesses: IMTT (continued)

New Jersey Economic Development Authority Bonds (NJEDA Bonds)

The key terms of the NJEDA Bonds issued are summarized in the table below:

Facility Term	New Jersey Economic Development Authority Dock Facility Revenue Refund Bonds	New Jersey Economic Development Authority Variable-Rate Demand Revenue Refunding Bond
Amount outstanding as of December 31, 2010	\$30.0 million	\$6.3 million
Maturity	December 2027	December 2021
Amortization	Payable at maturity	Payable at maturity
Interest Rate	Floating at tax exempt bond daily tender rates	Floating at tax exempt bond daily tender rates
Security	Secured (required to be supported at all times by bank letter of credit issued under the revolving credit facility)	Secured (required to be supported at all times by bank letter of credit issued under the revolving credit facility)
	None	None

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Facility Term	New Jersey Economic Development Authority Dock Facility Revenue Refund Bonds	New Jersey Economic Development Authority Variable-Rate Demand Revenue Refunding Bond
Financial Covenants (applicable to IMTT's operating subsidiaries on a combined basis)		
Restrictions on Payments of Dividends	None, provided no default as a result of payment	None, provided no default as a result of payment
Interest Rate Hedging	Hedged through November, 2012 with \$30.0 million at 3.41% fixed vs. 67% of LIBOR interest rate swap	Hedged through November, 2012 with \$6.3 million at 3.41% fixed vs. 67% of LIBOR interest rate swap

In addition to the debt facilities discussed above, IMTT Holdings Inc. received loans from its shareholders other than MIC from 2006 to 2008. The shareholder loans have a fixed interest rate of 5.5% and will be repaid over 15 years by IMTT Holdings Inc. with equal quarterly amortization that commenced March 31, 2008. Shareholder loans of \$31.3 million were outstanding as of December 31, 2010.

The Gas Company

(\$ In Thousands)	Year Ended December 31,			Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
	2010	2009	2008	\$	%	\$	%
	\$	\$	\$	\$	%	\$	%
Cash provided by operating activities	29,331	25,560	27,078	3,771	14.8	(1,518)	(5.6)
Cash used in investing activities	(10,549)	(7,105)	(9,424)	(3,444)	(48.5)	2,319	24.6
Cash (used in) provided by financing activities	(19,000)	10,000	2,000	(29,000)	NM	8,000	NM

NM Not meaningful

Energy-Related Businesses: The Gas Company (continued)

Operating Activities

The main driver for cash provided by operating activities is customer receipts. These are offset in part by the timing of payments for fuel, materials, pipeline repairs, vendor services and supplies, payroll and benefit costs, revenue-based taxes and payment of administrative costs. Customers are generally billed monthly and make payments on account. Vendors and suppliers generally bill the business when services are rendered or when products are shipped.

The increase from 2009 to 2010 was primarily due to improved operating results and lower cash pension payments in 2010 as compared with 2009, partially offset by an increased dollar value of inventory held at December 31, 2010 due to higher input prices.

The decrease from 2008 to 2009 was primarily due to higher cash pension payments and the exhaustion in 2008 of the escrow account established at acquisition, partially offset by improved operating results.

Investing Activities

Cash used in investing activities is primarily comprised of capital expenditures. Capital expenditures for the non-utility business are funded by cash from operating activities and capital expenditures for the utility business are funded by drawing on credit facilities as well as cash from operating activities.

Maintenance Capital Expenditure

Maintenance capital expenditures include replacement of pipeline sections, improvements to the business transmission system and SNG plant, improvements to buildings and other property and the purchase of equipment.

Growth Capital Expenditure

Growth capital expenditures include the purchase of meters, regulators and propane tanks for new customers, the cost of installing pipelines for new residential and commercial construction and the renewable feedstock pilot program.

The following table sets forth information about capital expenditures in The Gas Company:

	Maintenance	Growth
2008	\$5.8 million	\$3.9 million
2009	\$3.3 million	\$4.1 million
2010	\$5.3 million	\$5.5 million
2011 projected	\$7.6 million	\$6.0 million
Commitments at December 31, 2010	\$1.7 million	\$ 276,000

The business expects to fund its total 2011 capital expenditures primarily from cash from operating activities and available debt facilities. Capital expenditures for 2011 are expected to be higher than 2010 due to completion of the renewable feedstock project, required pipeline maintenance and inspection projects related to the integrity management program due by 2012 and expansion of storage facilities.

Capital expenditures in 2010 were higher than previous years due to required pipeline maintenance and inspection projects and the renewable feedstock project at the SNG plant. Capital expenditures in 2009 were lower than 2008 primarily due to the deferral of several large projects primarily related to the repair and upgrade of the transmission pipeline near the SNG plant and improvements to the backup utility propane system completed in 2008.

Commitments at December 31, 2010 include renewable feedstock project and pipeline maintenance and inspection projects.

Energy-Related Businesses: The Gas Company (continued)**Financing Activities**

The main drivers for cash from financing activities are debt financings for capital expenditures and the repayment of outstanding credit facilities. At December 31, 2010, the outstanding balance on the business debt facilities consisted of \$160.0 million in term loan facility borrowings. In 2010, the business repaid \$19.0 million of its capital expenditure facility borrowings and no amount was outstanding at December 31, 2010.

The Gas Company has interest rate swaps hedging 100% of the interest rate exposure under the two \$80.0 million term loan facilities that effectively fix the interest rate at 4.8375% (excluding the margin). In March 2009, The Gas Company entered into an interest rate basis swap agreement with its existing debt and swap counterparties. The basis swap, which reduced the weighted average annual interest rate on the business primary debt facilities by approximately 24.75 basis points, expired in March 2010. The resulting weighted average interest rate of the outstanding debt facilities, including any interest rate swaps at December 31, 2010, was 5.34%. The business paid \$8.6 million, \$8.5 million and \$8.8 million in interest expense related to its debt facilities during 2010, 2009 and 2008, respectively.

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The Gas Company also has an uncommitted unsecured short-term borrowing facility of \$7.5 million that was renewed during the second quarter of 2010. This credit line bears interest at the lending bank's quoted rate or prime rate. The facility is available for working capital needs. No amount was outstanding for this facility at December 31, 2010.

The change from 2009 to 2010 was due to the repayment of the capital expenditure facility of \$19.0 million during 2010 compared with draw down of \$10.0 million in 2009. The change from 2008 to 2009 was primarily due to the timing of borrowings to fund capital expenditures.

Additionally, the HPUC requires the consolidated debt to total capital for HGC Holdings not to exceed 65% and \$20.0 million to be readily available in cash resources at The Gas Company, HGC Holdings or MIC. At December 31, 2010, the debt to total capital ratio was 58.0% and \$20.0 million in cash resources was readily available.

The facilities include events of default, representations and warranties and other covenants that are customary for facilities of this type. A change of control will occur if the Macquarie Group, or any fund or entity managed by the Macquarie Group, fails to control majority of the respective borrowers. Material terms of the credit facilities are summarized below:

Facility Terms	Holding Company Debt	Operating Company Debt	
Borrowers	HGC	The Gas Company, LLC	
Facilities	\$80.0 million Term Loan (fully drawn at December 31, 2010 and 2009)	\$80.0 million Term Loan (fully drawn at December 31, 2010 and 2009)	\$20.0 million Revolver (no amount drawn at December 31, 2010 and \$19.0 million drawn at December 31, 2009)
Collateral	First priority security interest on HGC's assets and equity interests	First priority security interest on The Gas Company's assets and equity interests	
Maturity	June, 2013	June, 2013	June, 2013
Amortization	Payable at maturity	Payable at maturity	Payable at maturity for utility capital expenditures

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Energy-Related Businesses: The Gas Company (continued)

Facility Terms	Holding Company Debt	Operating Company Debt	
Interest Rate: Years 1 - 5	LIBOR plus 0.60%	LIBOR plus 0.40%	LIBOR plus 0.40%
Commitment Fees: Years 1 - 5			0.14% on undrawn portion
Interest Rate: Years 6 - 7	LIBOR plus 0.70%	LIBOR plus 0.50%	LIBOR plus 0.50%
Commitment Fees: Years 6 - 7			0.18% on undrawn portion

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Facility Terms	Holding Company Debt	Operating Company Debt
Distributions Lock-Up Test		12 mo. look-forward and 12 mo. look-backward adjusted EBITDA/interest <3.5x (at December 31, 2010: 7.7x and 7.4x, respectively)
Mandatory Prepayments		12 mo. look-forward and 12 mo. look-backward adjusted EBITDA/interest <3.5x for 3 consecutive quarters
Events of Default Financial Triggers		12 mo. look-backward adjusted EBITDA/interest <2.5x 12 mo. look-backward adjusted EBITDA/interest <2.5x

District Energy

	Year Ended December 31,						
	2010			2009			
	2010	2009	2008	Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
(\$ In Thousands)	\$	\$	\$	\$	%	\$	%
Cash provided by operating activities	14,959	14,448	17,766	511	3.5	(3,318)	(18.7)
Cash used in investing activities	(4,479)	(12,095)	(5,378)	7,616	63.0	(6,717)	(124.9)
Cash (used in) provided by financing activities	(469)	17,917	986	(18,386)	(102.6)	16,931	NM

NM Not meaningful

Operating Activities

Cash provided by operating activities is primarily driven by customer receipts for services provided and leased equipment payments received (including non-revenue lease principal). Cash used in operating activities is driven by the timing of payments for electricity, vendor services or supplies and the payment of payroll and benefit costs. The increase in cash provided by operating activities from 2009 to 2010 was primarily due to improved operating results.

Non-revenue lease principal is the principal portion of lease payments received from equipment leases with various customers. This cash inflow is not included in EBITDA, as there is no impact to income, but an adjustment to calculate cash from operating activities. Non-revenue lease principal, net of the cash payments

Energy-Related Businesses: District Energy (continued)

made to noncontrolling interests, was \$2.8 million, \$2.8 million and \$2.5 million in 2010, 2009 and 2008, respectively.

The decline in cash provided by operating activities from 2008 to 2009 was primarily due to new customer reimbursements received in 2008 for costs to connect to the business system, the timing of payments to vendors in 2009 compared with 2008 and a one-time capacity paydown from a customer in 2008. Excluding these payments, the cash contribution from ongoing operations was relatively flat period over period.

As provided in the agreement between MIC and John Hancock, the owners of the noncontrolling interest of District Energy (collectively, the members), all available cash will be distributed pro rata to the members on a quarterly basis. Available cash is calculated as cash from operating activities plus cash from investing activities (excluding debt funded capital expenditures, and acquisitions net of cash) plus net debt proceeds minus distributions paid to minority shareholders of the Nevada district energy business. The distribution of available cash may be reduced to comply with any contractual or legal limitations, including restrictions on distributions contained in the business credit facility, and to provide for reserves for working capital requirements.

Investing Activities

Cash used in investing activities mainly comprises capital expenditures, which are generally funded by drawing on available facilities. Cash used in investing activities in 2010, 2009 and 2008 primarily funded growth capital expenditures for new customer connections and plant expansion.

Maintenance Capital Expenditure

The business expects to spend approximately \$1.0 million per year on capital expenditures relating to the replacement of parts, system reliability, customer service improvements and minor system modifications. Maintenance capital expenditures will be funded from available facilities and cash from operating activities. These expenditures were higher in 2010 due to the timing of spend on ordinary course maintenance projects.

Growth Capital Expenditure

District Energy signed contracts with three additional customers and committed to spend \$1.3 million on interconnection, of which it had spent \$300,000 during 2010. Of the net \$1.0 million remaining to be spent, the business anticipates it will receive reimbursements from customers of approximately \$755,000. These additional customers are expected to contribute \$460,000 to gross profit and EBITDA on an annualized basis.

The business continues to actively market to new potential customers. New customers will typically reimburse the business for a substantial portion of expenditures related to connecting them to the business system, thereby reducing the impact of this element of capital expenditure.

The following table sets forth information about District Energy's capital expenditures:

	<u>Maintenance</u>	<u>Growth</u>
2008	\$ 987,000	\$ 4.4 million
2009	\$ 875,000	\$ 11.2 million
2010	\$ 1.1 million	\$ 407,000
2011 projected	\$ 1.0 million	\$ 245,000
Commitments at December 31, 2010	\$ 58,000	\$ 131,000

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In 2009, District Energy incurred capital expenditures related to the Chicago plant renovation and expansion in addition to connecting new customers to its district cooling system. This resulted in higher growth capital expenditures in 2009 as compared with both 2010 and 2008.

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Energy-Related Businesses: District Energy (continued)

In early 2009, District Energy's Las Vegas operation began providing service to a new customer building. This new customer began receiving full service in February 2010 and is expected to contribute approximately \$300,000 per year to gross profit and EBITDA. This service required a \$3.0 million system expansion of the Las Vegas facility, of which \$300,000 was funded through a capital contribution from the noncontrolling interest shareholder of District Energy's Las Vegas operation during 2010 (see Financing Activities below).

Financing Activities

At December 31, 2010, the outstanding balance on the business debt facilities consisted of \$170.0 million in term loan facilities.

In March 2009, District Energy entered into an interest rate basis swap agreement with its existing debt and swap counterparties. The basis swap, which reduced the weighted average annual interest rate on the business primary debt facility by approximately 24.75 basis points, expired in March 2010. The resulting weighted average interest rate of the outstanding debt facilities, including any interest rate swaps and fees associated with outstanding letters of credit at December 31, 2010, was 5.51%. Cash interest paid was \$9.8 million, \$9.5 million and \$9.5 million for 2010, 2009 and 2008, respectively.

To hedge the interest commitments under the term loan, District Energy entered into interest rate swaps fixing 100% of the term loan at 5.074% (excluding the margin).

The decrease in cash provided by financing activities from 2009 to 2010 was primarily due to decreased borrowings under the business credit facility to finance growth and maintenance capital expenditures, partially offset by a \$300,000 capital contribution from the noncontrolling interest shareholder of District Energy's Las Vegas operations (as discussed above in Investing Activities).

The increase in cash provided by financing activities from 2008 to 2009 was primarily due to \$18.5 million of borrowings on the business credit facility in 2009 to finance growth and maintenance capital expenditures.

Material terms of the facility are presented below:

	Facility Terms
Borrower	Macquarie District Energy LLC, or MDE
Facilities	\$150.0 million term loan facility (fully drawn at December 31, 2010 and 2009) \$20.0 million capital expenditure loan facility (fully drawn at December 31, 2010 and 2009) \$18.5 million revolving loan facility and letter of credit (\$7.1 million utilized at December 31, 2010 and 2009 for letters of credit)
Amortization	Payable at maturity
Interest Type	Floating
Interest rate and fees	Interest rate: LIBOR plus 1.175% or Base Rate (for capital expenditure loan and revolving loan facilities only): 0.5% above the greater of the prime rate or the federal funds rate

Facility Terms

Commitment fee: 0.35% on the undrawn portion.

Maturity	September, 2014 for the term loan and capital expenditure facilities; September, 2012 for the revolving loan facility
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Energy-Related Businesses: District Energy (continued)

Facility Terms

Mandatory prepayment	<p>With net proceeds that exceed \$1.0 million from the sale of assets not used for replacement assets:</p> <p>With insurance proceeds that exceed \$1.0 million not used to repair, restore or replace assets;</p> <p>In the event of a change of control;</p> <p>In years 6 and 7, with 100% of excess cash flow applied to repay the term loan and capital expenditure loan facilities;</p> <p>With net proceeds from equity and certain debt issuances; and</p>
Mandatory prepayment (continued)	<p>With net proceeds that exceed \$1.0 million in a fiscal year from contract terminations that are not reinvested.</p>
Distribution covenant	<p>Distributions permitted if the following conditions are met:</p> <p>Backward interest coverage ratio greater than 1.5x (at December 31, 2010: 2.2x);</p> <p>Leverage ratio (funds from operations to net debt) for the previous 12 months equal to or greater than 6.0% (at December 31, 2010: 8.8%);</p> <p>No termination, non-renewal or reduction in payment terms under the service agreement with the Planet Hollywood (formerly Aladdin) hotel, casino and the shopping mall, unless MDE meets certain financial conditions on a projected basis, including through prepayment; and</p> <p>No default or event of default.</p>
Collateral	<p>First lien on the following (with limited exceptions):</p> <p>Project revenues;</p> <p>Equity of the Borrower and its subsidiaries;</p> <p>Substantially all assets of the business; and</p> <p>Insurance policies and claims or proceeds.</p>

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The facility includes events of default, representations and warranties and other covenants that are customary for facilities of this type. A change of control will occur if the Macquarie Group, or any fund or entity managed by the Macquarie Group, fails to control a majority of the Borrower.

Aviation-Related Business

Atlantic Aviation

(\$ In Thousands)	Year Ended December 31,						
	2010	2009	2008	Change (From 2009 to 2010) Favorable/(Unfavorable)		Change (From 2008 to 2009) Favorable/(Unfavorable)	
	\$	\$	\$	\$	%	\$	%
Cash provided by operating activities	54,035	50,930	73,128	3,105	6.1	(22,198)	(30.4)
Cash used in investing activities	(10,346)	(10,817)	(68,002)	471	4.4	57,185	84.1
Cash (used in) provided by financing activities ⁽¹⁾	(52,424)	(76,736)	27,069	24,312	31.7	(103,805)	NM

NM Not meaningful

- (1) During the first quarter of 2009, we provided Atlantic Aviation with a capital contribution of \$50.0 million to pay down \$44.6 million of debt. The remainder of the capital contribution was used to pay interest rate swap breakage fees and expenses. This contribution has been excluded from the above table as it is eliminated on consolidation.

Aviation-Related Business: Atlantic Aviation (continued)

Operating Activities

Operating cash at Atlantic Aviation is generated from sales transactions primarily paid by credit cards. Some customers have extended payment terms and are billed accordingly. Cash is used in operating activities mainly for payments to vendors of fuel, aircraft services and professional services, as well as payroll costs and payments to tax jurisdictions.

Cash provided by operating activities increased from 2009 to 2010 mainly due to:

- improved operating results; and
- reduced interest expense from lower debt levels, partially offset by
- higher level of collection of accounts receivable in 2009 compared with 2010.

Cash provided by operating activities decreased from 2008 to 2009 mainly due to:

- a decline in gross profit resulting from the decrease in volume of fuel sold; and

payment of interest rate swap breakage fees associated with the prepayment of the term loan debt; partially offset by

reduced interest expense, other than swap breakage fees, from lower debt levels; and

collection of aged accounts receivable.

Investing Activities

Cash used in investing activities relates primarily to capital expenditures. Cash used in investing activities was flat from 2009 to 2010. The decrease in cash used in investing activity from 2008 to 2009 was primarily due to the SevenBar acquisition in March 2008 and lower capital expenditures by the business.

Maintenance Capital Expenditure

Maintenance capital expenditures encompass repainting, replacing equipment as necessary and any ongoing environmental or required regulatory expenditure, such as installing safety equipment. These expenditures are generally funded from cash flow from operating activities.

Growth Capital Expenditure

Growth capital expenditures are incurred primarily in connection with lease extensions and only where the business expects to receive an appropriate return relative to its cost of capital. Historically these expenditures have included development of hangars, terminal buildings and ramp upgrades. The business has generally funded these projects through its growth capital expenditure facility or capital contributions from MIC.

The following table sets forth information about capital expenditures in Atlantic Aviation:

	<u>Maintenance</u>	<u>Growth</u>
2008	\$ 7.7 million	\$ 26.8 million
2009	\$ 4.5 million	\$ 6.3 million
2010	\$ 6.8 million	\$ 3.6 million
2011 projected	\$ 12.1 million	\$ 7.6 million
Commitments at December 31, 2010	\$ 196,000	\$ 902,000

Growth capital expenditures incurred in 2010 primarily reflects the ongoing construction costs of a new FBO at Will Rogers Airport in Oklahoma City. The decrease in growth capital expenditures from 2009 to 2010 was primarily related to the completion of a terminal and ramp project in Nashville, Tennessee during 2009. Growth capital expenditures declined from 2008 to 2009 since various major projects were completed in

Aviation-Related Business: Atlantic Aviation (continued)

2008. These include the construction of a new hangar at the San Jose FBO and a ramp repair and extension at the Teterboro location that were completed in 2008. Growth capital expenditures in 2011 includes the completion of the FBO at Oklahoma City, construction of a hangar at Atlanta Peachtree and the construction of a new fuel farm at El Paso.

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Maintenance capital expenditures increased in 2010 as Atlantic Aviation upgraded FBO facilities at a number of locations. The decreases in maintenance capital expenditures from 2008 to 2009 was primarily due to the deferral of maintenance capital expenditures in response to the overall soft economy. The increase from 2010 to 2011 reflects a specific project at LAX FBO, as well as a return to historical levels of maintenance capital expenditures.

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) was signed. The Act provides for 100% bonus depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% bonus depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this bonus depreciation deduction in determining state taxable income. The business will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating its capital expenditure plans for 2011 and 2012.

Financing Activities

At December 31, 2010, the outstanding balance on Atlantic's debt facilities consisted of \$763.3 million in term loan facility borrowings, which is 100% hedged with interest rate swaps, and \$45.4 million in capital expenditure facility borrowings. In March 2009, Atlantic Aviation entered into an interest rate basis swap agreement with its existing debt and swap counterparties. The basis swap, which reduced the weighted average annual interest rate on the business' primary debt facility by approximately 19.50 basis points, expired in March 2010. The resulting weighted average interest rate on the term loan was 6.79%. The interest rate applicable on the capital expenditure facility is the three-month U.S. Libor plus a margin of 1.60%. For 2010, 2009 and 2008, the business paid approximately \$54.6 million, \$57.2 million and \$62.6 million, respectively, in interest expense, excluding interest rate swap breakage fees, related to its debt facilities.

In addition to the debt facilities described above, Atlantic Aviation raised a \$3.5 million stand-alone debt facility to partially fund the construction of a new FBO at Oklahoma City Will Rogers Airport. At December 31, 2010, the outstanding balance on the stand-alone facility was \$141,000.

The decrease in cash used in financing activities is primarily due to a larger debt prepayment in the first half of 2009. During 2010 and 2009, the business pre-paid \$55.0 million and \$81.6 million, respectively, of debt principal. The decrease in cash provided by financing activities from 2008 to 2009 was primarily due to the debt prepayment made in 2009.

In February 2011, the business prepaid \$14.5 million of term loan principal and incurred \$1.1 million in swap breakage fees. As a result of this prepayment, the proforma leverage ratio would decrease to 6.79x based upon the trailing twelve months December 31, 2010 EBITDA, as calculated under the facility. The maximum permitted debt-to-EBITDA ratio drops to 7.50x on March 31, 2011. The business expects to remain in compliance with the maximum leverage covenant through the maturity of its debt facilities if the performance of the business remains at current levels.

Aviation-Related Business: Atlantic Aviation (continued)

The terms of the loan agreement of Atlantic Aviation have been revised in accordance with the amendment completed and effective on February 25, 2009. A summary of key terms is presented below.

	Facility Terms
Borrower	Atlantic Aviation
Facilities	<p>\$900.0 million term loan facility (outstanding balance of \$763.3 million and \$818.4 million at December 31, 2010 and 2009, respectively)</p> <p>\$50.0 million capital expenditure facility (\$45.4 million and \$44.9 million drawn at December 31, 2010 and 2009, respectively)</p> <p>\$18.0 million revolving working capital and letter of credit facility (\$11.7 million and \$6.5 million utilized to back letter of credit at December 31, 2010 and 2009, respectively)</p>

Facility Terms

Amortization	Payable at maturity Years 1 to 5, amortization per leverage grid below: 100% excess cash flow when Leverage Ratio is 6.0x or above 50% excess cash flow when Leverage Ratio is between 6.0x and 5.5x 100% of excess cash flow in years 6 and 7
Interest type	Floating
Interest rate and fees	Years 1 - 5: LIBOR plus 1.6% or Base Rate (for revolving credit facility only): 0.6% above the greater of: (i) the prime rate or (ii) the federal funds rate plus 0.5% Years 6 - 7: LIBOR plus 1.725% or Base Rate (for revolving credit facility only): 0.725% above the greater of: (i) the prime rate or (ii) the federal funds rate plus 0.5%
Maturity	October, 2014
Mandatory prepayment	With net proceeds that exceed \$1.0 million from the sale of assets not used for replacement assets; With net proceeds of any debt other than permitted debt; With net insurance proceeds that exceed \$1.0 million not used to repair, restore or replace assets; In the event of a change of control; Additional mandatory prepayment based on leverage grid (see distribution covenant below); With any FBO lease termination payments received; and With excess cash flows in years 6 and 7.
Financial covenants	Debt service coverage ratio >1.2x (at December 31, 2010: 1.99x) Leverage ratio (outstanding debt to EBITDA) for the trailing twelve months < 8.00x (default threshold) (at December 31, 2010: 6.91x) Maximum leverage ratio for subsequent periods modified as follows: 2009: 8.25x 2012: 6.75x 2010: 8.00x 2013: 6.00x 2011: 7.50x 2014: 5.00x

Aviation-Related Business: Atlantic Aviation (continued)

Facility Terms

Facility Terms

Distribution covenant	<p>Distributions permitted if the following conditions are met:</p> <ul style="list-style-type: none"> Backward and forward debt service coverage ratio equal to or greater than 1.6x; No default; All mandatory prepayments have been made; Replaced by a test based on the Leverage Ratio: <ul style="list-style-type: none"> 100% of excess cash flow permitted to be distributed when leverage ratio is below 5.5x 50% of excess cash to be distributed when leverage ratio is equal to or greater than 5.5x and less than 6.0x No distribution permitted when leverage ratio is 6.0x or above No revolving loans outstanding.
Collateral	<p>First lien on the following (with limited exceptions):</p> <ul style="list-style-type: none"> Project revenues; Equity of the borrower and its subsidiaries; and Insurance policies and claims or proceeds.
EBITDA definition	<p>Excludes (i) all extraordinary or non-recurring non-cash income or losses during the relevant period (including losses resulting from write-off of goodwill or other assets); and (ii) any non-cash income or losses due to change in market value of the hedging agreements.</p>

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. Our critical accounting policies and estimates are discussed below. These estimates and policies are consistent with the estimates and accounting policies followed by the businesses we own.

Business Combinations

Our acquisitions of businesses that we control are accounted for under the purchase method of accounting. The amounts assigned to the identifiable assets acquired and liabilities assumed in connection with acquisitions are based on estimated fair values as of the date of the acquisition, with the remainder, if any, recorded as goodwill. The fair values are determined by our management, taking into consideration information supplied by the management of acquired entities and other relevant information. Such information includes valuations supplied by independent appraisal experts for significant business combinations. The valuations are generally based upon future cash flow projections for the acquired assets, discounted to present value. The determination of fair values require significant judgment both by management and outside experts engaged to assist in this process.

Goodwill, Intangible Assets and Property, Plant and Equipment

Significant assets acquired in connection with our acquisition of The Gas Company, District Energy and Atlantic Aviation include contract rights, customer relationships, non-compete agreements, trademarks, property and equipment and goodwill.

Trademarks are generally considered to be indefinite life intangibles. Trademarks and goodwill are not amortized in most circumstances. It may be appropriate to amortize some trademarks. However, for unamortized intangible assets, we are required to perform annual impairment reviews and more frequently in certain circumstances.

The goodwill impairment test is a two-step process, which requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit based on a discounted cash flow model using revenue and profit forecasts and comparing those estimated fair values with the carrying values, which included the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The determination of a reporting unit's implied fair value of goodwill requires the allocation of the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the implied fair value of goodwill, which is compared with its corresponding carrying value. The Gas Company, District Energy and Atlantic Aviation are separate reporting units for purposes of this analysis. The impairment test for trademarks, which are not amortized, requires the determination of the fair value of such assets. If the fair value of the trademarks are less than their carrying value, an impairment loss is recognized in an amount equal to the difference. We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill and/or intangible assets. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, or material negative change in relationship with significant customers.

Property and equipment is initially stated at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the property and equipment after consideration of historical results and anticipated results based on our current plans. Our estimated useful lives represent the period the asset remains in service assuming normal routine maintenance. We review the estimated useful lives assigned to property and equipment when our business experience suggests that they do not properly reflect the consumption of economic benefits embodied in the property and equipment nor result

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in the appropriate matching of cost against revenue. Factors that lead to such a conclusion may include physical observation of asset usage, examination of realized gains and losses on asset disposals and consideration of market trends such as technological obsolescence or change in market demand.

Significant intangibles, including contract rights, customer relationships, non-compete agreements and technology are amortized using the straight-line method over the estimated useful lives of the intangible asset after consideration of historical results and anticipated results based on our current plans. With respect to contract rights in our Atlantic Aviation business, we take into consideration the history of contract right renewals in determining our assessment of useful life and the corresponding amortization period.

We perform impairment reviews of property and equipment and intangibles subject to amortization, when events or circumstances indicate that assets are less than their carrying amount and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount by which the net book value of the assets exceeds their fair market value. Any impairment is measured by comparing the fair value of the asset to its carrying value.

The implied fair value of reporting units and fair value of property and equipment and intangible assets is determined by our management and is generally based upon future cash flow projections for the acquired assets, discounted to present value. We use outside valuation experts when management considers that it is appropriate to do so.

We test for goodwill and indefinite-lived intangible assets when there is an indicator of impairment. Impairments of goodwill, property, equipment, land and leasehold improvements and intangible assets during 2009 and 2008 relating to Atlantic Aviation, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Part II, Item 7.

Revenue Recognition

The Gas Company recognizes revenue when the services are provided. Sales of gas to customers are billed on a monthly cycle basis. Most revenue is based upon consumption; however, certain revenue is based upon a flat rate.

District Energy recognizes revenue from cooling capacity and consumption at the time of performance of service. Cash received from customers for services to be provided in the future are recorded as unearned revenue and recognized over the expected services period on a straight-line basis.

Fuel revenue from Atlantic Aviation is recorded when fuel is provided or when services are rendered. Atlantic Aviation also records hangar rental fees, which are recognized during the month for which service is provided.

Hedging

We have in place variable-rate debt. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, the Company enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk on a majority of its debt with a variable-rate component.

As of February 25, 2009 for Atlantic Aviation and effective April 1, 2009 for our other businesses, we elected to discontinue hedge accounting. From the dates that hedge accounting was discontinued, all movements in the fair value of the interest rate swaps are recorded directly through earnings. As a result of the discontinuance of hedge accounting, we will reclassify into earnings net derivative losses included in accumulated other comprehensive loss over the remaining life of the existing interest rate swaps. Our derivative instruments are recorded on the balance sheet at fair value with changes in fair value of interest rate swaps recorded directly through earnings. We measure derivative instruments at fair value using the income approach, which discounts the future net cash settlements expected under the derivative contracts to a present value. See Note 12, *Derivative Instruments and Hedging Activities*, in our consolidated financial statements

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in *Financial Statements and Supplementary Data* in Part II, Item 8, of this Form 10-K for financial information and further discussions.

Income Taxes

We account for income taxes using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Accounting Policies, Accounting Changes and Future Application of Accounting Standards

See Note 2, *Summary of Significant Accounting Policies*, 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, for a summary of the Company's significant accounting policies, including a discussion of recently adopted and issued accounting pronouncements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The discussion that follows describes our exposure to market risks and the use of derivatives to address those risks. See *Critical Accounting Policies and Estimates - Hedging* for a discussion of the related accounting.

Interest Rate Risk

We are exposed to interest rate risk in relation to the borrowings of our businesses. Our current policy is to enter into derivative financial instruments to fix variable-rate interest payments covering at least half of the interest rate risk associated with the borrowings of our businesses, subject to the requirements of our lenders. As of December 31, 2010, we had \$1.1 billion of current and long-term debt for our consolidated continuing operations, \$1.1 billion of which was economically hedged with interest rate swaps and \$65.5 million of which was unhedged.

IMTT

At December 31, 2010, IMTT had two issues of New Jersey Economic Development Authority tax exempt revenue bonds outstanding with a total balance of \$36.3 million where the interest rate is reset daily by tender. A 1% increase in interest rates on this tax exempt debt would result in a \$363,000 increase in interest cost per year and a corresponding 1% decrease would result in a \$363,000 decrease in interest cost per year. IMTT's exposure to interest rate changes through this tax exempt debt has been hedged from October 2007 through November 2012 through the use of a \$36.3 million face value 67% of LIBOR swap. As this interest rate swap is fixed against 67% of 30-day LIBOR and not the daily tax exempt tender rate, it does not result in a perfect hedge for short-term rates on tax exempt debt although it will largely offset any additional interest rate expense incurred as a result of increases in interest rates. If interest rates decrease, the fair market value of this interest rate swap will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the interest rate swap of \$35,000 and a corresponding 10% relative increase would result in a \$35,000 increase in the fair market value.

At December 31, 2010, IMTT had issued \$490.0 million in Gulf Opportunity Zone Bonds (GO Zone Bonds) to fund qualified project costs at its St. Rose, Gretna and Geismar storage facilities. A 1% increase in interest rates on the outstanding GO Zone Bonds would result in a \$4.9 million increase in interest cost per year and a corresponding 1% decrease would result in a \$4.9 million decrease in interest cost per year. IMTT's exposure to interest rate changes through the GO Zone Bonds has been partially hedged until June 2017 through the use of an interest rate swap which has a notional value of \$215.0 million. As the interest rate swap is fixed against 67% of the 30-day LIBOR rate and not the tax exempt tender rate, it does not result in a perfect hedge for short-term rates on tax exempt debt although it will largely offset any additional interest rate expense incurred as a result of increases in interest rates. If interest rates decrease, the fair market value of the interest rate swap will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the interest rate swap of \$2.5 million and a corresponding 10% relative increase would result in a \$2.5 million increase in the fair market value.

On December 31, 2010, IMTT had \$75.0 million outstanding under its USD Revolving Credit Facility which includes \$65.0 million associated with the USD DNB Loan. A 1% increase in interest rates on this debt would result in a \$750,000 increase in interest cost per year and a corresponding 1% decrease would result in a \$750,000 decrease in interest cost per year. IMTT's exposure to interest rate changes on its U.S. revolving credit facility has been partially hedged against 90-day LIBOR from October 2007 through March 2017 through the use of an interest rate swap which has a notional value of \$135.0 million as of December 31, 2010 which increases to \$140.0 million on December 31, 2011 and \$200.0 million from December 31, 2012 to maturity. If interest rates decrease, the fair market value of the interest rate swap will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the interest rate swap of \$3.2 million and a corresponding 10% relative increase would result in a \$3.2 million increase in the fair market value. Before the USD DNB Loan was incorporated into the USD Revolving Credit Facility, its interest was hedged through a swap with a notional value that matched the original amortization schedule of

the loan. From December 31, 2010 to maturity at December 31, 2012, the notional value of the swap is fixed at \$52.0 million. This hedging arrangement will partially offset any additional interest rate expense incurred as a result of increases in interest rates. However, if interest rates decrease, the fair market value of the interest rate swap will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the interest rate swap of \$92,000. A corresponding 10% relative increase in interest rates would result in a \$92,000 increase in the fair market value of the interest rate swap.

On December 31, 2010, IMTT had \$23.2 million outstanding under its Canadian revolving credit facility. A 1% increase in interest rates on this debt would result in a \$232,000 increase in interest cost per year and a corresponding 1% decrease would result in a \$232,000 decrease in interest cost per year.

The Gas Company

The senior term-debt for The Gas Company and HGC comprise two non-amortizing term facilities totaling \$160.0 million and a senior secured revolving credit facility totaling \$20.0 million. At December 31, 2010, the entire \$160.0 million in term debt had been drawn. These variable-rate facilities mature on June 7, 2013.

A 1% increase in the interest rate on The Gas Company and HGC's term debt would result in a \$1.6 million increase in interest cost per year. A corresponding 1% decrease would result in a \$1.6 million decrease in annual interest cost. The Gas Company and HGC's exposure to interest rate changes for the term facilities has, however, been fully hedged from September 1, 2006 until maturity through interest rate swaps. These derivative hedging arrangements will offset any interest rate increases or decreases during the term of the notes, resulting in stable interest rates of 5.24% for The Gas Company (rising to 5.34% in years 6 and 7 of the facility) and 5.44% for HGC (rising to 5.54% in years 6 and 7 of the

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facility). A 10% relative decrease in market interest rates from December 31, 2010 levels would decrease the fair market value of the hedge instruments by \$449,000. A corresponding 10% relative increase would increase their fair market value by \$448,000.

The Gas Company also has a \$20.0 million revolver of which no amount was outstanding at December 31, 2010.

District Energy

District Energy has a \$150.0 million floating rate term loan facility maturing in 2014. A 1% increase in the interest rate on the \$150.0 million District Energy debt would result in a \$1.5 million increase in the interest cost per year. A corresponding 1% decrease would result in a \$1.5 million decrease in interest cost per year.

District Energy's exposure to interest rate changes through the term loan facility has been fully hedged to maturity through the use of interest rate swaps. These hedging arrangements will offset any additional interest rate expense incurred as a result of increases in interest rates. However, if interest rates decrease, the value of District Energy's hedge instruments will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the hedge instruments of approximately \$1.0 million. A corresponding 10% relative increase would result in an approximately \$1.0 million increase in the fair market value.

District Energy also has a \$20.0 million capital expenditure loan facility which was fully drawn at December 31, 2010. A 1% increase in the interest rate on District Energy's capital expenditure loan facility would result in a \$200,000 increase in interest cost per year. A corresponding 1% decrease would result in a \$200,000 decrease in annual interest cost.

Atlantic Aviation

As of December 31, 2010, the outstanding balance of the floating rate senior debt for Atlantic Aviation was \$808.9 million. A 1% increase in the interest rate on Atlantic Aviation's debt would result in an \$8.1 million increase in the interest cost per year. A corresponding 1% decrease would result in an \$8.1 million decrease in interest cost per year.

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The exposure of the term loan portion of the senior debt (which at December 31, 2010 was \$763.3 million) to interest rate changes has been 100% hedged until October 2012 through the use of interest rate swaps. These hedging arrangements will offset any additional interest rate expense incurred as a result of increases in interest rates during that period. However, if interest rates decrease, the value of our hedge instruments will also decrease. A 10% relative decrease in interest rates would result in a decrease in the fair market value of the hedge instruments of \$1.0 million. A corresponding 10% relative increase would result in a \$1.0 million increase in the fair market value.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MACQUARIE INFRASTRUCTURE COMPANY LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Macquarie Infrastructure Company LLC:

We have audited the accompanying consolidated balance sheets of Macquarie Infrastructure Company LLC and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, members' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Macquarie Infrastructure Company LLC and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Macquarie Infrastructure Company LLC's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ **KPMG LLP**
Dallas, Texas
February 23, 2011

CONSOLIDATED BALANCE SHEETS
(\$ in Thousands, Except Share Data)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,563	\$ 27,455
Accounts receivable, less allowance for doubtful accounts of \$613 and \$1,629, respectively	47,845	47,256
Inventories	17,063	14,305
Prepaid expenses	6,321	6,688
Deferred income taxes	19,030	23,323
Other	10,605	10,839
Assets of discontinued operations held for sale		86,695
Total current assets	125,427	216,561
Property, equipment, land and leasehold improvements, net	563,451	580,087
Restricted cash	13,780	16,016
Equipment lease receivables	35,663	33,266
Investment in unconsolidated business	223,792	207,491
Goodwill	514,253	516,182
Intangible assets, net	705,862	751,081
Deferred financing costs, net of accumulated amortization	12,927	17,088
Other	1,587	1,449
Total assets	\$ 2,196,742	\$ 2,339,221
LIABILITIES AND MEMBERS EQUITY		
Current liabilities:		
Due to manager related party	\$ 3,282	\$ 1,977
Accounts payable	39,768	44,575
Accrued expenses	19,315	17,432
Current portion of notes payable and capital leases	1,075	235
Current portion of long-term debt	49,325	45,900
Fair value of derivative instruments	43,496	49,573
Customer deposits	4,635	5,617
Other	10,390	9,338
Liabilities of discontinued operations held for sale		220,549
Total current liabilities	171,286	395,196
Notes payable and capital leases, net of current portion	420	1,498
Long-term debt, net of current portion	1,089,559	1,166,379
Deferred income taxes	156,328	107,840
Fair value of derivative instruments	51,729	54,794
Other	40,725	38,746
Total liabilities	1,510,047	1,764,453
Commitments and contingencies		
Members equity:		
LLC interests, no par value; 500,000,000 authorized; 45,715,448 LLC interests issued and outstanding at December 31, 2010 and 45,292,913 LLC interests issued and outstanding at December 31, 2009	964,430	959,897
Additional paid in capital	21,956	21,956
Accumulated other comprehensive loss	(25,812)	(43,232)
Accumulated deficit	(269,425)	(360,095)