

____ NATIONAL ASSOCIATION OF ____
PUBLICLY TRADED PARTNERSHIPS
2013 ANNUAL MEETING

REPORT OF THE TREASURER

In the past year NAPTP has continued the strong financial growth that has characterized the past few years. After increasing by 9% between 2010 and 2011, Association income increased by 18% from 2011 to 2012. 2012 income to date (and most of our income is concentrated in the first half of the year) exceeds the 2012 total by 13%. Total income in 2012 was \$1.98 million compared with \$1.68 million in 2010. 2013 income to date is about \$2.2 million—the first time we’ve crossed the \$2 million threshold.

As was the case last year, growth in revenues has come partly from an increase in membership, with dues income increasing by 14% from 2011 to 2012 and by 10% during 2012 to date. Total membership is now 137 companies as compared with 119 in 2012. A large portion of the growth has also come from the MLP Investor Conference. Thanks to the growing popularity of the event and the generosity of our sponsors, revenue from the Investor Conference grew by 27% from 2011 to 2012, and has grown another 26% this year. Amazingly, despite the increase in attendance, Investor Conference expenses were actually 9 percent lower this year than last, thanks to our event planner’s good management and negotiating skills.

Expenditures overall increased substantially (by 29%) between 2011 and 2012, after a drop between 2010 and 2011 that occurred primarily because of restructuring of the Association’s management fee arrangement. A good part of the 2011-2012 increase came from ramped-up legislative activity in response to the Congressional tax reform discussions. The Association hired a second lobbying firm, paid for two studies by outside economists, and made greater use of our Washington tax counsel. These expenditure increases were largely offset by the revenue increase we enjoyed last year, and despite the higher expenditure level, the Association ended 2012 with a surplus of \$222,623. We entered 2013 in a strong financial position, with \$1.46 million in the bank and few liabilities. Midway through 2013 we have almost \$2.8 million in cash, with an expectation to end the year with a cash balance greater than \$1.5 million.

As noted earlier, dues and conference income have continued to rise this year, as we have benefited both from the growing number of MLPs and from increasing investor interest in the MLP space. Revenue for the first half of 2013 is 20% above the revenue at this point in 2012, 13% above the total for 2011, and higher than the level projected for the full year 2013. It is important to remember, however, that the lion’s share of NAPTP’s income flows in during the first half of the year, as dues are assessed and Investor Conference income is realized. For the remainder of the year, we can expect to receive dues from a few members who joined in the second half of last year and the occasional new member. There will be additional conference income from the Annual Meeting; however, that usually just about covers costs.

We project continued growth in expenditures for 2013, though at a lower rate than last year, and expenditures to date are on track with projections. As usual, the largest single expense, somewhat higher after contract renegotiation that included a small increase, is for the management and office space provided to the Association by Gnarus Advisors. The lion's share of other expenditures continue to go for federal and state advocacy efforts, which now include the public affairs services of Story Partners (but as of May include only one lobbying firm). In addition to the current consultants, we have budgeted an extra \$100,000 for federal affairs, in case more studies or other outside work are needed. Conferences continue to be a major expenditure but are offset—in the case of the Investor Conference, by a large amount—by registration fees and sponsorships.

The Association's balance sheet as of June 30 shows us to be in excellent financial condition, with cash and receivables totaling \$2.88 million and liabilities of a little under \$1,200. Again, the Association receives most of its income in the first half of the year, so that we will be drawing down on this money as the year progresses. Nonetheless, the amount in the bank comfortably exceeds projected expenses.

In sum, the Association's finances are very healthy and are more than adequate to meet whatever challenges may arise over the next year. Even if expenditures exceed income for some unanticipated reason, we are sufficiently covered by our reserves.

