KINDER MORGAN INC
Form PREM14A
September 22, 2006

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

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý
Filed by a Party other than the Registrant o
Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

Kinder Morgan, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, If other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Kinder Morgan, Inc. common stock, par value $5.00 per share

(2) Aggregate number of securities to which transaction applies:
133,990,784 shares of Kinder Morgan, Inc. common stock; 2,884,680 options to purchase Kinder Morgan, Inc. common stock; 58,700 shares of Kinder Morgan, Inc. related to other rights to receive shares of Kinder Morgan, Inc. common stock or benefits measured by the value of Kinder

Morgan, Inc. common stock under certain stock or benefit plans.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Calculated solely for the purpose of determining the filing fee. The transaction valuation is determined based upon the sum of (a) the product of (i) the sum of 133,990,784 shares of Kinder Morgan common stock outstanding on September 19, 2006, and (ii) the merger consideration of $107.50 per share (equal to $14,404,009,280) and (b) an aggregate of $185,646,558 expected to be paid upon the cancellation of outstanding options having an exercise price less than $107.50 or in connection with other rights to receive shares of common stock or benefits measured by the value of common stock under certain stock or benefit plans (the "Total Consideration"). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, the filing fee was determined by multiplying 0.000107 by the Total Consideration.

(4) Proposed maximum aggregate value of transaction: $14,589,655,838

(5) Total fee paid: $1,561,094

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SUBJECT TO COMPLETION, SEPTEMBER 22, 2006

To the Stockholders of Kinder Morgan, Inc.:

You are cordially invited to attend a special meeting of stockholders of Kinder Morgan, Inc. to be held on [ ], [ ], 2006 at 9:30 a.m., local time, at the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas. The attached proxy statement provides information regarding the matters to be acted on at the special meeting, including at any adjournment or postponement thereof.

At the special meeting, you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of August 28, 2006, among Kinder Morgan, Inc., Knight Holdco LLC and Knight Acquisition Co. Knight Holdco and Knight Acquisition Co. are entities organized by me and affiliates of GS Capital Partners V Fund, L.P., American International Group, Inc., The Carlyle Group and Riverstone Holdings LLC to effect the merger and related transactions discussed below. Pursuant to the merger agreement, Knight Acquisition Co. will merge with and into Kinder Morgan, with Kinder Morgan continuing as the surviving corporation.

If the merger agreement is approved and adopted and the merger is completed, each share of Kinder Morgan common stock (other than shares held by Knight Holdco, Knight Acquisition Co., subsidiaries of Kinder Morgan, stockholders who have perfected their appraisal rights under Kansas law and all or a portion of the shares held by certain stockholders defined in the attached proxy statement as "Rollover Investors") will be converted into the right to receive $107.50 in cash without interest. Immediately prior to the merger, I, along with certain members of Kinder Morgan's senior management and the other Rollover Investors, will exchange all or a portion of our shares of Kinder Morgan common stock and all or a portion of the proceeds in respect of restricted stock and stock options for equity interests in Knight Holdco. As a result of the merger, Kinder Morgan will be privately owned through Knight Holdco by Kinder Morgan's senior management and other investors. A copy of the merger agreement is included as Annex A to the attached proxy statement.

On May 28, 2006, Kinder Morgan's board of directors established a special committee, consisting of three independent directors, and empowered it to, among other things, study, review, evaluate, negotiate and, if appropriate, make a recommendation to Kinder Morgan's board of directors with respect to acceptance of the merger proposed on that date. The special committee has unanimously determined that the merger agreement, the merger and the other transactions contemplated thereby are fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan (other than the Rollover Investors), and has recommended to the full Kinder Morgan board of directors that the board of directors approve the merger agreement, the merger and the other transactions contemplated thereby.

Kinder Morgan's board of directors, after considering factors including the unanimous determination and recommendation of the special committee, unanimously determined (with the three directors who will be Rollover Investors taking no part in the deliberations or the vote) that the merger agreement is fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan (other than the Rollover Investors), and approved the merger agreement, the merger and the other transactions contemplated thereby. Accordingly, Kinder Morgan's board of directors (with the three directors who will be Rollover Investors taking no part in the deliberations or the vote) unanimously recommends that you vote FOR the approval and adoption of the merger agreement. In arriving at their recommendations of the merger agreement, Kinder Morgan's board of directors and its special committee carefully considered a number of factors which are described in the accompanying proxy statement.

The attached proxy statement provides you with detailed information about the merger agreement and the merger. You are urged to read the entire document carefully.

Regardless of the number of shares you own, your vote is very important. The affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at a meeting of stockholders is required to approve and adopt the merger agreement. If you fail to vote on the merger agreement, the effect will be the same as a vote against the approval and adoption of the merger agreement for purposes of the vote referred to above. Once you have read the accompanying materials, please take the time to vote on the proposals submitted to stockholders at the special meeting whether or not you plan to attend the meeting by completing and mailing the enclosed proxy card or by voting your shares by telephone or Internet by following the instructions on your proxy card. If you receive more than one proxy card because you own shares that are registered differently, please vote all of your shares shown on all of your proxy cards.

Voting by proxy will not prevent you from voting your shares in person in the manner described in the attached proxy statement if you subsequently choose to attend the special meeting.

If you have any questions or need assistance voting your shares, please call D.F. King & Co., Inc., which is assisting us, toll-free at (800) 967-7635.

Sincerely,

Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger, or passed upon the fairness or merits of the merger or the adequacy or accuracy of the information contained in the enclosed proxy statement. Any contrary representation is a criminal offense.

This proxy statement is dated [ ], 2006, and it and the proxy card are first being mailed to stockholders on or about [ ], 2006.

SUBJECT TO COMPLETION, SEPTEMBER 22, 2006

KINDER MORGAN, INC.

NOTICE OF SPECIAL MEETING

[ ], 2006

Dear Stockholder:

On [ ], [ ], 2006, Kinder Morgan, Inc. will hold a special meeting of stockholders at the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas. The meeting will begin at 9:30 a.m., local time.

Only holders of shares of common stock, par value $5.00 per share, of record at the close of business on [ ], 2006 may vote at this meeting or any adjournments or postponements that may take place. At the meeting we propose to:

- consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger among Kinder Morgan, Inc., Knight Holdco LLC and Knight Acquisition Co., as it may be amended from time to time;

- approve any motion to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the foregoing proposal; and

- transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Your board of directors (with the three directors who will be Rollover Investors taking no part in the deliberations or vote) has unanimously approved and recommends that you vote FOR the approval and adoption of the merger agreement and FOR the adjournment proposal, which are discussed in more detail in the attached proxy statement.

Under Kansas law, holders of Kinder Morgan common stock have the right to dissent from the merger and to seek judicial appraisal of the "fair value" of their shares upon compliance with the requirements of the Kansas General Corporation Code. This right is explained more fully under "Special Factors Appraisal Rights of Stockholders" in the accompanying proxy statement. The appraisal rights provisions of Kansas law are attached to the accompanying proxy statement as Annex D.

Regardless of the number of shares you own, your vote is very important. The affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at a meeting of stockholders is required to approve and adopt the merger agreement. If you fail to vote on the merger agreement, the effect will be the same as a vote against the approval and adoption of the merger agreement for purposes of the vote referred to above. We hope you will be able to attend the meeting, but whether or not you plan to attend, please vote your shares by:

- signing and returning the enclosed proxy card as soon as possible,

- calling the toll-free number listed on the proxy card, or

- accessing the Internet as instructed on the proxy card.

Voting by proxy will not prevent you from voting your shares in person in the manner described in the attached proxy statement if you subsequently choose to attend the special meeting. You should not send in your certificates representing shares of Kinder Morgan, Inc. common stock until you receive instructions to do so.

We are sure you can understand that if you do attend the meeting, space limitations will make it necessary to limit attendance to stockholders, though each stockholder may be accompanied by one guest. Admission to the meeting will be on a first-come, first-served basis. Registration will begin at 9:00 a.m. and seating will begin at 9:30 a.m. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts will need a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the meeting, and cell phones must be turned off.

By Order of the Board of Directors,

Chairman of the Board

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SUMMARY TERM SHEET

The following summary, together with "Questions and Answers About the Special Meeting and the Merger," highlights selected information contained in this proxy statement. It may not contain all of the information that may be important in your consideration of the proposed merger. We encourage you to read carefully this proxy statement and the documents we have incorporated by reference into this proxy statement before voting. See "Where You Can Find More Information" on page 111. Where appropriate, we have set forth a section and page reference directing you to a more complete description of the topics described in this summary.

The Parties to the Merger. Kinder Morgan, Inc., which we sometimes refer to in this proxy statement as we or Kinder Morgan, is one of the largest energy transportation, storage and distribution companies in North America. It owns an interest in or operates for itself or Kinder Morgan Energy Partners, L.P., which we sometimes refer to in this proxy statement as Kinder Morgan Energy Partners, approximately 43,000 miles of pipelines that transport primarily natural gas, crude oil, petroleum products and carbon dioxide, commonly called CO_2; more than 150 terminals that store, transfer and handle products like gasoline and coal; and provides natural gas distribution service to over 1.1 million customers. Kinder Morgan indirectly owns the general partner interest of Kinder Morgan Energy Partners, one of the largest publicly traded pipeline limited partnerships in the United States in terms of market capitalization and the largest independent refined products pipeline system in the United States in terms of volumes delivered.

Knight Holdco LLC, which we sometimes refer to in this proxy statement as Parent, is a Delaware limited liability company currently owned by Richard D. Kinder and affiliates of GS Capital Partners V Fund, L.P., American International Group, Inc., The Carlyle Group and Riverstone Holdings LLC.

Knight Acquisition Co., which we sometimes refer to in this proxy statement as Acquisition Co., is a Kansas corporation and wholly owned subsidiary of Knight Holdco LLC.

See "The Parties to the Merger," beginning on page 14.

The Merger. Pursuant to the merger agreement, Acquisition Co. will be merged with and into Kinder Morgan, with Kinder Morgan continuing as the surviving company in the merger, which we refer to as the Surviving Corporation. Immediately following the merger, Kinder Morgan, as the Surviving Corporation in the merger, will become a privately-held company, wholly owned by Parent. Parent will be owned by entities and individuals we refer to collectively as the Investors. The Investors will consist of:

- certain private equity funds and other entities providing the equity financing for the merger, who we refer to as Sponsor Investors, and
- certain current or former directors or officers of Kinder Morgan (or entities controlled by such persons), who we refer to as Rollover Investors, who are directly or indirectly reinvesting all or a portion of their equity interests in Kinder Morgan and/or cash in exchange for equity interests in Parent.

The Sponsor Investors are affiliates of GS Capital Partners V Fund, L.P., American International Group, Inc., The Carlyle Group and Riverstone Holdings LLC and their permitted assignees. The Rollover Investors are Richard D. Kinder, Chairman and Chief Executive Officer of Kinder Morgan, Michael Morgan and Fayez Sarofim, directors of Kinder Morgan, William Morgan, a founder of Kinder Morgan, Portcullis Partners, LP, which we sometimes refer to in this proxy statement as Portcullis, an investment partnership in which Michael Morgan and William Morgan have an interest, and certain other members of senior management of Kinder Morgan. See "Special Factors Effects of the Merger" beginning on page 46, and "Special Factors

Interests of Certain Persons in the Merger" beginning on page 51. Whenever we refer to the merger agreement in this proxy statement, we are referring to the Agreement and Plan of Merger attached as Annex A to this proxy statement, as the merger agreement may be amended from time to time. You should read the merger agreement because it, and not this proxy statement, is the legal document that governs the merger.

Effects of the Merger. If the merger is completed, you will receive $107.50 per share in cash, without interest, for each of your shares of Kinder Morgan common stock you own at that time, unless you are a dissenting stockholder and you perfect your appraisal rights under Kansas law. As a result of the merger, Kinder Morgan's stockholders, other than the Investors, will no longer have a direct or indirect equity interest in Kinder Morgan; Kinder Morgan common stock will no longer be listed on the New York Stock Exchange; and the registration of Kinder Morgan common stock under Section 12 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, will be terminated. However, the Surviving Corporation will continue to file periodic reports with the Securities and Exchange Commission, which we refer to as the SEC, to the extent required by the indentures governing its outstanding indebtedness. See "Special Factors Effects of the Merger" beginning on page 46.

Treatment of Outstanding Options, Restricted Stock and Stock-Based Awards. If the merger is completed, unless otherwise agreed between a holder and Parent, all outstanding options to purchase shares of Kinder Morgan common stock not exercised prior to the merger will vest and be cancelled and converted into the right to receive a cash payment equal to the number of shares of Kinder Morgan common stock underlying the options multiplied by the amount (if any) by which $107.50 exceeds the option exercise price, without interest and less any applicable withholding taxes. Unless otherwise agreed between a holder and Parent, all shares of restricted stock or Kinder Morgan stock based awards such as restricted stock units will vest and be cancelled and converted into the right to receive a cash payment equal to the number of shares of restricted stock or the number of shares of Kinder Morgan common stock underlying such Kinder Morgan stock based award, in each case multiplied by $107.50, without interest and less any applicable withholding taxes. See "Special Factors Effects of the Merger" beginning on page 46.

Interests of Certain Persons in the Merger. In considering the proposed transactions, you should be aware that some Kinder Morgan stockholders, directors, officers and employees have interests in the merger that may be different from, or in addition to, your interests as a Kinder Morgan stockholder generally, including:

- accelerated vesting and cash-out of in-the-money stock options and of restricted stock and other stock-based awards held by directors, officers and employees of Kinder Morgan, unless otherwise agreed between a holder and Parent;
- ownership of equity interests in and certain governance rights with respect to Parent; and
- continued indemnification and directors' and officers' liability insurance to be provided by Parent and the Surviving Corporation to current and former directors, officers and employees of Kinder Morgan and its subsidiaries.

These arrangements are more fully described under "Special Factors Effects of the Merger" beginning on page 46 and "Special Factors Interests of Certain Persons in the Merger" beginning on page 51.

The special committee and Kinder Morgan's board of directors were aware of these interests and considered them, among other matters, prior to providing their respective recommendations with respect to the merger agreement.

Required Vote. The affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at a meeting of stockholders, which means two-thirds of the outstanding shares of Kinder Morgan common stock, and which we sometimes refer to as the Required Vote, is required to approve and adopt the merger agreement. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Kinder Morgan common stock present in person or by proxy and entitled to vote at the special meeting on that matter.

Share Ownership of Directors and Executive Officers. As of [ ], 2006, the record date, the directors and executive officers of Kinder Morgan held and were entitled to vote, in the aggregate, shares of our common stock representing approximately [ ]% of the outstanding shares. We believe our directors and executive officers intend to vote all of their shares of our common stock FOR the approval and adoption of the merger agreement and FOR the adjournment proposal, and Mr. Kinder has entered into a Voting Agreement with Parent and Acquisition Co. in which he agreed to vote all of his shares FOR the approval and adoption of the merger agreement. See "The Special Meeting Quorum; Vote Required" beginning on page 73.

Recommendations. The special committee of independent directors of Kinder Morgan's board of directors that was appointed to, among other things, review and evaluate the merger proposal has unanimously determined that the merger agreement, the merger and the other transactions contemplated thereby are fair to, advisable to and in the best interests of the public stockholders (by which we mean the stockholders other than the Rollover Investors) of Kinder Morgan, and has recommended to the full Kinder Morgan board of directors that the board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and that the stockholders of Kinder Morgan approve and adopt the merger agreement. After considering factors including the unanimous recommendation of the special committee, Kinder Morgan's board of directors has unanimously:

- determined that the merger agreement, the merger and the other transactions contemplated thereby are fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan;
- approved and adopted the merger agreement and the transactions contemplated thereby, including the merger; and
- recommended that Kinder Morgan's stockholders approve and adopt the merger agreement.

Accordingly, the special committee and the board of directors unanimously recommend that you vote to approve and adopt the merger agreement. The unanimous action of the Kinder Morgan board of directors was taken with the three directors who will be Rollover Investors taking no part in the deliberations or the vote. See "Special Factors Recommendation of the Special Committee and Board of Directors; Reasons for Recommending Approval and Adoption of the Merger" beginning on page 24.

The Rollover Investors believe that the proposed merger is substantively and procedurally fair to Kinder Morgan's public stockholders. See "Special Factors Position of Rollover Investors as to Fairness" beginning on page 32.

Parent and Acquisition Co. believe that the proposed merger is substantively and procedurally fair to Kinder Morgan's public stockholders. See "Special Factors Position of Parent and Acquisition Co. as to Fairness" beginning on page 33.

Opinions of Financial Advisors. The special committee and the board of directors received opinions from each of Morgan Stanley & Co. Incorporated and The Blackstone Group L.P. to the effect that, as of the date of their respective opinions, the cash merger consideration of $107.50 per share, without interest, to be received by the holders of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) in the merger was fair, from a financial point of view, to such holders. Morgan Stanley's and Blackstone's opinions are subject to the assumptions, limitations and qualifications set forth in such opinions, which are attached as Annex B and Annex C, respectively, to this proxy statement. We encourage you to read carefully these opinions in their entirety and the section entitled "Special Factors Opinions of Financial Advisors" beginning on page 33 for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **The opinions of each of Morgan Stanley and Blackstone were provided to Kinder Morgan's special committee and its board of directors in connection with their evaluations of the merger, do not address any other aspect of the merger and do not constitute a recommendation to any stockholder as to how you should vote on any matter at the special meeting.**

What We Need to Do to Complete the Merger. We will complete the merger only if the conditions set forth in the merger agreement are satisfied or waived. These conditions include, among others:

- approval and adoption of the merger agreement by the Required Vote;
- the absence of any legal restraint or prohibition preventing the consummation of the merger and the other transactions contemplated by the merger agreement;
- the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which we call the H-S-R Act;
- the receipt of other regulatory approvals as described below under "Special Factors Regulatory Approvals" beginning on page 68;
- the absence of any fact, circumstance, event, change, effect or occurrence that constitutes a material adverse effect on Kinder Morgan, as described under "The Merger Agreement Representations and Warranties," that has occurred since the date of the merger agreement and is continuing;
- the representations and warranties of Kinder Morgan and those of Parent and Acquisition Co. being true and correct, subject in many cases to materiality or material adverse effect qualifications; and
- Kinder Morgan's and Parent's performance in all material respects of all of their respective obligations and compliance in all material respects with all of their respective agreements in the merger agreement.

At any time before the merger, to the extent legally allowed, the board of directors of Kinder Morgan may waive compliance with any of the conditions contained in the merger agreement without the approval of its stockholders and Parent may waive compliance with any of the conditions contained in the merger agreement. As of the date of this proxy statement, neither Kinder Morgan nor Parent expects that any condition will be waived. See "The Merger Agreement Conditions to Completion of the Merger" beginning on page 93.

Regulatory Approvals That Must be Obtained. In addition to clearances from the Justice Department and the Federal Trade Commission under the H-S-R Act that must be obtained for any transaction of sufficient size, we will need to receive approvals from the Federal Energy Regulatory Commission, the public utility commissions of several states and appropriate regulatory authorities in Canada and Mexico. See "Special Factors Regulatory Approvals" beginning on page 68.

Termination of the Merger Agreement. The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, whether prior to or after Kinder Morgan's stockholders approve and adopt the merger agreement:

- by mutual written consent of Kinder Morgan and Parent;

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by either party if the merger is not completed by February 28, 2007, or the end of the "marketing period," which is a 15-business day period following the satisfaction or waiver of specified closing conditions that Parent and Acquisition Co. can use to complete their financing of the merger, if the marketing period has commenced and the end of the marketing period would be later, which we refer to in this proxy statement as the end date, and the party seeking to terminate the merger agreement has not breached its obligations in any manner that has proximately caused the failure to consummate the merger by the end date; although, if certain antitrust or regulatory conditions have not been satisfied by the end date, either Parent or Kinder Morgan may extend the date until August 28, 2007 (however, Kinder Morgan may not terminate under this provision during the marketing period);

by either party if a legal restraint or order permanently restraining or otherwise prohibiting the consummation of the merger has become final and non-appealable, provided that the party seeking to terminate the merger agreement has used its reasonable best efforts to remove the restraint or order;

by either party if the stockholders of Kinder Morgan fail to approve and adopt the merger agreement at the special meeting or any adjournment or postponement of that meeting;

by either party if the other party has breached or failed to perform any of its representations, warranties or covenants, the breach or failure to perform would result in a failure of a mutual condition or a condition to the terminating party's obligation to complete the merger and the breach or failure to perform cannot be cured by the end date, provided that the party seeking to terminate has given the other party the required notice;

by Kinder Morgan if, prior to the receipt of the Required Vote, the board of directors of Kinder Morgan (or the special committee) has received a superior proposal and enters into a definitive agreement implementing the superior proposal, provided we have complied with our obligations under the merger agreement described under "The Merger Agreement Other Covenants and Agreements No Solicitation," "The Merger Agreement Termination," and "The Merger Agreement Termination Fee and Expenses; Remedies;"

by Kinder Morgan if the merger shall not have been consummated by the last day of the marketing period and at the time of the termination the mutual conditions and certain of the conditions for Parent's and Acquisition Co.'s obligations to effect the merger have been satisfied;

by Parent if the board of directors of Kinder Morgan or the special committee withdraws or modifies, or publicly proposes to withdraw or modify, in a manner adverse to Parent or Acquisition Co., its recommendation, fails to recommend to Kinder Morgan's stockholders that they approve and adopt the merger agreement or approves or recommends, or publicly proposes to approve or recommend, any alternative proposal;

by Parent if Kinder Morgan gives notice of receipt of a superior proposal and the board of directors or the special committee has determined in good faith, after consultation with outside counsel, that the failure to withdraw or modify its recommendation of the merger agreement would be inconsistent with the board of directors' (or the special committee's) exercise of its fiduciary duty under applicable law; or

by Parent if since the date of the merger agreement there shall have been a material adverse effect with respect to Kinder Morgan that cannot be cured by the end date.

See "The Merger Agreement Termination" beginning on page 94.

Expenses and Termination Fee. If the merger agreement is terminated under certain specified circumstances:

- Kinder Morgan will be obligated to pay a termination fee of $215 million to Parent;

- Kinder Morgan will be obligated to pay the reasonable out-of-pocket documented expenses of Parent and Acquisition Co., up to $45 million, which may be credited against the $215 million termination fee if it becomes payable; or

- Parent will be obligated to pay a termination fee of $215 million to Kinder Morgan. Certain of the entities that are Sponsor Investors or affiliates of the Sponsor Investors have severally agreed to guarantee the obligation of Parent to pay this termination fee, subject in each case to a specified cap. The aggregate amount of the caps is equal to $215 million.

See "The Merger Agreement Termination Fee and Expenses; Remedies" beginning on page 96.

Financing of the Merger. The merger agreement does not contain any condition relating to the receipt of financing by Parent and Acquisition Co. Parent estimates that the total amount of funds necessary to consummate the transaction, including debt to be incurred or to remain outstanding in connection with the merger, is approximately $22.4 billion. This amount is expected to be provided through a combination of:

- up to $5.1 billion in new equity financing from the Sponsor Investors, based on the rollover commitments received to date from the Rollover Investors,

- approximately $2.8 billion in rollover equity financing from Richard D. Kinder and the other Rollover Investors,

- approximately $7.6 billion in new debt financing, and

- approximately $6.9 billion of existing indebtedness of Kinder Morgan expected to remain outstanding in connection with the merger.

Prior to the effective time of the merger, Parent may permit additional rollover commitments from other members of senior management, in which case the aggregate equity commitments from the Sponsor Investors described above will decrease by the aggregate value of such new rollover commitments. In addition, each of the Sponsor Investors may syndicate its equity commitment to its affiliated funds, entities and investment vehicles and to co-investors where such Sponsor Investor retains direct or indirect control over voting and disposition. See "Special Factors Financing of the Merger" beginning on page 63.

No Solicitation of Competing Proposals. The merger agreement restricts the ability of Kinder Morgan to, among other things, solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Kinder Morgan or its subsidiaries and the board of directors' ability to change or withdraw its recommendation of the merger agreement. Notwithstanding these restrictions, under circumstances specified in the merger agreement, Kinder Morgan may respond to an unsolicited "alternative proposal" or terminate the merger agreement and enter into an agreement with respect to a "superior proposal," as each term is defined in the section entitled "The Merger Agreement Other Covenants and Agreements No Solicitation," so long as it complies with the terms of the merger agreement. The board of directors or any board committee may also withdraw its recommendation of the merger agreement if it concludes that doing otherwise would be inconsistent with the board's or committee's exercise of their fiduciary duties. See "The Merger Agreement Other Covenants and Agreements No Solicitation" beginning on page 84.

Appraisal Rights. If you properly dissent from the merger and you fulfill several procedural requirements, Kansas law entitles you to a judicial appraisal of the "fair value" of your shares. The "fair value" of shares of Kinder Morgan common stock would be determined by a court pursuant to Kansas law. You should be aware that the fair value of your shares as determined under Kansas law could be more than, the same as, or less than the merger consideration you would receive pursuant to the merger agreement if you did not seek appraisal of your shares. To exercise your appraisal rights, you must follow the procedures outlined in Annex D, including, without limitation:

- prior to or at the special meeting, delivering to Kinder Morgan a written demand for appraisal of your Kinder Morgan shares, and

- not voting in favor of the merger and the merger agreement.

If you sign and return your proxy without voting instructions, and do not revoke the proxy, your proxy will be voted in favor of the merger and the merger agreement and you will lose your appraisal rights. You may also lose your appraisal rights if you fail to comply with other required procedures contained in Annex D. The procedures are summarized in greater detail in "Special Factors Appraisal Rights of Stockholders" beginning on page 70, and the relevant text of the appraisal rights statute is attached as Annex D to this proxy statement. **We encourage you to read the statute carefully and to consult with legal counsel if you desire to exercise your appraisal rights.**

Material United States Federal Income Tax Consequences. The receipt of cash in exchange for shares of Kinder Morgan common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, you will recognize gain or loss in the merger in an amount equal to the difference, if any, between the cash you receive and your tax basis in Kinder Morgan common stock surrendered. **Tax matters are very complicated. The tax consequences of the merger to you will depend upon your particular circumstances. You should consult your tax advisors for a full understanding of the U.S. federal, state, local, non-U.S. and other tax consequences of the merger to you.** See "Special Factors Material United States Federal Income Tax Consequences" beginning on page 61.

Accounting Treatment of the Merger. The merger is expected to be accounted for as a recapitalization for financial accounting purposes. The merger is structured as a management buyout transaction with certain members of Kinder Morgan senior management continuing as investors in the Surviving Corporation. The assets and liabilities of Kinder Morgan will be recorded at their historical carrying value on the Surviving Corporation balance sheet. The historical carrying values in the stockholders' equity section of Kinder Morgan's and Acquisition Co.'s financial statements will be eliminated and be recapitalized based on the equity transactions outlined in this proxy statement to form the stockholders' equity section of the Surviving Corporation's financial statements.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

Q: ***Where and when is the special meeting?***

A:
We will hold a special meeting of stockholders of Kinder Morgan on [ ], [ ], 2006 at 9:30 a.m. local time, at the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas.

Q: ***What matters will be voted on at the special meeting?***

A:
You will be asked to consider and vote on the following proposals:

- To approve and adopt the merger agreement;
- To approve any motion to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal on the merger agreement; and
- To transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Q: ***How does Kinder Morgan's board of directors recommend that I vote on the proposals?***

A:
The board of directors recommends that you vote:

- FOR the proposal to approve and adopt the merger agreement, and
- FOR the adjournment proposal.

Q: ***Who is entitled to vote at the special meeting?***

A:
The record date for the special meeting is [ ], 2006. Only holders of Kinder Morgan common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof.

Q: ***What constitutes a quorum for the special meeting?***

A:
The presence, in person or by proxy, of stockholders representing a majority of the shares of Kinder Morgan common stock outstanding on the record date will constitute a quorum for the special meeting.

Q: ***What vote is required to approve and adopt the merger agreement and to approve the adjournment proposal?***

A:
Approval and adoption of the merger agreement requires the affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at the special meeting on that matter, which means two-thirds of the outstanding shares. Approval of an adjournment of the special meeting requires only the affirmative vote of the holders of a majority of the shares of Kinder Morgan common stock present in person or by proxy and entitled to vote at the special meeting on that matter.

Q: ***How do Kinder Morgan's directors and executive officers intend to vote?***

A:

As of [ ], 2006, the record date, the directors and executive officers of Kinder Morgan held and are entitled to vote, in the aggregate, shares of our common stock representing approximately [ ]% of the outstanding shares. We believe our directors and executive officers intend to vote all of their shares of our common stock FOR the approval and adoption of the merger agreement and FOR the adjournment proposal, and Mr. Kinder has entered into a Voting Agreement with Parent and Acquisition Co. in which he agreed to vote all of his shares FOR the approval and adoption of the merger agreement.

Q: ***What will a Kinder Morgan stockholder receive when the merger occurs?***

A:

For every share of Kinder Morgan common stock that they own at the effective time of the merger, stockholders will be given the right to receive $107.50 in cash, without interest. This does not apply to shares held by Parent, Acquisition Co., Kinder Morgan or its subsidiaries, stockholders who have perfected their appraisal rights under Kansas law or the Rollover Investors to the extent their shares are contributed to Parent prior to the effective time of the merger.

Q: ***When do you expect the merger to be completed? What is the "marketing period"?***

A:

We are working toward completing the merger as quickly as possible and currently expect the merger to close in the first quarter of 2007. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived, as permitted by law. In addition, the merger is not required to close until the completion of a 15-business day "marketing period" that Parent and Acquisition Co. can use to complete their financing of the merger. The marketing period begins after we have obtained stockholder approval and satisfied other specified conditions under the merger agreement. However, if the marketing period would otherwise end on or after December 18, 2006 but before January 19, 2007, the marketing period will end on January 22, 2007.

Q: ***What do I need to do now?***

A:

Please vote as soon as possible. We urge you to read this proxy statement carefully, including its annexes, and to consider how the transaction affects you as a stockholder. You also may want to review the documents referenced under "Where You Can Find More Information" on page 111.

Q: ***How do I vote?***

A:

You should simply indicate on your proxy card how you want to vote, and sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares will be represented at the special meeting. If you sign and send in your proxy and do not indicate how you want to vote, your proxy will be counted as a vote for approval and adoption of the merger agreement and for the adjournment proposal. If you fail to vote your shares or do not instruct your broker how to vote any shares held for you in a brokerage account, the effect will be a vote against approval and adoption of the merger agreement, but it will not affect the vote on any proposal to adjourn the special meeting.

If your shares are held by your broker, bank or other nominee, see below.

If you participate in the Kinder Morgan, Inc. Savings Plan, see below.

Q: ***Can I vote by telephone or electronically?***

A:

If you hold your shares as a stockholder of record, you may vote by telephone or by the Internet by following the instructions set forth on the enclosed proxy card.

If your shares are held by your broker, bank, or other nominee, often referred to as held in "street name," please contact your broker, bank or other nominee to determine whether you will be able to vote by telephone or electronically.

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Q: ***If my shares are held in a brokerage account, will my broker vote my shares for me?***

A:

Your broker, bank or other nominee will only be permitted to vote your shares for you if you instruct them how to vote. Therefore, it is important that you promptly follow the directions provided by your broker regarding how to instruct them to vote your shares. If you do not instruct your broker, bank or other nominee how to vote your shares that they hold, those shares will not be voted and the effect will be the same as a vote against the approval and adoption of the merger agreement, but it will not affect the vote on any proposal to adjourn the special meeting.

Q: ***What do I do if I participate in the Kinder Morgan, Inc. Savings Plan?***

A:

If you have money invested in Fund KM or Fund KM55 (commonly referred to as the KMI Stock Fund) under the Kinder Morgan, Inc. Savings Plan, you do not actually own shares of Kinder Morgan common stock that are allocated to your account under the Savings Plan. The trustee of the trust established for the Savings Plan is the owner of record of the shares held in the Savings Plan and will vote those shares as described below.

Kinder Morgan's Fiduciary Committee, which serves as the administrator of the Savings Plan and is composed of certain members of our management, has determined to engage an investment manager, which shall serve as an independent fiduciary with respect to the Savings Plan, to manage the shares held in the KMI Stock Fund in connection with the merger. Participants will be eligible to direct the voting of shares of Kinder Morgan common stock allocated to their accounts under the Savings Plan as "named fiduciaries." You may direct the voting of shares allocated to your account only by completing and returning the voting instruction card for participants in the Kinder Morgan, Inc. Savings Plan you received with this proxy statement in accordance with the procedures included with the voting instruction card, or by following the instructions for voting by telephone or the Internet described in the voting instruction card, and before the deadline noted below. If your voting instructions are received by [ ]:00 [ ].m., local time, in Houston, Texas on [ ] [ ], 2006, the independent fiduciary will direct the trustee of the Savings Plan trust to vote the shares allocated to your account in accordance with your instructions. The independent fiduciary will direct the trustee of the Savings Plan trust to vote any unallocated shares of Kinder Morgan common stock held by the Savings Plan, and any allocated shares for which it does not receive voting instructions by the date and time specified above, as the independent fiduciary determines in its sole discretion consistent with its fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended, which we sometimes refer to in this proxy statement as ERISA. Your voting instructions will be kept confidential. You may not vote shares in the Savings Plan in person at the special meeting.

Q: ***What does it mean if I receive more than one proxy card?***

A:

It means that you have multiple accounts at the transfer agent and/or with brokers, banks or other nominees. Please sign and return all proxy cards to ensure that all your shares are voted.

Q: ***May I change my vote?***

A:

Yes. You may change your vote at any time before your proxy is voted at the special meeting, subject to the limitations described below. You may do this in a number of ways. First, you may send us a written notice stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card to the secretary of Kinder Morgan, at the address under "The Parties to the Merger Kinder Morgan, Inc." on page 14. You may also submit a later-dated proxy using the telephone or Internet voting procedures on the proxy card so long as you do so before the deadline of 11:59 p.m. on [ ], 2006. Third, you may attend the special meeting and vote in person. Simply attending the special meeting, without voting in person, will not revoke your proxy. If your shares are held in street name and you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote or to vote at the special meeting.

Q: ***Should I send in my stock certificates now?***

A:

No. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your Kinder Morgan common stock certificates for the merger consideration. If your shares are held in "street name" by your broker, bank or other nominee you will receive instructions from your broker, bank or other nominee as to how to effect the surrender of your "street name" shares in exchange for the merger consideration. **Please do not send your certificates in now.**

Q: ***What are the material United States federal income tax consequences of the transaction to stockholders?***

A:

In general, your receipt of cash in exchange for shares of Kinder Morgan common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Since the tax consequences of the merger to you will depend on your particular circumstances, you should consult your own tax advisor for a full understanding of the U.S. federal, state, local, non-U.S. and other tax consequences of the merger to you.

Q: ***Do stockholders have appraisal rights?***

A:

If you do not vote in favor of the merger and you fulfill several procedural requirements, you are entitled to a judicial appraisal of the "fair value" of your shares under Kansas law. You should be aware that the fair value of your shares as determined under Kansas law could be more than, the same as, or less than the merger consideration you would receive pursuant to the merger agreement if you did not seek appraisal of your shares. We encourage you to read the Kansas statute carefully and consult with legal counsel if you desire to exercise your appraisal rights. The Kansas statute is included as Annex D to this proxy statement. See "Special Factors Appraisal Rights of Stockholders".

If you participate in the Kinder Morgan, Inc. Savings Plan, you are not entitled to exercise appraisal rights with respect to any shares allocated to your account. The independent fiduciary appointed to manage the KMI Stock Fund under the Savings Plan will decide whether or not to exercise any appraisal rights for such shares in its complete discretion, consistent with its fiduciary duties under ERISA.

Q: ***Who can help answer my questions?***

A:

If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact D.F. King & Co., Inc., which is acting as the proxy solicitation agent and information agent in connection with the merger.

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(800) 967-7635 (toll free)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement and the documents incorporated by reference in this proxy statement contain forward-looking statements with respect to our financial condition, results of operations, plans, objectives, future performance and business, as well as forward-looking statements relating to the merger. These forward-looking statements include, without limitation, statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates," "intends," "should," "may," "management believes," "continue," "strategy" or similar expressions. We believe it is important to communicate management's expectations to Kinder Morgan's stockholders. However, there may be events in the future that we are not able to accurately predict or over which we have no control. The risk factors listed in our Annual Report on Form 10-K for the year ended December 31, 2005 and subsequently filed Forms 10-Q and 8-K, as well as any other cautionary language in this proxy statement, provide examples of risks, uncertainties and events that may cause our actual results or matters related to the merger to differ materially from the expectations we describe in forward-looking statements. You should be aware that the occurrence of the events described in those risk factors and the risk factors described below could have a material adverse effect on our business, operating results and financial condition or the merger.

In addition to the risks and other factors and matters contained or incorporated in this proxy statement (see "Where You Can Find More Information"), we believe the following factors could cause actual results or matters related to the merger to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that have been or may be instituted against Kinder Morgan and others relating to the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger, including the expiration of the waiting period under the H-S-R Act and other regulatory approvals;
- the failure to obtain the necessary debt or equity financing set forth in commitment letters received by Parent in connection with the merger;
- the failure of the merger to close for any other reason;
- the effect of the announcement of the merger on our customer relationships, operating results and business generally;
- the risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger;
- the amount of the costs, fees, expenses and charges related to the merger and the actual terms of certain financings that will be obtained for the merger; and
- the risks identified elsewhere in this proxy statement associated with Kinder Morgan being able to meet the projections in its five-year plan.

The foregoing list and the risks reflected in our documents incorporated by reference in this proxy statement should not be construed to be exhaustive. We believe the forward-looking statements in this proxy statement are reasonable; however, there is no assurance that the actions, events or results of the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations or financial condition or on the merger. In addition, actual results or matters related to the merger could differ materially from the forward-looking statements contained in this proxy statement as a result of the timing of the completion of the merger or the impact of the merger on our operating results, capital resources, profitability, cash requirements, management resources and liquidity. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations. Further, forward-looking statements speak only as of the date they are made, and, other than as required by applicable law, we undertake no obligation to update publicly any of them in light of new information or future events.

THE PARTIES TO THE MERGER

Kinder Morgan, Inc.

Kinder Morgan is a Kansas corporation with its principal executive offices at 500 Dallas Street, Suite 1000, Houston, Texas 77002. Kinder Morgan's telephone number is (713) 369-9000. Kinder Morgan is one of the largest energy transportation, storage and distribution companies in North America. It owns an interest in or operates for itself or Kinder Morgan Energy Partners approximately 43,000 miles of pipelines that transport primarily natural gas, crude oil, petroleum products and CO_2; more than 150 terminals that store, transfer and handle products like gasoline and coal; and provides natural gas distribution service to over 1.1 million customers. Kinder Morgan indirectly owns the general partner interest of Kinder Morgan Energy Partners, one of the largest publicly traded pipeline limited partnerships in the United States in terms of market capitalization and the largest independent refined products pipeline system in the United States in terms of volumes delivered. A detailed description of Kinder Morgan's business is contained in Kinder Morgan's Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference into this proxy statement. See "Where You Can Find More Information."

Knight Holdco LLC

Parent is a Delaware limited liability company with its principal executive offices at c/o Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019. Parent's telephone number is (212) 403-1000. Parent was formed solely for purposes of entering into the merger agreement and consummating the transactions contemplated by the merger agreement, including arranging the related financing transactions. Parent has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The current owners of Parent are Richard D. Kinder, and the following entities: GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V GmbH & CO. KG, GS Capital Partners V Institutional, L.P., GS Global Infrastructure Partners I, L.P., The Goldman Sachs Group, Inc., Carlyle Partners IV, L.P., Carlyle/Riverstone Global Energy and Power Fund III, L.P. and AIG Knight LLC. Such entities and their permitted assigns are referred to in this proxy statement as the Sponsor Investors.

Knight Acquisition Co.

Acquisition Co. is a Kansas corporation and wholly owned subsidiary of Parent with its principal executive offices at c/o Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019. Acquisition Co.'s telephone number is (212) 403-1000. Acquisition Co. was formed solely for purposes of entering into the merger agreement and consummating the transactions contemplated by the merger agreement, including arranging the related financing transactions. Acquisition Co. has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

SPECIAL FACTORS

Background of the Merger

It is part of Kinder Morgan's business strategy to consistently evaluate strategic alternatives in an effort to maximize stockholder value. On February 16, 2006, C. Park Shaper, Kinder Morgan's President, discussed with representatives of the investment banking division of Goldman, Sachs & Co., which we refer to as Goldman Sachs, various alternatives, including repurchasing shares of Kinder Morgan's common stock, ranging from small amounts to all of the outstanding shares.

On February 28, 2006, Kinder Morgan Energy Partners announced the estimated financial impact of its Rockies Express Pipeline and Kinder Morgan Louisiana Pipeline initiatives on Kinder Morgan and Kinder Morgan Energy Partners. On March 7, 2006, after taking into account the market reaction to this announcement, Mr. Shaper discussed with a representative of Goldman Sachs the possibility of further analyzing, with the assistance of Goldman Sachs, the strategic alternatives Kinder Morgan might pursue to enhance stockholder value. Among the options to be analyzed were repurchasing shares of Kinder Morgan's common stock using the proceeds of asset sales, sales of certain subsidiaries or lines of business or borrowed funds, a public restructuring, or taking Kinder Morgan private, although this last alternative was not the focus of the discussion. During the period between March 7, 2006 and April 5, 2006, representatives of Kinder Morgan management and representatives of Goldman Sachs met in person or via teleconference several times to discuss these analyses. Additionally, during such time, Mr. Joseph Listengart, Vice President and General Counsel of Kinder Morgan, discussed certain legal matters related to the feasibility of several of the alternatives with Bracewell & Giuliani LLP, Kinder Morgan's primary outside counsel, which we refer to as Bracewell.

On April 5, 2006, during a telephone conference between Mr. Shaper and a representative of the investment banking division of Goldman Sachs, the representative indicated that Goldman Sachs Capital Partners, which we refer to as GSCP, a private equity fund affiliated with Goldman Sachs, was interested in exploring with management the possibility of a going private transaction. On April 6, 2006, representatives of Kinder Morgan management, including Messrs. Richard Kinder and Shaper, participated in a telephone conference with representatives of Goldman Sachs' investment banking division and GSCP to discuss the possibility of a going private transaction and various other alternatives relating to Kinder Morgan. At this meeting, GSCP indicated its potential interest in exploring further the possibility of participating with Kinder Morgan management in such a transaction.

Following these conversations, during the period between April 7, 2006 and April 26, 2006, Kinder Morgan management had multiple discussions with Weil, Gotshal & Manges LLP, which we refer to as Weil Gotshal, in its capacity as prospective counsel to the senior management of Kinder Morgan, and with GSCP about the possibility of a management led buyout of Kinder Morgan. During this time period, management also continued to discuss with representatives of the investment banking division of Goldman Sachs the feasibility and desirability of the other alternatives being considered, including a public restructuring and stock buyback.

On April 26, 2006, representatives of Kinder Morgan management, including Messrs. Kinder and Shaper, met with representatives of the investment banking division of Goldman Sachs and GSCP to discuss further the possibility of exploring a management led buyout of Kinder Morgan sponsored by GSCP. At this meeting, potential structures for a going private transaction were discussed, as were matters related to the valuation of Kinder Morgan and possible transaction terms. Following this meeting, based on the information presented at the meeting and on the discussions and analyses undertaken at that time, Kinder Morgan's senior management decided to further explore a management led buyout of Kinder Morgan sponsored by GSCP. On or around this date, Kinder Morgan's senior management formally engaged Weil Gotshal to represent them with respect to a potential going private transaction.

During the remainder of April and May of 2006, Kinder Morgan management, together with Weil Gotshal, and GSCP, which was advised by Wachtell, Lipton, Rosen & Katz, which we refer to as Wachtell Lipton, discussed a potential framework for the sponsorship of a management led buyout of Kinder Morgan. During this period, each of GSCP and Wachtell Lipton conducted business and legal diligence, respectively, with respect to Kinder Morgan. In connection with such due diligence, on May 21, 2006, GSCP executed a confidentiality agreement for the benefit of Kinder Morgan. As described below, this agreement was subsequently terminated at the request of the special committee and replaced with a new confidentiality agreement with Kinder Morgan. Also during this period, a draft preliminary framework outlining the post closing interaction between GSCP and management was circulated and discussed between the parties.

On May 5, 2006, Messrs. Kinder and Shaper met with Mr. William Morgan, a founder and substantial stockholder of Kinder Morgan, and Mr. Michael Morgan, a director of Kinder Morgan, and discussed with such individuals the possibility of their participation in such transaction. On May 9, 2006, Messrs. Kinder and Shaper met with Mr. Fayez Sarofim, a director and substantial stockholder of Kinder Morgan, and informed him of the possibility of a going private transaction and discussed with Mr. Sarofim the possibility of his participation in a potential transaction.

On May 10, 2006, representatives of senior management of Kinder Morgan and the investment banking division of Goldman Sachs had preliminary meetings with S&P and Moody's to discuss potential debt ratings for Kinder Morgan and Kinder Morgan Energy Partners following the contemplated transaction. Such initial meetings suggested that significant hurdles existed to achieve the desired credit ratings for such entities following any potential transaction.

Following the initial rating agency meetings and the receipt of one of the agencies' responses, at a telephonic meeting of Kinder Morgan's board of directors held on May 13, 2006, Mr. Kinder advised the board of directors that management had been evaluating a variety of restructuring alternatives, which were reviewed with the board at the meeting. Mr. Kinder indicated that while a management led buyout of Kinder Morgan was possible, there appeared to be significant hurdles that made such a transaction unlikely.

Over the course of the next two weeks, representatives of senior management of Kinder Morgan and Goldman Sachs continued discussions with rating agencies. In the course of those discussions, those representatives indicated that, in the event that a management led buyout of Kinder Morgan was pursued:

- an additional $1 billion of equity would be committed to Kinder Morgan upon the occurrence of certain specified events,
- the existing regular quarterly dividends would be discontinued,
- an independent minority investment in the general partner of Kinder Morgan Energy Partners would be obtained from an unaffiliated third party, and
- they would take certain additional steps, such as changing the name of Kinder Morgan following the transaction, to emphasize the separate nature of Kinder Morgan Energy Partners.

These agreements and additional discussions of these topics led these representatives to believe that a management led buyout could be undertaken while preserving the desired credit ratings for Kinder Morgan and Kinder Morgan Energy Partners. These discussions also had the effect of reinforcing senior management's understanding that the other alternatives initially considered to increase stockholder value would also put at risk the critical objective of maintaining Kinder Morgan Energy Partners' investment-grade credit rating, and that many of the methods that would be available to preserve such credit rating in the context of a going private transaction would not be available if such other alternatives were pursued in a case where Kinder Morgan remained a public company.

On May 18, 2006, representatives of the investment banking division of Goldman Sachs provided management with a list of financial sponsors that it believed could be interested in exploring a potential management-led buyout of Kinder Morgan. Over the course of the next week, Kinder Morgan senior management, together with representatives of Goldman Sachs' investment banking division and GSCP, met with such potential investors. In connection with such discussions, between May 20-22, 2006, each of such potential investors executed a confidentiality agreement for the benefit of Kinder Morgan and a confidentiality/exclusivity agreement with GSCP. As described below, at the request of the special committee, the exclusivity provisions of the confidentiality/exclusivity agreements were subsequently terminated and the confidentiality agreements of the participating financial sponsors were replaced with new confidentiality agreements with Kinder Morgan. Of the financial sponsors contacted, The Carlyle Group, Riverstone Holdings LLC and affiliates of American International Group, Inc. ("AIG") indicated their interest in participating in a potential transaction. Such sponsors were invited to consider further whether they would participate.

From May 27 through 28, 2006, Kinder Morgan senior management and GSCP, together with Weil Gotshal and Wachtell Lipton, continued to discuss documentation related to a potential management led buyout to take Kinder Morgan private. Additionally, on May 27, 2006, Kinder Morgan senior management, in consultation with GSCP and the other financial sponsors, established the offer price of $100 per share for each issued and outstanding share of Kinder Morgan common stock in connection with the potential transaction. Additionally, on May 28, 2006, Mr. Richard Kinder, at the request of GSCP, executed a letter providing that, for a period of 90 days, so long as GSCP was pursuing a potential transaction involving Kinder Morgan, Mr. Kinder would not engage in any discussions or negotiations with any third party related to Mr. Kinder's continued service as a senior manager or director of Kinder Morgan in connection with a bid by such third party to acquire Kinder Morgan or a material portion of its business. As described below, this agreement was subsequently terminated at the request of the special committee. Mr. Kinder and the financial sponsors also agreed on behalf of the to-be-formed acquisition vehicle to retain formally the investment banking division of Goldman Sachs to be the financial advisors to the potential buyout group.

On May 28, 2006, Kinder Morgan's board of directors held a special telephonic board meeting called by Mr. Kinder, which representatives of Bracewell also attended. Just prior to the beginning of that meeting, Mr. Kinder delivered to the board of directors a letter setting forth the offer to have GSCP, Carlyle, AIG Global Asset Management Holdings Corp. and Riverstone Holdings LLC sponsor a management-led acquisition of all of the outstanding common stock of Kinder Morgan at a price of $100 per share. The letter indicated that Mr. Kinder would continue as Chairman and CEO of Kinder Morgan following this proposed transaction and would reinvest all of his common stock in the new private company, and that Mr. Sarofim, Messrs. William and Michael Morgan and other members of Kinder Morgan's senior management were expected to participate in such transaction through a reinvestment of their equity in Kinder Morgan, which, together with Mr. Kinder's reinvestment, would have a value of $2.8 billion based on the offer price. The letter outlined the expected debt and equity financing for a potential transaction and indicated that Goldman Sachs Credit Partners L.P. had delivered to the private equity sponsors and Mr. Kinder a letter indicating that it was "highly confident" that it could arrange the required debt financing for a potential transaction. The letter also conveyed the expectation that a special committee of independent directors would be established to consider the proposal on behalf of Kinder Morgan's public shareholders and to recommend to the board of directors whether to approve the proposal. The letter made clear that the transaction was subject to the execution of definitive documentation, recommendation by the special committee and approval of the board of directors of Kinder Morgan, and that no binding obligation on the part of the potential investors would arise with respect to the offer until such documentation and approval were obtained. Mr. Kinder reviewed the letter and the terms of the offer with the board. The board then discussed generally with Mr. Kinder the strategic alternatives available to Kinder Morgan, including how Mr. Kinder's proposal differed from any restructuring proposals or leveraged share repurchase alternatives and why Mr. Kinder was making the proposal in lieu of Kinder Morgan's pursuing other alternatives.

Following that discussion, directors Kinder, Sarofim and Morgan and members of management who would participate in the proposal disconnected from the telephone meeting, and the meeting continued with the remainder of the directors present, as well as representatives of Bracewell. There followed a discussion of management's proposal and steps to take next. A discussion of these and related matters ensued, and the board established a special committee consisting of Messrs. Stewart Bliss (as Chair), Edward Austin and Ted Gardner. The special committee was delegated the full power and authority to, among other things, make any and all decisions regarding the proposal and any other alternatives and negotiate with the buyout group or any other party regarding the proposal or any other alternatives, and, if appropriate, reject the proposal or, in the alternative recommend to the full board acceptance of any proposed transaction. The special committee was also empowered to retain any and all independent advisors (including financial and legal advisors) as it deemed necessary or appropriate in connection with fulfilling its duties.

On May 29, 2006, Mr. Kinder, together with GSCP, Carlyle, AIG and Riverstone Holdings LLC, issued a press release announcing their proposal, and Kinder Morgan issued a press release announcing its receipt of Mr. Kinder's proposal and the formation of the special committee.

Following its formation, the special committee considered the retention of advisors. With assistance from Bracewell, from June 1 to June 5, the special committee interviewed three potential legal advisors. After deliberation, on June 5, the special committee selected Skadden, Arps, Slate, Meagher & Flom LLP, which we refer to as Skadden, in light of Skadden's experience in Kinder Morgan's industries and in representation of special committees. After being retained, Skadden reviewed with the special committee the fiduciary duties applicable to its actions. From June 7 to June 12, Skadden, on behalf of the special committee, negotiated separate indemnification agreements with Kinder Morgan that would indemnify the members of the special committee for certain possible losses arising from their service. Effective May 28, 2006, Kinder Morgan and the members of the special committee entered into these indemnification agreements.

On May 30, 2006, the first of several lawsuits challenging the proposal and related matters was commenced. Kinder Morgan is aware of four such existing lawsuits. For more information regarding these lawsuits, please see "Special Factors Litigation Related to the Merger."

From May 31 to June 6, the special committee interviewed six potential financial advisors. After deliberation, the special committee selected Morgan Stanley and Blackstone as co-equal financial advisors based on the financial advisors' broad experience with transactions of the type that the special committee might consider, the firms' experience in Kinder Morgan's lines of business and the commitment of their senior investment bankers to be personally involved in the representation of the special committee. At special committee meetings on June 8 and June 12, and in informal special committee discussions in between those meetings, the terms of engagement of Morgan Stanley and Blackstone were discussed, and on June 12, the special committee approved and entered into engagement letters and related non-disclosure and confidentiality agreements with Morgan Stanley and Blackstone. On June 13, the independent directors of Kinder Morgan held a telephonic meeting, at which the special committee updated the board on its activities, especially with respect to retention of advisors and the litigation relating to the pending offer. On June 14 the special committee caused Kinder Morgan to issue a press release announcing that the special committee had retained Morgan Stanley and Blackstone as its financial advisors and Skadden as its legal advisor.

Shortly after Skadden was retained by the special committee, the special committee and Skadden reviewed various documents that had been executed in connection with the proposed transaction, including confidentiality agreements between Kinder Morgan and the proposed sponsors and confidentiality/exclusivity agreements between GSCP and other potential sponsors, including those which chose not to participate in a potential transaction. Skadden and the special committee negotiated new, separate confidentiality agreements between each of the participating sponsors and the management group members, on the one hand, and Kinder Morgan, on the other hand, which included the following provisions:

- A release of any exclusivity arrangements that the participating sponsors had entered into with any other party, including debt and equity financing sources;
- In the case of the new confidentiality agreements with certain members of management, a full description of all information regarding Kinder Morgan that had been given to the participating private equity sponsors;
- A mechanism whereby future due diligence information regarding Kinder Morgan would only be given to the participating sponsors with the approval of the special committee (but certain categories of information were agreed to be provided without additional approval by the special committee);
- A 'non-solicitation' provision whereby the participating sponsors generally could not hire certain Kinder Morgan employees for a period of time; and
- A 'standstill' provision whereby the participating sponsors and the members of the management group agreed not to participate in another offer for, or involving, Kinder Morgan, without the permission of the special committee or the board for a period of time, subject to certain fallaway provisions that would permit them to so participate in certain circumstances relating to offers by third parties.

After extensive negotiations among Skadden, Weil Gotshal, and Wachtell Lipton, the sponsors and management agreed to the inclusion of these provisions and, on June 19 and 20, the special committee, on behalf of Kinder Morgan, entered into confidentiality agreements with the private equity sponsors and members of management.

Additionally, the special committee and Skadden reviewed the letter agreement between Richard Kinder and GSCP whereby Mr. Kinder agreed, for 90 days, not to engage in any discussions or negotiations with any third party related to Mr. Kinder's continued service as a senior manager or director of Kinder Morgan in connection with a bid by such third party to acquire Kinder Morgan or a material portion of its business. The special committee also requested that this letter agreement be terminated. GSCP and Mr. Kinder also agreed to terminate this exclusivity letter.

On June 13, the special committee received a draft merger agreement from Weil Gotshal. While the special committee and its advisors reviewed carefully and discussed the provisions of the draft merger agreement, the special committee decided not to engage in negotiations with the buyout group with respect to the draft merger agreement at that time. On June 27, the special committee received from Weil Gotshal a summary of the incentive equity to be received by management, which the special committee and its advisors reviewed and discussed.

Following the retention of Morgan Stanley and Blackstone on June 12, the special committee's legal and financial advisors began to conduct a review of Kinder Morgan. After entering into the confidentiality agreements described above, Kinder Morgan and the special committee's advisors worked together to create an online 'data room' to be accessed by both the buyout group and any other interested party. From June 20 through August 25, the buyout group conducted due diligence on Kinder Morgan by means of the online data room (including additional document requests from the buyout group) and in-person and telephonic interviews of Kinder Morgan employees. On June 28, the special committee's advisors held an all-day meeting at Kinder Morgan's offices in Houston, during which the advisors interviewed Kinder Morgan's senior corporate management and received presentations from, and interviewed, executives from Kinder Morgan's various business units.

Throughout June and July, Morgan Stanley and Blackstone had discussions with approximately 35 third parties whom Morgan Stanley and Blackstone felt might have an interest in considering a transaction with Kinder Morgan, but no third party expressed interest sufficient to pursue a transaction with Kinder Morgan. Although the special committee considered conducting a formal auction for Kinder Morgan, after consulting with its advisors, the special committee determined that such an auction process was likely to cause harm to Kinder Morgan that would outweigh any potential benefits, including the risk of no interested parties participating in an auction, which might reduce the special committee's strength in any eventual negotiations with the buyout group. In making this determination, the special committee also considered the fact that its financial advisors had numerous conversations with a large number of potentially interested third parties, none of which resulted in such a party showing significant interest, as well as the public nature of the buyout group's proposal and the public announcement of the formation of the special committee and its engagement of advisors, which would have made it possible for any interested party to approach the special committee or its advisors directly.

On July 11, the special committee met in person with its advisors at Morgan Stanley's offices in New York to hear the financial advisors' analyses, from a financial point of view, of Kinder Morgan. At this meeting, Morgan Stanley and Blackstone reviewed at length with the special committee materials relating to Kinder Morgan's valuation, including the past and future performance of each of Kinder Morgan's business units and Kinder Morgan's five-year business plan, including the risks associated with it. In addition, Morgan Stanley and Blackstone reviewed with the special committee possible alternative transactions, including transactions with third parties (noting that no interested third parties had yet emerged) and the restructuring transaction considered by the board at the May 13 board meeting. Morgan Stanley and Blackstone also discussed with the special committee the possibility of Kinder Morgan engaging in a leveraged share repurchase. On July 12, the special committee telephonically updated the other independent members of the board as to the July 11 presentation.

On July 14, the special committee again met with its advisors and received, at the special committee's request, further information regarding a leveraged share repurchase. At this meeting the special committee discussed with its advisors its views as to the valuation of Kinder Morgan and the buyout group's proposal, and determined that the buyout group's offer did not represent a compelling value for Kinder Morgan's public stockholders. The special committee discussed how to present this view to the buyout group, and decided that Mr. Bliss should inform Mr. Kinder of the special committee's views.

On July 17, the special committee telephonically updated the other independent members of the board and representatives of Bracewell. Also on July 17, Mr. Bliss and Skadden had a telephone conversation with Mr. Kinder and Weil Gotshal. In this conversation, Mr. Bliss told Mr. Kinder that the special committee did not view the $100 per share offer as compelling value for Kinder Morgan's public stockholders, that the special committee believed that Kinder Morgan had intrinsic value in excess of $100 per share, and that the special committee believed that, in the long-term, stockholders would be better off continuing to hold their Kinder Morgan shares than accepting the $100 offer. Mr. Bliss also informed Mr. Kinder that the special committee viewed a leveraged share repurchase as one that might be an efficient way to achieve greater value for stockholders and that would allow stockholders to share in Kinder Morgan's long-term growth.

In response to the July 17 discussion, and in particular to the discussion of a leveraged share repurchase, on July 18 Morgan Stanley and Blackstone met telephonically with members of Kinder Morgan's management, who were assisted by representatives of the investment banking division of Goldman Sachs. At this meeting, the participants discussed issues arising from a potential leveraged share repurchase relating to the credit rating of Kinder Morgan and Kinder Morgan Energy Partners and the borrowing capacity of Kinder Morgan. The discussion also included a more general discussion of credit issues, as well as Kinder Morgan's business plan and discount rates that should be applied to

Kinder Morgan's cash flows. Kinder Morgan's management, with assistance from Goldman Sachs, communicated to Morgan Stanley and Blackstone that, in its view, Kinder Morgan's business plan had significantly more risks, and risks of a greater magnitude, than those risks that the special committee was considering. Also in this conversation, members of Kinder Morgan's management told Morgan Stanley and Blackstone that, in their view, Kinder Morgan had capacity of no more than $500 million to conduct a leveraged share repurchase and, in their view, it was not feasible to conduct a large leveraged share repurchase while at the same time maintaining Kinder Morgan Energy Partners' investment grade credit rating, which management viewed as critical in meeting Kinder Morgan's business plan. The special committee and its advisors discussed these issues, and re-affirmed their views of Kinder Morgan and its valuation and business plan. Also in response to the July 17 discussion, Weil Gotshal contacted Skadden and informed Skadden that the buyout group would not 'negotiate against themselves,' and that until the special committee disclosed to the buyout group its views of Kinder Morgan's valuation, it was unlikely that the buyout group would be prepared to discuss any changes to its offer. On July 19, Kinder Morgan held its regular quarterly board meeting in Calgary, at which matters relating to the special committee and the proposal were not discussed.

On July 21, Weil Gotshal contacted Skadden and requested a meeting between the special committee and Kinder Morgan management to discuss further the risks in Kinder Morgan's business plans and hurdles to a leveraged share repurchase. On July 25, Morgan Stanley and Blackstone communicated to representatives of Goldman Sachs' investment banking division that the special committee understood the risks of Kinder Morgan's business plan, but that the special committee had also considered the opportunities and upside implicit in the business. Morgan Stanley and Blackstone also advised representatives of Goldman Sachs' investment banking division that the special committee's view was that Kinder Morgan's intrinsic value was in excess of the $100 per share offer, and that while the special committee did not have in mind a fixed value for Kinder Morgan, in general the amount that the special committee would consider exceeded the current offer by more than 10%. Furthermore, Morgan Stanley and Blackstone communicated to representatives of Goldman Sachs' investment banking division that if the economics of the offer were not improved to an acceptable range, then the special committee would prefer to focus on moving forward quickly with the management team to discuss the appropriate next steps to continue operating in the public setting and delivering maximum value for stockholders.

In response to this message from Morgan Stanley and Blackstone, the representatives of Goldman Sachs' investment banking division reiterated the request of the buyout group for the special committee to consider a presentation by Kinder Morgan's management to the board about the risks to Kinder Morgan's business plan. On July 28, the special committee and Skadden met telephonically with members of Kinder Morgan's management and Weil Gotshal. At this meeting Mr. Kinder gave the special committee his view of the background of the process leading to the proposal, including his discussions with the board and his disappointment with the market's reaction to Kinder Morgan's publicly released financial expectations, including those presented at the public conference call on February 28, 2006 which primarily related to the Rockies Express Pipeline and Kinder Morgan Louisiana Pipeline projects. At this meeting Mr. Shaper went through a detailed discussion of the risks in Kinder Morgan's business plan. Also at the meeting, Mr. Shaper reviewed several matters with the special committee, including management's belief, after consultation with Goldman Sachs' investment banking division, that a higher discount rate should be applied to account for the risks in Kinder Morgan's business plan, as well as the fact that GSCP had discounted Kinder Morgan's budgeted profitability due to the risks in Kinder Morgan's business plan. Mr. Kinder and Mr. Shaper also gave their views, based on recent conversations with credit rating agencies, on the credit rating of both Kinder Morgan and Kinder Morgan Energy Partners, and their views on the difficulty in conducting a leveraged share repurchase. After this meeting with Kinder Morgan management, the special committee discussed the matter with its advisors. At the request of the special committee, on July 27, Skadden conveyed to Weil Gotshal that the special committee's view of Kinder Morgan's intrinsic value had not changed, as well as the special committee's view that the "ball was in the buyout group's court." On July 29, representatives of Goldman Sachs' investment banking division contacted Morgan Stanley and Blackstone and reiterated that, based on their discussions with management, Kinder Morgan's business plan had significant risks and Kinder Morgan's cash flows would make it difficult to support a leveraged buyout at a significantly higher price. In response, Morgan Stanley and Blackstone reiterated the views that Skadden had previously communicated to Weil Gotshal. On July 31, the special committee telephonically updated the other independent members of the board and Bracewell as to the special committee's actions and recent developments.

On August 2, 2006, representatives of Goldman Sachs' investment banking division met with representatives of the financial advisors to the special committee. At this meeting, Goldman Sachs' investment banking division conveyed a written presentation that it had prepared at the instruction of the buyout group, with significant input from management of Kinder Morgan and only for purposes of this meeting with the financial advisors to the special committee. The presentation reviewed risks relating to the future performance of Kinder Morgan. The presentation described the uncertainties of assumptions about unidentified opportunities, CO_2 production, oil prices, the timing and costs of growth projects, the dividend yield and interest rates of Kinder Morgan Energy Partners, and capital expenditure requirements, including the sensitivity of projected free cash flows to changes associated with hypothetical variations in these assumptions. The presentation also referred to the inherent risks of assuming customer commitments on key projects. Also at this meeting, these representatives of Goldman Sachs' investment banking division noted that, while they were not authorized to make any higher offers, they wanted to know how Morgan Stanley and Blackstone thought the special committee would react if the buyout group increased its offer to $102 per share. Morgan Stanley and Blackstone said that while they could not speak for the special committee, it was their initial reaction that such an offer would not be accepted. Later on August 2, the special committee met and reiterated its view that Kinder Morgan's intrinsic value was in excess of both $100 and $102 per share. At the request of the special committee, on August 3, Skadden communicated to Weil Gotshal that, unless the buyout group was prepared to make a substantially higher offer for Kinder Morgan, the special committee believed that the current process should be brought to an end and that the special committee was committed to working with management to best serve the interests of Kinder Morgan through the end of the process and thereafter. Also at this time, the special committee and its advisors prepared and discussed alternative press releases to be issued in the event that the proposal was withdrawn or rejected, as well as strategies in the event that the proposal did not move forward.

On August 8, Morgan Stanley met in person with representatives of Goldman Sachs' investment banking division in New York (with Blackstone attending telephonically). At this meeting, the representatives of Goldman Sachs' investment banking division asked Morgan Stanley and Blackstone their thoughts on how the special committee would react if the buyout group could be persuaded to increase its offer to $103.55 per share. Morgan Stanley and Blackstone said that while they could not speak for the special committee, it was their initial reaction that such an offer would not be accepted.

After this meeting among Morgan Stanley, Blackstone and representatives of Goldman Sachs' investment banking division, the special committee met with its advisors and determined that it appeared that the buyout group would not be able to achieve a price acceptable to the special committee even if it presented a higher offer, and that the time was coming to bring the process to an end. The special committee decided that an in-person meeting of Kinder Morgan's independent directors should be held, by way of an update, prior to the special committee making its final decision. Accordingly, on August 14, the independent directors and Bracewell met at Skadden's office in Houston (with one director absent and one director participating telephonically). At the August 14 meeting, the independent directors received an update from the special committee, and then received a full presentation from Morgan Stanley and Blackstone as to their views of Kinder Morgan's valuation. After this presentation, the independent directors and the special committee discussed the steps the special committee would take next. After the independent directors' meeting ended, the special committee met and decided that there was insufficient basis to continue discussions with the buyout group, and that the special committee would inform Mr. Kinder that it believed the buyout group's offer should be withdrawn and the process brought to an end. On August 15, the special committee met personally with Messrs. Kinder and Shaper in Houston and delivered this message. In response, Mr. Kinder asked the special committee for three days to come up with a proposal that the special committee might find acceptable, and the special committee agreed to Mr. Kinder's request.

From August 15 through 17, Mr. Kinder and other members of senior management met with members of the sponsor group to discuss the revised proposal to be made to the special committee. In these meetings, the sponsor group made efforts to increase the offer to the maximum extent possible, and Mr. Kinder and certain members of Kinder Morgan's senior management worked to increase the offer price even more by agreeing to participate in the transaction at less than the merger price ultimately accepted by the special committee, and agreeing to modify the contemplated thresholds for management's incentive equity participation in Parent.

At an in-person meeting on August 18, Mr. Kinder informed the special committee that the buyout group was prepared to increase its offer to $107.30 per share assuming satisfactory resolution of contract terms. Mr. Kinder indicated that the buyout group would not be able to offer a higher price.

After receiving this increased indication of price, the special committee discussed the matter and decided that the increased indication of price was sufficiently close to the special committee's views of Kinder Morgan's valuation to warrant a full, in-person meeting with its advisors. On August 21, the special committee met at Morgan Stanley's offices in New York to discuss the revised indication of price with its advisors. After extensive discussion, the special committee decided to inform the buyout group that, while the special committee was not prepared to accept an offer of $107.30 per share, the special committee would likely unanimously accept an offer of $108 per share, and, later on August 21, the special committee so informed Mr. Kinder. On the evening of August 21, Mr. Kinder informed the special committee that the buyout group would not offer more than $107.50, and that $107.50 would represent its final offer. During a subsequent call that evening with the special committee, when asked again by the special committee to increase the price to $108 per share, Mr. Kinder reiterated that $107.50 per share would be the final price that the buyout group would be prepared to pay, assuming the parties could reach agreement on definitive documentation. After discussion with its financial and legal advisors, the special committee authorized its legal and financial advisors to determine whether a definitive merger agreement could be reached, and communicated this to Mr. Kinder, along with the special committee's desire to ensure that Kinder Morgan's stockholders received a dividend for Kinder Morgan's fourth fiscal quarter of 2006 assuming the transaction were consummated after December 31, 2006, even if the date of consummation were before the regular payment date for the fourth quarter dividend.

From May 28, 2006 through the announcement of a potential transaction on August 28, 2006, the members of the management group, the financial sponsors, and their respective advisors, also negotiated the terms of the governance and economic arrangements among themselves that would govern Parent both between signing and consummation of, as well as following the consummation of, any transaction.

From August 22 to August 26, the parties negotiated the terms of the draft merger agreement and the separate guarantee agreements to be entered into by the private equity sponsors, under which the private equity sponsors would guarantee the payment of the termination fee payable by Parent and Acquisition Co. under the merger agreement, in certain circumstances. Significant issues in these negotiations included the size and reciprocal nature of the termination fee payable among the parties under certain circumstances, the allocation of risk of Kinder Morgan's representations and warranties being untrue in the case where Kinder Morgan's senior management had knowledge of such failure of the representations and warranties to be true, and the protection of the right of Kinder Morgan's stockholders to receive a dividend for Kinder Morgan's fourth fiscal quarter of 2006, in the event that the merger closed after December 31, 2006 but before the dividend would otherwise become payable. On August 27, the special committee and the buyout group had come to an agreement on the terms of the merger agreement and other documentation.

On August 27, the special committee met in Skadden's Houston office. At this meeting, Skadden reviewed with the special committee its fiduciary duties, the terms of the merger agreement and guarantees and management's participation in the potential transaction. The special committee decided to withdraw its demand that Kinder Morgan's stockholders' right to receive a dividend for Kinder Morgan's fourth fiscal quarter of 2006 (assuming a transaction were consummated after December 31, 2006, even if the date of consummation were before the regular payment date for the fourth quarter dividend) be documented in the merger agreement. They did so in light of, among other things, discussions with Kinder Morgan's general counsel who indicated that, while no assurances could be given as to the timing of regulatory approvals, based on his consultation with Kinder Morgan's regulatory counsel there appeared to be a low likelihood that the regulatory approvals required to complete the merger could be achieved before the fourth quarter dividend would be paid in the normal course and that Kinder Morgan would have the express right to pay normal dividends in the ordinary course specified in a provision in the merger agreement. Also at this meeting, Morgan Stanley and Blackstone reviewed with the special committee their financial analyses of the $107.50 per share merger consideration, and delivered their opinions to the special committee that the merger consideration was fair, from a financial point of view, to Kinder Morgan stockholders other than Parent, Acquisition Co. and stockholders exchanging their Kinder Morgan stock for equity in Parent. After hearing from its advisors, the special committee resolved unanimously to recommend that the full board approve the merger and merger agreement, and the stockholders adopt the merger agreement.

Immediately following the special committee's meeting, the independent directors met. At this meeting, Bracewell and Stinson Morrison Hecker LLP, Kansas counsel, reviewed with the board its fiduciary duties, and Skadden and Bracewell reviewed with the board the terms of the merger agreement and guarantees and management's participation in the potential transaction. Also at this meeting, Morgan Stanley and Blackstone reviewed with the board their financial analyses of the $107.50 per share merger consideration, and delivered their opinions to the board that the merger consideration was fair, from a financial point of view, to Kinder Morgan stockholders other than Parent, Acquisition Co. and stockholders exchanging their Kinder Morgan stock for equity in Parent. After hearing from its advisors, the board approved the merger agreement and recommended approval to its stockholders, and took other related actions. On August 28, Kinder Morgan, Parent and Acquisition Co. executed the merger agreement, the guarantees and the other related documents and issued a press release announcing the agreement.

Recommendation of the Special Committee and Board of Directors; Reasons for Recommending Approval and Adoption of the Merger

The special committee. Immediately after receiving Mr. Kinder's proposal on May 28, 2006, independent members of the board of directors established a special committee consisting of three disinterested and independent directors, Messrs. Bliss (Chair), Austin and Gardner, to consider the proposal and any alternate proposals that developed. See " Background of the Merger" for more information about the formation and authority of the special committee. The special committee retained Morgan Stanley and Blackstone as its financial advisors, and Skadden as its legal advisor. The special committee oversaw financial and legal due diligence performed by its advisors, conducted an extensive review and evaluation of the proposal and conducted arm's-length negotiations with the buyout group and its representatives with respect to the merger agreement and various other agreements relating to the merger. On August 27, 2006, the special committee, acting with the assistance of its financial and legal advisors, unanimously, among other things, determined that the merger agreement, the merger and the other transactions contemplated thereby were fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan. The special committee also unanimously recommended to the board of directors that the board of directors:

- determine that the merger agreement, the merger and the other transactions contemplated thereby are fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan,
- approve the guarantees of five of the Sponsor Investors or their affiliates,
- take all actions so that the merger agreement, the merger and the other transactions contemplated thereby, the rollover commitments and the voting agreement would not be subject to Section 17-12,100 *et seq.* of the Kansas Statutes Annotated or any other applicable merger, anti-takeover or similar statute or regulation,
- approve various related agreements, and
- recommend to Kinder Morgan's stockholders that they vote in favor of approval and adoption of the merger agreement.

In the course of reaching the determinations and decisions, and making the recommendations, described above, the special committee considered the following substantive positive factors and potential benefits of the merger agreement, the merger and the other transactions contemplated thereby, each of which the special committee believed supported its decision:

- That the special committee viewed the merger consideration of $107.50 per share (as well as Kinder Morgan's ability, under the merger agreement, to continue to pay its ordinary course dividend of $0.875 per quarter and the likelihood of stockholders receiving at least one, and likely two, additional dividend payments before the closing of the merger) as more favorable to Kinder Morgan's stockholders (other than Parent, Acquisition Co. and the Rollover Investors) than the potential value that might result from other alternatives reasonably available to Kinder Morgan, including pursuing other strategic initiatives such as stock repurchases or a leveraged recapitalization, continuing with Kinder Morgan's current business plan or implementing the restructuring alternatives the board of directors had considered at its May 13, 2006 meeting.
- That the proposed merger consideration was all cash, so that the transaction allows Kinder Morgan's stockholders (other than Parent, Acquisition Co. and the Rollover Investors (to the extent they contribute their shares to Parent prior to the effective time of the merger)) to immediately realize a fair value, in cash, for their investment and provides such stockholders certainty of value for their shares, especially when viewed against the risks inherent in Kinder Morgan's business plan, including the following:
  - that Kinder Morgan's five-year business plan consists of high level projections for a number of variables, including economic growth, oil prices, interest rates, Kinder Morgan Energy Partners' yields and overall business performance that are difficult to project and are subject to a higher level of uncertainty, particularly with respect to the later years of the business plan, and that the business plan is not a bottom-up review;
  - that the business plan assumes that Kinder Morgan and/or Kinder Morgan Energy Partners successfully completes $9.6 billion of acquisitions and capital expansion projects, which may not be completed at the cost assumed or on the time schedule assumed, and that the business plan does not specifically identify approximately $2.0 billion of such acquisitions or capital expansion projects;
  - that the business plan is vulnerable to changes in oil production and oil prices, especially since the business plan assumes a realized net price per barrel of $70 through 2010;

that the business plan heavily relies on earnings growth at Kinder Morgan Energy Partners (from $660 million in 2006 to $1.3 billion in 2010), which may not be achieved;

that Kinder Morgan's expansion projects may suffer cost overruns and delays, especially with respect to the Rockies Express Pipeline project;

that the business plan relies on access to the capital markets, and such access may be reduced, or the costs of such access may be increased, including the ability of Kinder Morgan Energy Partners to issue approximately $3.1 billion of equity at a yield of no more than 7.3% as contemplated by the business plan;

that the business plan calls for sustaining capital expenditures to be no more than approximately $400 million per year and to remain substantially the same through 2010, whereas events outside the control of Kinder Morgan or Kinder Morgan Energy Partners could raise the amount required for such sustaining capital expenditures;

that certain of Kinder Morgan's expansion projects included in the business plan do not currently have full customer commitments;

that the business plan is subject to a variety of regulatory risk; and

that the business plan is subject to, and does not take into account, pipeline explosions and other business interruptions.

The possibility that borrowing more than $500 million to conduct a leveraged share repurchase would jeopardize Kinder Morgan Energy Partners' investment grade credit rating, which the special committee viewed as critical to Kinder Morgan achieving its business plan.

That the special committee viewed the merger consideration as fair in light of Kinder Morgan's business, operations, financial condition, strategy and prospects, as well as Kinder Morgan's historical and projected financial performance.

The current and historical market prices of Kinder Morgan's common stock, including the market price of Kinder Morgan's common stock relative to those of other participants in Kinder Morgan's industries and general market indices, and the fact that the merger consideration of $107.50 per share represented a premium of approximately 27.4% to the closing price of Kinder Morgan's common stock on May 26, 2006, the last trading day before the proposal was made public, and approximately 24.4% to the average closing prices of Kinder Morgan's common stock for the 30-day period ending on May 26, 2006.

That, subsequent to Kinder Morgan's announcement of its receipt of the proposal on May 28, 2006, no third party solicitations were received, and, although the special committee's financial advisors had discussions with approximately 35 potentially interested parties, no party expressed interest sufficient to pursue a transaction with Kinder Morgan.

The opinions received by the special committee from its financial advisors, Morgan Stanley and Blackstone, delivered orally at the special committee meeting on August 27, 2006, and subsequently confirmed in writing, that, based upon and subject to the factors and assumptions set forth in the opinions, the merger consideration of $107.50 per share to be received by the holders of shares of Kinder Morgan's common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement was fair from a financial point of view to such holders, as described in the respective opinions of Morgan Stanley and Blackstone.

The presentations of Morgan Stanley and Blackstone on August 27, 2006 in connection with the foregoing opinions, which are described under " Opinions of Financial Advisors."

The special committee's belief that $107.50 per share was the highest consideration that could be obtained.

The efforts made by the special committee and its advisors to negotiate and execute a merger agreement favorable to Kinder Morgan under the circumstances and the fact that the negotiations regarding the merger agreement were held on an arms'-length basis.

The terms and conditions of the merger agreement, including:

the requirement that the merger agreement be approved and adopted by the affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at a meeting of stockholders, which appeared to effectively require approval by at least a majority of Kinder Morgan's public stockholders because to achieve a vote of two-thirds of all of the outstanding Kinder Morgan common stock would require that, in addition to the shares held by the Rollover Investors, an additional approximately 42% of the total outstanding shares (representing approximately 55% of the shares not owned by the Rollover Investors) must vote in favor of approving and adopting the merger agreement;

Kinder Morgan's ability, under the merger agreement, to continue to pay its ordinary course dividend of $0.875 per quarter;

the absence of a financing condition to Parent's obligation to consummate the transaction;

the provision of the merger agreement allowing the board of directors or the special committee to withdraw or change its recommendation of the merger agreement, and to terminate the merger agreement, in certain circumstances relating to the presence of a superior proposal, subject, in certain cases, to a payment by Kinder Morgan to Parent of a $215 million termination fee; and

that Kinder Morgan would not have to establish damages in the event of a failure of the merger to be consummated in certain circumstances in order to receive the $215 million termination fee payable by Parent to Kinder Morgan.

The availability of appraisal rights under Kansas law to holders of shares of Kinder Morgan's common stock who dissent from the merger and comply with all of the required procedures under Kansas law, which provides stockholders who dispute the fairness of the merger consideration with an opportunity to have a court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the merger agreement.

The special committee's belief that it was fully informed about the extent to which the interests of certain current and former directors and members of management in the merger differed from those of Kinder Morgan's other stockholders.

That certain affiliates of the Sponsor Investors had entered into guarantees with Kinder Morgan, providing support for the payment of the $215 million termination fee payable by Parent to Kinder Morgan under certain circumstances.

In the course of reaching the determinations and decisions, and making the recommendations, described above, the special committee considered the following risks and potentially negative factors relating to the merger agreement, the merger and the other transactions contemplated thereby:

That Kinder Morgan's stockholders, other than the Rollover Investors, will have no ongoing equity participation in Kinder Morgan following the merger, and that such stockholders will cease to participate in Kinder Morgan's future earnings or growth, if any (including, specifically, any future growth in the value of the Kinder Morgan Energy Partners general partner interest), or to benefit from increases, if any, in the value of Kinder Morgan's common stock, and will not participate in any potential future sale of Kinder Morgan to a third party.

That, on a historical basis, Kinder Morgan's management has excelled in creating stockholder value, has executed on its business plan and is held in extremely high regard by the special committee.

The possible conflicts of interest of certain of the current and former directors and executive officers of Kinder Morgan who will be or will have the opportunity to be equity owners in Parent following the merger.

The possibility that the Investors could, at a later date, engage in transactions that create value, including restructuring efforts or the sale of some or all of Parent or its assets to one or more purchasers at a valuation higher than that available in the merger, including those transactions discussed in "Opinions of Financial Advisors Financial Analyses of Morgan Stanley and Blackstone Public Restructuring."

That the special committee did not conduct a formal auction for the acquisition of Kinder Morgan.

The merger agreement restrictions on the conduct of Kinder Morgan's business prior to the completion of the merger, generally requiring Kinder Morgan to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent Kinder Morgan from undertaking business opportunities that may arise pending completion of the merger.

The risks and costs to Kinder Morgan if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships.

That the receipt of cash in exchange for shares of Kinder Morgan common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes.

The merger agreement's limitations on Kinder Morgan's ability to solicit other offers.

The possibility that, under the merger agreement, Kinder Morgan may be required to pay a termination fee of $215 million and reimburse up to $45 million of Parent's expenses, which will be credited against the termination fee to the extent it becomes due.

That Parent's maximum exposure for wrongfully failing to close or breaching the merger agreement is $215 million.

That Parent's obligation to consummate the merger is subject to certain conditions outside of Kinder Morgan's control.

That Kinder Morgan does not have the ability to seek specific performance by Parent, or sue Parent for damages under the merger agreement.

In the course of reaching the determinations and decisions, and making the recommendations, described above, the special committee also considered the following factors relating to the procedural safeguards that the special committee believes were and are present to ensure the fairness of the merger and to permit the special committee to represent Kinder Morgan's public stockholders, each of which the special committee believed supported its decision and provided assurance of the fairness of the merger to Kinder Morgan's public stockholders:

That the special committee consists solely of directors who are not officers or controlling stockholders of Kinder Morgan, or affiliated with any members of the buyout group or its affiliates.

That the members of the special committee were adequately compensated for their services and that their compensation was in no way contingent on their approving the merger agreement and taking the other actions described in this proxy statement.

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That the members of the special committee will not personally benefit from the completion of the merger in a manner different from Kinder Morgan's stockholders (other than Parent, Acquisition Co. and the Rollover Investors).

That the special committee retained and was advised by Skadden, its legal counsel.

That the special committee retained and was advised by Morgan Stanley and Blackstone, its financial advisors.

In making its decision to retain Skadden, the special committee considered the fact that Skadden had represented KN Energy in connection with its merger with Kinder Morgan in 1999 (in connection with which KN Energy's name was changed to Kinder Morgan) and determined that this prior assignment would not impede the ability of Skadden to render independent legal advice.

In making its decision to retain Morgan Stanley and Blackstone, the special committee took into account potential conflicts that Blackstone and Morgan Stanley might have, including the fact that Blackstone was solicited to be a member of the buyout group and had decided not to become a member (in respect of which the special committee requested, and received, a letter from Blackstone affirming that Blackstone was fully independent and would not participate in the transaction in any way without the permission of the special committee), and the fact that Morgan Stanley has provided investment banking and other services to Kinder Morgan but that Blackstone had no such prior relationship with Kinder Morgan, and determined that these matters would not impede the ability of Morgan Stanley and Blackstone to render independent financial advice.

That, subsequent to Kinder Morgan's announcement of its receipt of the proposal on May 28, 2006, no third party solicitations were received, and, although the special committee's financial advisors had discussions with approximately 35 potentially interested parties, no party expressed interest sufficient to pursue a transaction with Kinder Morgan.

That the special committee received the respective opinions of Morgan Stanley and Blackstone made as of August 27, 2006 and based upon and subject to the factors and assumptions set forth in the opinions that the merger consideration to be received by the holders of Kinder Morgan's common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement was fair from a financial point of view to such holders.

That the approval and adoption of the merger agreement and the consummation of the transactions contemplated thereby requires the affirmative vote of at least the holders of two-thirds of all of the Kinder Morgan common stock then entitled to vote at a meeting of stockholders, which appeared to effectively require approval by at least a majority of Kinder Morgan's public stockholders because to achieve a vote of two-thirds of all of the outstanding Kinder Morgan common stock would require that, in addition to the shares held by the Rollover Investors, an additional approximately 42% of the total outstanding shares (representing approximately 55% of the shares not owned by the Rollover Investors) must vote in favor of approving and adopting the merger agreement.

That the special committee was involved in extensive deliberations over a period of approximately three months regarding the proposal, and was provided with access to Kinder Morgan's management, both directly and in connection with the due diligence conducted by its advisors.

That the special committee, with the assistance of its legal and financial advisors, negotiated on an arm's-length basis with the Investors and their representatives.

That the special committee had ultimate authority to decide whether or not to proceed with a transaction or any alternative thereto, subject to the board of director's approval of the merger agreement, as required by Kansas law.

That the special committee was aware that it had no obligation to recommend any transaction, including the proposal put forth by Mr. Kinder and the other Investors.

That Kinder Morgan is permitted under certain circumstances to respond to inquiries regarding acquisition proposals and, upon payment of a termination fee, to terminate the merger agreement in order to enter into any agreement for a superior transaction.

That under Kansas law, the stockholders of Kinder Morgan have the right to demand appraisal of their shares.

That the board of directors made its evaluation of the merger agreement and the merger based upon the factors discussed in this proxy statement, independent of members of management and the directors who were a part of the buyout group, and with knowledge of the interests of such management and director participants in the merger.

In the course of reaching its decision to recommend to the Kinder Morgan board of directors that the board of directors approve the merger agreement, the special committee did not consider the liquidation value of Kinder Morgan because it considered Kinder Morgan to be a viable, going concern and therefore did not consider liquidation value to be a relevant methodology. Further, the special committee did not consider net book value, which is an accounting concept, as a factor because it believed that net book value is not a material indicator of the value of Kinder Morgan as a going concern but rather is indicative of historical costs. Kinder Morgan's net book value per share as of June 30, 2006 was approximately $30.89, or approximately 71% lower than the $107.50 per share cash merger consideration.

The foregoing discussion of the information and factors considered by the special committee includes the material factors considered by the special committee. In view of the variety of factors considered in connection with its evaluation of the merger, the special committee did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The special committee approved and recommends the merger agreement and the merger based upon the totality of the information presented to and considered by it.

The Board of Directors. Kinder Morgan's board of directors consists of twelve directors, three of whom, Richard D. Kinder, Michael Morgan and Fayez Sarofim, will be Rollover Investors and have interests in the merger different from the interests of Kinder Morgan's public stockholders generally. The board of directors established the special committee of independent directors and empowered it to study, review, evaluate, negotiate and, if appropriate, make a recommendation to the board of directors regarding the proposal from the buyout group. Periodically, the special committee and their advisors apprised the independent board members of the special committee's work. On August 27, 2006, Kinder Morgan's board of directors (without the participation of Messrs. Kinder, Morgan and Sarofim) met to consider the report and recommendation of the special committee. On the basis of the special committee's recommendation and the other factors described below, Kinder Morgan's board of directors unanimously (without the participation of Messrs. Kinder, Morgan and Sarofim):

determined that the merger agreement, the merger and the other transactions contemplated thereby, are fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan,

approved the guarantees of five of the Sponsor Investors or their affiliates, took all actions so that the merger agreement, the merger and the other transactions contemplated thereby, the rollover commitments and the voting agreement would not be subject to Section 17-12,100 *et seq.* of the Kansas Statutes Annotated or any other applicable merger, anti-takeover or similar statute or regulation,

approved various related agreements, and

recommended that Kinder Morgan's stockholders vote to approve and adopt the merger agreement.

The three directors who will be Rollover Investors did not participate in the board of directors' deliberations or the vote.

In determining that the merger agreement is fair to, advisable to and in the best interests of the public stockholders of Kinder Morgan, and approving the merger agreement, the merger and the other transactions contemplated thereby, and recommending that Kinder Morgan's stockholders vote for the approval and adoption of the merger agreement, the board of directors considered a number of factors, including the following material factors:

The unanimous determination and recommendation of the special committee;

The opinions received by the special committee and the board of directors from Morgan Stanley and Blackstone, delivered orally at the special committee and board meetings on August 27, 2006 and subsequently confirmed in writing, that, based upon and subject to the factors and assumptions set forth in the opinions, the merger consideration of $107.50 per share to be received by the holders of shares of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement was fair from a financial point of view to such holders, as described in the opinions of Morgan Stanley and Blackstone;

The financial presentation of Morgan Stanley and Blackstone in connection with the foregoing opinions that was delivered to the board of directors at the request of the special committee;

The fact that the merger consideration and the other terms of the merger agreement resulted from negotiations between the special committee and the Investors, and the board of directors' belief that $107.50 per share in cash for each share of Kinder Morgan common stock represented the highest per share consideration that could be negotiated; and

The factors considered by the special committee, including the positive factors and potential benefits of the merger agreement, the risks and potentially negative factors relating to the merger agreement, and the factors relating to procedural safeguards.

The foregoing discussion of the information and factors considered by Kinder Morgan's board of directors includes the material factors considered by the board of directors. In view of the variety of factors considered in connection with its evaluation of the merger, Kinder Morgan's board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The board of directors approved and recommends the merger agreement and the merger based upon the totality of the information presented to and considered by it.

Our board of directors recommends that you vote FOR the approval and adoption of the merger agreement.

Position of Rollover Investors as to Fairness

Under a potential interpretation of the rules governing "going private" transactions under Rule 13e-3 under the Exchange Act, Mr. Kinder and the other Rollover Investors may be deemed to be engaged in a "going private" transaction and required to express their beliefs as to the fairness of the merger to our public stockholders. The Rollover Investors are making the statements included in this section solely for purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The view of the Rollover Investors as to the fairness of the merger should not be construed as a recommendation to any stockholder as to how that stockholder should vote on the proposal to approve and adopt the merger agreement. The Rollover Investors have interests in the merger that are different from, and in addition to, those of the other stockholders of Kinder Morgan. These interests are described under " Interests of Certain Persons in the Merger."

The public stockholders of Kinder Morgan were represented by the special committee, which negotiated the terms and conditions of the merger agreement on their behalf, with the assistance of the special committee's independent financial and legal advisors. Accordingly, the Rollover Investors did not undertake a formal evaluation of the merger or engage a financial advisor for that purpose. The Rollover Investors believe that the merger agreement and the merger are substantively and procedurally fair to the public stockholders based upon their knowledge of Kinder Morgan, the fact that the special committee was comprised exclusively of independent directors that are not Rollover Investors and was represented by Skadden, as independent counsel, as well as the factors considered by, and the findings of, the special committee and the board of directors with respect to the fairness of the merger to such public stockholders. See " Recommendation of the Special Committee and Board of Directors; Reasons for Recommending Approval and Adoption of the Merger." In particular, the Rollover Investors noted that the per share consideration of $107.50 in cash represented a premium of approximately 27.4% to the closing price of Kinder Morgan's common stock on May 26, 2006, the last trading day before the proposal was made public, and approximately 24.4% to the average closing prices of Kinder Morgan's common stock for the 30-day period ending on May 26, 2006, and that no alternative transaction proposals had been submitted since the public announcement. Even though they are not entitled to rely on the opinions of Morgan Stanley and Blackstone, the Rollover Investors noted that the special committee received opinions from Morgan Stanley and Blackstone to the effect that, as of the date of such opinions, the $107.50 per share price to be received by the public stockholders was fair, from a financial point of view, to such stockholders (other than Parent, Acquisition Co. and the Rollover Investors (to the extent they contribute their shares to Parent prior to the effective time of the merger)). See " Opinions of Financial Advisors."

While the Rollover Investors are current or former directors or officers of Kinder Morgan (or entities controlled by such persons), because of their differing interests in the merger they did not participate in the board's or special committee's evaluation or approval of the merger agreement and the merger. For these reasons, the Rollover Investors do not believe that their interests in the merger influenced the decision of the special committee or the board of directors with respect to the merger agreement or the merger.

The foregoing discussion of the information and factors considered and given weight by the Rollover Investors in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by the Rollover Investors. The Rollover Investors did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger agreement and the merger. The Rollover Investors believe that the foregoing factors provide a reasonable basis for their belief that the merger is fair to the public stockholders.

Position of Parent and Acquisition Co. as to Fairness

Under a potential interpretation of the rules governing "going private" transactions under Rule 13e-3, Parent and Acquisition Co. may be deemed to be engaged in a "going private" transaction and required to express their beliefs as to the fairness of the merger to our public stockholders. Parent and Acquisition Co. are making the statements included in this section solely for purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. Parent and Acquisition Co.'s views as to fairness of the proposed merger should not be construed as a recommendation to any stockholder as to how such stockholder should vote on the proposal to approve and adopt the merger agreement.

Parent and Acquisition Co. attempted to negotiate the terms of a transaction that would be most favorable to themselves, and not to stockholders of Kinder Morgan, and, accordingly, did not negotiate the merger agreement with the goal of obtaining terms that were fair to Kinder Morgan's public stockholders. Parent and Acquisition Co. did not participate in the deliberations of Kinder Morgan's board of directors or the special committee regarding, or receive advice from Kinder Morgan's or the special committee's legal or financial advisors as to, the substantive and procedural fairness of the proposed merger, nor did Parent or Acquisition Co. undertake any independent evaluation of the fairness of the proposed merger or engage a financial advisor for such purposes. Parent and Acquisition Co. believe, however, that the proposed merger is substantively and procedurally fair to Kinder Morgan's public stockholders based upon the same factors considered by the Rollover Investors with respect to the fairness of the proposed merger to such stockholders. See " Position of the Rollover Investors as to Fairness."

The foregoing discussion of the information and factors considered and given weight by Parent and Acquisition Co. in connection with the fairness of the merger is not intended to be exhaustive but is believed to include all material factors considered by Parent and Acquisition Co. Parent and Acquisition Co. did not find it practicable to assign, and did not assign, relative weights to the individual factors considered in reaching their conclusions as to the fairness of the proposed merger. Rather, their fairness determinations were made after consideration of all of the foregoing factors as a whole.

Opinions of Financial Advisors

Opinion of Morgan Stanley & Co. Incorporated

The special committee retained Morgan Stanley to provide it with financial advisory services in connection with a possible sale, merger or other strategic business combination involving a change of control of Kinder Morgan or a potential recapitalization or restructuring plan for Kinder Morgan. The special committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation as an advisor to special committees in affiliate transactions. At the meeting of the special committee on August 27, 2006, and at the meeting of the Kinder Morgan board of directors on that same day, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of August 27, 2006, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the holders of shares of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Morgan Stanley, dated as of August 27, 2006, is attached to this proxy statement as Annex B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. You are encouraged to read the entire opinion carefully. Morgan Stanley's opinion is directed to the special committee of Kinder Morgan's board of directors and the board of directors and addresses only the fairness from a financial point of view of the

consideration to be received by the holders of shares of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement as of the date of the opinion. It does not address any other aspects of the merger. The opinion, and the other views and analysis of Morgan Stanley referenced throughout this proxy statement, do not constitute a recommendation to any holder of Kinder Morgan common stock as to how to vote at the stockholders' meeting to be held in connection with this transaction. None of Morgan Stanley's opinion or other views or analysis referenced throughout this proxy statement addresses the fairness of the consideration to be received by Parent, Acquisition Co. and the Rollover Investors. The summary of the opinion of Morgan Stanley set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other business and financial information of Kinder Morgan and Kinder Morgan Energy Partners;
- reviewed certain internal financial statements and other financial and operating data concerning Kinder Morgan prepared by the managements of Kinder Morgan and Kinder Morgan Energy Partners, respectively;
- reviewed certain financial projections prepared by the managements of Kinder Morgan and Kinder Morgan Energy Partners, respectively;
- discussed the past and current operations and financial condition and the prospects of Kinder Morgan and Kinder Morgan Energy Partners with senior executives of Kinder Morgan and Kinder Morgan Energy Partners, respectively, and discussed the risks related thereto with the management of Kinder Morgan and Kinder Morgan Energy Partners;
- discussed with the management of Kinder Morgan potential restructuring plans for Kinder Morgan prepared and presented by the management of Kinder Morgan;
- reviewed the reported prices and trading activity of Kinder Morgan common stock and the common units of Kinder Morgan Energy Partners;
- compared the financial performance of Kinder Morgan and the prices and trading activity of Kinder Morgan common stock with that of certain other comparable publicly-traded companies and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- participated in discussions and negotiations among representatives of Kinder Morgan, Parent and their respective financial and legal advisors;
- reviewed a draft of the merger agreement, dated August 25, 2006, the draft Rollover Commitments and the draft Financing Commitments (both as defined in the merger agreement) of Parent and Acquisition Co., and certain related documents; and
- performed such other analyses and considered such other materials and factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information made available to Morgan Stanley by Kinder Morgan for the purposes of its opinion. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Kinder Morgan and Kinder Morgan Energy Partners. Morgan Stanley also assumed that the merger will be consummated in accordance

with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that Parent will obtain financing for the merger in accordance with the terms set forth in the Financing Commitments, and the transactions contemplated by the Rollover Commitments will be consummated in accordance with their terms. Morgan Stanley assumed that there will be no delay in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, and no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley is not a legal, tax, or regulatory advisor and relied upon, without independent verification, the assessment of Kinder Morgan and its legal, tax and regulatory advisors with respect to such matters.

Morgan Stanley's opinion did not address the fairness of any consideration to be received by the Rollover Investors pursuant to the merger agreement or the Rollover Commitments, the relative merits of the merger as compared to the alternative transactions or strategies that might be available to Kinder Morgan, or the underlying business decision of Kinder Morgan to enter into the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Kinder Morgan, nor had they been furnished with any such valuation or appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, August 27, 2006. Events occurring after such date may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligations to update, revise or reaffirm this opinion.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of Morgan Stanley's trading and brokerage activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the account of customers in the equity and other securities of Kinder Morgan, its affiliates, affiliates of Parent or any other parties, commodities or currencies involved in the merger. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services for Kinder Morgan, certain of its affiliates and certain members of the buyout group and their affiliates, and have received fees for the rendering of these services. In addition, Morgan Stanley and its affiliates, directors, or officers, including individuals working with Kinder Morgan in connection with this transaction, may have committed and may commit in the future to invest in private equity funds managed by affiliates of the Sponsor Investors.

Under the terms of its engagement letter, Morgan Stanley provided the special committee of the board of directors with financial advisory services and a financial opinion in connection with the merger, and Kinder Morgan has agreed to pay Morgan Stanley a fee of $10 million, a portion of which was payable at the beginning of the assignment, a portion of which became payable upon the delivery of Morgan Stanley's opinion and the remainder of which will be payable upon the closing of the merger. Kinder Morgan has also agreed to reimburse Morgan Stanley for certain of its expenses, including attorneys' fees, incurred in connection with its engagement. In addition, Kinder Morgan has agreed to indemnify Morgan Stanley and any of its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of its engagement and any related transactions. See " Estimated Fees and Expenses."

Opinion of The Blackstone Group L.P.

The special committee retained Blackstone to provide it with financial advisory services in connection with a possible sale, merger or other strategic business combination involving a change of control of Kinder Morgan or a potential recapitalization or restructuring plan for Kinder Morgan. The special committee selected Blackstone to act as its financial advisor based on Blackstone's qualifications, expertise and reputation as an advisor to special committees in affiliate transactions. At the meeting of the special committee on August 27, 2006, and at the meeting of the Kinder Morgan board of directors on that same day, Blackstone rendered its oral opinion, subsequently confirmed in writing, that as of August 27, 2006, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the holders of shares of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Blackstone, dated as of August 27, 2006, is attached to this proxy statement as Annex C. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Blackstone in rendering its opinion. You are encouraged to read the entire opinion carefully. Blackstone's opinion is directed to the special committee of Kinder Morgan's board of directors and the board of directors and addresses only the fairness from a financial point of view of the consideration to be received by the holders of shares of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors) pursuant to the merger agreement as of the date of the opinion. It does not address any other aspects of the merger. The opinion, and the other views and analysis of Blackstone referenced throughout this proxy statement, do not constitute a recommendation to any holder of Kinder Morgan common stock as to how to vote at the stockholders' meeting to be held in connection with this transaction. None of Blackstone's opinion or other views or analysis referenced throughout this proxy statement addresses the fairness of the consideration to be received by Parent, Acquisition Co. and the Rollover Investors. The summary of the opinion of Blackstone set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Blackstone, among other things:

- reviewed certain publicly available financial statements and other business and financial information of Kinder Morgan and Kinder Morgan Energy Partners;

- reviewed certain internal financial statements and other financial and operating data concerning Kinder Morgan prepared by the managements of Kinder Morgan and Kinder Morgan Energy Partners, respectively;

- reviewed certain financial projections prepared by the managements of Kinder Morgan and Kinder Morgan Energy Partners, respectively;

- discussed the past and current operations and financial condition and the prospects of Kinder Morgan and Kinder Morgan Energy Partners with senior executives of Kinder Morgan and Kinder Morgan Energy Partners, respectively, and discussed the risks related thereto with the management of Kinder Morgan and Kinder Morgan Energy Partners;

- discussed with the management of Kinder Morgan potential restructuring plans for Kinder Morgan prepared and presented by the management of Kinder Morgan;

- reviewed the reported prices and trading activity of Kinder Morgan common stock and the common units of Kinder Morgan Energy Partners;

- compared the financial performance of Kinder Morgan and the prices and trading activity of Kinder Morgan common stock with that of certain other comparable publicly-traded companies and their securities;

- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

- participated in discussions and negotiations among representatives of Kinder Morgan, Parent and their respective financial and legal advisors;

- reviewed a draft of the merger agreement, dated August 25, 2006, the draft Rollover Commitments and the draft Financing Commitments of Parent and Acquisition Co., and certain related documents; and

- performed such other analyses and considered such other materials and factors as Blackstone deemed appropriate.

In arriving at its opinion, Blackstone assumed and relied upon, without independent verification, the accuracy and completeness of the information made available to Blackstone by Kinder Morgan for the purposes of its opinion. With respect to the financial projections, Blackstone assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Kinder Morgan and Kinder Morgan Energy Partners. Blackstone also assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that Parent will obtain financing for the merger in accordance with the terms set forth in the Financing Commitments, and the transactions contemplated by the Rollover Commitments will be consummated in accordance with their terms. Blackstone assumed that there will be no delay in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, and no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Blackstone is not a legal, tax, or regulatory advisor and relied upon, without independent verification, the assessment of Kinder Morgan and its legal, tax and regulatory advisors with respect to such matters.

Blackstone's opinion did not address the fairness of any consideration to be received by the Rollover Investors pursuant to the merger agreement or the Rollover Commitments, the relative merits of the merger as compared to the alternative transactions or strategies that might be available to Kinder Morgan, or the underlying business decision of Kinder Morgan to enter into the merger. Blackstone did not make any independent valuation or appraisal of the assets or liabilities of Kinder Morgan, nor had they been furnished with any such valuations or appraisals. Blackstone's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, August 27, 2006. Events occurring after such date may affect Blackstone's opinion and the assumptions used in preparing it, and Blackstone did not assume any obligations to update, revise or reaffirm this opinion.

Blackstone is an internationally recognized investment banking firm and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts and valuations for corporate and other purposes. In the ordinary course of its business, it or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of Kinder Morgan, its affiliates, affiliates of Sponsor Investors or any other company or any currency or commodity that may be involved in this transaction.

Under the terms of its engagement letter, Blackstone provided the special committee of the board of directors with financial advisory services and a financial opinion in connection with the merger, and

Kinder Morgan has agreed to pay Blackstone a fee of $10 million, a portion of which was payable at the beginning of the assignment, a portion of which became payable upon the delivery of Blackstone's opinion and the remainder of which will be payable upon the closing of the merger. Kinder Morgan has also agreed to reimburse Blackstone for certain of its expenses, including attorneys' fees, incurred in connection with its engagement. In addition, Kinder Morgan has agreed to indemnify Blackstone and any of its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Blackstone or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of its engagement and any related transactions. See " Estimated Fees and Expenses."

Financial Analyses of Morgan Stanley and Blackstone

The following is a summary of the material analyses performed by Morgan Stanley and Blackstone in connection with their oral opinions and the preparation of their written opinion letters dated August 27, 2006. In connection with arriving at its opinions, Morgan Stanley and Blackstone did not attribute any particular weight to any analysis described below. Some of these summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley and Blackstone, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Historical Share Price Analysis. Morgan Stanley and Blackstone performed a historical share price analysis to obtain background information and perspective with respect to the historical share prices of Kinder Morgan common stock. Morgan Stanley and Blackstone reviewed the historical price performance and average closing prices of Kinder Morgan common stock for various periods ending on May 26, 2006 (the last closing price before the initial buyout offer was made public) and compared them to the offer price of $107.50. Morgan Stanley and Blackstone observed the following:

	Price	Offer Price as Compared to Kinder Morgan's Common Stock Prices, Implied Premium to Previous Period
Unaffected Price	$ 84.41	27.4%
52 Week High	101.44	6.0%
52 Week Low	76.40	40.7%
5 Year High	101.44	6.0%
5 Year Low	32.15	234.4%
30 day Trailing Average	86.40	24.4%
60 day Trailing Average	88.37	21.6%
1 year Trailing Average	90.53	18.7%
3 year Trailing Average	71.89	49.5%
5 year Trailing Average	61.83	73.9%

Analyst Price Targets. Morgan Stanley and Blackstone reviewed the range of publicly available equity research analyst price targets for Kinder Morgan from January 25, 2006 through May 14, 2006. Morgan Stanley and Blackstone discounted these price targets by an estimated cost of equity of 9%. This resulted in a valuation range of $96 to $107 per share. Morgan Stanley and Blackstone noted that the consideration per share to be received by holders of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors (to the extent they contribute their shares to Parent prior to the effective time of the merger)) was $107.50.

Comparable Companies Analysis. Morgan Stanley and Blackstone performed a comparable company analysis, which attempted to provide an implied value for Kinder Morgan by comparing it to similar companies. For purposes of this analysis, Morgan Stanley and Blackstone reviewed certain public trading multiples for the following six companies which, based on their experience with companies in the energy industry, Morgan Stanley and Blackstone considered similar to Kinder Morgan in size and business mix:

- El Paso Corporation
- Enbridge Inc.
- ONEOK Inc.
- Southern Union Co.
- TransCanada Corp.
- Williams Companies Inc.

Selected multiples, which are commonly used by participants and investors in the energy industry, for Kinder Morgan and each of the comparable companies were reviewed in this analysis. The selected multiples analyzed for these companies included the following:

- the price per share divided by 2006 and 2007 estimated earnings per share, defined as net income excluding certain non-recurring expenses divided by fully diluted shares outstanding; and
- the aggregate value divided by 2006 and 2007 estimated earnings before interest, income tax, depreciation and amortization, or EBITDA.

Based on the analysis of the relevant metrics for each of the comparable companies, Morgan Stanley and Blackstone selected representative ranges of financial multiples of the comparable companies and applied these ranges of multiples to the relevant Kinder Morgan financial statistic using the management projections, adjusted for the expected 2007 sales of the retail business, TransMountain, and 75% of Corridor. Morgan Stanley and Blackstone estimated the implied value per Kinder Morgan common share as follows:

Calendar Year Financial Statistic	**Kinder Morgan Financial Statistics ($ in millions except EPS)**	**Comparable Company Multiple Range**	**Implied Transaction Multiple**	**Implied Value Per Share for Kinder Morgan**
Price to Estimated 2006 Earnings Per Share	$ 5.00	17.0x - 21.0x	21.5x	$85 - $105
Price to Estimated 2007 Earnings Per Share	$ 5.44	15.0x - 18.0x	19.8x	$82 - $98
Aggregate Value to Estimated 2006 EBITDA	$ 1,732	10.0x - 12.0x	12.6x	$75 - $100
Aggregate Value to Estimated 2007 EBITDA	$ 1,721	9.0x - 12.0x	11.7x	$74 - $112

Morgan Stanley and Blackstone noted that the consideration per share to be received by holders of Kinder Morgan common stock (other than Parent, Acquisition Co. and the Rollover Investors (to the extent they contribute their shares to Parent prior to the effective time of the merger)) was $107.50.

No company utilized in the comparable company analysis is identical to Kinder Morgan. In evaluating comparable companies, Morgan Stanley and Blackstone made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Kinder Morgan, such as the impact of competition on the businesses of Kinder Morgan and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Kinder Morgan or the industry or in the financial markets in general.

Discounted Equity Value Analysis. Morgan Stanley and Blackstone performed a discounted equity value analysis, which is designed to provide insight into the future value of a company's common equity as a function of the company's future earnings and its forward price to earnings multiples. The resulting value is subsequently discounted to arrive at a present value for the company's stock price. In

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connection with this analysis, Morgan Stanley and Blackstone calculated a range of current equity values per share for Kinder Morgan's common stock on a standalone basis. To calculate the discounted equity value, Morgan Stanley and Blackstone utilized calendar year 2007 2010 projections from Kinder Morgan management. Morgan Stanley and Blackstone multiplied projected calendar year 2007 2010 earnings per share by the range of price to earnings ratios obtained from its comparable companies analysis to derive a range of future values per share. Morgan Stanley and Blackstone then discounted this range of future values per share by equity discount rates of 9.0% and 10.5% to derive a range of present values per share. Morgan Stanley and Blackstone selected the discount rate based on an estimated cost of equity analysis of Kinder Morgan.

The following table summarizes Morgan Stanley's and Blackstone's analysis:

Calendar Year Financial Statistics	**Kinder Morgan Financial Statistic**	**Forward Price to Earnings Multiple Range**	**Implied Present Value Per Share of Kinder Morgan 9.0% cost of equity**	**Implied Present Value Per Share of Kinder Morgan 10.5% cost of equity**	**Merger Consideration**
Management Case 2007E Earnings Per Share	$ 5.44	15.0x - 18.0x	$80 - $95	$79 - $95	$ 107.50
Management Case 2008E Earnings Per Share	$ 6.69	15.0x - 18.0x	$93 - $111	$91 - $109	$ 107.50
Management Case 2009E Earnings Per Share	$ 7.58	15.0x - 18.0x	$100 - $118	$97 - $115	$ 107.50
Management Case 2010E Earnings Per Share	$ 8.30	15.0x - 18.0x	$104 - $122	$99 - $117	$ 107.50

Public Restructuring. Based on an analysis prepared by management (after consultation with Goldman Sachs) for the board of directors on May 11, 2006, Morgan Stanley and Blackstone analyzed the value that Kinder Morgan's stockholders could have achieved through a variety of corporate divestitures and a spin-off of Natural Gas Pipeline Company of America and Terasen Gas to stockholders. These transactions represented one course of action that management considered if it were going to continue as a public company. The result of such transactions was to leave Kinder Morgan as primarily a holding company for its investments in Kinder Morgan Energy Partners. Using a range of values for the various assets involved, including 8.5x to 10.5x 2010 EBITDA for the spun-off entity and a 2010 yield of 3.5% to 5.5% on the resulting Kinder Morgan, Morgan Stanley and Blackstone derived a range of future share prices for the two public companies. Based on their experience, Morgan Stanley and Blackstone then discounted these ranges of future values per share by equity discount rates of 9% to 12% and derived a valuation range of $100 to $123 per share. Morgan Stanley and Blacksto