Macquarie Infrastructure CO LLC
Form 10-Q
August 06, 2009

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

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the Quarterly Period Ended June 30, 2009**

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the Transition Period from ___________ to ____________.**

Commission File Number: 001-32384

MACQUARIE INFRASTRUCTURE COMPANY LLC

(Exact Name of Registrant as Specified in Its Charter)

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

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

(212) 231-1000

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report): **N/A**

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

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

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

Large Accelerated Filer o Accelerated Filer x Non-accelerated Filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes o No x

There were 44,962,809 limited liability company interests without par value outstanding at August 5, 2009.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

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

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED BALANCE SHEETS ($ In Thousands, Except Share Data)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$38,052	$68,231
Restricted cash	1,972	1,063
Accounts receivable, less allowance for doubtful accounts of $4,229 and $2,230, respectively	55,170	62,240
Dividends receivable		7,000
Other receivables	22	132
Inventories	14,370	15,968
Prepaid expenses	6,720	9,156
Deferred income taxes	3,774	3,774
Land available for sale	11,931	11,931
Income tax receivable		489
Other	11,035	13,440
Total current assets	143,046	193,424
Property, equipment, land and leasehold improvements, net	653,448	673,981
Restricted cash	16,016	19,939
Equipment lease receivables	34,754	36,127
Investment in unconsolidated business	200,408	184,930
Goodwill	516,182	586,249
Intangible assets, net	769,176	812,184
Deferred financing costs, net of accumulated amortization	19,987	23,383
Other	4,345	4,033
Total assets	$2,357,362	$2,534,250

See accompanying notes to the consolidated condensed financial statements.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED BALANCE SHEETS (continued)
($ In Thousands, Except Share Data)

	June 30, 2009 (Unaudited)	December 31, 2008
LIABILITIES AND MEMBERS'/STOCKHOLDERS' EQUITY		
Current liabilities:		
Due to manager related party	$879	$3,521
Accounts payable	44,895	47,886
Accrued expenses	27,460	29,448
Current portion of notes payable and capital leases	5,949	2,724
Current portion of long-term debt	312,476	201,344
Fair value of derivative instruments	49,817	51,441
Customer deposits	5,671	5,457
Other	9,680	10,785
Total current liabilities	456,827	352,606
Notes payable and capital leases, net of current portion	2,041	2,274
Long-term debt, net of current portion	1,156,461	1,327,800
Deferred income taxes	46,545	65,042
Fair value of derivative instruments	60,226	105,970
Other	47,561	46,297
Total liabilities	1,769,661	1,899,989
Commitments and Contingencies		
Members /stockholders' equity:		
LLC interests, no par value; 500,000,000 authorized; 44,962,809 LLC interests issued and outstanding at June 30, 2009 and 44,948,694 LLC interests issued and outstanding at December 31, 2008	957,406	956,956
Accumulated other comprehensive loss	(61,029)	(97,190)
Accumulated deficit	(312,912)	(230,928)
Total members /stockholders' equity	583,465	628,838
Noncontrolling interests	4,236	5,423
Total equity	587,701	634,261
Total liabilities and equity	$2,357,362	$2,534,250

See accompanying notes to the consolidated condensed financial statements.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited) ($ In Thousands, Except Share and per Share Data)

	Quarter Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue				
Revenue from product sales	$89,430	$166,834	$178,622	$326,159
Revenue from product sales utility	21,414	31,858	41,581	61,257
Service revenue	68,798	86,672	142,350	175,457
Financing and equipment lease income	1,205	1,179	2,397	2,373
Total revenue	180,847	286,543	364,950	565,246
Costs and expenses				
Cost of product sales	50,008	119,501	99,275	228,018
Cost of product sales utility	15,793	26,679	30,610	51,014
Cost of services	24,682	32,289	56,139	65,545
Selling, general and administrative	53,207	61,645	112,686	125,502
Fees to manager-related party	851	4,509	1,313	9,135
Goodwill impairment	53,200		71,200	
Depreciation	9,270	6,315	22,420	13,038
Amortization of intangibles	12,532	10,904	42,797	21,643
Total operating expenses	219,543	261,842	436,440	513,895
Operating (loss) income	(38,696)	24,701	(71,490)	51,351
Other income (expense)				
Interest income	34	297	108	770
Interest expense	(26,619)	(25,676)	(57,222)	(51,502)
Equity in earnings and amortization charges of investees	10,028	8,641	15,477	6,552
Gain (loss) on derivative instruments	19,724	(581)	(12,501)	(886)
Other (expense) income, net	(157)	463	1,424	655
Net (loss) income before income taxes and noncontrolling interests	(35,686)	7,845	(124,204)	6,940
Benefit (provision) for income taxes	5,689	364	41,348	(1,000)
Net (loss) income before noncontrolling interests	(29,997)	8,209	(82,856)	5,940
Net loss attributable to noncontrolling interest	(1,039)	(129)	(872)	(408)
Net (loss) income	$(28,958)	$8,338	$(81,984)	$6,348
Basic (loss) earnings per share:	$(0.64)	$0.19	$(1.82)	$0.14
Weighted average number of shares outstanding: basic	44,951,176	44,941,440	44,949,942	44,939,910
Diluted (loss) earnings per share:	$(0.64)	$0.19	$(1.82)	$0.14

Weighted average number of shares outstanding: diluted	44,951,176	44,954,123	44,949,942	44,951,408
Cash distributions declared per share	$	$0.645	$	$1.280

See accompanying notes to the consolidated condensed financial statements.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) ($ In Thousands)

	Six Months Ended	
	June 30, 2009	June 30, 2008
Operating activities		
Net (loss) income before noncontrolling interests	$ (82,856)	$ 5,940
Adjustments to reconcile net (loss) income before noncontrolling interests to net cash provided by operating activities:		
Non-cash goodwill impairment	71,200	
Depreciation and amortization of property and equipment	33,498	18,549
Amortization of intangible assets	42,797	21,643
Equity in earnings and amortization charges of investees	(15,477)	(6,552)
Equity distributions from investees	7,000	6,552
Amortization of debt financing costs	3,396	3,350
Non-cash derivative loss, net of non-cash interest expense	12,501	1,045
Base management fees to be settled in LLC interests	851	
Equipment lease receivable, net	1,176	1,113
Deferred rent	852	1,071
Deferred taxes	(42,092)	(278)
Other non-cash (income) expenses, net	(245)	587
Changes in other assets and liabilities, net of acquisitions:		
Restricted cash	(277)	(266)
Accounts receivable	7,069	(9,661)
Inventories	1,598	(3,222)
Prepaid expenses and other current assets	5,865	3,320
Due to manager-related party	(3,493)	(1,161)
Accounts payable and accrued expenses	(5,121)	7,057
Income taxes payable	98	(850)
Other, net	(1,487)	353
Net cash provided by operating activities	36,853	48,590
Investing activities		
Acquisitions of businesses and investments, net of cash acquired		(41,914)
Purchases of property and equipment	(12,176)	(39,975)
Return of investment in unconsolidated business		7,447
Other	92	229
Net cash used in investing activities	(12,084)	(74,213)

See accompanying notes to the consolidated condensed financial statements.

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MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (continued) (Unaudited) ($ In Thousands)

	Six Months Ended	
	June 30, 2009	June 30, 2008
Financing activities		
Proceeds from long-term debt		5,000
Proceeds from line of credit facilities	3,600	70,650
Offering and equity raise costs paid		(65)
Distributions paid to holders of LLC interests		(57,528)
Distributions paid to noncontrolling shareholders	(314)	(292)
Payment of long-term debt	(60,806)	(80)
Debt financing costs paid		(1,846)
Change in restricted cash	3,292	(354)
Payment of notes and capital lease obligations	(720)	(875)
Net cash (used in) provided by financing activities	(54,948)	14,610
Net change in cash and cash equivalents	(30,179)	(11,013)
Cash and cash equivalents, beginning of period	68,231	57,473
Cash and cash equivalents, end of period	$ 38,052	$ 46,460
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	$ 1,238	$ 872
Acquisition of equipment through capital leases	$ 129	$ 490
Issuance of LLC interests to independent directors	$ 450	$ 450
Taxes paid	$ 541	$ 2,237
Interest paid	$ 51,794	$ 48,572

See accompanying notes to the consolidated condensed financial statements.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. Organization and Description of Business

Macquarie Infrastructure Company LLC, a Delaware limited liability company, was formed on April 13, 2004. Macquarie Infrastructure Company LLC, both on an individual entity basis and together with its consolidated subsidiaries, is referred to in these financial statements as the Company. The Company owns, operates and invests in a diversified group of infrastructure businesses in the United States. Macquarie Infrastructure Management (USA) Inc. is the Company s manager and is referred to in these financial statements as the Manager. The Manager is a subsidiary of the Macquarie Group of companies, which is comprised of Macquarie Group Limited and its subsidiaries and affiliates worldwide. Macquarie Group Limited is headquartered in Australia and is listed on the Australian Stock Exchange.

Macquarie Infrastructure Company Trust, or the Trust, a Delaware statutory trust, was also formed on April 13, 2004. Prior to December 21, 2004 and the completion of the initial public offering, the Trust was a wholly-owned subsidiary of the Manager. On June 25, 2007, all of the outstanding shares of trust stock issued by the Trust were exchanged for an equal number of limited liability company, or LLC, interests in the Company, and the Trust was dissolved. Prior to this exchange of trust stock for LLC interests and the dissolution of the Trust, all interests in the Company were held by the Trust. The Company continues to be an operating entity with a Board of Directors and other corporate governance responsibilities generally consistent with that of a Delaware corporation.

The Company owns its businesses through its wholly-owned subsidiary, Macquarie Infrastructure Company Inc., or MIC Inc. The Company s businesses operate predominantly in the United States, and comprise the following:

The Energy-Related Businesses:

(i) a 50% interest in a bulk liquid storage terminal business provides bulk liquid storage and handling services in North America and is one of the largest participants in this industry in the U.S., based on capacity;
(ii) a gas production and distribution business a full-service gas energy company, making gas products and services available in Hawaii; and
(iii) a district energy business operates the largest district cooling system in the U.S. and serves various customers in Chicago, Illinois and Las Vegas, Nevada.

The Aviation-Related Businesses:

(i) an airport services business operates a network of fixed base operations, or FBOs, in the U.S. FBOs provide products and services like fuel and aircraft parking for owners and operators of private jets; and
(ii) an airport parking business a provider of off-airport parking services in the U.S., with 31 facilities in 20 major airport markets.

During the year ended December 31, 2008, the Company completed the following acquisitions:

On March 4, 2008, the Company completed the acquisition of 100% of the equity in entities that own and operate three FBOs in Farmington and Albuquerque, New Mexico and Sun Valley, Idaho, collectively referred to as SevenBar.

On July 31, 2008, the Company completed the acquisition of the Newark SkyPark airport parking facility, an off-airport parking facility at Newark Liberty International Airport in New Jersey.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

2. Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of consolidated condensed financial statements in conformity with GAAP requires estimates and assumptions. Management evaluates these estimates and judgments on an ongoing basis. Actual results may differ from the estimates and assumptions used in the financial statements and notes. Operating results for the quarter and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The consolidated balance sheet at December 31, 2008 has been derived from audited financial statements but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. Certain reclassifications were made to the financial statements for the prior period to conform to current period presentation.

The interim financial information contained herein should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2008 included in the Company s Annual Report on Form 10-K, as filed with the SEC on February 27, 2009.

3. New Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* , or SFAS No. 168. SFAS No. 168 sets forth the Accounting Standards Codification that will be the single source of authoritative U.S. GAAP for all nongovernmental entities. The Codification supersedes all existing non-SEC accounting and reporting standards. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not believe that the adoption of SFAS No. 168 will have a material impact on the Company s financial statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* , or SFAS No. 165, which sets forth the accounting and disclosure requirements for subsequent events; events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. SFAS No. 165 requires disclosure of the date through which subsequent events have been evaluated. If the subsequent events are not recognized in the financial statements, SFAS No. 165 also requires disclosure of the nature and effect of such in the financial statements. The Company adopted SFAS No. 165 in the second quarter of 2009. The adoption did not have a material impact on the Company s financial statements.

In April 2009, the FASB issued FASB Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* , or FSP SFAS No. 157-4. FSP SFAS No. 157-4 provides additional guidance in estimating fair value when the volume and level of activity for the asset or liability has significantly decreased compared with normal market activity. It also provides guidance on identifying circumstances that indicate a non-orderly transaction and measuring fair value in such conditions. The guidance provided by FSP SFAS No. 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. The adoption of FSP SFAS No. 157-4 did not have a material impact on the Company s financial statements.

In April 2009, the FASB issued FASB Staff Position 107-1 and APB Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* , or FSP SFAS No. 107-1 and APB 28-1. FSP SFAS No. 107-1 and APB 28-1 requires disclosures about fair value of financial instruments for interim reporting periods in addition to the current requirement to make disclosure in annual financial statements. This also

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

3. New Accounting Pronouncements (continued)

requires disclosure of the methods and significant assumptions used to estimate the fair value of financial instruments and description of changes in the method and significant assumptions.

The Company s financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and variable rate senior debt, are carried at cost, which approximates their fair value because of either the short-term maturity, or variable or competitive interest rates assigned to these financial instruments.

In April 2009, the FASB issued FASB Staff Position 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* , or FSP SFAS No. 141(R)-1. FSP SFAS No. 141(R)-1 amends the provisions for SFAS No. 141(R) and rescinds the distinction between contractual and noncontractual contingencies arising from business combinations. It requires a contingency acquired in a business combination be initially recognized and measured at fair value on the acquisition date if the fair value can be determined during the measurement period. Acquired contingencies whose fair value cannot be determined during the measurement period would be recognized if it is probable that an asset existed or liability had been incurred at the acquisition date and the amount for the asset or liability can be reasonably estimated. FSP SFAS No. 141(R)-1 is effective for the reporting periods beginning after December 15, 2008. The impact of the adoption did not have a material impact on the Company s financial results of operations and financial condition.

In December 2008, the FASB issued FASB Staff Position 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* , or FSP SFAS No. 132(R)-1. FSP SFAS No. 132(R)-1 requires additional disclosures surrounding how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, the fair value of each major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, and the significant concentration of risks in plan assets. The disclosure requirement under FSP SFAS No. 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company does not believe FSP SFAS No. 132(R)-1 will have a material impact on its financial statements.

In November 2008, the FASB ratified Emerging Issues Task Force 08-7, *Accounting for Defensive Intangible Assets* , or EITF 08-7. EITF 08-7 applies to acquired intangible assets that the acquirer does not intend to actively use, but intends to hold to prevent its competitors from obtaining access to the asset. EITF 08-7 clarifies that defensive intangible assets are separately identifiable and requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting, which should be amortized over the period the asset diminishes in value. Defensive intangibles must be recognized at fair value in accordance with SFAS No. 141(R), and Statement of Financial Accounting Standards No. 157, Fair Value Measurements , or SFAS No. 157. EITF 08-7 is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company adopted EITF 08-7 on January 1, 2009. The impact of the adoption did not have a material impact on the Company s financial results of operations and financial condition.

In November 2008, the FASB ratified Emerging Issues Task Force Issue No. 08-6, *Equity Method Investment Accounting Considerations*, or EITF 08-6. EITF 08-6 concludes that the cost basis of a new equity-method investment would be determined using a cost-accumulation model, which would continue the practice of including transaction costs in the cost of investment and would exclude the value of contingent consideration unless it is required to be recognized under other literature, such as Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. Equity-method investment should be subject to other-than-temporary impairment analysis. It also requires a gain or loss to be recognized on the portion of the investor s ownership sold. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company adopted EITF 08-6 on January 1, 2009. The impact of the adoption did not have a material impact on the Company s financial results of operations and financial condition.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

3. New Accounting Pronouncements (continued)

In April 2008, the FASB issued FASB Staff Position 142-3, *Determination of the Useful Life of Intangible Assets*, or FSP SFAS No. 142-3. FSP SFAS No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, or SFAS No. 142. Companies estimating the useful life of a recognized intangible asset must now consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension as adjusted for SFAS No. 142 s entity-specific factors. FSP SFAS No. 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption is prohibited. The Company adopted FSP SFAS No. 142-3 on January 1, 2009. The impact of the adoption did not have a material impact on the Company s financial results of operations and financial condition.

In February 2008, the FASB issued FASB Staff Position 157-1, *Application of SFAS No. 157 to SFAS No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under FAS No. 13*, or FSP SFAS No. 157-1, and FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, or FSP SFAS No. 157-2, affecting the implementation of SFAS No. 157. FSP SFAS No. 157-1 excludes Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, or SFAS No. 13, and other accounting pronouncements that address fair value measurements under SFAS No. 13, from the scope of SFAS No. 157. However, the scope of this exception does apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value in accordance with SFAS No. 141(R) regardless of whether those assets and liabilities are related to leases. FSP SFAS No. 157-2 delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. On January 1, 2009, the Company adopted SFAS No. 157 for all nonfinancial assets and liabilities. Major categories of nonfinancial assets and liabilities to which this accounting standard applies include, but are not limited to, the Company s property, equipment, land and leasehold improvements, intangible assets and goodwill. See Note 7, Nonfinancial Assets Measured at Fair Value, for further discussion.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosure about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*, or SFAS No. 161, which requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and how derivative instruments and related hedged items affect a company s financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk, and the Company s strategies and objectives for using derivative instruments. SFAS No. 161 is effective for periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on January 1, 2009. The impact of the adoption did not have a material impact on the Company s financial results of operations and financial condition. See

Note 9, Derivative Instruments , for further discussion.

In December 2007, the FASB issued SFAS No. 160, which requires noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. SFAS No. 160 is effective for periods beginning on or after December 15, 2008 and will be applied prospectively to all noncontrolling interests with comparative period information reclassified. The Company adopted SFAS No. 160 on January 1, 2009. The adoption of SFAS No. 160 did not have a material impact on the Company s financial results of operations and financial condition.

In December 2007, the FASB revised Statement of Financial Accounting Standards No. 141, *Business Combinations* , or SFAS No. 141(R). The revised standard includes various changes to the business

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

3. New Accounting Pronouncements (continued)

combination rules. Some of the changes include immediate expensing of acquisition-related costs rather than capitalization, and 100% of the fair value of assets and liabilities acquired being recorded, even if less than 100% of a controlled business is acquired. SFAS No. 141(R) is effective for business combinations consummated in periods beginning on or after December 15, 2008. The Company expects the revised standard to have the following material impacts on its financial statements compared with existing business combination rules: (1) increased selling, general and administrative costs due to immediate expensing of acquisition costs, resulting in lower net income; (2) lower cash provided by operating activities and lower cash used in investing activities in the statements of cash flows due to the immediate expensing of acquisition costs, which under existing rules are included as cash out flows in investing activities as part of the purchase price of the business; and (3) 100% of fair values recorded for assets and liabilities including noncontrolling interests of a controlled business on the balance sheet resulting in larger assets, liability and equity balances compared with existing business combination rules. There were no new business combinations during the first six months of 2009.

On January 1, 2009, the Company adopted SFAS No. 141(R). Although there were no new acquisitions during the first six months of 2009, the Company used the fair value guidance from SFAS No. 141(R) to perform the Company s goodwill impairment analysis in accordance with SFAS No. 142. See Note 7, Nonfinancial Assets Measured at Fair Value , for further discussion.

4. (Loss) Earnings Per Share

Following is a reconciliation of the basic and diluted number of shares used in computing (loss) earnings per share:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Weighted average number of shares outstanding: basic	44,951,176	44,941,440	44,949,942	44,939,910
Dilutive effect of restricted stock unit grants		12,683		11,498
Weighted average number of shares outstanding: diluted	44,951,176	44,954,123	44,949,942	44,951,408

The effect of potentially dilutive shares for the quarter and six months ended June 30, 2009 is calculated by assuming that the 128,205 restricted stock unit grants provided to the independent directors on June 4, 2009 and the 14,115 restricted stock unit grants provided to the independent directors on May 27, 2008 had been fully converted to shares on those dates. However, the restricted stock unit grants were anti-dilutive for the quarter and six months ended June

30, 2009, due to the Company s net loss for those periods.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

5. Property, Equipment, Land and Leasehold Improvements

Property, equipment, land and leasehold improvements at June 30, 2009 and December 31, 2008 consist of the following ($ in thousands):

	June 30, 2009	December 31, 2008
Land[(1)]	$ 59,968	$ 56,039
Easements	5,624	5,624
Buildings	29,716	34,128
Leasehold and land improvements	322,212	301,623
Machinery and equipment	328,096	321,240
Furniture and fixtures	10,778	9,952
Construction in progress	20,645	48,520
Property held for future use	1,540	1,540
	778,579	778,666
Less: accumulated depreciation	(125,131)	(104,685)
Property, equipment, land and leasehold improvements, net[(2)]	$ 653,448	$ 673,981

(1) In April 2008, the airport parking business acquired land, that was previously leased, for $13.5 million. The business also reversed the $1.5 million accrued rent liability in relation to this land, resulting in a net book value of approximately $12.0 million. The business has taken steps to effect the sale of the land, and the Company has classified the land as land-available for sale, in the consolidated balance sheets. The business expects to complete the sale during 2009.

(2) Includes $876,000 and $2.1 million of capitalized interest for the six months ended June 30, 2009 and the year ended December 31, 2008, respectively.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS No. 144, the Company recognized non-cash impairment charges primarily relating to leasehold and land improvements, buildings, machinery and equipment and furniture and fixtures, which are summarized below for the following businesses ($ in thousands):

	2009 Quarter Ended June 30	Six Months Ended June 30	2008 Quarter and Year Ended December 31
Property, equipment, land and leasehold improvements, net			

Airport Services Business[1]	$2,200	$ 7,521	$ 13,754
Airport Parking Business[2]		6,385	19,145
Total	$2,200	$ 13,906	$ 32,899

(1) Reported in depreciation expense in the consolidated condensed statement of operations.
(2) Reported in cost of services in the consolidated condensed statement of operations.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

6. Intangible Assets

Intangible assets at June 30, 2009 and December 31, 2008 consist of the following ($ in thousands):

	Weighted Average Life (Years)	June 30, 2009	December 31, 2008
Contractual arrangements	30.9	$ 774,309	$ 802,419
Non-compete agreements	2.5	9,515	9,515
Customer relationships	10.7	78,596	78,596
Leasehold rights	12.5	3,330	3,542
Trade names	Indefinite	15,401	15,401
Technology	5.0	460	460
		881,611	909,933
Less: Accumulated amortization		(112,435)	(97,749)
Intangible assets, net		$ 769,176	$ 812,184

As a result of decline in the performance of certain asset groups during the quarter and six months ended June 30, 2009 and the quarter ended December 31, 2008, the Company evaluated such asset groups for impairment under SFAS No. 144 and determined that the asset groups were impaired. The Company estimated the fair value of each of the impaired asset groups using either discounted cash flows or third party appraisals. Accordingly, the Company recognized non-cash impairment charges related to contractual arrangements at the airport services business during the above periods and customer relationships, leasehold rights and trademarks at the airport parking business during the quarter ended December 31, 2008. These charges are recorded in amortization of intangibles in the consolidated condensed statement of operations.

The change in goodwill from December 31, 2008 to June 30, 2009 is as follows ($ in thousands):

Balance at December 31, 2008	$ 586,249
Impairment of airport services business' goodwill	(71,200)
Prior period acquisition purchase price adjustments	31
Other	1,102
Balance at June 30, 2009	$ 516,182

The Company tests for goodwill impairment at the reporting unit level on an annual basis and between annual tests if a triggering event indicates impairment. The decline in the Company s stock price, particularly over the latter part of 2008 and the first half of 2009, has caused the book value of the Company to exceed its market capitalization. In accordance with SFAS No. 142, the Company performed goodwill impairment tests during the first two quarters of 2009 and fourth quarter of 2008. The goodwill impairment test is a two-step process, which requires management to make judgments in determining what assumptions to use in the test. The first step of the process consists of estimating the fair value of each reporting unit based on a discounted cash flow model using cash flow forecasts and comparing those estimated fair values with the carrying values, which includes the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The determination of a reporting unit s implied fair value of goodwill requires the allocation of the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit in accordance with SFAS No. 141(R). Any unallocated fair value represents the implied fair value of goodwill, which is compared to its corresponding carrying value. If the corresponding carrying value is higher than the implied fair value , goodwill is written down to reflect the impairment. Based on the testing performed, the Company recorded goodwill impairment charges at the airport services business during 2009 and 2008 and at the airport parking business to write off all of its goodwill during 2008.

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MACQUARIE INFRASTRUCTURE COMPANY LLC NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

6. Intangible Assets (continued)

For the quarter and six months ended June 30, 2009 and the quarter and year ended December 31, 2008, the following non-cash impairment charges were recorded at the following businesses ($ in thousands):

	2009 Quarter Ended June 30	Six Months Ended June 30	2008 Quarter and Year Ended December 31
Intangible Assets[(1)]			
Airport Services Business	$ 2,962	$ 23,326	$ 21,712
Airport Parking Business			8,134
Total	$ 2,962	$ 23,326	$ 29,846
Goodwill			
Airport Services Business	$ 53,200	$ 71,200	$ 52,000
Airport Parking Business			138,751
Total	$ 53,200	$ 71,200	$ 190,751

(1) Reported in amortization of intangibles expense in the consolidated condensed statement of operations.

While management has a plan to return the Company s business fundamentals to levels that support the book value per common share, there is no assurance that the plan will be successful, or that the market price of the common stock will increase to such levels in the foreseeable future. Discount rates used in recent cash flow analysis have increased and projected cash flows relating to the Company s reporting units generally declined in the latter half of 2008 and first half of 2009 primarily as the result of negative macroeconomic factors. There is no assurance that discount rates will not increase or that the earnings, book values or projected earnings and cash flows of the Company s individual reporting units will not decline. Management will continue to monitor the relationship of the Company s market capitalization to its book value, the differences for which management attributes to both negative macroeconomic factors and Company specific factors, and management will continue to evaluate the carrying value of goodwill and other intangible assets. Accordingly, an additional impairment charge to goodwill and other intangible assets may be required in the foreseeable future if the Company s common stock price continues to trade below book value per common share or the book value exceeds its estimated fair value of an individual reporting unit.

7. Nonfinancial Assets Measured at Fair Value

On January 1, 2009, the Company adopted SFAS No. 157 for nonfinancial assets measured at fair value on a nonrecurring basis. The following major categories of nonfinancial assets were measured at fair value at June 30, 2009: