HARRIS NESBITT

Research Comment

f

February 27, 2006

Northern Border Partners, LP

(NBP-NYSE)

Natural Gas Pipelines

Patrick Rau, CFA
212-885-4070
patrick.rau@harrisnesbitt.com

Stock Rating: **Neutral↑**
Industry Rating: **Negative**

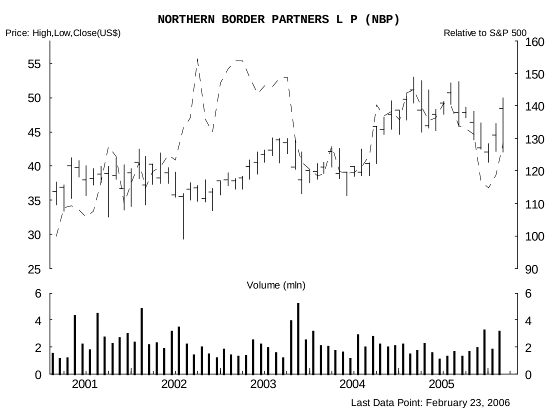
Securities Info

Price (24-Feb)	**$48.36**	**Target Price**	**$50 ↑**
52-Wk High/Low	$52/$41	Dividend	$3.20
Mkt Cap (mm)	$4,004	Yield	6.6%
Shs O/S (mm, BASIC)	82.8	Float O/S (mm)	45.9
Options O/S (mm)	na	ADVol (25-day, 000s)	158

Selected Bond Iss	Ind Prc	Rat'g Mdys/S&P	YTW	Spread
Northern Border 8.875	113	Baa2 / BBB /*-	5.52%	91bp
Northern Border Pipel	120	A3 / BBB+ /*+	5.54%	98bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	2004A	2005A	2006E	2007E
EPS Pro Forma	$2.84	$2.93	$3.13↑	$3.42↑
P/E			15.5x	14.1x
First Call Cons.			*$2.58*	*$2.68*
EPS GAAP	$2.84	$2.93	$4.60	$3.42
FCF	$4.34	$4.31	$4.89↑	$4.99↑
P/FCF			9.9x	9.7x
EBITDA ($mm)	$362	$371	$543	$555
EV/EBITDA			6.6x	6.4x
Rev. ($mm)	$593	$679	$6,029	$5,923
EV/Rev			0.6x	0.6x

Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2005A	$0.69	$0.55	$0.98	$0.71
2006E	$0.41↓	$0.83↑	$0.85↑	$0.89↑

Balance Sheet Data (09/30/05)

Net Debt ($mm)	$1,828	TotalDebt/EBITDA	3.4x
Total Debt ($mm)	$1,828	EBITDA/IntExp	na
Net Debt/Cap.	86.2%	Price/Book	3.0x

Correction: Upgrading to NEUTRAL

Event

This note corrects a formatting problem with the income statement. We are upgrading Northern Border Partners to **NEUTRAL** from **UNDERPERFORM** following its announcement that it has agreed to purchase 100% of Oneok's midstream assets for $3.0 billion, and to sell a 20% interest in its Northern Border Pipeline to TransCanada for $300 million in cash.

Impact

The transaction effectively eliminates the two largest concerns we had about the company: a lack of diversification in its cash flows and an inability to grow its distribution. We now expect NBP to increase its distribution by 14% and 8% y/y in 2006 and 2007, above the comparable median 11% and 6% increases for all publicly traded energy MLPs. However, the assets NBP is acquiring are centered in the Mid-Continent producing region, where natural gas production has been in a slight decline and we expect the company's cost of capital to increase in 2007. These two factors prevent us from being more positive on the name at this time.

Forecasts

We are raising our 2006 EPU estimate to $3.13 from $2.56, and our 2007 EPU estimate to $3.42 from $2.78. Our 2006 distributable free cash flow estimate moves to $3.94 from $3.69, and for 2007, we are now at $4.46 vs. $3.97.

Valuation

Our new $50 price target is based on our free cash flow to the firm DCF model.

Recommendation

NEUTRAL

Changes	Annual EPS	Annual FCF	Quarterly EPS	Target
	2006E $2.56 to $3.13	2006E $3.85 to $4.89	Q1/06E $0.69 to $0.41	$38.00 to $50.00
	2007E $2.78 to $3.42	2007E $4.12 to $4.99	Q2/06E $0.62 to $0.83	**Rating**
			Q3/06E $0.63 to $0.85	Und to Neutral
			Q4/06E $0.63 to $0.89	

Please refer to pages 16 to 20 for Disclosure Statements, including the Analyst's Certification.

Summary

We are upgrading Northern Border Partners to **NEUTRAL** following its announcement that the Partnership has agreed to purchase 100% of the midstream assets from Oneok for $3.0 billion, and to sell 20% of its interest in Northern Border Pipeline to TransCanada for $300 million in cash. The transactions alleviate the two main concerns we had when we initiated coverage with an **UNDERPERFORM** rating last July: the increased operating risk we believe NBP faces in its signature Northern Border Pipeline (which before the acquisitions accounted for roughly 68% of annual EBITDA) and the inability to grow its distributions.

As a result of these two transactions, Northern Border Partners will emerge as a very different entity, from one that generated the majority of its cash flow from just one asset (Northern Border Pipeline) to a more diversified company with a better balance of natural gas pipelines, gathering and processing, and natural gas liquids businesses. While the new assets NBP is acquiring from Oneok are concentrated in the US Mid-Continent region, where natural gas production has been in a slight decline, we still believe the transactions offer NBP the prospect for more stable cash flows than it would have had had the Partnership continued to rely as heavily on Northern Border Pipeline.

We estimate the increase in cash flows from the deal will enable NBP to increase its distribution by 14% and 8% y/y in 2006 and 2007, both of which are slightly ahead of the median levels for energy MLPs in those years, and are obviously better than the 0% growth we had been projecting for those two years. Longer term, however, we believe NBP will be challenged to grow its cash flows (and therefore ultimately its declared distributions) by more than the overall industry, since we expect the company to increase its declared distribution above the $0.935 quarterly level at which the 50% incentive distribution rights to the general partner (Oneok) start to kick in. The net effect of this will likely be an increase in NBP’s cost of capital in the form of a higher required return on equity, since less cash will be available for the limited unit holders, all other things held equal.

In addition, we expect NBP to generate ~40%-45% of its annual EBITDA from the NGL industry, up from ~10%-15%, so the Partnership will likely be more sensitive to changes in US real GDP growth going forward. We do not expect this to pose a problem in the intermediate run, as our BMO Financial Group currently expects US GDP to grow 3.5% and 3.4% in 2006 and 2007, both above the trend-line growth rate of 3.1% over the last twenty years.

We are raising our 2006 and 2007 earnings per unit, distributable cash flow per unit, and free cash flow per unit estimates significantly in conjunction with the transactions. Our new price target of $50 is based on our revised five-year discounted free cash flow to the firm analysis.

Oneok Midstream Assets

NBP has agreed to purchase for $3.0 billion the various midstream assets that previously made up Oneok's gathering and processing, transportation & storage, and natural gas liquids (NGL) segments (Exhibit 1). Included in the transaction are the various NGL assets Oneok purchased from Koch Industries in 2005 and Oneok has agreed to sell those assets for the same $1.35 billion that it paid Koch last July. These midstream assets are concentrated in the Mid-Continent producing region, specifically in Oklahoma, Kansas, and the Texas Panhandle. The majority of the assets are fee based, but we note NBP is picking up a modest amount of incremental commodity price exposure from its new gathering and processing assets, since we estimate 38% of those processing volumes are handled on a percentage of proceeds basis, with another 12% under keep-whole arrangements. In addition, a significant number of contracts in both the Pipelines & Storage and NGL segments are with affiliates of Oneok, but we are not overly concerned about this, since Oneok has a debt rating of Baa2 at Moody's and BBB at Standard & Poor's.

Northern Border plans to finance the transaction by issuing $1.65 billion worth of new limited partner units directly to Oneok, and another $1.35 billion of new long-term debt. The $1.65 billion in equity equates to approximately 36.5 million new units that were valued at the average closing price of NBP's limited units for the 20 trading days prior to February 15, 2006. The Partnership hopes to close the Oneok transaction by April 1, 2006.

Exhibit 1: Midstream Assets Purchased from Oneok

Gathering & Processing

Assets located in Oklahoma, Kansas, Texas Panhandle
2.0 Bcf/d of gathering capacity
93 MBbls/d of fractionation capacity
10% interest in VESCO complex
Est. Processing contract mix 50% fee based, 38% POP, 12% Keep Whole

Natural Gas Liquids

Assets located in Oklahoma, Kansas, Texas Panhandle
240 MBbls/d of gathering capacity
379 MBbls/d of fractionation capacity
9 MBbls/d of isomerization capacity
19 MMBbls of NGL storage capacity
Mostly fee based
Significant number of contracts are with affiliates

Transportation (Intrastate Nat Gas Pipelines) & Storage

Assets located in Oklahoma, Kansas, Texas Panhandle
2.9 Bcf/d of peak throughput capacity
51.6 Bcf of working storage capacity
NGL Pipeline from Conway, KS to Gulf Coast
Mostly fee based
Significant number of contracts are with affiliates

Source: Company documents.

Sale of Interest in Northern Border Pipeline

NBP also announced last week that it has agreed to sell a 20% interest in its Northern Border Pipeline to TransCanada for US$300 million in cash. The transaction will lower NBP's interest in Northern Border Pipeline to 50%. As a result, the Partnership will account for the pipeline using the equity method, rather than consolidating the entire pipeline into its results, beginning in the first quarter of 2006.

Transaction Price Analysis

Oneok Assets – We estimate that the assets Oneok is selling to Northern Border will generate $347 million in EBITDA in 2006, so the $3.0 billion NBP will pay for these assets represents an EV/EBITDA multiple of 8.6x. This is slightly better than the median 8.9x EV/EBITDA multiple for midstream M&A transactions conducted in the United States in 2005.

Northern Border Pipeline (20% Interest) – The $300 million Northern Border will receive for its 20% sale of Northern Border Pipeline ("The Pipeline") represents an EV/EBITDA multiple of just 6.1x our $49 million 2006 EBITDA estimate (for the 20% interest), which is considerably less than the 9.5x EV/EBITDA that we estimate is typical for US pipeline transactions. However, it is not surprising that NBP received a significant discount on the sale, given the heightened level of operating risk Northern Border Pipeline faces relative to the interstate natural gas pipeline industry in general. As we explained in more detail in our industry launch report last July, producers and marketers hold approximately 57% of the Pipeline's firm capacity, versus just 25% for the typical US interstate pipeline, so the Pipeline is more susceptible to basis risk than the industry as a whole. We also believe the Pipeline faces significant supply risk, as we expect more natural gas supply to remain in Canada to service the rapid growth in oil sands production. In 2005, the Pipeline had capacity go unsold and was forced to discount from maximum rates for the first time in its 23-year operating history. We expect the Pipeline to have to continue to discount in the future.

Accretion Analysis

We expect the combination of the Oneok purchase and the sale of the 20% Northern Pipeline interest to add $0.57 (up 22%) in pro-forma earnings per limited unit in 2006, and another $0.65 of EPU (up 23%) in 2007. We estimate that the new assets Northern Border is purchasing from Oneok will create $268 million in operating income (EBIT) in 2006, slightly ahead of the $266 million that Oneok has been baking into its 2006 earnings guidance for these assets. BBB rated US 10-year corporate bonds are currently trading 115 basis points above the 10-year US Treasury yield, so we assume Northern Border will issue $1.35 billion of new debt at a rate of 5.70%. Overall, we expect NBP to earn $141 million in net income from the new Oneok assets in 2006, and another $197 million in 2007.

The sale of the 20% interest in Northern Border Pipeline ("the Pipeline"), on the other hand, should be slightly decretive to earnings. NBP will own 50% of the Pipeline after the sale, so the Partnership will account for its remaining interest using the equity method, rather than consolidating the entire asset through its income statement. We estimate the sale will remove $23 million in net income in 2006, and another $29 million in 2007. NBP plans to use the $300 million in cash proceeds from the sale to pay down existing debt, and we expect this to save the company $16 million and $21 million in after-tax interest payments in 2006 and 2007, respectively. So the net effect of the Northern Border sale should be an overall $7 million reduction in net income in 2006, and an $8 million decrease in 2007. Finally, we believe the forecasted increases in distributions we expect NBP to declare over the next two years will cause the Partnership to pay an additional $23 million to Oneok (who is NBP's general partner) in 2006, and $34 million in 2007.

We expect the overall impact of the two transactions to be accretive to distributable cash flow as well. For 2006, we now expect total distributable cash flow to come in at $339 million, versus our prior estimate of $182 million, and for 2007, we are now projecting total distributable cash flow to be $416 million, up from our prior estimate of $190 million.

For more detail on our 2006 and 2007 EPU and distributable cash flow analysis, please refer to Exhibit 2.

Exhibit 2: Accretion Analysis ($ millions, expect per unit data)

ACCRETION ANALYSIS ($ mil, except per share data)

EARNINGS PER UNIT

	2006	2007
Prior Harris Nesbitt pro-forma EPU estimate	$2.56	$2.78
Prior # Diluted Units Outstanding	46.4	46.4
Prior Net Income Available to Limited Unitholders	$119	$129
IMPACT OF ONEOK TRANSACTION		
Estimated Additional EBIT	268	277
Less: Interest expense (@ 5.70%)	58	77
Less: Income tax (1.5%)	3	3
Additional Net Income from Oneok	207	197
Less: After tax income allocated to Oneok related to partial year ownershp	66	0
Additonal Net Income	*$141*	*$197*
IMPACT OF NORTHERN BORDER TRANSACTION		
Deconsolidation of EBIT	-180	-200
Deconsolidation of interest expense	42	42
Elimination of minority interest	42	52
Income from affiates	73	77
Income tax savings	0.3	0.4
Total Reduction in Net Income from Northern Border Transaction	*-23*	*-29*
COMBINED IMPACT OF THE TWO TRANSACTIONS		
Increase in Net Income	$118	$168
Plus: After-tax savings on $300 million debt buy back (at 7% interest)	16	21
Plus: Other income	1	0
Less: Increase in income allocated to general partner	-23	-34
Total Increase in net income available to limited unitholders	*$112*	*$155*
New Net Income available to limited unitholders estimate	$231	$284
New # diluted units outstanding estimate	73.7	82.8
New Harris Nesbitt pro-forma EPU estimate	$3.13	$3.43

COMBINED IMPACT ON DISTRIBUTABLE CASH FLOW

	2006	2007
Plus: EBIT	88	77
Plus: D&A	18	15
Plus: Elimination of payments to minority interest	55	60
Plus: Distributions from investments over and above recognized equity earnings	23	24
Plus: Increase in equity earnings (primarily from sale of Northern Border)	73	77
Less: Maintenance Cap Ex	(26)	(26)
Less: Other	3	0
Less: Cash flow to Oneok for partial year ownership	-77	0
Distributable Cash Flow	157	226
Previous distributable cash flow estimate	$182	$190
New distributable cash flow estimate	$339	$416

Note: Numbers may not add because of rounding.

Source: Company documents, Harris Nesbitt estimates

One of the two main concerns (along with increased operating risk on Northern Border Pipeline) when we initiated coverage on Northern Border Partners with an **UNDERPERFORM** rating last July was that we did not believe the Partnership would be able to grow its declared distribution until late 2007/early 2008. However, management indicated that it is strongly considering increasing its distribution from its current annual rate of $3.20 to an annual rate of $3.75 by the fourth quarter of 2006. In addition, given the increased diversification of NBP's cash flows, we now believe management will be more comfortable in maintaining a lower coverage ratio for its distributions, something more like 1.05x-1.10x coverage versus what we estimate was its previous target of 1.20x.

We are increasing our 2006 distribution forecast to $3.64 (up 14% y/y) from $3.20, and our 2007 distribution forecast to $3.92 (up 8% y/y) from $3.20, based on our new distributable cash flow estimates, and respective coverage ratios of 1.08x and 1.14x in those two years. Our forecasted 14% and 8% y/y increase in Northern Border's declared distributions in 2006 and 2007 are both higher than the median consensus growth rates of 11% and 6% for the 35 master limited partnerships that are currently publicly traded.

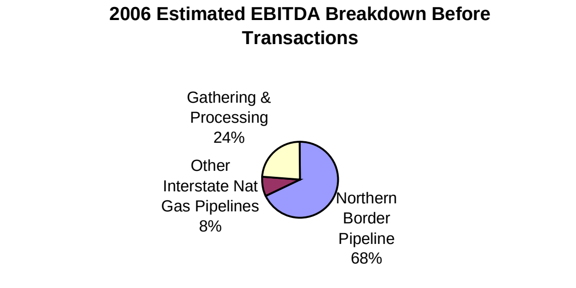
Longer term, we believe that NBP will likely have to engage in at least one other major transaction if it wishes to grow its distribution by more than 2%-3% per year (given a coverage ratio of 1.1x) after the year 2007 and, as we discuss in the next section, its cost of capital will likely be higher if and when it attempts to do so.

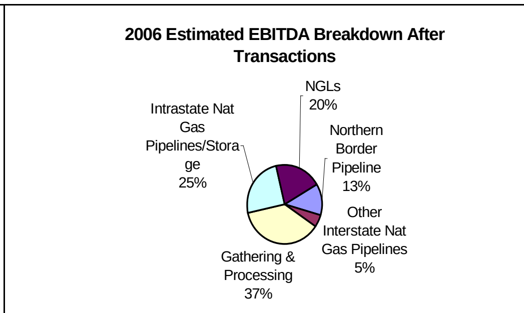
Our traditional free cash flow per unit forecast for 2006 is now $4.89 vs. $3.85, and for 2007, we are now at $4.99, vs. our prior estimate of $4.12.

Better Diversification of Cash Flows

The largest concern we had with Northern Border Partners when we initiated coverage with an **UNDERPEFORM** rating last July is that the company had been generating approximately 68% of its annual EBITDA from just one asset: its Northern Border Pipeline that transports natural gas from Canada into the Chicago market (Exhibit 3). As we have written several times since our launch, we believe the operating risks at Northern Border Pipeline will increase, primarily because of widening basis differentials between summer and winter prices in Chicago, the highly competitive nature of the Chicago market, and longer-term supply issues in Western Canada. With the Oneok purchase, we now estimate that NBP will receive just 13% of its 2006 EBITDA from Northern Border Pipeline, with another 37% coming from gathering & processing (up from our prior estimate of 23%), 25% from intrastate natural gas pipelines & storage, and 20% from NGLs (Exhibit 4).

Exhibits 3 and 4: Estimated 2006 Northern Border Partners EBITDA Before and After the Oneok Transaction





Note: Interstate Nat Gas Pipelines includes Northern Border Pipeline, Viking Gas Transmission, Midwestern Gas Transmission, and Guardian Pipeline.
Sources for both graphs: Company documents, Harris Nesbitt estimates

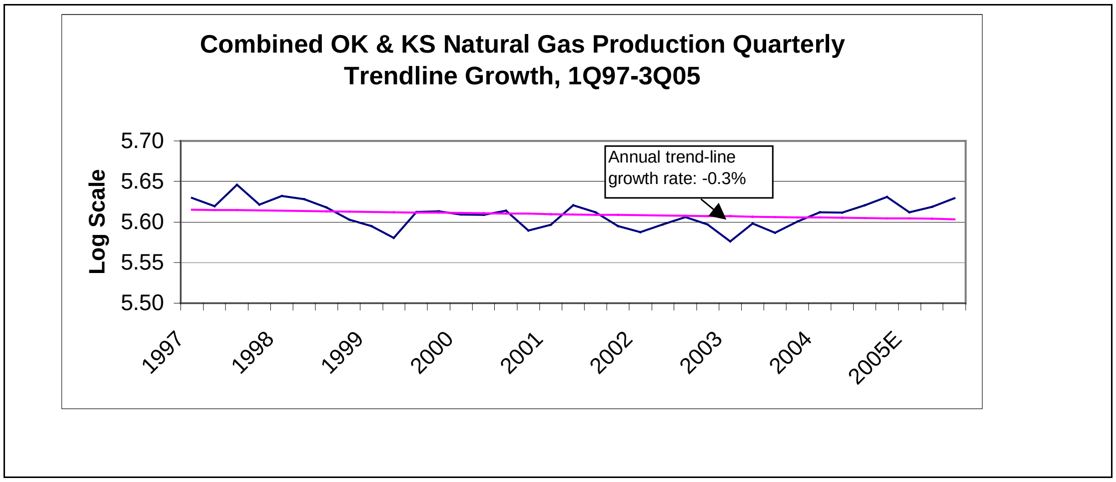
Greater Dependence on NGLs, So Higher Sensitivity to the US Economy

We now estimate that Northern Border Partners will derive approximately 35%-40% of its 2006 EBITDA from the natural gas liquids industry, versus 10%-15% before the two transactions. The petrochemical industry accounts for 50%-55% of NGL consumption, and as we laid out in detail in our sector launch last July, the US petrochemical industry tends to be driven by real US GDP growth. Our BMO Financial Group is currently forecasting that real GDP growth will fall from 3.5% in 2005 to 3.4% and 3.2% in 2006 and 2007. Although these 2006 and 2007 forecasts represent slower year-over-year growth, they are both still above the 3.1% annual trend-line growth the US economy has experienced over the last 20 years. We therefore expect demand for petrochemicals to remain stable over the next two years, which in turn should help protect NBP’s distributable cash flow over this time.

Oneok Assets Are Low Growth, But Offer Greater Stability Than Northern Border Pipeline

The assets NBP is acquiring from Oneok are concentrated in the Mid-Continent producing region (primarily in Oklahoma and Kansas), where natural gas production has fallen at a combined trend-line rate of 0.3% per year since 1997 (Exhibit 5). Given that the Mid-Continent is inland, the region will not benefit from the influx of liquefied natural gas (LNG) deliveries that we expect to hit the Gulf Coast beginning in 2008, so the assets NBP is acquiring will be even more dependent on legacy production for volumetric throughput than comparable midstream assets in Texas and Louisiana. However, we note that Oklahoma could see an increase in production within the next several years if the non-conventional Woodford Shale and Caney Shale plays approach the rapid growth of the Barnett Shale formation in North Texas.

Exhibit 5: Combined Oklahoma and Kansas Natural Gas Production Trend-line Growth, 1Q97-3Q05



Source: EIA, Harris Nesbitt estimates.

Despite the slow production decline in the Mid-Continent, we believe Northern Border Partners now faces less supply risk than it before the acquisition, when it relied primarily on Canadian production to fill its Northern Border Pipeline. We estimate natural gas production has been declining at a similar long-term rate in Western Canada as it has in Oklahoma, but we expect even more Canadian natural gas production to remain in Canada toward the end of the decade, in order to serve the growth in oil sands production.

Cost of Capital Likely to Rise

One drawback to our revised distribution estimate is that we now expect NBP to pay a quarterly distribution greater than $0.935 per limited unit in 2007, the level at which the 50% incentive distribution rights to the general partner (Oneok) start to kick in. This means that all incremental distributable cash flow the Partnership generates will be split equally among the general partner and the various limited partners, instead of the 25% split that the general partner currently receives. The net effect of this will likely be an increase in NBP's cost of capital in the form of a higher required return on equity, since less cash will be available for the limited unit holders, all other things held equal. A higher cost of capital will make it that much more difficult for NBP to enter into positive net present value projects/acquisitions, in our view.

Balance Sheet Analysis

We estimate NBP will take on an additional $420 million in long-term debt after the two transactions, which will bring its long-term debt balance to $1.75 billion (Exhibit 6). However, after the infusion of equity financing from the Oneok purchase, we estimate that NBP's total debt-to-capitalization will fall from 64% to 46%. More important, we expect NBP's debt-to-EBITDA ratio will nudge slightly lower, to 3.5x in 2006 from its current level of 3.6x. These are well below the 4.0x threshold that we believe the rating agencies like to see, so we expect no change in NBP's investment grade debt ratings of Baa2 at Moody's and BBB at Standard & Poor's.

Exhibit 6: Net Change in Northern Border's Long-Term Debt After the Two Transactions ($ mil)

Current Long-Term Debt	$1,330
Plus: New debt from Oneok transaction	$1,350
Less: Buyback of $300 million in existing debt from the cash proceeds from the 20% Northern Border Pipeline sale	$(300)
Less: Deconsolidation of $630 million of Northern Border Pipeline debt	$(630)
Projected Long-Term Debt Balance After Transactions	$1,750

Source: Company documents, Harris Nesbitt estimates

Valuation – Raising Price Target to $50

We are increasing our price target to $50, based on our revised five-year discounted free cash flow to the firm analysis. Our analysis 1) incorporates our new financial estimates, following the Oneok asset purchase and the sale of the 20% interest in Northern Border Pipeline, 2) assumes 82.8 million shares and the incremental debt from the Oneok transaction, and 3) assumes a higher terminal value for the growth rate in NBP's after-tax EBIT after the year 2010, now that the Partnership will be less dependent on its Northern Border Pipeline. We are now estimating after-tax operating income will grow 2.5% a year after 2010, versus our previous estimate of just 1%.

Our $50 price target would be at risk if long-term interest rates rise higher than we are expecting, natural gas production declines precipitously in the U.S. Mid-Continent, demand for petrochemicals falls significantly, or if the Partnership does not grow its distributions at the rate we are modeling through 2007.

Other companies mentioned (priced as of the close on February 24, 2006):

Enterprise Products (EPD, $24.98, **NEUTRAL**)
Oneok (OKE, $31.29, Not Rated)
TransCanada Corp. (TRP, $30.53, Not Rated)

Free Cash Flow to the Firm

	2006	2007	2008	2009	2010	2011+
After Tax Earnings Before Interest & Taxes (EBIT*(1-t))	427	436	439	441	445	456
Depreciation	115	115	115	116	118	121
Amortization	-	-	-	-	-	-
Increases in Deferred Liabilities (Assets) (deferred taxes. Or cash taxes)	-	-	-	-	-	-
Cap Ex	(103)	(99)	(108)	(113)	(118)	(122)
Change To Working Capital	(107)	14	(0)	(1)	(1)	(1)
Investment in Goodwill/Intangibles	-	-	-	-	-	-
Distributions to General Partners	(34)	(45)	(51)	(55)	(56)	(57)
Increase in Net Other Liabilities	19	55	56	65	69	70
Free Cash Flow	317	476	451	454	457	467
Terminal Value						5,840
Discounted FCF	293	407	356	331	308	3,929

Total Discounted FCF		5,623
Current Diluted Shares Outstanding		82.8
FCFF per unit	$	67.91
Less: Market Value of Debt Per Unit	$	17.76
FCFE per unit	$	50.15

Assumed Y/Y Changes	2011+
After Tax EBIT	3%
Depreciation	3%
Amortization	0%
Increases in Deferred Tax Liabilities (Assets)	1%
Cap Ex	4%
Chg in Working Cap	1%
Investment in Goodwill/Intangibles	1%
Distributions to General Partners	1%
Increase in Net Other Liabilities	1%
Required rate of return after 2010	10%
Constant growth rate of FCFF after 2010	2%

Assumptions

Diluted Shares Outstanding	82.8
Market Value of Equity	4021.6
Market Value of Debt	1470.4
Market Cost of Debt	5.63%
5-Yr Risk Free Rate	4.56%
Equity Risk Premium	7.70%
Adjusted Beta (from Bloomberg)	0.61
Cost of Equity	9.26%
Marginal Tax Rate	2.5%
Equity Weight	73.2%
Debt Weight	26.77%
WACC	**8.25%**

Source: Company documents, Harris Nesbitt estimates.

Northern Border Partners Pro forma Quarterly Income Statement (2004-2007E)
(Fiscal Year Ends December)

(Thousands, except per-share data)

		2005E					2006E					2007E				
	2004E	Mar 1QA	Jun 2QA	Sep 3QA	Dec 4QA	2005E	Mar 1QE	Jun 2QE	Sep 3QE	Dec 4QE	2006E	Mar 1QE	Jun 2QE	Sep 3QE	Dec 4QE	2007E
Revenues	**$ 593.2**	**$ 160.4**	**$ 149.4**	**$ 183.0**	**$ 185.7**	**$ 678.5**	**$ 1,465.1**	**$ 1,498.8**	**$ 1,525.0**	**$ 1,539.9**	**$ 6,028.8**	**$ 1,479.4**	**$ 1,460.9**	**$ 1,486.7**	**$ 1,496.1**	**$ 5,923.1**
Purchased costs	103.2	32.5	35.5	45.3	54.0	167.3	1,258.8	1,292.1	1,316.7	1,327.2	5,194.8	1,268.5	1,255.2	1,276.2	1,282.1	5,082.0
Gross profit	**490.0**	**127.9**	**113.9**	**137.7**	**131.7**	**511.2**	**206.3**	**206.7**	**208.3**	**212.7**	**834.0**	**210.9**	**205.7**	**210.5**	**214.0**	**841.1**
Operating & Maintenance	113.6	33.1	30.0	32.2	34.5	129.8	94.4	93.0	93.5	95.1	376.0	93.9	92.7	93.2	94.6	374.4
Depreciation & Amortization	86.7	21.4	21.5	20.4	22.8	86.1	28.8	28.6	28.7	28.7	114.8	28.9	28.6	28.8	28.8	115.1
Loss (gain) on sale of assets								-	-	-	-	-	-	-	-	
Taxes other than income	36.2	9.8	8.9	10.2	9.5	38.4	2.3	2.2	2.2	2.5	9.1	2.5	2.5	2.5	2.5	10.0
Operating Income	**253.5**	**63.6**	**53.5**	**74.9**	**64.9**	**256.9**	**80.9**	**82.9**	**83.9**	**86.4**	**334.0**	**85.6**	**82.0**	**86.1**	**88.1**	**341.7**
Int. Inc. (exp.) and other, net	(105.4)	(28.4)	(24.8)	(24.1)	(27.2)	(104.5)	10.4	(4.4)	(4.0)	(3.0)	(1.0)	(2.1)	(3.2)	(2.9)	(2.3)	(10.5)
Pretax income	**148.1**	**35.2**	**28.7**	**50.8**	**37.7**	**152.4**	**91.3**	**78.5**	**79.9**	**83.4**	**333.0**	**83.5**	**78.8**	**83.2**	**85.7**	**331.2**
Provision (benefit) for inc. tax	5.7	0.9	1.0	1.9	2.1	5.9	0.3	0.6	0.6	0.7	2.1	0.9	0.8	0.8	0.9	3.4
Net income from continuing ops	**$ 142.4**	**$ 34.3**	**$ 27.7**	**$ 48.9**	**$ 35.6**	**$ 146.5**	**$ 91.0**	**$ 77.9**	**$ 79.3**	**$ 82.7**	**$ 330.8**	**$ 82.6**	**$ 78.0**	**$ 82.4**	**$ 84.8**	**$ 327.8**
Net income (GAAP) from continuing ops	**$ 142.4**	**$ 34.3**	**$ 27.7**	**$ 48.9**	**$ 35.6**	**$ 146.5**	**$ 199.0**	**$ 77.9**	**$ 79.3**	**$ 82.7**	**$ 438.8**	**$ 82.6**	**$ 78.0**	**$ 82.4**	**$ 84.8**	**$ 327.8**
Net income (loss) from discontinued ops	**$ 2.3**	**$ 0.4**	**$ 0.4**	**$ (0.5)**	**$ 0.2**	**$ 0.5**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Income (loss) before cumulative effect from acct change	144.7	34.7	28.1	48.4	35.8	147.0	91.0	77.9	79.3	82.7	330.8	82.6	78.0	82.4	84.8	327.8
Cumulative effect from accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	**$ 144.7**	**34.7**	**28.1**	**48.4**	**35.8**	**$ 147.0**	**91.0**	**77.9**	**79.3**	**82.7**	**$ 330.8**	**82.6**	**78.0**	**82.4**	**84.8**	**$ 327.8**
Distributions to general partner	$ (10.8)	(2.7)	(2.7)	(2.7)	(2.7)	$ (10.8)	(6.0)	(9.3)	(9.3)	(9.3)	$ (33.9)	(11.2)	(11.2)	(11.2)	(11.2)	$ (44.7)
Income allocated to ONEOK related to partial year ownership							(66.0)				$ (66.0)					
Net income applicable to unitholders	**$ 133.9**	**32.0**	**25.4**	**45.7**	**33.1**	**$ 136.2**	**19.0**	**68.6**	**70.0**	**73.4**	**$ 230.9**	**71.4**	**66.8**	**71.2**	**73.7**	**$ 283.1**
EPU (Diluted)	**$ 2.84**	**$ 0.69**	**$ 0.55**	**$ 0.98**	**$ 0.71**	**$ 2.93**	**$ 0.41**	**$ 0.83**	**$ 0.85**	**$ 0.89**	**$ 3.13**	**$ 0.86**	**$ 0.81**	**$ 0.86**	**$ 0.89**	**$ 3.42**
EPU (Diluted) (GAAP)	**$ 2.84**	**$ 0.68**	**$ 0.54**	**$ 1.00**	**$ 0.71**	**$ 2.93**	**$ 2.74**	**$ 0.83**	**$ 0.85**	**$ 0.89**	**$ 4.60**	**$ 0.86**	**$ 0.81**	**$ 0.86**	**$ 0.89**	**$ 3.42**
Diluted shares	46.4	46.4	46.4	46.4	46.4	46.4	46.4	82.8	82.8	82.8	73.7	82.8	82.8	82.8	82.8	82.8
Distribution per limited unit	$ 3.200	$ 0.800	$ 0.800	$ 0.800	$ 0.800	$ 3.200	$ 0.850	$ 0.930	$ 0.930	$ 0.930	$ 3.640	$ 0.980	$ 0.980	$ 0.980	$ 0.980	$ 3.920
											14%					***8%***
Margin Analysis																
Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross margin	**82.6%**	**79.7%**	**76.2%**	**75.2%**	**70.9%**	**75.3%**	**14.1%**	**13.8%**	**13.7%**	**13.8%**	**13.8%**	**14.3%**	**14.1%**	**14.2%**	**14.3%**	**14.2%**
Operating & Maintenance	19.2%	20.6%	20.1%	17.6%	18.6%	19.1%	6.4%	6.2%	6.1%	6.2%	6.2%	6.3%	6.3%	6.3%	6.3%	6.3%
D & A	14.6%	13.3%	14.4%	11.1%	12.3%	12.7%	2.0%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%	1.9%
Taxes other than income	6.1%	6.1%	6.0%	5.6%	5.1%	5.7%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Operating margin	**42.7%**	**39.7%**	**35.8%**	**40.9%**	**34.9%**	**37.9%**	**5.5%**	**5.5%**	**5.5%**	**5.6%**	**5.5%**	**5.8%**	**5.6%**	**5.8%**	**5.9%**	**5.8%**
Pretax margin	**25.0%**	**21.9%**	**19.2%**	**27.8%**	**20.3%**	**22.5%**	**6.2%**	**5.2%**	**5.2%**	**5.4%**	**5.5%**	**5.6%**	**5.4%**	**5.6%**	**5.7%**	**5.6%**
Tax rate	3.8%	2.6%	3.5%	3.7%	5.6%	3.9%	0.3%	0.8%	0.8%	0.8%	0.6%	1.1%	1.1%	1.0%	1.0%	1.0%
Net margin	24.0%	21.4%	18.5%	26.7%	19.2%	21.6%	6.2%	5.2%	5.2%	5.4%	5.5%	5.6%	5.3%	5.5%	5.7%	5.5%
Percentage Change - Q/Q																
Revenue	***6%***	***2%***	***-7%***	***22%***	***1%***	***14%***	***689%***	***2%***	***2%***	***1%***	***789%***	***-4%***	***-1%***	***2%***	***1%***	***-2%***
Gross Profit	2%	3%	-11%	21%	-4%	4%	57%	0%	1%	2%	63%	-1%	-2%	2%	2%	1%
Operating & Maintenance	-13%	36%	-9%	7%	7%	14%	174%	-1%	1%	2%	190%	-1%	-1%	1%	2%	0%
D & A	7%	-4%	0%	-5%	12%	-1%	26%	-1%	1%	0%	33%	1%	-1%	1%	0%	0%
Taxes other than income	2%	11%	-9%	15%	-7%	6%	-76%	-4%	2%	11%	-76%	1%	0%	0%	2%	9%
Operating income	**10%**	**-8%**	**-16%**	**40%**	**-13%**	**1%**	**25%**	**2%**	**1%**	**3%**	**30%**	**-1%**	**-4%**	**5%**	**2%**	**2%**
Pretax income	**17%**	**-9%**	**-18%**	**77%**	**-26%**	**3%**	**142%**	**-14%**	**2%**	**4%**	**119%**	**0%**	**-6%**	**6%**	**3%**	**-1%**
Net income	**12%**	**-9%**	**-19%**	**77%**	**-27%**	**3%**	**155%**	**-14%**	**2%**	**4%**	**126%**	**0%**	**-6%**	**6%**	**3%**	**-1%**
EPS (Diluted)	**8%**	**-9%**	**-21%**	**80%**	**-28%**	**3%**	**-42%**	**103%**	**2%**	**5%**	**7%**	**-3%**	**-6%**	**7%**	**3%**	**9%**
Percentage Change - Y/Y																
Revenue	***6%***	***11%***	***4%***	***24%***	***18%***	***14%***	***813%***	***903%***	***733%***	***729%***	***789%***	***1%***	***-3%***	***-3%***	***-3%***	***-2%***
Gross Profit	2%	3%	-5%	13%	6%	4%	61%	81%	51%	61%	63%	2%	0%	1%	1%	1%
Operating & Maintenance	-13%	12%	2%	6%	41%	14%	185%	210%	190%	176%	190%	0%	0%	0%	-1%	0%
D & A	7%	-1%	0%	-5%	2%	-1%	34%	33%	41%	26%	33%	0%	0%	0%	1%	0%
Taxes other than income	2%	1%	10%	6%	8%	6%	-77%	-75%	-78%	-74%	-76%	9%	14%	12%	3%	9%
Operating income	**10%**	**1%**	**-12%**	**24%**	**-6%**	**1%**	**27%**	**55%**	**12%**	**33%**	**30%**	**6%**	**-1%**	**3%**	**2%**	**2%**
Pretax income	**17%**	**-9%**	**-17%**	**41%**	**-3%**	**3%**	**159%**	**173%**	**57%**	**121%**	**119%**	**-9%**	**0%**	**4%**	**3%**	**-1%**
Net income	**12%**	**-6%**	**-17%**	**41%**	**-6%**	**3%**	**165%**	**181%**	**62%**	**132%**	**126%**	**-9%**	**0%**	**4%**	**3%**	**-1%**
EPS (Diluted)	**8%**	**-6%**	**-17%**	**43%**	**-6%**	**3%**	**-41%**	**51%**	**-14%**	**25%**	**7%**	**111%**	**-3%**	**2%**	**0%**	**9%**

N.A. - Not Applicable. N.M. - Not Meaningful.
Source: Harris Nesbitt and corporate reports.

Date Published 2/23/2006

Estimated Distributable Cash Flow

	2004E	1Q	2Q	3Q	4Q	2005E	1Q	2Q	3Q	4Q	2006E	1Q	2Q	3Q	4Q	2007E
Net Income	$ 144.7	$ 34.3	$ 27.7	$ 48.4	$ 35.8	$ 146.2	$ 199.0	$ 77.9	$ 79.3	$ 82.7	$ 438.8	$ 82.6	$ 78.0	$ 82.4	$ 84.8	$ 327.8
Plus: Income Taxes	8.1	0.9	1.0	1.9	2.1	5.9	0.3	0.6	0.6	0.7	2.1	0.9	0.8	0.8	0.9	3.4
Plus: D&A	86.7	21.4	21.5	20.3	22.8	86.0	28.8	28.6	28.7	28.7	114.8	28.9	28.6	28.8	28.8	115.1
Plus: Minority Interest	50.0	12.2	8.6	13.9	11.0	45.7	-	-	-	-	-	-	-	-	-	-
Plus: Distributions from investments over and above recognized equity earnings							5.8	5.6	5.7	5.9	23.0	6.2	6.0	6.1	6.2	24.5
Less: Maintenance Cap Ex	(20.8)	(6.1)	(7.0)	(7.3)	(10.5)	(30.9)	(13.0)	(13.0)	(13.0)	(13.0)	(52.0)	(13.3)	(13.3)	(13.3)	(13.3)	(53.2)
Less: Distis to Minority Interest	(61.8)	(16.2)	(15.7)	(11.8)	(17.1)	(60.8)	-	-	-	-	-	-	-	-	-	-
Less: Other	(2.4)	0.9	0.4	(2.1)	(1.1)	(1.9)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
Less: Gain on sale of assets							(108.0)				(108.0)					
Less: Cash flow to Oneok for partial year ownership							(77.0)				(77.0)					
Distributable Cash Flow	$ 204.5	$ 47.4	$ 36.5	$ 63.3	$ 43.0	$ 190.2	$ 34.8	$ 98.6	$ 100.3	$ 104.0	$ 337.8	$ 104.3	$ 99.1	$ 103.8	$ 106.4	$ 413.6
Less: Distributions to General Partners	(10.8)	(2.7)	(2.7)	(2.7)	(2.7)	(10.8)	(6.0)	(9.3)	(9.3)	(9.3)	(33.9)	(11.2)	(11.2)	(11.2)	(11.2)	(44.7)
Distributable Cash Flow to Limited Partners	193.7	44.7	33.8	60.6	40.3	179.4	28.8	89.3	91.0	94.7	303.9	93.1	88.0	92.6	95.3	368.9
Distributable Cash Flow to LP per Unit	4.41	0.96	0.73	1.31	0.87	3.87	0.62	1.08	1.10	1.14	3.94	1.12	1.06	1.12	1.15	4.46
Declared Distribution	$3.20	$0.80	$0.80	$0.80	$0.80	$3.20	$ 0.850	$ 0.930	$ 0.930	$ 0.930	$3.64	$ 0.980	$ 0.980	$ 0.980	$ 0.980	$3.92
Coverage Ratio	**1.38x**	**1.20x**	**0.91x**	**1.63x**	**1.09x**	**1.21x**	**0.73x**	**1.16x**	**1.18x**	**1.23x**	**1.08x**	**1.15x**	**1.08x**	**1.14x**	**1.17x**	**1.14x**

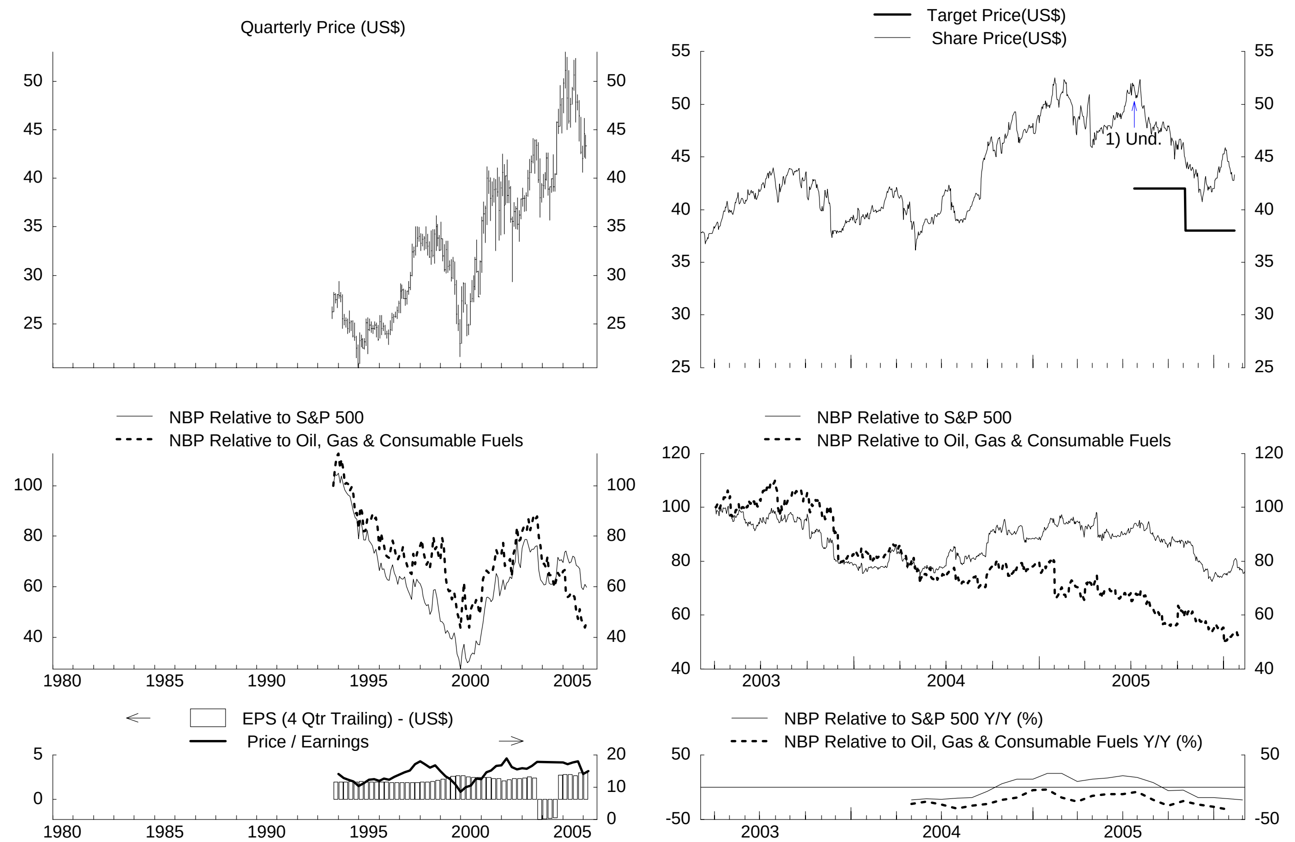
Source: Company reports and Harris Nesbitt estimates.

Northern Border Partners Consolidated Free Cash Flows 2002-2007E
($ Millions; fiscal year ends in Dec)

	2002	2003	2004	2005E	2006E	2007E
Net Income from continuing ops	113,676	(88,454)	144,720	146,919	435,863	327,756
Depreciation, Depletion, & Amortization	76,239	301,977	87,203	86,102	114,776	115,129
Changes in Working Capital	8,806	(18,592)	(19,243)	9,204	(107,320)	13,897
Other	44,421	29,729	31,978	25,474	19,349	55,439
Net cash provided (used) by operating activities of continuing ops	243,142	224,660	244,658	267,698	462,668	512,222
Net cash provided (used) by operating activities of discontinuing ops	-	-	-	-	-	-
Cash Flow From Operations	**$ 243,142**	**$ 224,660**	**$ 244,658**	**$ 267,698**	**$ 462,668**	**$ 512,222**
Capital Expenditures	(49,874)	(30,282)	(43,477)	(67,526)	(102,500)	(99,000)
"Free" Cash Flow From Operations	**$ 193,268**	**$ 194,378**	**$ 201,181**	**$ 200,172**	**$ 360,168**	**$ 413,222**
Cash distributions to Unitholders and General Partners	(146,960)	(155,173)	(159,624)	(159,553)	(304,352)	(369,228)
Acquisitions, Net of Cash	(1,561)	(123,194)	-	-	(3,000,000)	-
Dispositions/Other	(2,972)	36,736	22,601	(6,884)	300,000	-
Debt Increases (Payments), Net	(67,646)	(19,129)	(68,521)	24,027	1,132,131	-
Stock Issuance (Repurchase), Net	75,376	102,203	(40)	-	1,650,000	-
Other, Net	(31,571)	(34,615)	2,488	(53,585)	(175,000)	-
Net Change in Cash	**$ 17,934**	**$ 1,206**	**$ (1,915)**	**$ 4,177**	**$ (37,053)**	**$ 43,994**
Cash at Beginning of Year	$ 16,755	$ 34,689	$ 35,895	$ 33,980	$ 38,157	$ 1,104
Cash at End of Year	**$ 34,689**	**$ 35,895**	**$ 33,980**	**$ 38,157**	**$ 1,104**	**$ 45,097**
Operating Cash Flow per share	**$ 5.69**	**$ 4.95**	**$ 5.27**	**$ 5.77**	**$ 6.28**	**$ 6.19**
"Free" Cash Flow per share	**$ 4.53**	**$ 4.28**	**$ 4.34**	**$ 4.31**	**$ 4.89**	**$ 4.99**

Source: Harris Nesbitt estimates and corporate reports.

NORTHERN BORDER PARTNERS L P (NBP)

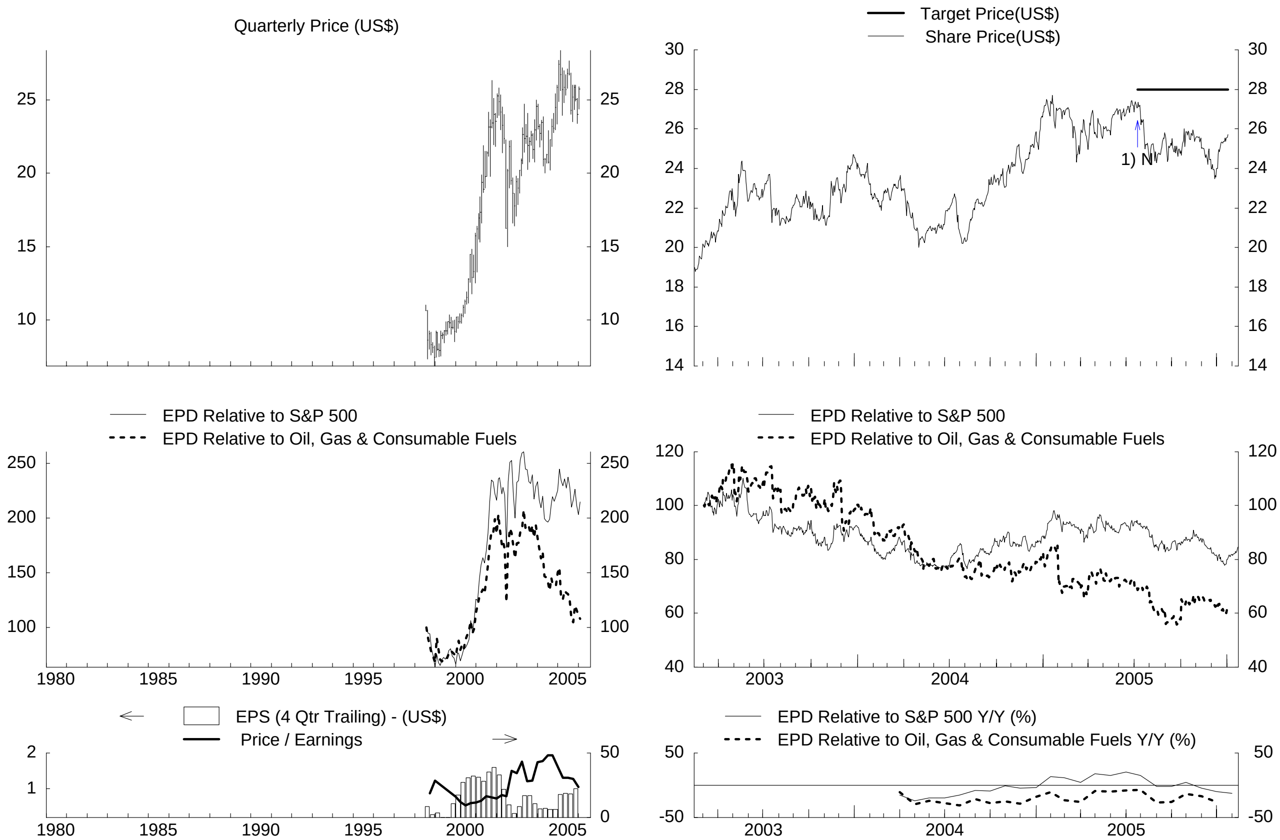


NBP - Rating as of 3-Mar-03 = NR

	Date	Rating Change	Share Price
1	25-Jul-05	NR to Und.	$51.85

Last Daily Data Point: February 10, 2006

ENTERPRISE PRODS PARTNERS L (EPD)



EPD - Rating as of 11-Feb-03 = NR

	Date	Rating Change	Share Price
1	25-Jul-05	NR to N	$27.07

Last Daily Data Point: January 23, 2006

Important Disclosures

Analyst's Certification
I, Patrick Rau, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of HNC, BMO Nesbitt Burns, and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and convincing clients to act on them, performance of recommendations, accuracy of earnings estimates, and service to clients.

NBP Company Specific Disclosure

Harris Nesbitt has provided advice for a fee with respect to this company within the past 12 months: No

Harris Nesbitt has undertaken an underwriting liability with respect to this company within the past 12 months: No

Harris Nesbitt has provided investment banking services with respect to the company within the past 12 months: No

Harris Nesbitt or its affiliates owns 1% or more of any class of common equity securities of the company: No

Harris Nesbitt or its affiliates makes a market in the security: No

Harris Nesbitt or its affiliates managed or co-managed a public offering of securities of the company in the past twelve months: No

Harris Nesbitt or its affiliates received compensation for investment banking services from the company in the past twelve months: No

Harris Nesbitt or its affiliates or its officers own warrants or options: No

Company is a client (or was a client) of Harris Nesbitt or an affiliate within the past 12 months: Yes, for non-securities services

Employee, officer, or director of Harris Nesbitt is a member of the Board of Directors or an advisor or officer of this company: No

A member of the Board of Directors of Bank of Montreal is also a member of the Board of Directors or is an officer of this company: No

Analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

A household member of the research analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

Analyst or associate who prepared this report or member of household of analyst or associate owns shares: No

Analyst or associate who prepared this report or member of household of analyst or associate owns warrants/options: No

Harris Nesbitt or its affiliates expects to receive or intends to seek compensation for investment banking services from the company in the next three months: No

Analyst received compensation from the company in the past year: No

Harris Nesbitt or its affiliates received compensation for products or services other than Investment Banking Services from the company in the past 12 months: Yes

EPD Company Specific Disclosure

Harris Nesbitt has provided advice for a fee with respect to this company within the past 12 months: No

Harris Nesbitt has undertaken an underwriting liability with respect to this company within the past 12 months: No

Harris Nesbitt has provided investment banking services with respect to the company within the past 12 months: No

Harris Nesbitt or its affiliates owns 1% or more of any class of common equity securities of the company: No

Harris Nesbitt or its affiliates makes a market in the security: No

Harris Nesbitt or its affiliates managed or co-managed a public offering of securities of the company in the past twelve months: No

Harris Nesbitt or its affiliates received compensation for investment banking services from the company in the past twelve months: No

Harris Nesbitt or its affiliates or its officers own warrants or options: No

Company is a client (or was a client) of Harris Nesbitt or an affiliate within the past 12 months: Yes, for non-securities services

Employee, officer, or director of Harris Nesbitt is a member of the Board of Directors or an advisor or officer of this company: No

A member of the Board of Directors of Bank of Montreal is also a member of the Board of Directors or is an officer of this company: No

Analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

A household member of the research analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

Analyst or associate who prepared this report or member of household of analyst or associate owns shares: No

Analyst or associate who prepared this report or member of household of analyst or associate owns warrants/options: No

Harris Nesbitt or its affiliates expects to receive or intends to seek compensation for investment banking services from the company in the next three months: No

Analyst received compensation from the company in the past year: No

Harris Nesbitt or its affiliates received compensation for products or services other than Investment Banking Services from the company in the past 12 months: Yes

Breakdown of Rating Distribution and Banking Clients

(As of December 31, 2005)	Buy	Hold	Sell	Unrated
% of total Harris Nesbitt coverage within rating category	34.6%	58.9%	6.5%	0.0%
% of stocks within rating category for which the Firm provided banking services over the past 12 months	8.5%	5.5%	0.0%	0.0%

Harris Nesbitt Rating System
Our investment ratings compare a stock's expected performance to that of an index of comparable companies over a 9-15 month horizon. Our sector ratings are based on the expected performance of the sector compared with that of a broader market index over the same time period.

STOCK RATINGS
OUTPERFORM - We believe the stock's total return, including dividends, will exceed the group average by over 15%.
NEUTRAL - We believe the stock's total return will generally match the group average.
UNDERPERFORM - We believe the stock's total return will fall short of the group average by more than 15%.

SECTOR RATINGS
POSITIVE - We believe the sector will outperform the S&P 500 Index.
NEGATIVE - We believe the sector will underperform the S&P 500 Index.

Prior Harris Nesbitt Rating System (7/12/00-3/28/03)
Harris Nesbitt does not make a judgment on the prospects for the broad market indices. Our investment ratings have a time horizon of 12-18 months relative to the market over that time. We compare a stock's expected performance to that of a broader, relevant index, which is typically either the S&P 500 or the Russell 2000.
Buy - We believe the stock will outperform the market by at least 20% over the next 12 months and that there are compelling reasons to own it sooner than later.
Outperform - We believe the company's business model and prospects are solid, and we expect the stock will outperform the market. However, we see upside of less than 20% relative to the market or are somewhat concerned about near-term performance.
Neutral - We don't have a strong opinion about which way the stock price will move, but expect it to rise or fall less than 10% relative to the market. Our analysis suggests a value reasonably close to the current price.
Underperform - We believe the stock may be well ahead of itself or we are sufficiently concerned about results that we cannot justify the current valuation. We believe the stock may underperform the market by as much as 20%.
Sell - We expect the stock to underperform the market by at least 20% and see no reason to own the stock.

Other Important Disclosures
Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDA, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions. For more specific information, please refer to www.harrisnesbitt.com.

Dissemination of Research
Harris Nesbitt Corp. Equity Research is available via our web site http://research.harrisnesbitt.com. Please contact your investment advisor or institutional salesperson for more information. Institutional clients may also receive our research via FIRST CALL Research Direct and Reuters.

All of our research is made widely available at the same time to all HNC client groups entitled to our research.

General Disclaimer
The information and opinions in this report were prepared by Harris Nesbitt Corp. (HNC). HNC is an affiliate of BMO Nesbitt Burns Inc., and BMO Nesbitt Burns Ltee/Ltd. ("BMO Nesbitt Burns"). This information is not intended to be used as the primary basis of investment decisions, and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that HNC, BMO Nesbitt Burns, or their affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of HNC as of the date of this report and are subject to change without notice. HNC endeavors to ensure that the contents have been compiled or derived from sources that we believe are

reliable and contain information and opinions that are accurate and complete. However, HNC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to HNC or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security. HNC, BMO Nesbitt Burns, or their affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. HNC and BMO Nesbitt Burns are subsidiaries of Bank of Montreal.

Additional Matters

To Canadian Residents: BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltee/Ltd., affiliates of Harris Nesbitt Corp., furnish this report to Canadian residents and accept responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc. and/or BMO Nesbitt Burns Ltee/Ltd.

To UK residents: The contents hereof are intended solely for the use of, and may only be issued or passed onto, persons described in part VI of the financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment banking products. BMO serves Canadian clients through its Canadian retail arm BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, clients are served through Chicago-based Harris Bank, and Harris Nesbitt, an investment bank. HNC is a member of SIPC. BMO Nesbitt Burns is a Member of CIPF. “Nesbitt Burns” is a registered trademark of BMO Nesbitt Burns Corporation Limited, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

A member of **BMO Financial Group**