



BLACK STONE
MINERALS

The Oil & Gas Conference

August 15, 2017
Denver, Colorado



Forward-Looking Statements



This presentation contains “forward-looking statements” within the meaning of the securities laws. All statements, other than statements of historical fact, included in this presentation that address activities, events, or developments that Black Stone Minerals, L.P. (“Black Stone Minerals,” “Black Stone,” “the Partnership,” or “BSM”) expects, believes, or anticipates will or may occur in the future are forward-looking statements. The words “believe,” “expect,” “may,” “estimates,” “will,” “anticipate,” “plan,” “intend,” “foresee,” “should,” “would,” “could,” or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. However, the absence of these words does not mean that the statements are not forward-looking.

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BSM LISTED NYSE

- Black Stone Minerals, L.P. is the largest publicly traded yield vehicle focused on oil and gas mineral and royalty interests in the U.S.
- Over 18 million mineral and royalty acres with interests in over 40 states and 60 producing basins
- Ideal asset profile for energy investors
 - Upstream oil & gas exposure without the associated drilling capital or operating expense
 - Low leverage
 - Cost-free growth through development drilling and new discoveries on existing assets

• Headquarters.....	Houston, TX
• Inside ownership.....	>20%
• Qtrly common distribution ¹	\$0.3125 / unit
• Current annual yield ¹	7.6%
• Production (2017).....	37.3 MBoe/d
• Proved reserves (YE 2016).....	63.4 MMBoe

Our Core Business



- Acquiring domestic oil and gas interests across multiple basins
- Managing our mineral interests to provide steady growth in production over time
- Maintaining a conservative fiscal policy that promotes financial flexibility, enhances our cost of capital, and provides for a secure and growing distribution

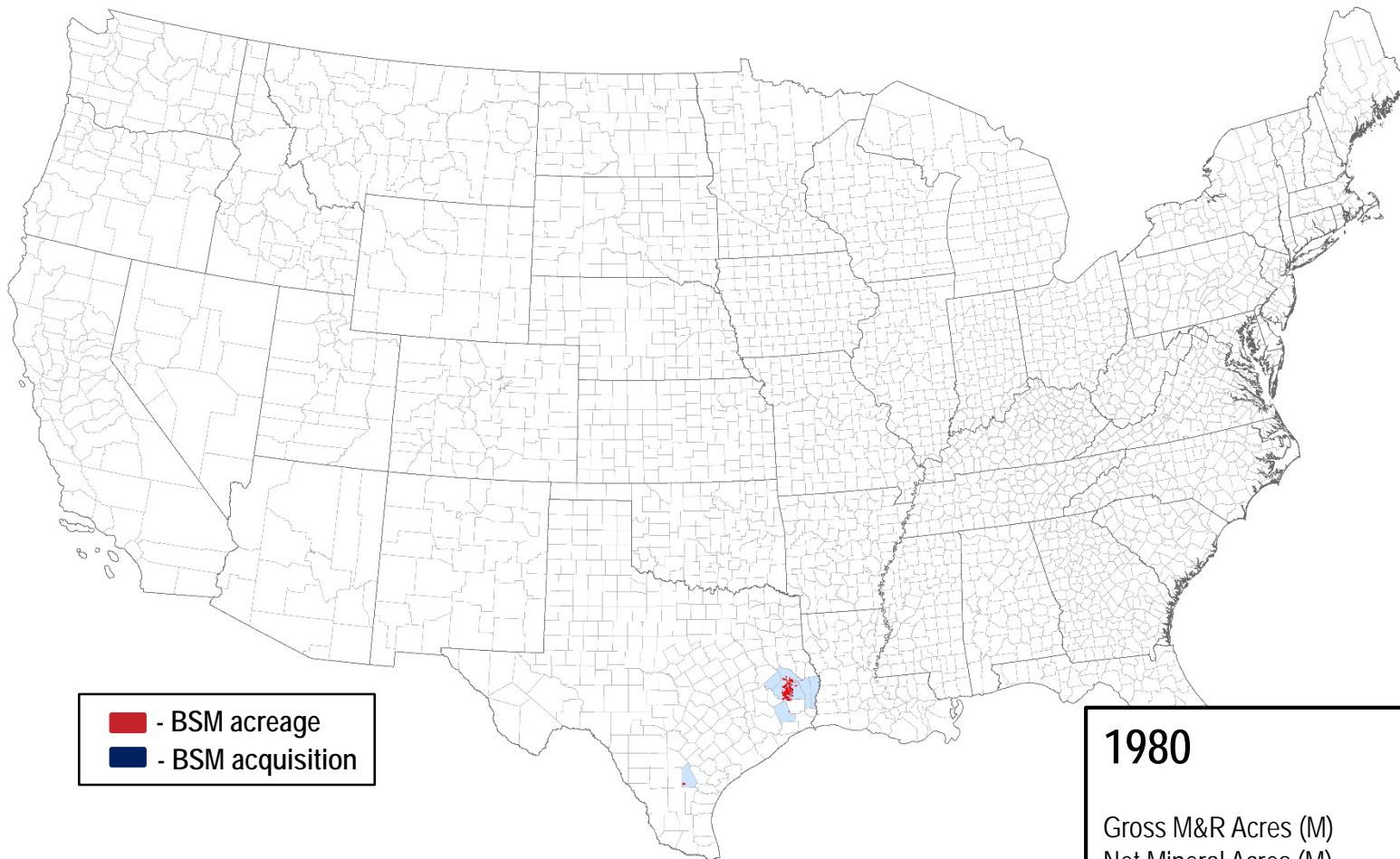


- There is an increased focus on and discussion of acquiring minerals today
 - “Got Minerals?” – Leslie Haynes, Oil & Gas Investor, 6/8/17
 - “Mineral Rights Can Make You Rich” – Merrill Matthews, Wall Street Journal, 7/9/17
 - “Once-Humble Mineral Rights Start Gushing Cash for Some Colleges” – Janet Lorin, Bloomberg, 8/7/17
 - There are as many as 20 private-equity backed mineral and royalty teams that have been funded in recent years
- Black Stone Minerals has been at this for a very long time ... we have done it and are still doing it

BSM Acquisitions Over Time



1980



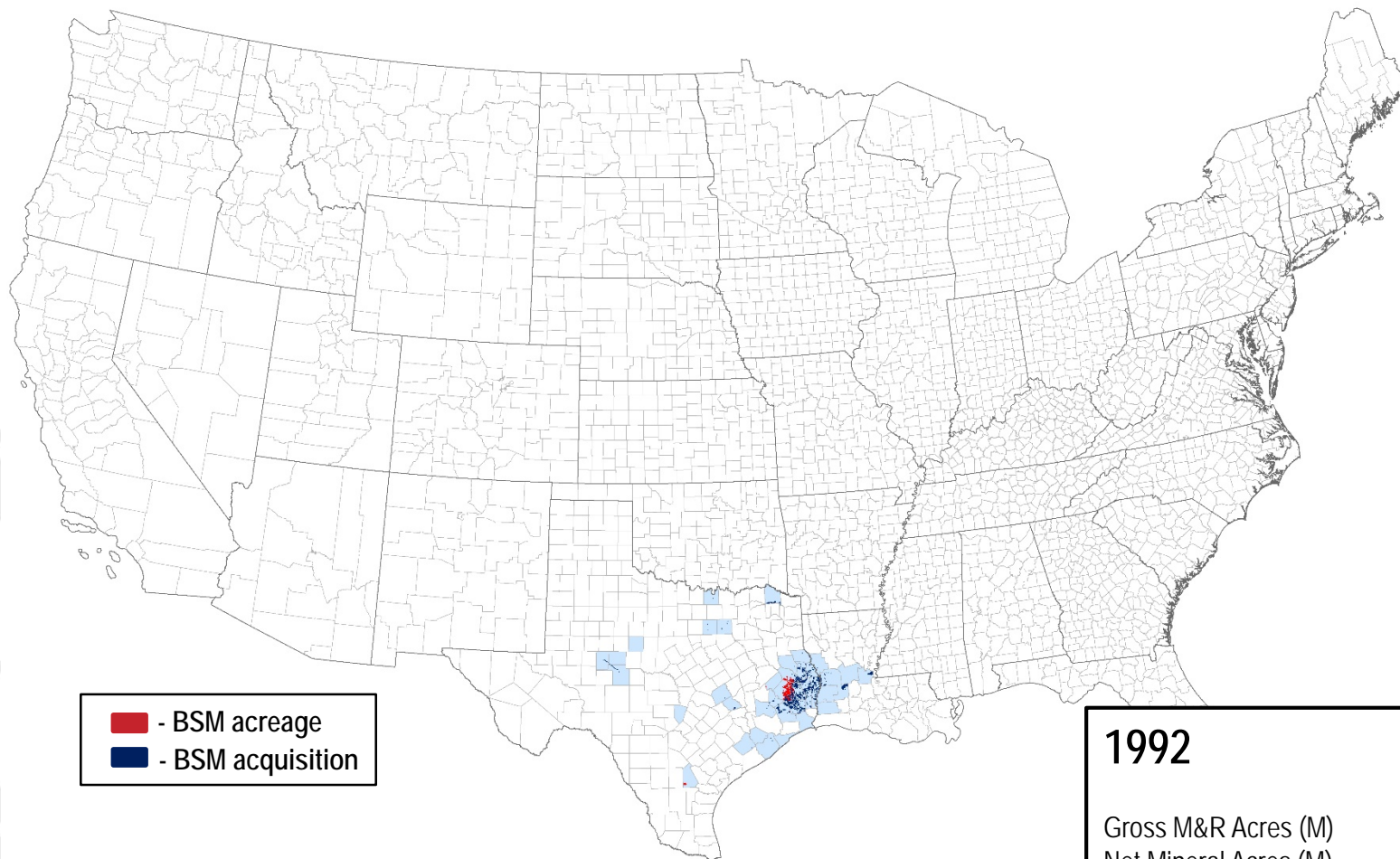
■ - BSM acreage
■ - BSM acquisition

1980	<u>Cumulative</u>
Gross M&R Acres (M)	230
Net Mineral Acres (M)	185

BSM Acquisitions Over Time



1992



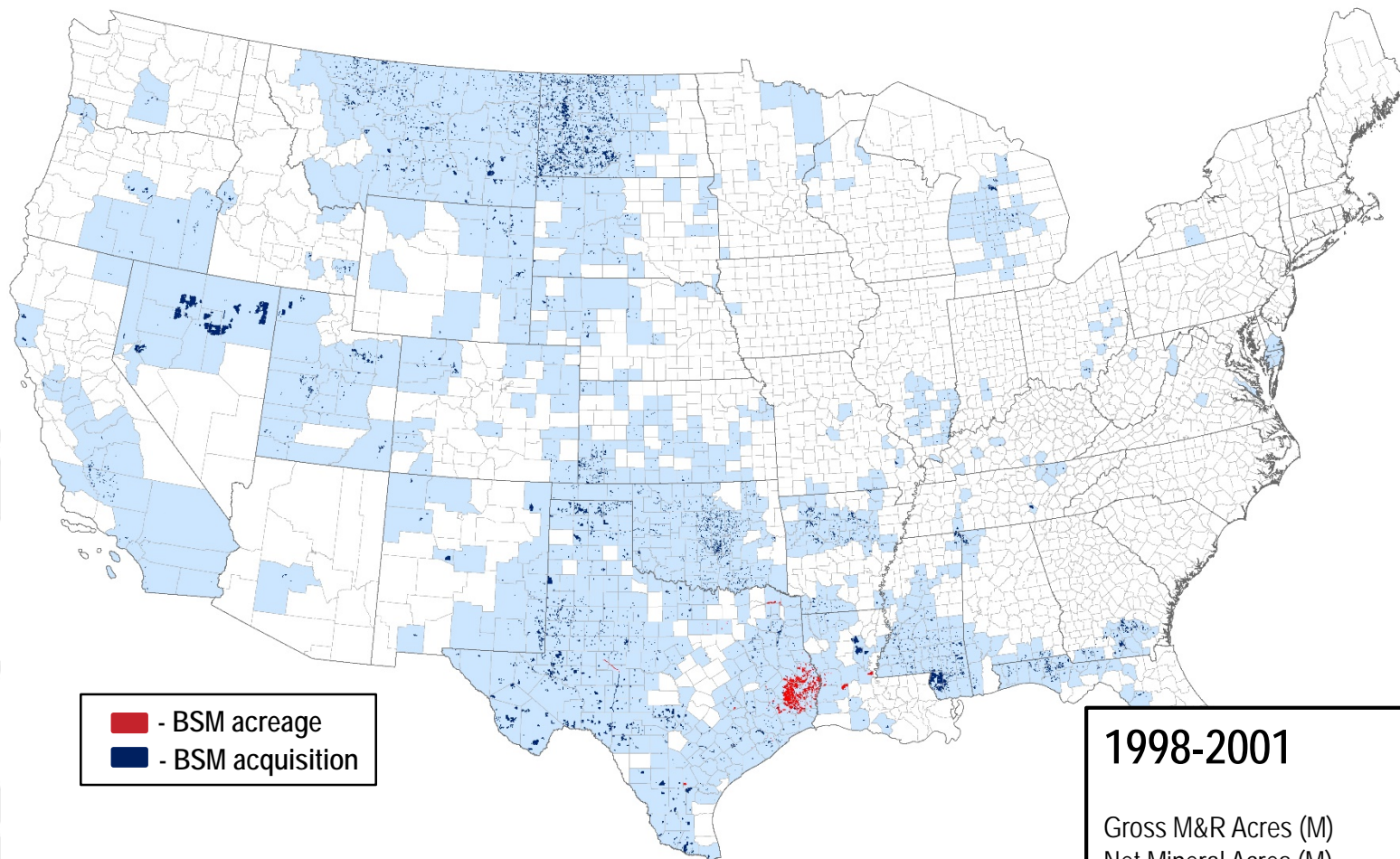
■ - BSM acreage
■ - BSM acquisition

	<u>Cumulative</u>
1992	
Gross M&R Acres (M)	655
Net Mineral Acres (M)	575
Acquisitions (\$MM)	\$23.5

BSM Acquisitions Over Time



1998 - 2001



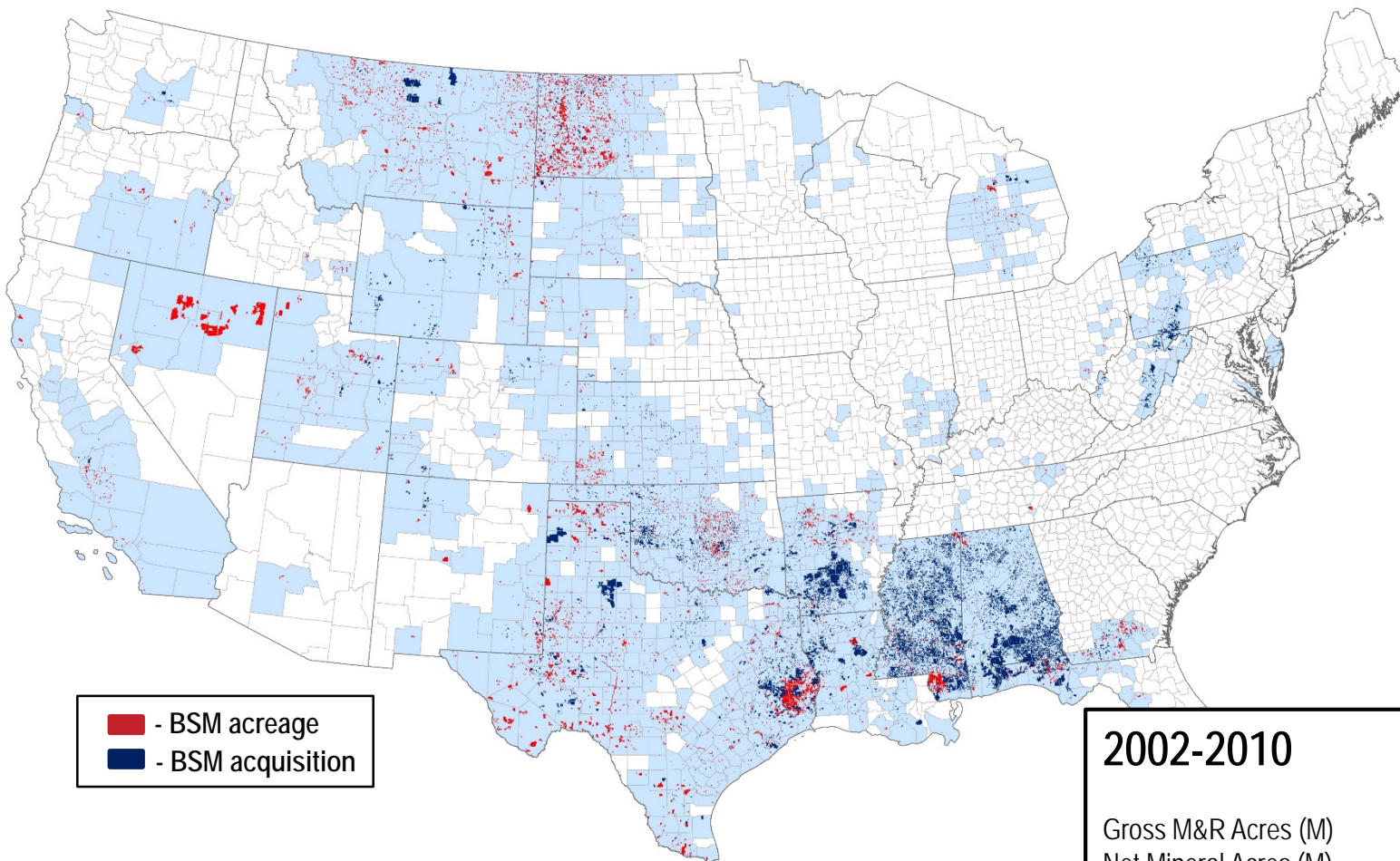
■ - BSM acreage
■ - BSM acquisition

	<u>Cumulative</u>
1998-2001	
Gross M&R Acres (M)	6,265
Net Mineral Acres (M)	2,440
Acquisitions (\$MM)	\$118.0

BSM Acquisitions Over Time



2002 - 2010



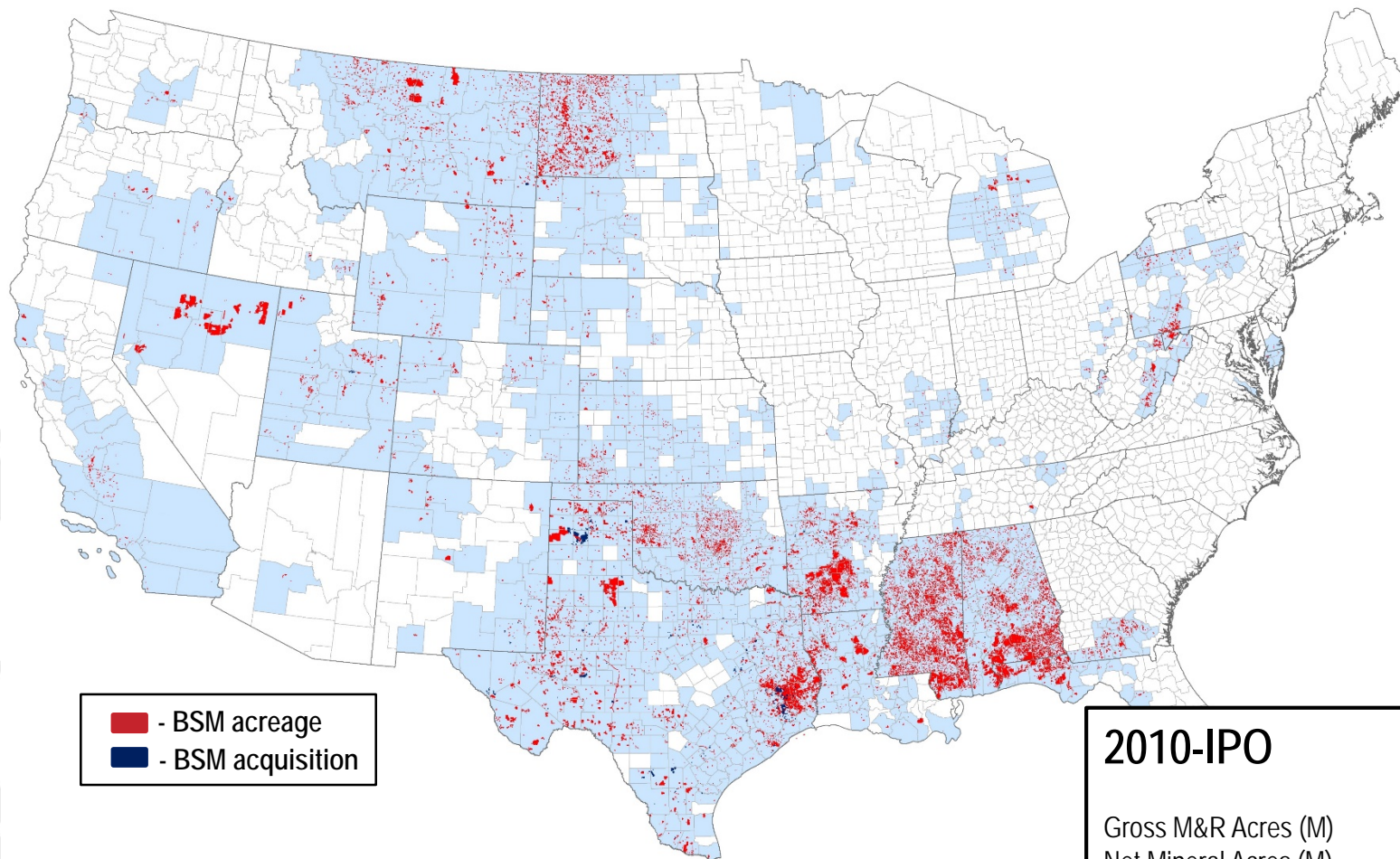
■ - BSM acreage
■ - BSM acquisition

2002-2010	
	<u>Cumulative</u>
Gross M&R Acres (M)	16,420
Net Mineral Acres (M)	7,605
Acquisitions (\$MM)	\$1,253.0

BSM Acquisitions Over Time



2010 - IPO



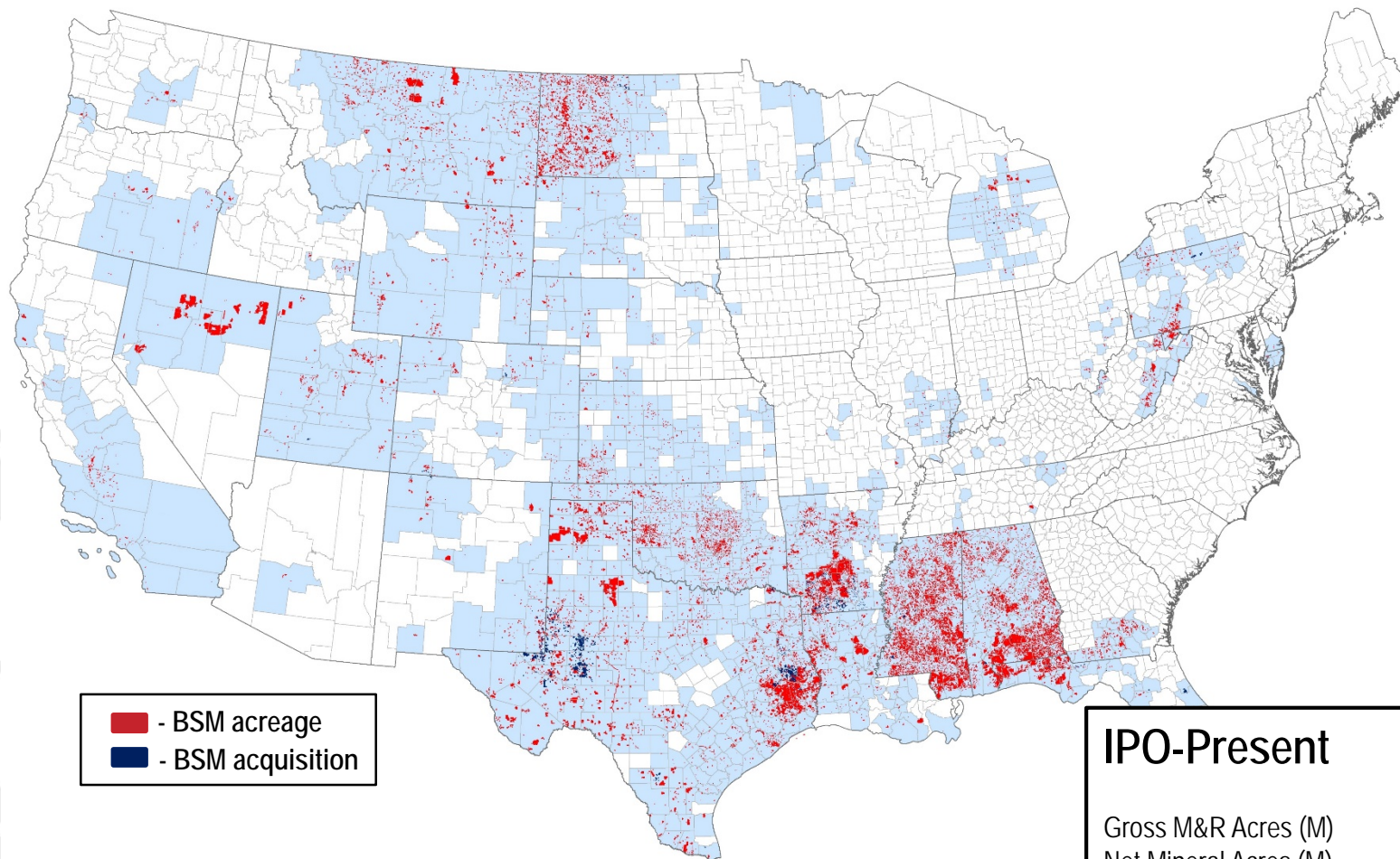
■ - BSM acreage
■ - BSM acquisition

	<u>Cumulative</u>
Gross M&R Acres (M)	17,030
Net Mineral Acres (M)	7,685
Acquisitions (\$MM)	\$1,508.0

BSM Acquisitions Over Time



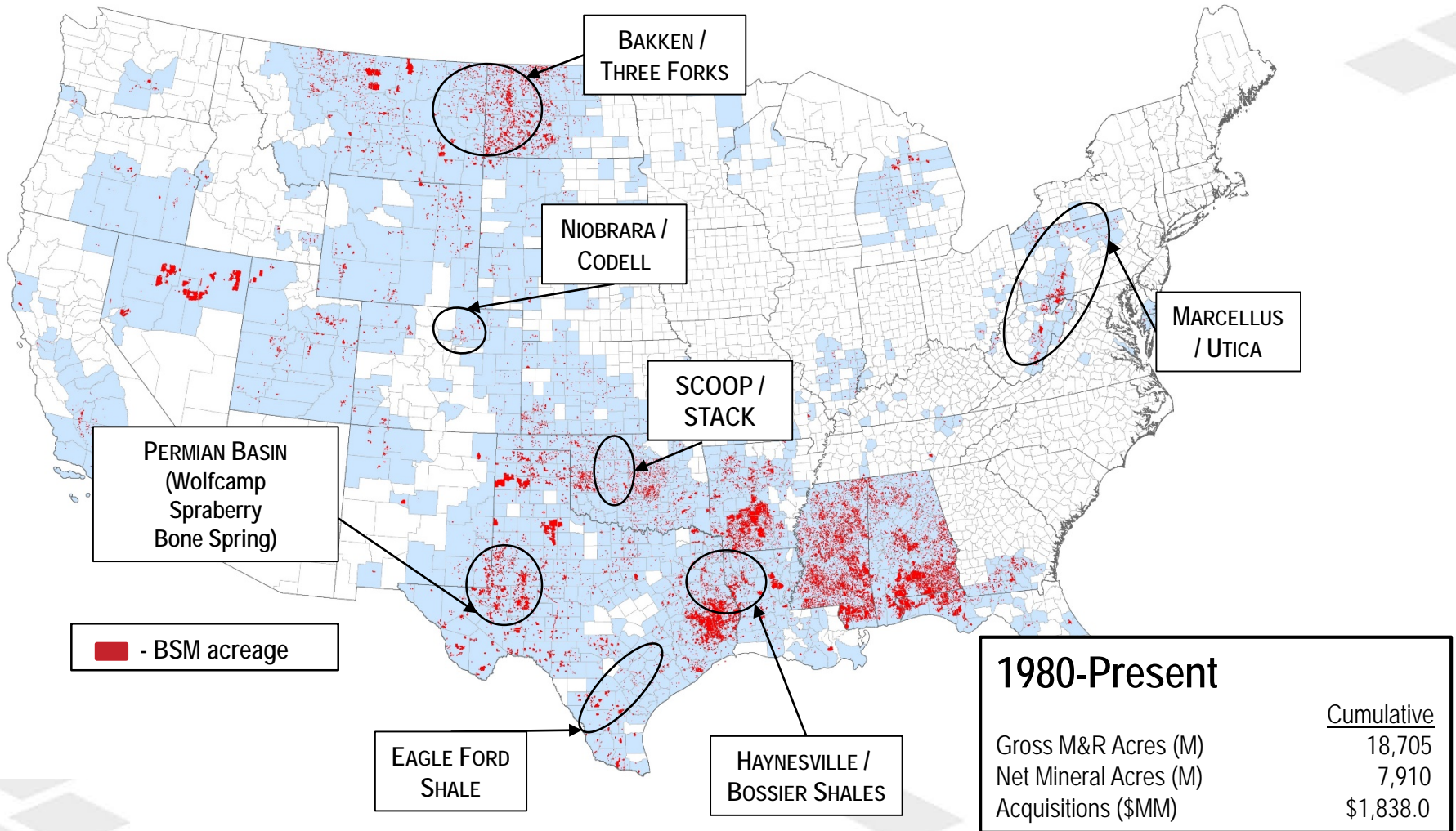
IPO - Present



■ - BSM acreage
■ - BSM acquisition

IPO-Present	
Gross M&R Acres (M)	<u>Cumulative</u> 18,705
Net Mineral Acres (M)	7,910
Acquisitions (\$MM)	\$1,838.0

BSM Acquisitions Over Time

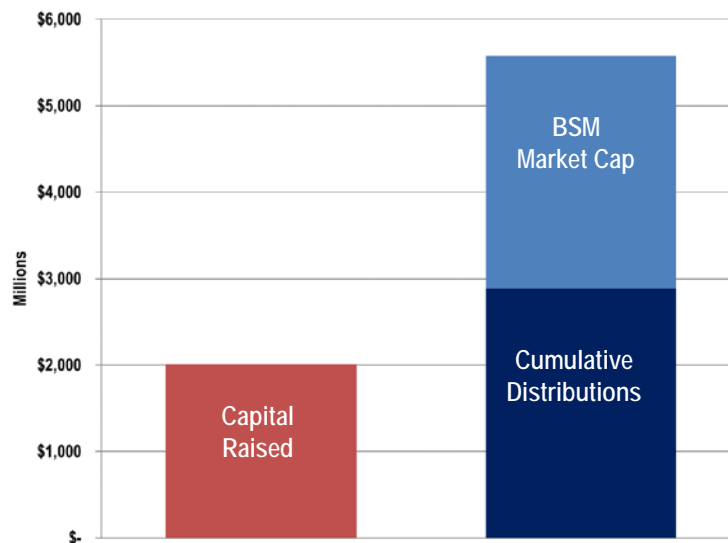
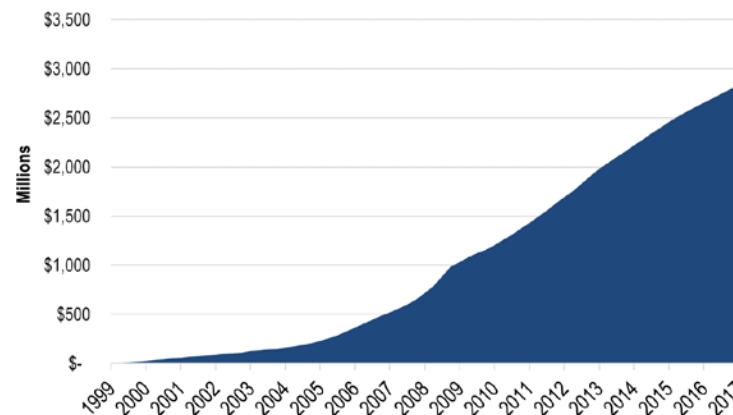


Distributions Over Time

- Black Stone has a long history of returning cash to its partners
- Since 1999, Black Stone has raised approximately \$2.0 billion in total equity capital across various entities and structures
- Over the same time frame, Black Stone's current asset base has delivered nearly \$2.9 billion in distributions to investors (including managed fund interests)



Cumulative Distributions Since 1999





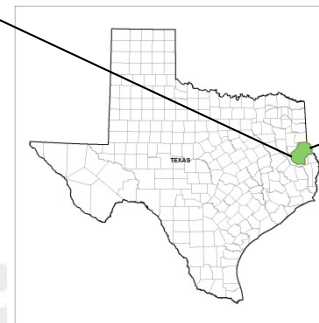
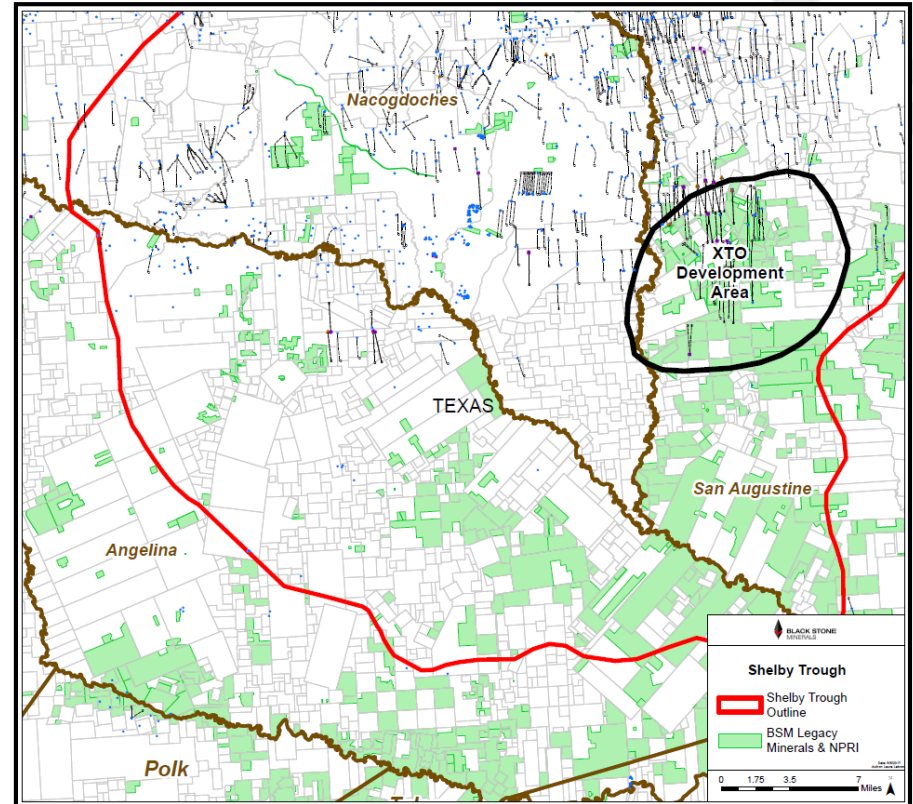
What do we mean when we say “management”?

- **Incubation / Navigational Influence**
 - Utilizing scale advantages in core areas to encourage and accelerate development
- **Stewardship**
 - Technical and land groups in place to promote undeveloped / underdeveloped acreage positions
 - Benefiting from having a perpetual property interest versus a term estate as with a lease; minerals ownership leads to cost-free embedded drop-downs

Incubation Example: The Shelby Trough



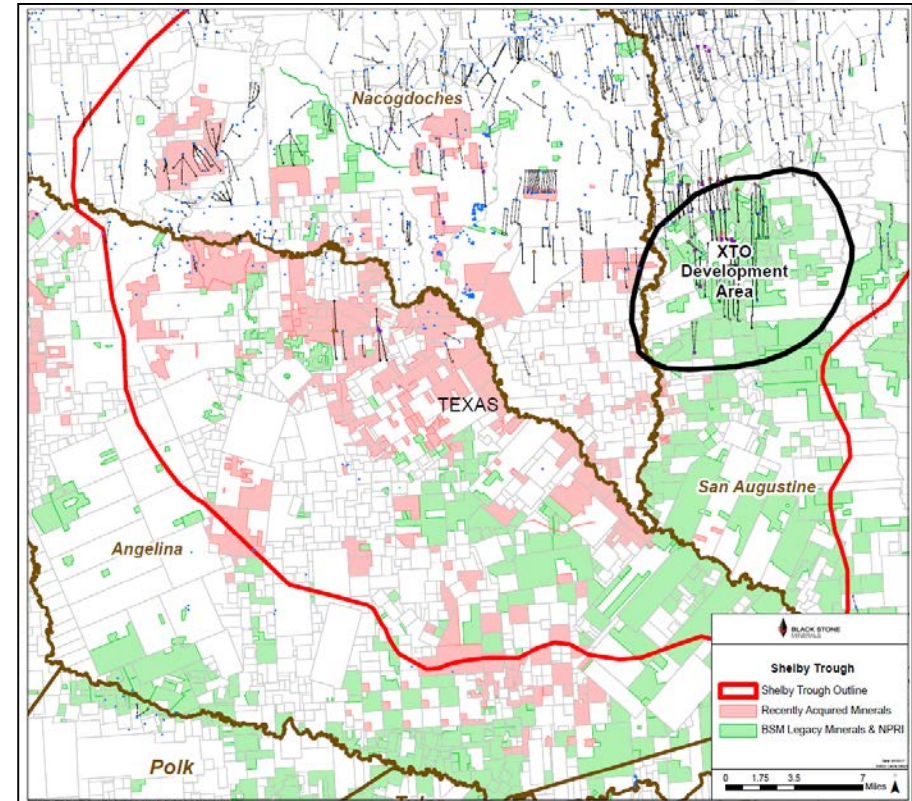
- In 2014, BSM owned ~75,000 net mineral acres in southern Shelby Trough of Haynesville/Bossier play
 - Very high quality rock
 - Relatively undeveloped compared to central Shelby Trough
- BSM negotiated a series of incentive development agreements with XTO to increase drilling activity to at least 10 wells per year, focused on a ~17,000 acre position in San Augustine County
- Since late 2015, XTO has drilled over 25 wells under those agreements, targeting both Haynesville and Bossier
- Through that program, BSM had early insight into significant improvements in well performance, costs, and economics



Shelby Trough: Expanding the Core



- Based on the strength of results in San Augustine County, Black Stone:
 - Attracted a second operator to the play
 - Structured an expanded development agreement covering approximately 80,000 net acres on BSM minerals
 - Concurrently acquired an additional 35,000 net acres in the Shelby Trough

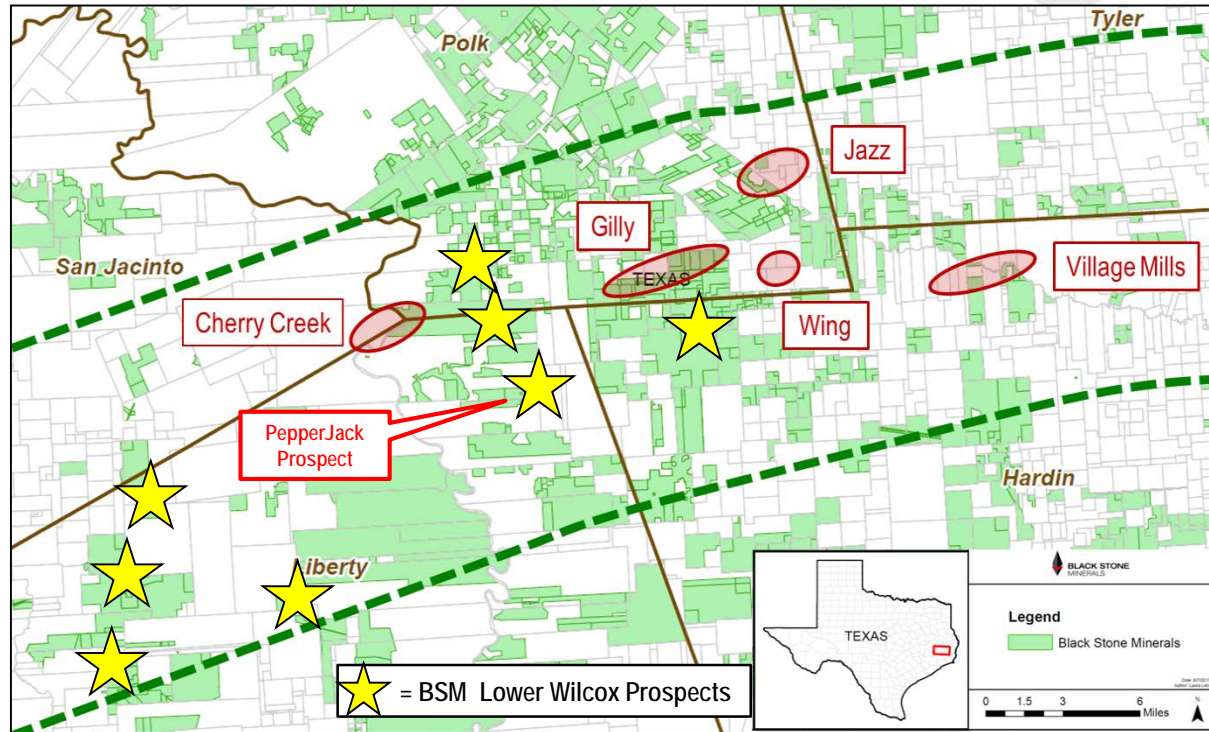


Black Stone's deep technical knowledge and strong producer relationships drive the ability to add meaningful value across existing and acquired minerals positions

Incubation Example: Lower Wilcox Trend



- Under exploited asset with significant potential (BSM has ~114 M net mineral acres in trend)
 - Area once thought to be sand-poor
 - Industry pursued unconventional plays elsewhere
 - Applying “resource play” technologies began to expand play
- Major discovery at Gilly Field
 - Unit Petroleum estimates Gilly EUR at 500+ BCFE
- Black Stone generated Lower Wilcox Prospects
 - Mapped entire trend using 900 square miles of 3-D, resulting in multiple new prospects
 - Recent discovery at Cherry Creek
 - PepperJack prospect expected to spud in 4Q17, possibly by BSM

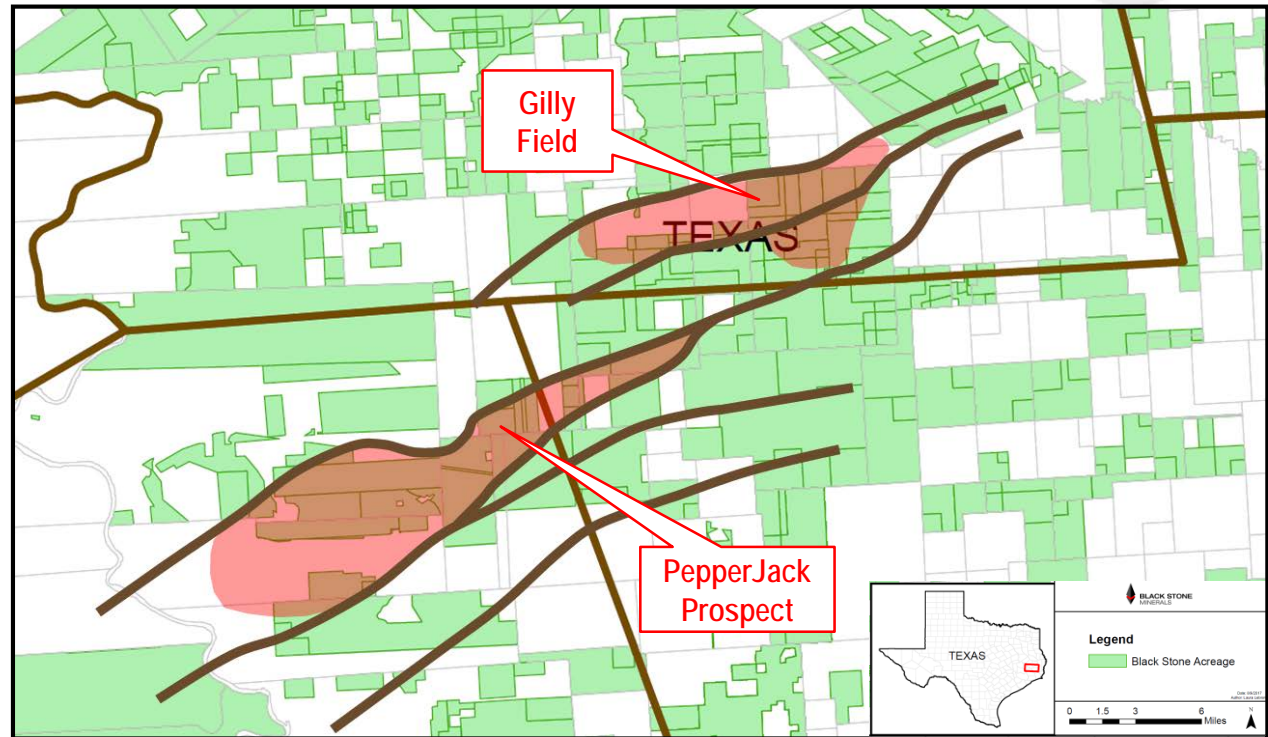


Gilly Analog: PepperJack



- **PepperJack Prospect**

- Targeting the same geological section as Gilly Field
- Mapped potential is twice the size of Gilly



Black Stone's scale and in-house technical expertise allows for unique prospect development opportunities not available in typical mineral and royalty companies

Stewardship Example: Austin Chalk & Woodbine

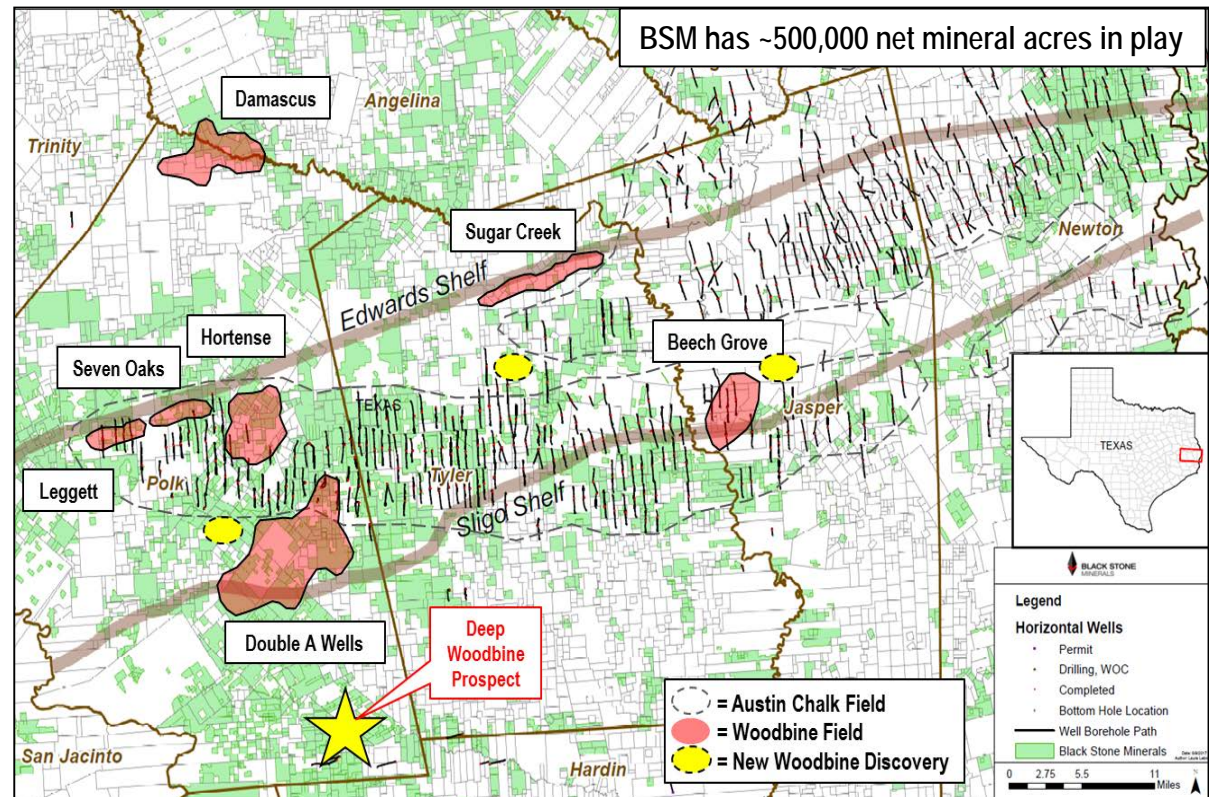


Austin Chalk

- Originally developed as a naturally fractured play with unstimulated horizontal completions
- Play expanded with technological advances
- Third round of development underway targeting matrix-dominated reserves with large multi-stage completions

Woodbine

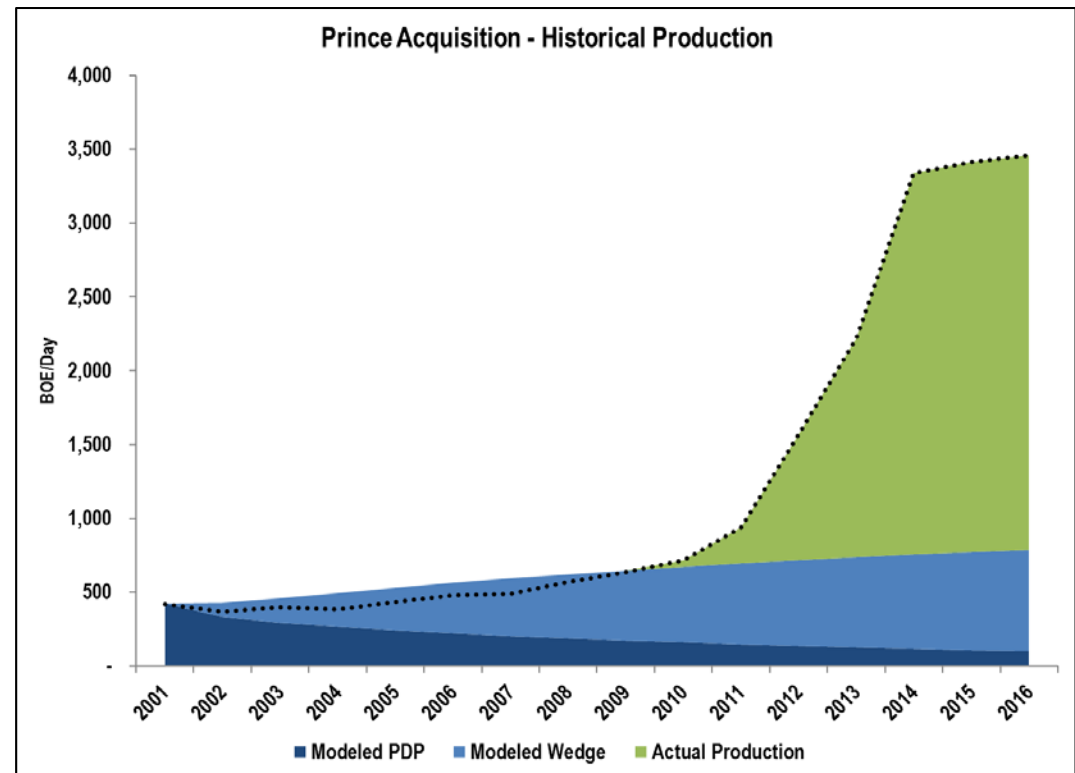
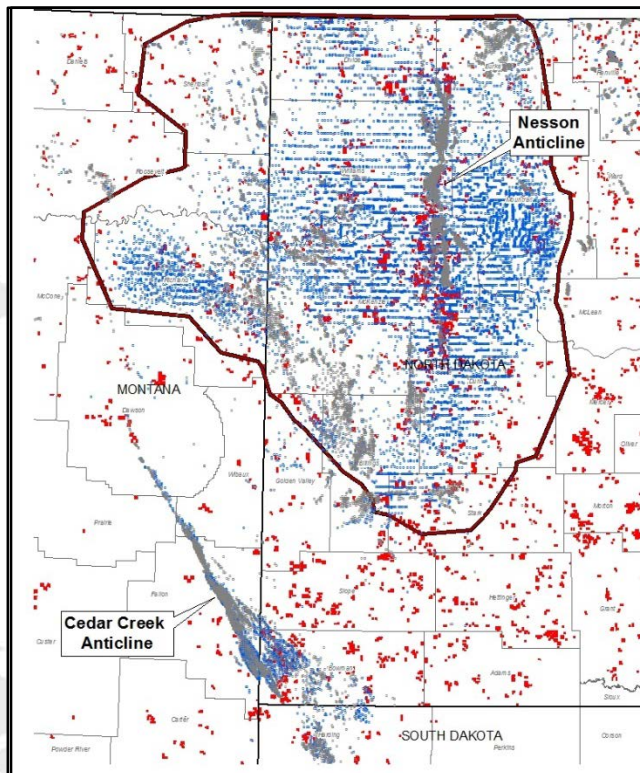
- Woodbine interval is coincident with the Austin Chalk across East Texas; most Woodbine fields were found and developed by mid-1990s
- Several new discoveries made in recent years after 20 years of inactivity
- Technological advancements have led to renewed interest in a Deep Woodbine concept originally drilled by Anadarko in the early 2000s



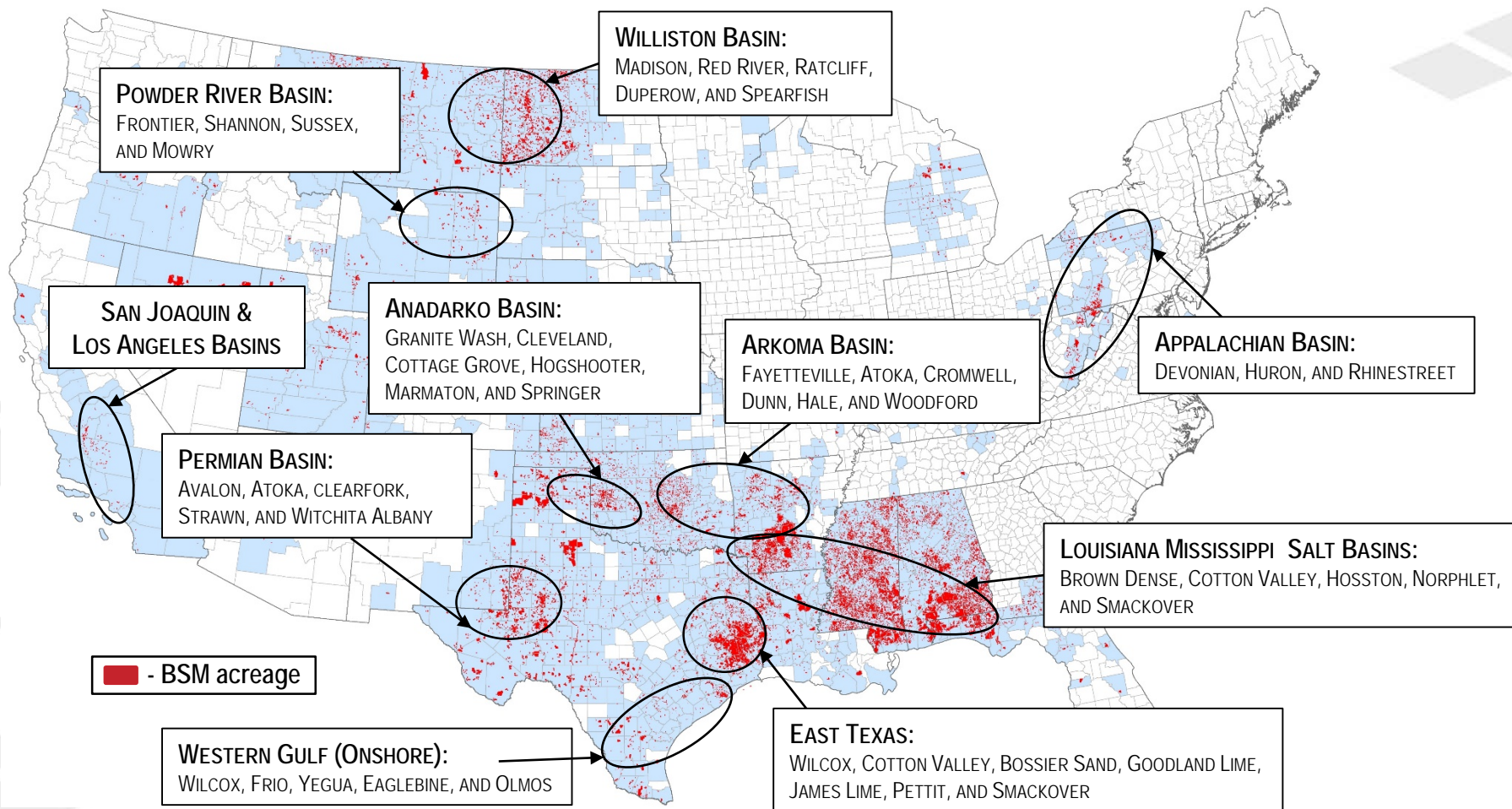
Stewardship Example: Prince Acquisition



- Black Stone purchased the Prince Mineral package in 2001, with most value placed on EOR potential at southern end of Cedar Creek Anticline
- Bakken / Three Forks play emerged thereafter, and a significant portion of the assets ended up in the Bakken fairway



Incubation and Stewardship: Other Plays



OTHER PLAYS INCLUDE:

DJ BASIN: NIOBRARA AND CODELL

SOUTHWESTERN WYOMING: PINEDALE ANTICLINE, MESA VERDE, NIOBRARA, AND WASATCH

PALO DURO: CANYON LIME, BROWN DOLOMITE, CANYON WASH, CISCO SAND, AND STRAWN WASH

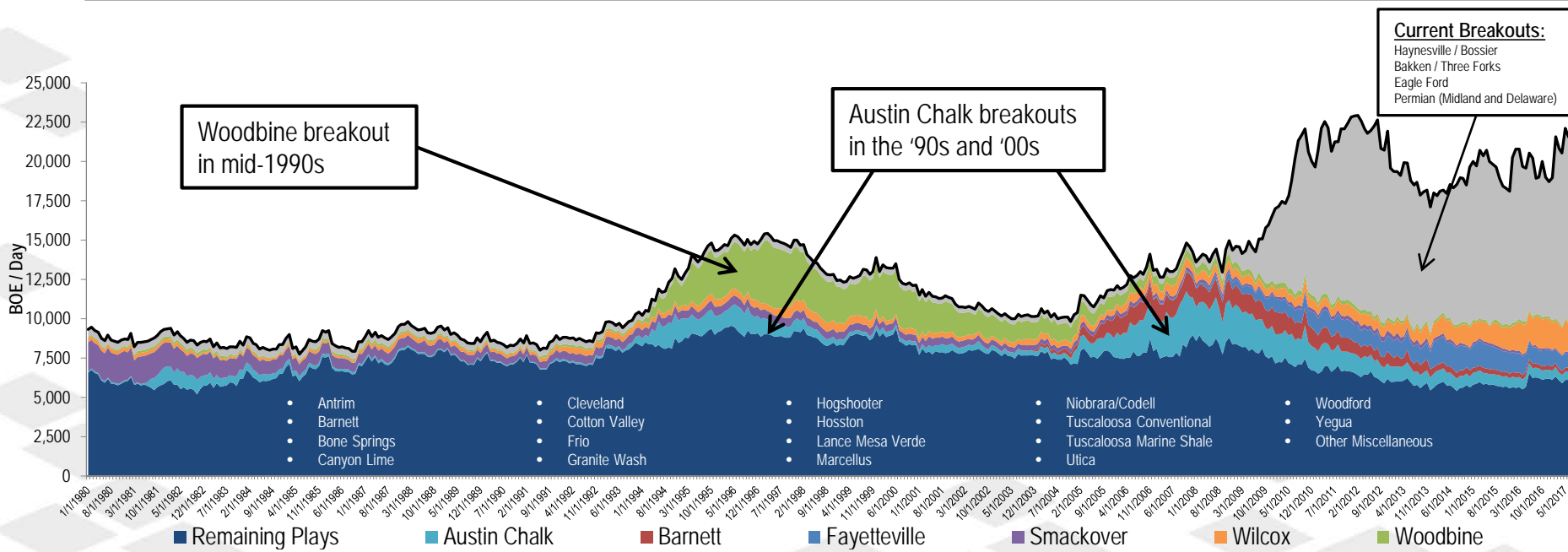
BEND ARCH-FORT WORTH BASIN: BARNETT SHALE, BEND CONGLOMERATE, CADDO, MARBLE FALLS, AND MISSISSIPPIAN FALLS

Incubation and Stewardship: "Other" Plays



- Diversified mineral spread covering every major basin and play; provides stability and unmatched exposure to E&P industry's exploration and development activity year after year
- BSM's vast inventory of undeveloped acreage provides meaningful growth potential from "embedded drop-downs" as new plays emerge
- BSM's stewardship of its assets, coupled with targeted incubation projects, ensures that our assets continue to perform strongly over time

Historical Royalty Interest Production



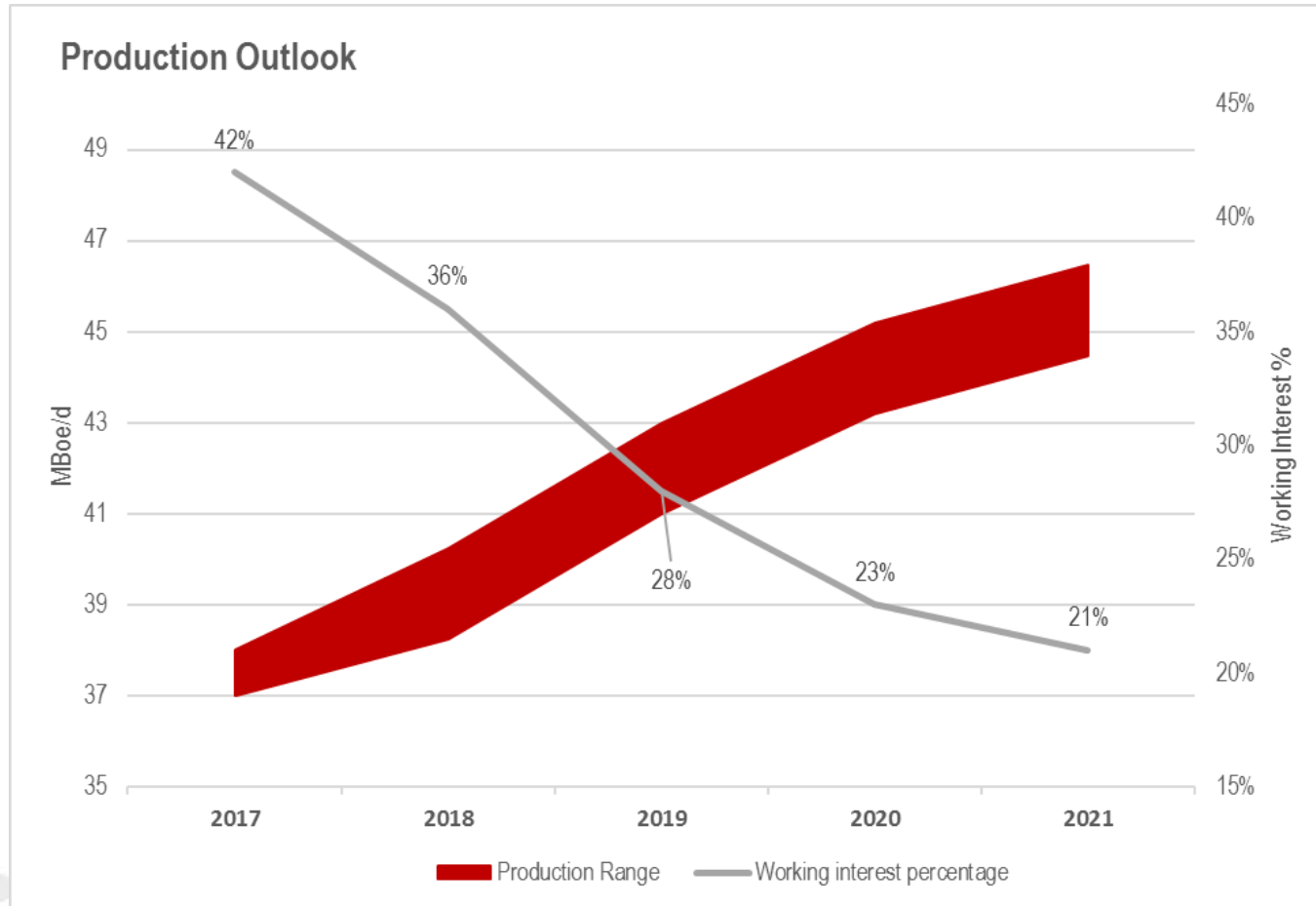
BLACK STONE MINERALS, L.P.

Note: Historical royalty production from assets that BSM owns today. Excludes production from working interests

Production Outlook



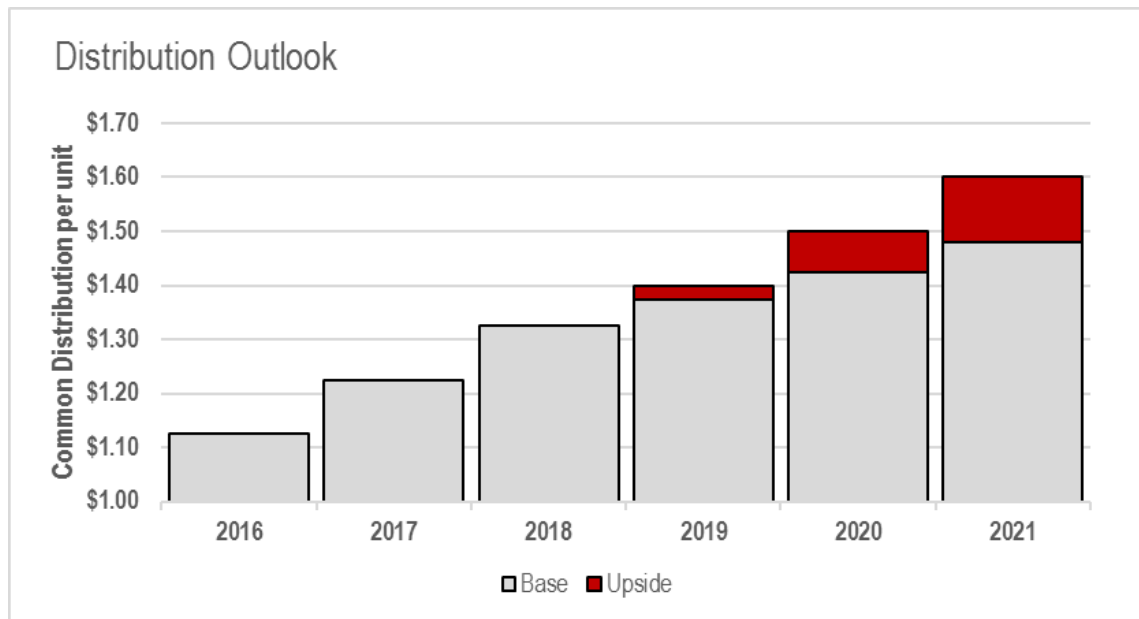
- Total production is expected to increase over time while working interest production volumes are expected to decline



Common Distribution Outlook



- Common unit distribution growth supported through 1Q19 by subordinated unit structure
- BSM is committed to growing common distribution beyond subordination period
 - Board may convert sub units at less than 1:1 at end of conversion period, which provides flexibility in managing post-conversion unit count
- Upside to base case distribution outlook through acquisitions, improved commodity prices, and new discoveries



Solid Financial Position



Black Stone Minerals has consistently adhered to maintaining a conservative capital structure

- **Senior credit facility is BSM's only debt**
 - Borrowing base increased by 10% to \$550 million following most recent redetermination (Spring 2017)
 - Liquidity of approximately \$165 million available at end of the second quarter
- **TTM leverage ratio of 1.4x as of June 30, 2017**
- **Hedging program supports balance sheet and provides stability to cash flows**
 - Rem. 2017: ~70% of gas and 65% of oil hedged
 - 2018: ~55% of expected gas and ~45% of expected oil
 - Philosophy is to hedge significant portion of PDP production 12-18 months out

Investment Highlights



- **Growth potential from world-class asset base**
 - Diverse footprint exposes us to both established and emerging plays
 - Durable competitive advantage; would be difficult to replicate the Partnership's portfolio
 - Embedded drop-downs expose BSM to new discoveries at no cost
- **Low capital intensity = lower-risk cash flow**
 - No CAPEX or operating cost requirements on mineral and royalty assets
- **Unique structure delivers distribution stability and growth**
 - Increasing MQD delivers annual common distribution growth of ~9% through 1Q19
 - Subordinated unit conversion ratio allows flexibility to enable growing distributions beyond conversion
- **Significant liquidity and strong financial position**
 - Secured credit facility with borrowing base of \$550 million; \$393 million drawn at June 30, 2017 (\$381 million at August 4, 2017)
 - TTM leverage ratio of 1.4x as of June 30, 2017

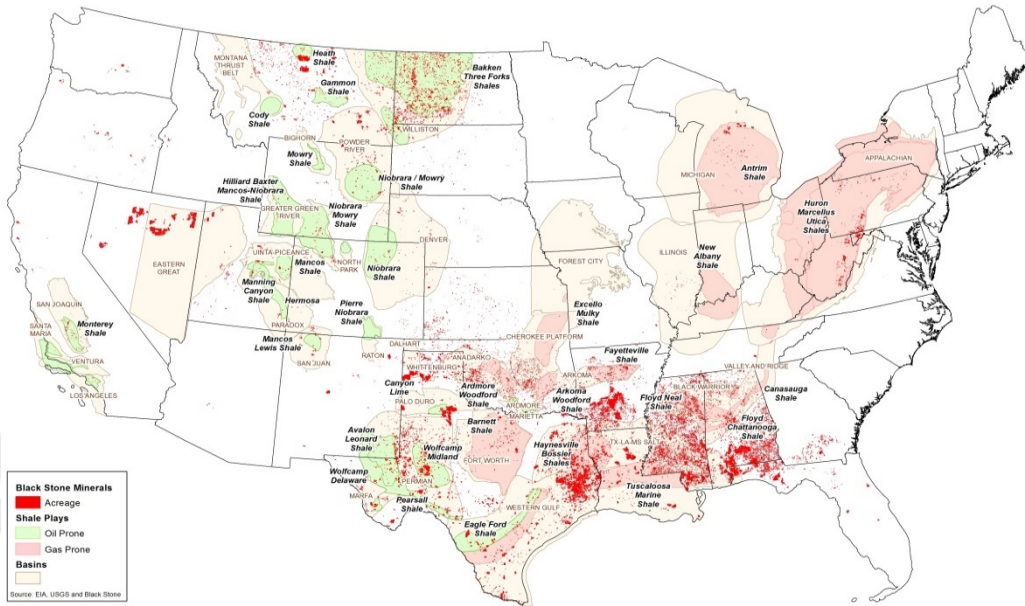


Appendix

World-Class Mineral and Royalty Portfolio

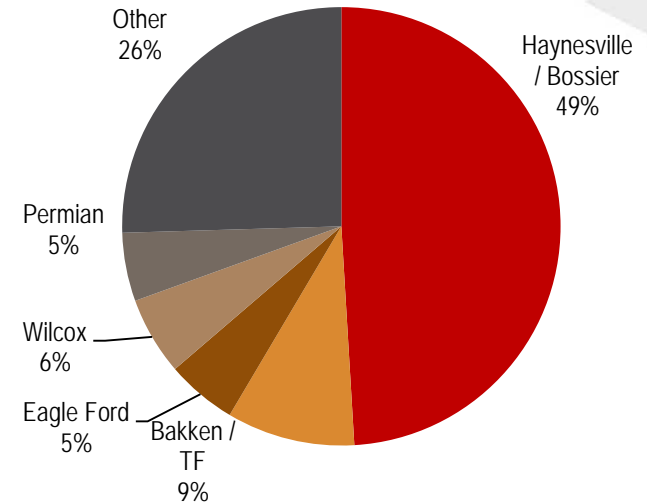


BSM Acreage Position > 18 MM Gross Acres



2Q17 Production by Play

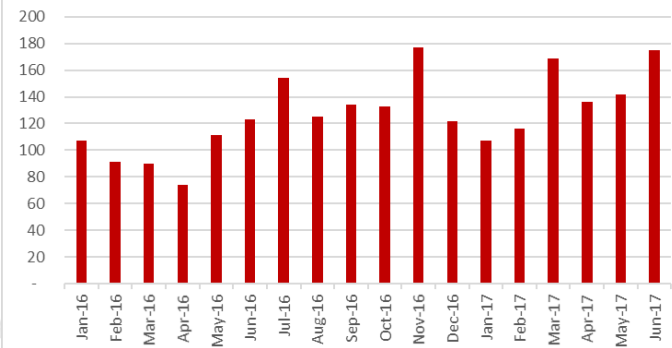
37.3 MBoe/d



- **BSM continues to see meaningful activity across its acreage position**

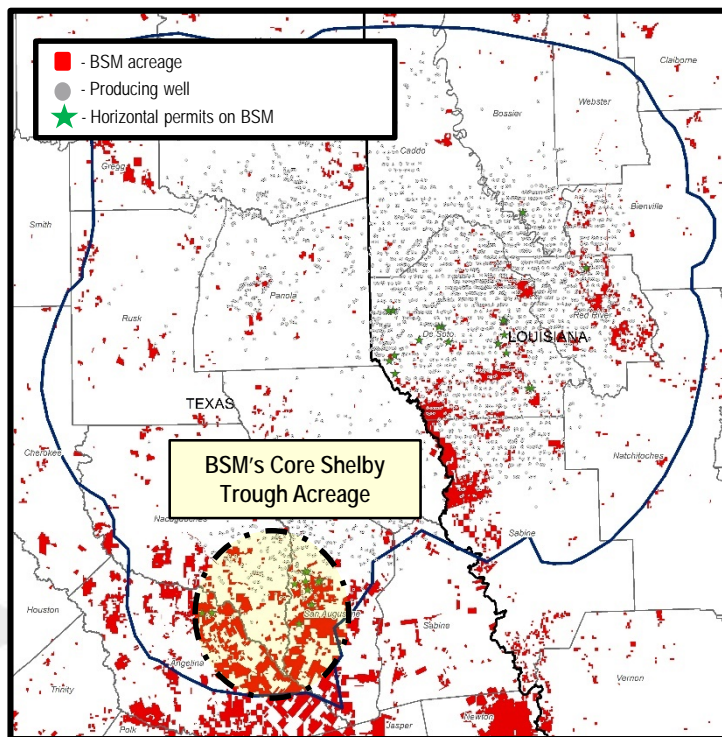
- Trailing 12 month permits filed increased at June 30, 2017 to ~1,700 permits¹ from ~1,450 at year-end and ~1,550 at March 31, 2017
- Approximately 9% of all permits¹ filed in the Lower 48 over the last 12 months have been on BSM acreage

Lower 48 Permitting Activity on BSM¹



1) Excludes all Wyoming permits

Haynesville & Bossier Shales



- Improved completion designs with dramatically better results (greater than 2x)
 - Haynesville did not originally get the benefit of the resource play learning curve, but seeing it now
- Lower costs and a favorable basis, combined with better results lead to outstanding economics
- Rig count is 45, almost 4x the low in 2016
- BP is a recent entrant into the play with 4 rigs running in the southern Shelby Trough region in Texas
- BSM well exposed across the entire play, both in Louisiana and Texas
- Active operators on BSM include XTO, BP, Vine, Comstock, Indigo Minerals, and Chesapeake
- XTO currently running 2 rig program on BSM acreage in the core of the Shelby Trough

Gross Mineral and Royalty Acres ¹	305,375
Net Royalty Acres ^{1,2}	295,888
2Q17 Production, Boe/d ³	18,302
Producing Wells ⁴	878
Last 12 mos New Wells Added ⁴	35
Permits on BSM last 12 mos ⁵	83
% Permits on BSM acreage last 12 mos	24%

1) Acreage as of 12/31/16 and includes mineral interests, NPRIs, and ORRIs for Haynesville acreage only; transactions recently entered into have not been included

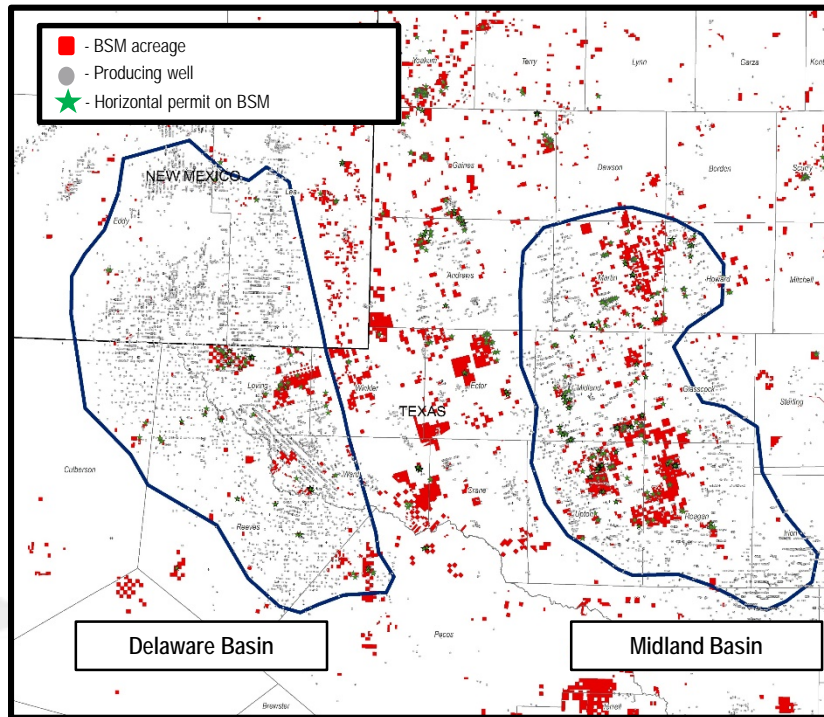
2) A net royalty acre is defined as one surface acre leased at a 1/8th royalty

3) Production includes both royalty interest and working interest

4) Estimated as of 6/30/17

5) Permit data sourced from IHS and represents permits filed through 6/30/17

Delaware and Midland Basin Horizontal Plays



- Black Stone has significantly expanded its Permian Basin footprint since IPO and is continuing to thoughtfully build on that acreage
- Exposed to development of multiple benches in the resource plays, but also has significant positions on the Central Basin Platform, where old conventional fields are being extended with horizontal wells
- Most active operators on BSM acreage include:
 - Pioneer
 - Apache
 - Concho
 - Parsley
 - XTO
 - Anadarko

Gross Mineral and Royalty Acres ¹	488,053
Net Royalty Acres ^{1,2}	41,092
2Q17 Production, Boe/d ³	1,883
Producing Wells ⁴	818
Last 12 mos New Wells Added ⁴	198
Permits on BSM last 12 mos ⁵	496
% Permits on BSM acreage last 12 mos	12%

1) Acreage as of 12/31/16 and includes mineral interests, NPRIs, and ORRIs

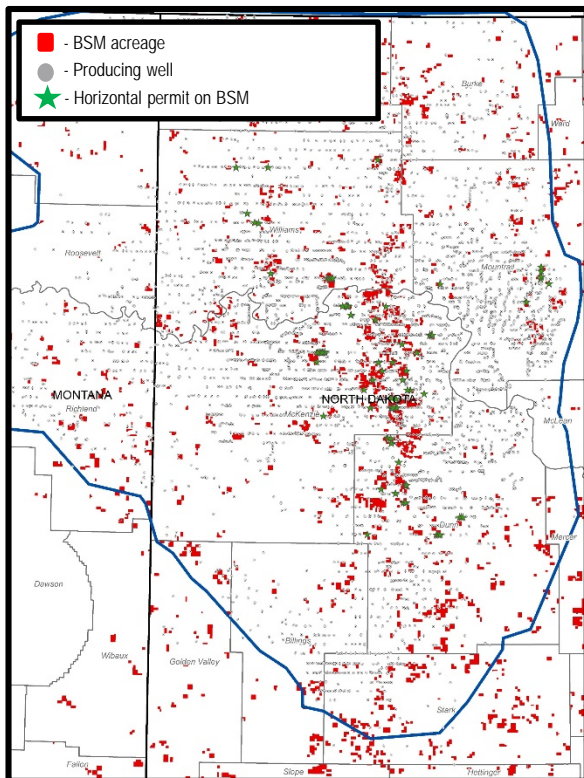
2) A net royalty acre is defined as one surface acre leased at a 1/8th royalty

3) Production includes both royalty interest and working interest

4) Estimated as of 6/30/17

5) Permit data sourced from IHS and represents permits filed through 6/30/17

Bakken / Three Forks



- Improved drilling efficiency and completion intensity yielding better well results and economics
 - Wells costs down as much as 50% from peak costs in 2014
- Given that BSM has a significant acreage position in the core, production has been flat despite lower levels of rig activity across play
- Active operators on BSM acreage include:
 - ConocoPhillips
 - Continental
 - Hess
 - Whiting
 - Oasis
 - EOG

Gross Mineral and Royalty Acres ¹	359,443
Net Royalty Acres ^{1,2}	94,866
2Q17 Production, Boe/d ³	3,528
Producing Wells ⁴	2,512
Last 12 mos New Wells Added ⁴	255
Permits on BSM last 12 mos ⁵	315
% Permits on BSM acreage last 12 mos	37%

1) Acreage as of 12/31/16 and includes mineral interests, NPRIs, and ORRIs for Bakken acreage only

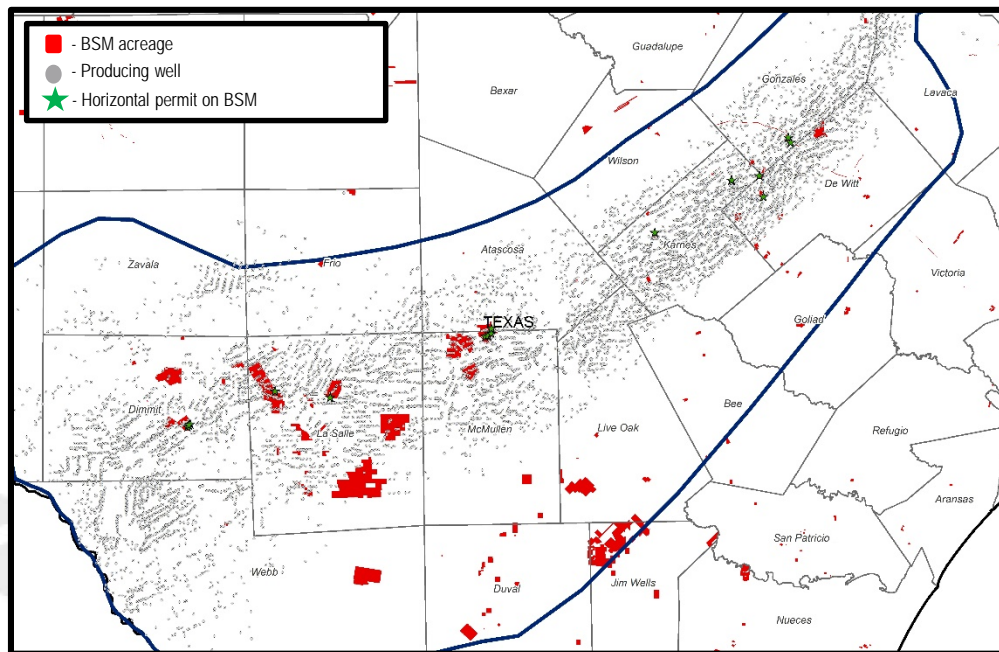
2) A net royalty acre is defined as one surface acre leased at a 1/8th royalty

3) Production includes both royalty interest and working interest

4) Estimated as of 6/30/17

5) Permit data sourced from IHS and represents permits filed through 6/30/17

Eagle Ford Shale



- Rig count recently at 78, 2.5x the May 2016 low
- BSM exposed to some of the best parts of the play
- Most active operators on BSM include:
 - Chesapeake
 - EOG
 - EP Energy
 - Carrizo

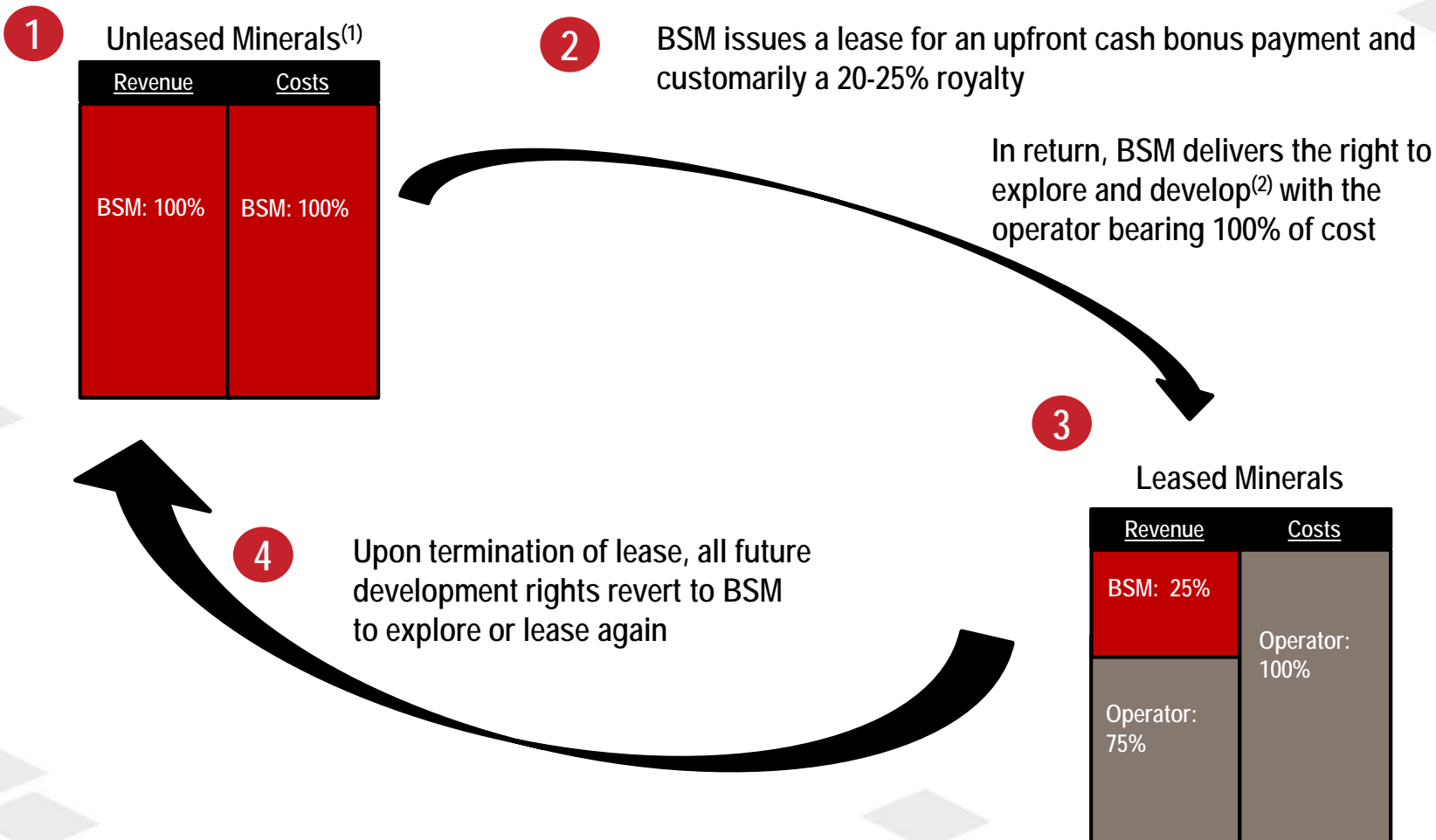
Gross Mineral and Royalty Acres ¹	195,815
Net Royalty Acres ^{1,2}	34,065
2Q17 Production, Boe/d ³	1,941
Producing Wells ⁴	654
Last 12 mos New Wells Added ⁴	66
Permits on BSM last 12 mos ⁵	90
% Permits on BSM acreage last 12 mos	5%

1) Acreage as of 12/31/16 and includes mineral interests, NPRIs, and ORRIs
 2) A net royalty acre is defined as one surface acre leased at a 1/8th royalty
 3) Production includes both royalty interest and working interest
 4) Estimated as of 6/30/17
 5) Permit data sourced from IHS and represents permits filed through 6/30/17

How Mineral and Royalty Interests Work



Mineral Revenue Generation



1. Mineral owner realizes revenue and bears costs only if it elects to develop the acreage
 2. Right to develop often subject to restrictions including a) retained working interests participation option for BSM; b) the ability to hold leased acreage may be restricted to specified depths through "Pugh" clauses (undeveloped depths will revert back to BSM); and c) well commitments obligating the lessee to develop acreage at a minimum pace or face dollar damages / loss of lease

The Value of Mineral and Royalty Interests



Operating Margin per Equity Barrel (\$/Boe)

Illustrative Working
Interest Operator

Illustrative Mineral/Royalty
Interest Owner

Revenue \$26.50 / Boe



- Mineral and royalty production realizes higher margins than working interest production
- After acquisition, no capital required by the mineral and royalty owner to generate production or realize revenue

Revised Full Year 2017 Guidance

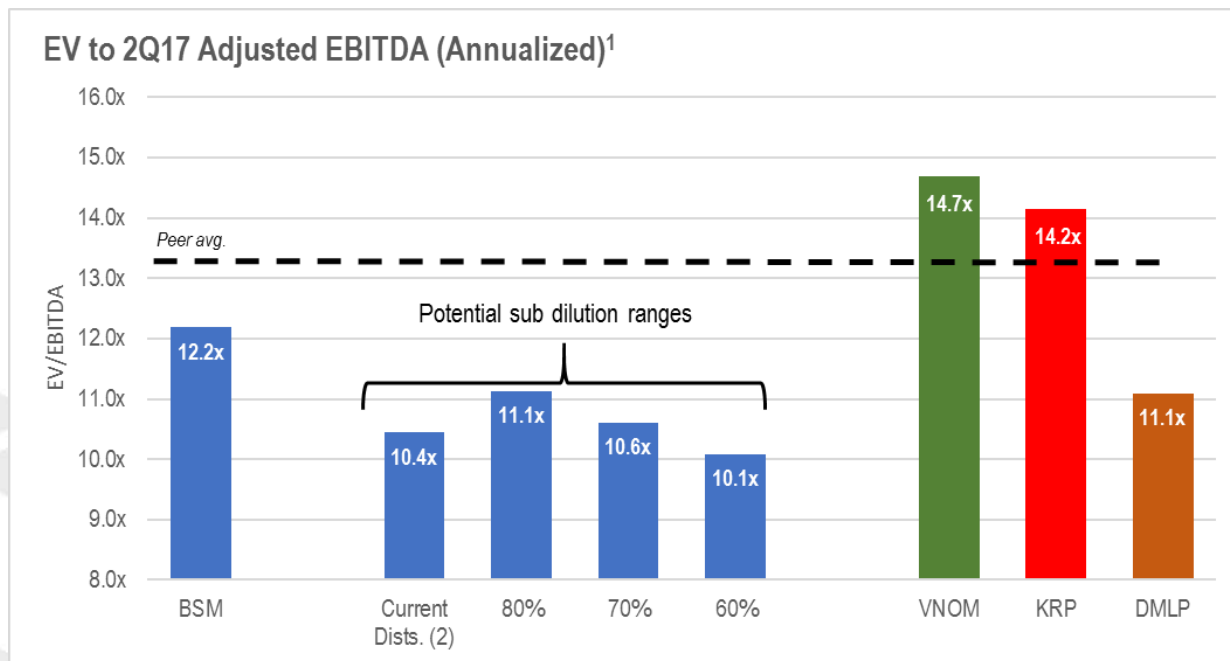


	FY2017
Average daily production (Mboe/d)	37 – 38
Percentage oil	~25%
Percentage royalty interest	~60%
Lease bonus and other income (\$MM)	\$30 – \$35
Lease operating expense (\$MM)	\$17 – \$20
Production costs and ad val. taxes (% of total pre-derivative O&G revenue)	13% – 15%
Exploration expense (\$MM)	\$0.5 – \$1.5
G&A – cash (\$MM)	\$41 – \$43
G&A – non-cash (\$MM)	\$25 – \$27
G&A – TOTAL (\$MM)	\$66 – \$70
DD&A (\$/Boe)	\$8.25 – \$9.25

Compelling Valuation



BSM's valuation does not appear to take into account any potential dilution of the subordinated units



- Despite BSM's scale, diversity, and asset quality, it trades at a discount to peers on valuation even before factoring in any potential reduction in the subordinated unit conversion ratio
- Assuming some level of subordinated unit dilution creates an even wider valuation gap

Using reasonable assumptions regarding subordinated unit dilution, common units of BSM would need to trade meaningfully higher to trade in-line with the peer average

1) Enterprise value (EV) is determined using unit prices as of 8/10/17 and 2Q17 balance sheet data; the quotient yielded by dividing EV by 2Q17 adjusted EBITDA is divided by 4 to present as a standard multiple of annual cash flows
 2) Conversion ratio based on 2Q17 distributions of \$0.3125 per common unit and \$0.20875 per subordinated unit
 3) Note: See page 31 for detail calculations

Detailed EV/2Q17 EBITDA Calculation



	BSM		VNOM	KRP	DMLP
Common unit price ¹	\$16.46		\$17.54	\$15.54	\$14.55
Common units outstanding (MM) ²	100.7		113.9	16.3	32.3
Common unit value (\$MM)	\$1,656.9		\$1,997.2	\$253.8	\$503.5
		Assumed % of Sub Units Converted			
		Current Distribution Ratio	80%	70%	60%
Assumed subordinated unit price ¹	\$16.46				
Subordinated units outstanding (MM) ²	95.4	63.7	76.3	66.8	57.2
Subordinated unit value (\$MM)	\$1,570.1	\$1,048.8	\$1,256.1	\$1,099.1	\$942.1
Total unit value / market cap (\$MM)	\$3,227.0	\$2,705.7	\$2,912.9	\$2,755.9	\$2,598.9
			\$1,997.2	\$253.8	\$469.7
Balance sheet items (\$MM) ²:					
Cash	7.5	7.5	7.5	7.5	7.5
Debt	393.0	393.0	393.0	393.0	393.0
Preferred equity	27.1	27.1	27.1	27.1	27.1
Enterprise value (\$MM)	\$3,639.5	\$3,118.3	\$3,325.5	\$3,168.5	\$3,011.5
			\$1,948.4	\$266.2	\$457.1
2Q17 Adjusted EBITDA (\$MM) ³	\$74.7	\$74.7	\$74.7	\$74.7	\$74.7
			\$33.2	\$4.7	\$10.3
Enterprise Value/2Q17 Adjusted EBITDA (Annualized) ⁴	12.2x	10.4x	11.1x	10.6x	10.1x
			14.7x	14.2x	11.1x

1) Unit prices as of August 10, 2017

2) Units outstanding per cover of 2Q17 10-Q and balance sheet items as of 6/30/17; balance sheet data for VNOM adjusted for post-2Q17 equity offering

3) 2Q17 adjusted EBITDA is sourced from company press releases or SEC filings

4) The quotient yielded by dividing EV by 2Q17 adjusted EBITDA is divided by 4 to present as a standard multiple of annual cash flows

Adjusted EBITDA, and Distributable Cash Flow Reconciliation



	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(Unaudited) (In thousands)			
Net income (loss)	\$ 54,174	\$ (20,810)	\$ 115,757	\$ (10,061)
Adjustments to reconcile to Adjusted EBITDA:				
Depreciation, depletion and amortization	28,900	29,202	55,279	50,923
Interest expense	3,981	1,443	7,488	2,491
Impairment of oil and natural gas properties	—	679	—	6,775
Accretion of asset retirement obligations	253	200	500	474
Equity-based compensation ²	6,278	19,239	10,939	25,139
Unrealized (gain) loss on commodity derivative instruments	(18,921)	44,070	(37,368)	54,025
Adjusted EBITDA	74,665	74,023	152,595	129,766
Adjustments to reconcile to distributable cash flow:				
Change in deferred revenue	(643)	424	(969)	221
Cash interest expense	(3,760)	(1,246)	(7,053)	(2,097)
(Gain) loss on sales of assets, net	(7)	(92)	(931)	(4,772)
Estimated replacement capital expenditures ¹	(3,250)	(3,750)	(7,000)	(3,750)
Cash paid to noncontrolling interests	(41)	(21)	(66)	(54)
Redeemable preferred unit distributions	(672)	(1,310)	(1,786)	(3,114)
Distributable Cash Flow	66,292	68,028	134,790	116,200
Net working interest capital expenditures	(15,330)	(11,600)	(32,295)	(36,710)
Distributable cash flow after net working interest capital expenditures	\$ 50,962	\$ 56,428	\$ 102,495	\$ 79,490

- 1) On August 3, 2016, the Board established a replacement capital expenditure estimate of \$15.0 million for the period of April 1, 2016 to March 31, 2017. There was no established estimate of replacement capital expenditures prior to this period. On June 8, 2017, the Board established a replacement capital expenditure estimate of \$13.0 million for the period of April 1, 2017 to March 31, 2018.
- 2) On April 25, 2016, the Compensation Committee of the Board approved a resolution to change the settlement feature of certain employee long-term incentive compensation plans from cash to equity. As a result of the modification, \$10.1 million of cash-settled liabilities were reclassified to equity-settled liabilities during the second quarter of 2016.

Subordinated Conversion Mechanics



Automatic Conversion

- 1:1 Conversion if BSM earns and pays \$1.35 per unit on all common and subordinated units for the four-quarter period ending March 31, 2019, or any four-quarter period thereafter

Optional Conversion

- Board may elect to “force” conversion on or after March 31, 2019 if automatic conversion has not occurred
- Conversion ratio = $\frac{\text{Distributions Paid to Subs Over Previous Four Quarters}}{\text{MCD Amount for Previous Four Quarters}}$
 - Conversion ratio is based on NTM forecasted distributions to subordinated units if lower than actual LTM distributions paid
- Optional conversion may be deferred at Board’s election