PHILLIPS 66 PARTNERS LP

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2014**

OR

[ ] 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: **001-36011**

Phillips 66 Partners LP

(Exact name of registrant as specified in its charter)

Delaware	**38-3899432**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

3010 Briarpark Drive, Houston, Texas 77042
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: **(855) 283-9237**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Units, Representing Limited Partnership Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [X] Yes [ ] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

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. [X] Yes [ ] No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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.

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

The aggregate market value of the registrant's common units held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of $75.56, was $1,408 million. This figure excludes common units beneficially owned by the directors and executive officers of Phillips 66 Partners GP LLC, our General Partner, and Phillips 66 Company.

Documents incorporated by reference:

None

PHILLIPS 66 PARTNERS LP

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Unless the context otherwise indicates, all references to "Phillips 66 Partners LP," "the Partnership," "us," "our," "we," or similar expressions refer to Phillips 66 Partners LP, including its consolidated subsidiaries. This Annual Report on Form 10-K contains forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. The Partnership does not undertake to update, revise or correct any forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the Partnership's disclosures under the heading "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS," beginning on page 63.

PART I

Items 1 and 2. BUSINESS AND PROPERTIES

ORGANIZATIONAL STRUCTURE

Phillips 66 Partners LP, headquartered in Houston, Texas, is a Delaware limited partnership formed in 2013 by Phillips 66 Company and Phillips 66 Partners GP LLC (our General Partner), both wholly owned subsidiaries of Phillips 66. On July 26, 2013, we completed our initial public offering (the Offering), and our common units trade on the New York Stock Exchange (NYSE) under the symbol "PSXP." As of December 31, 2014, Phillips 66, through Phillips 66 Company, owned 20,938,498 common units and 35,217,112 subordinated units, representing an aggregate 73.3 percent limited partner interest, as well as a 100 percent interest in our General Partner, who owned 1,531,518 general partner units, representing a 2 percent general partner interest.

We are a growth-oriented master limited partnership formed by Phillips 66 to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum product and natural gas liquids (NGL) pipelines, terminals and other transportation and midstream assets. Our assets consist of crude oil and refined petroleum product pipeline, terminal, rail rack and storage systems in the Central, Gulf Coast, Atlantic Basin and Western regions of the United States that are integral to the Phillips 66 refining and marketing operations they support. We generate revenue primarily by charging tariffs and fees for transporting crude oil and refined petroleum products through our pipelines and terminaling and storing crude oil and refined petroleum products at our terminals, rail racks and storage facilities. We do not take ownership of the crude oil or refined petroleum products that we transport, terminal and store, and we do not engage in the trading of any commodities. We have multiple commercial agreements with Phillips 66 that currently are the source of substantially all of our revenue. These agreements are long-term, fee-based agreements with minimum volume commitments and inflation escalators. We believe these agreements promote stable and predictable cash flows. Our operations consist of one reportable segment and are all conducted in the United States. See Item 8. Financial Statements and Supplementary Data, for financial information on our operations and assets.

2014 Developments

Gold Line/Medford Acquisition
In February 2014, we entered into a Contribution, Conveyance and Assumption Agreement with subsidiaries of Phillips 66 to acquire the Gold Line Products System and the Medford Spheres (collectively, the Gold Line/Medford Assets) from certain of those subsidiaries (the Gold Line/Medford Acquisition). The transaction closed on February 28, 2014, with an effective date of March 1, 2014.

Bayway/Ferndale/Cross-Channel Acquisition
In October 2014, we entered into a Contribution, Conveyance and Assumption Agreement with subsidiaries of Phillips 66 to acquire the Bayway and Ferndale rail racks and the Cross-Channel Connector assets (collectively, the Bayway/Ferndale/Cross-Channel Assets) from certain of those subsidiaries (the Bayway/Ferndale/Cross-Channel Acquisition). In addition, we entered into a separate Purchase and Sale Agreement (PSA) with a subsidiary of Phillips 66 to acquire assets under construction associated with the Cross-Channel Connector organic growth project. The transactions closed on December 1, 2014.

Palermo Rail Terminal Project Acquisition
In December 2014, we entered into a PSA and a Contribution Agreement with certain subsidiaries of Phillips 66 to acquire real property, assets under construction, lease agreements and permits associated with a rail terminal project (the Palermo Acquisition). The transactions closed on December 5, 2014, and December 10, 2014.

Eagle Ford Gathering System Project Acquisition
In December 2014, we entered into a PSA with a subsidiary of Phillips 66 to acquire real property and assets under construction associated with a gathering system project (the Eagle Ford Acquisition). The transaction closed on December 31, 2014.

Joint Ventures
In November 2014, we entered into agreements with Paradigm Energy Partners, LLC (Paradigm) to form Phillips 66 Partners Terminal LLC and Paradigm Pipeline LLC, two joint ventures established to develop the Palermo Rail Terminal, a central delivery facility and the Sacagawea Pipeline in North Dakota. The joint venture transactions closed on January 16, 2015.

For ease of reference, we refer to the Gold Line/Medford Assets, Bayway/Ferndale/Cross-Channel Assets and the assets associated with the Palermo Acquisition and Eagle Ford Acquisition collectively as “the Acquired Assets,” and the Gold Line/Medford Acquisition, Bayway/Ferndale/Cross-Channel Acquisition, Palermo Acquisition and Eagle Ford Acquisition collectively as “the Acquisitions.”

SUMMARY OF ASSETS AND OPERATIONS

At December 31, 2014, our assets consisted of the following systems:

- *Clifton Ridge Crude System.* A crude oil pipeline, terminal and storage system located in Sulphur, Louisiana, that is the primary source for delivery of crude oil to Phillips 66’s Lake Charles Refinery.

- *Sweeny to Pasadena Products System.* A refined petroleum product pipeline, terminal and storage system extending from Phillips 66’s Sweeny Refinery in Old Ocean, Texas, to our refined petroleum product terminal in Pasadena, Texas, and ultimately connecting to the Explorer and Colonial refined petroleum product pipeline systems and other third-party pipeline and terminal systems. This system is the primary distribution outlet for diesel and gasoline produced at Phillips 66’s Sweeny Refinery.

- *Hartford Connector Products System.* A refined petroleum product pipeline, terminal and storage system located in Hartford, Illinois, that distributes diesel and gasoline produced at Phillips 66’s jointly owned and operated Wood River Refinery to third-party pipeline and terminal systems, including the Explorer pipeline system.

- *Gold Line Products System.* A refined petroleum product pipeline system that runs from the Phillips 66 jointly owned and operated refinery in Borger, Texas, to Cahokia, Illinois, with access to Phillips 66’s Ponca City Refinery, as well as two parallel lateral lines that run from Paola, Kansas, to Kansas City, Kansas. The system includes four terminals located at Wichita, Kansas; Kansas City, Kansas; Jefferson City, Missouri; and Cahokia, Illinois.

- *Medford Spheres.* Two refinery-grade propylene storage spheres located in Medford, Oklahoma, that commenced operations in March 2014. The Medford Spheres provide an outlet for delivery of refinery-grade propylene from Phillips 66’s Ponca City Refinery, through interconnections with third-party pipelines, to Mont Belvieu, Texas.

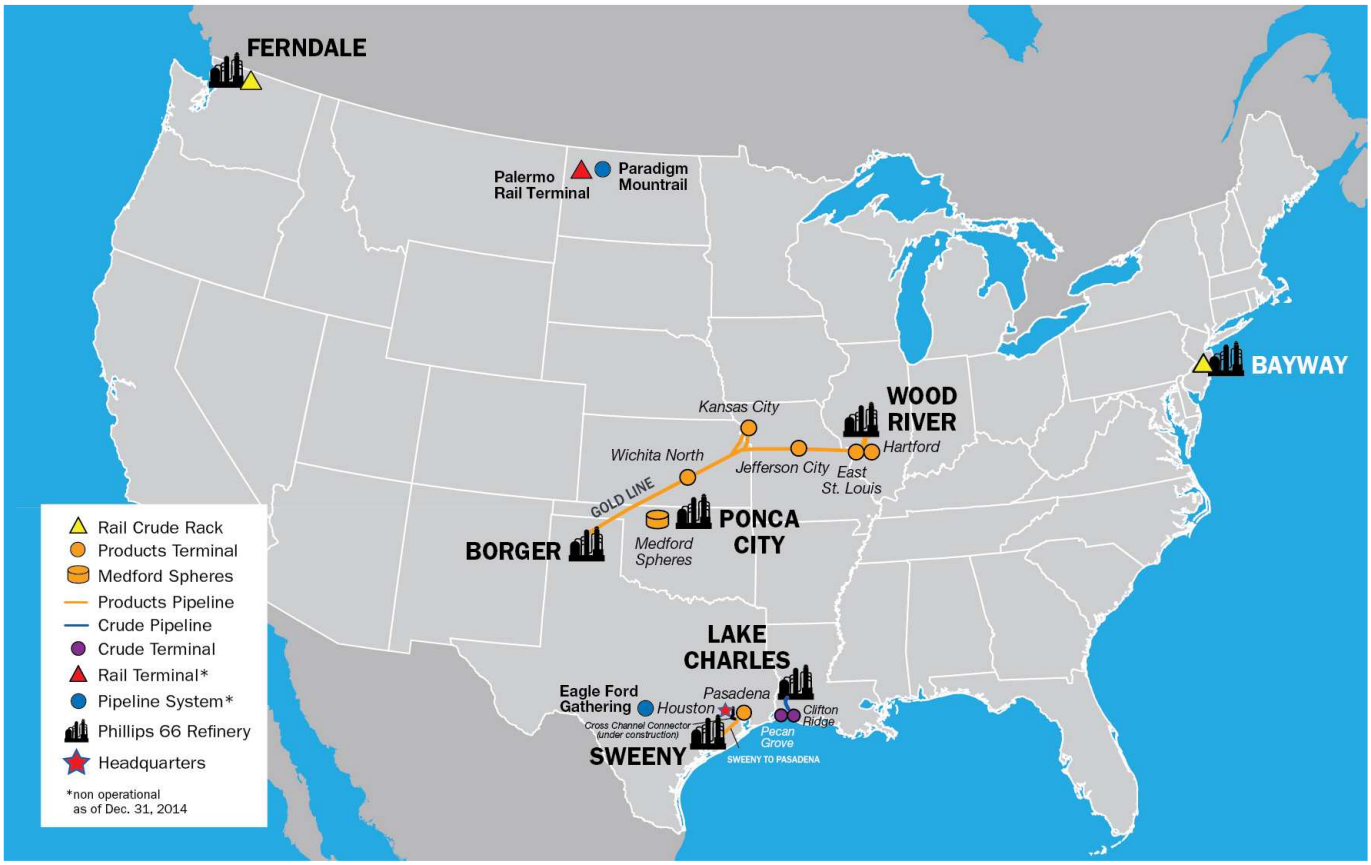
- *Bayway Rail Rack.* A four-track, 120-rail-car crude oil receiving facility located in Linden, New Jersey, within Phillips 66’s Bayway Refinery, which commenced operations in August 2014. The rail rack unloads crude oil and delivers it to storage tanks within the Bayway Refinery.

- *Ferndale Rail Rack.* A two-track, 54-rail-car crude oil receiving facility located in Ferndale, Washington, adjacent to Phillips 66's Ferndale Refinery, which commenced operations in November 2014. The rail rack unloads crude oil and delivers it to storage tanks at the adjacent Ferndale Refinery.

- *Cross-Channel Connector Project.* A refined petroleum product pipeline originating at our Pasadena terminal in Pasadena, Texas, running to terminal facilities located at Kinder Morgan's Pasadena terminal and its Galena Park Station in Galena Park, Texas, and terminating at the Holland Avenue Junction in Galena Park, Texas. We have undertaken an organic growth project to provide shippers with a connection from our Pasadena terminal to third-party systems with water access on the Houston Ship Channel. The entire products system is anticipated to be completed and commence operations in the second quarter of 2015.

- *Palermo Rail Terminal Project.* A project to construct a crude oil rail-loading facility in Palermo, North Dakota. The facility is designed to have an initial capacity of 100,000 barrels per day, with the flexibility to be expanded to 200,000 barrels per day. In December 2014, we purchased real property, assets under construction, lease agreements and permits associated with the rail terminal from Phillips 66. The terminal will have direct access to the Sacagawea Pipeline and provide east and west coast railway access for third-party shippers. The terminal is anticipated to be completed and in service in the fourth quarter of 2015.

- *Eagle Ford Gathering System Project.* A project to construct a crude oil gathering system that will consist of two pipelines and a storage facility near Helena and Tilden, Texas. The gathering system is designed to connect Eagle Ford production to third party pipelines. In December 2014, we purchased real property and assets under construction associated with the gathering system project from Phillips 66. The entire gathering system is anticipated to be completed and commence operations in the third quarter of 2015.



Pipeline Assets

The following table sets forth certain information regarding our pipeline assets as of December 31, 2014 . Except for the Cross-Channel Connector Pipeline, each asset listed below currently has an associated commercial agreement with Phillips 66:

System Name	Diameter	Length (Miles)	Active Throughput Capacity (Thousands of Barrels Daily)	Commodity Handled	Associated Phillips 66 Refinery	Significant Third-Party Pipeline System Connections
Clifton Ridge Crude System						
Clifton Ridge to Lake Charles Refinery	20”	10	260	Crude Oil	Lake Charles	Shell Houston-to-Houma
Pecan Grove to Clifton Ridge	12”	0.6	56	Crude Oil	Lake Charles	N/A
Shell to Clifton Ridge	20”	0.6	312	Crude Oil	Lake Charles	Shell Houston-to-Houma
Sweeny to Pasadena Products System						
Sweeny Refinery to Pasadena, Texas	12”	60	125	Refined Petroleum Products	Sweeny	Explorer; Colonial
Sweeny Refinery to Pasadena, Texas	18”	60	138	Refined Petroleum Products	Sweeny	Colonial
Hartford Connector Products System						
Wood River Refinery to Hartford, Illinois	12”	3	80	Refined Petroleum Products	Wood River	Explorer
Hartford, Illinois to Explorer Pipeline	24”	1	430	Refined Petroleum Products	Wood River	Explorer
Gold Line Products System						
Borger Refinery to Wichita, Kansas	16”	273	120	Refined Petroleum Products	Borger	NuStar
Wichita, Kansas to Paola, Kansas	16”	143	132	Refined Petroleum Products	Borger/ Ponca City	NuStar
Paola, Kansas to East St. Louis, Illinois	8”-12”	265	53	Refined Petroleum Products	Borger/ Ponca City	Explorer; Buckeye
Paola, Kansas to Kansas City, Kansas	8”	53	24	Refined Petroleum Products	Borger/ Ponca City	Magellan
Paola, Kansas to Kansas City, Kansas	10”	53	72	Refined Petroleum Products	Borger/ Ponca City	Magellan
Cross-Channel Connector Pipeline	20”	2.5	120	Refined Petroleum Products	Sweeny	Kinder Morgan

Terminal, Rail Rack and Storage Assets

The following table sets forth certain information regarding our terminal, rail rack and storage assets as of December 31, 2014 , each of which currently has an associated commercial agreement with Phillips 66:

System Name	Tank Shell Storage Capacity (Thousands of Barrels)	Active Terminaling Capacity* (Thousands of Barrels Daily)	Commodity Handled	Associated Phillips 66 Refinery	Significant Third-Party Pipeline System Connections
Clifton Ridge Crude System					
Clifton Ridge Terminal	3,410	12	Crude Oil	Lake Charles	Shell Houston-to-Houma
Pecan Grove Storage	142	N/A	Crude Oil	Lake Charles	N/A
Sweeny to Pasadena Products System					
Pasadena Terminal	3,210	65	Refined Petroleum Products	Sweeny	Explorer; Colonial
Hartford Connector Products System					
Hartford Terminal	1,075	25	Refined Petroleum Products	Wood River	Explorer
Gold Line Products System					
East St. Louis Terminal	2,245	78	Refined Petroleum Products	Borger/ Ponca City	Explorer; Buckeye
Jefferson City Terminal	110	16	Refined Petroleum Products	Borger/ Ponca City	N/A
Kansas City Terminal	1,294	66	Refined Petroleum Products	Borger/ Ponca City	Magellan
Wichita North Terminal	679	19	Refined Petroleum Products	Borger/ Ponca City	NuStar
Medford Spheres	70	N/A	Refined Petroleum Products	Ponca City	Sterling
Bayway Rail Rack	N/A	75	Crude Oil	Bayway	N/A
Ferndale Rail Rack	N/A	30	Crude Oil	Ferndale	N/A

* *Active terminaling capacity represents the amount of truck loading and unloading capacity currently available for use by our customers.*

Marine Assets

The following table sets forth certain information regarding our marine assets as of December 31, 2014 , each of which currently has an associated commercial agreement with Phillips 66:

System Name	Dock Throughput Capacity (Thousands of Barrels Hourly)	Commodity Handled	Associated Phillips 66 Refinery
Clifton Ridge Crude System			
Clifton Ridge Ship Dock	48	Crude Oil	Lake Charles
Pecan Grove Barge Dock	6	Crude Oil; Lubricant Base Stocks	Lake Charles
Hartford Connector Products System			
Hartford Barge Dock	3	Dyed Diesel; Naphtha; Lubricant Base Stocks	Wood River

The following table sets forth the percentage of the referenced Phillips 66 refinery's supply/production volumes that were delivered by or distributed on our systems for each of the periods set forth below:

Percentage of Volumes Transported

	Year Ended December 31		
	2014	2013	2012
Lake Charles Refinery			
Clifton Ridge crude pipelines	**97%**	93	90
Sweeny Refinery			
Sweeny to Pasadena products pipelines	**100%**	98	100
Wood River Refinery			
Hartford Connector products pipelines	**20%**	18	17
Borger Refinery			
Gold Line products pipelines	**41%**	47	40
Ponca City Refinery			
Gold Line products pipelines	**20%**	13	17

ASSET PORTFOLIO

Clifton Ridge Crude System

Our Clifton Ridge Crude System is strategically positioned to support flexible crude oil supply options for Phillips 66's Lake Charles Refinery in Westlake, Louisiana. Our Clifton Ridge Crude System consists of the following pipelines and terminals:

- *Clifton Ridge terminal.* Our Clifton Ridge terminal is located on the Calcasieu River approximately ten miles from the Lake Charles Refinery. The facility consists of a single-berth ship dock with an average ship delivery of 512,000 barrels at a flow rate of 48,000 barrels per hour, 12 above-ground storage tanks with approximately 3.4 million barrels of total storage capacity and a truck offloading facility. The Clifton Ridge terminal receives crude oil by pipeline, barge, tanker, and truck; stores crude oil in its storage tanks; and delivers crude oil to the Lake Charles Refinery through our Clifton Ridge to Lake Charles refinery pipeline.

- *Pecan Grove terminal.* Our Pecan Grove terminal is located on the Calcasieu River adjacent to our Clifton Ridge terminal. The facility consists of a single-berth barge dock with an average barge delivery of 33,000 barrels at a flow rate of 3,500 to 6,000 barrels per hour and three above-ground storage tanks with 142,000 barrels of total storage capacity. The Pecan Grove terminal receives crude oil and lubricant base stocks delivered to the terminal by barge, and delivers crude oil to the Lake Charles Refinery through our Clifton Ridge terminal and lubricant base stocks to Phillips 66's lubricant blending facility located adjacent to the terminal.

- *Clifton Ridge to Lake Charles refinery pipeline.* Our Clifton Ridge to Lake Charles refinery crude oil pipeline consists of approximately 10 miles of 20-inch pipeline that delivers crude oil from the Clifton Ridge terminal to the Lake Charles Refinery. The pipeline has a total capacity of 260,000 barrels per day.

- *Pecan Grove to Clifton Ridge pipeline.* Our Pecan Grove to Clifton Ridge crude oil pipeline consists of approximately 0.6 miles of 12-inch pipeline that delivers crude oil bi-directionally between the Pecan Grove terminal and the Clifton Ridge terminal. The pipeline has a total capacity of 56,000 barrels per day.

- *Shell to Clifton Ridge pipeline.* Our Shell to Clifton Ridge crude oil pipeline consists of approximately 0.6 miles of 20-inch pipeline that delivers crude oil from the Shell Houston-to-Houma crude oil pipeline to the Clifton Ridge terminal. The Shell to Clifton Ridge crude oil pipeline has a total capacity of 312,000 barrels per day.

Sweeny to Pasadena Products System

Our Sweeny to Pasadena Products System is strategically positioned to transport refined petroleum products from Phillips 66's Sweeny Refinery in Old Ocean, Texas, to major third-party interstate pipeline systems, including the Explorer and Colonial refined petroleum product pipeline systems. The Explorer and Colonial pipeline systems are two major interstate pipeline systems that transport refined petroleum products from the Gulf Coast to marketing terminals throughout the Midwestern, Southeastern and Northeastern regions of the United States.

Our Sweeny to Pasadena Products System consists of the following pipelines and terminal:

- *Sweeny to Pasadena pipelines.* Our Sweeny to Pasadena pipelines consist of approximately 60 miles of 12-inch pipeline that delivers gasoline and approximately 60 miles of 18-inch pipeline that delivers diesel from the Sweeny Refinery to our Pasadena terminal, as well as a pump station located at the Sweeny Refinery. The active capacity of the 12-inch pipeline and the 18-inch pipeline is 125,000 barrels per day and 138,000 barrels per day, respectively.

- *Pasadena terminal.* Our Pasadena terminal is located in Pasadena, Texas, and consists of a five-bay truck rack with 65,000 barrels per day of active terminaling capacity, 22 above-ground storage tanks with approximately 3.2 million barrels of total storage capacity and a vapor combustion unit. The terminal delivers refined petroleum products, including distillate and gasoline, to third-party pipeline systems, including the Explorer, Colonial, Enterprise, Chevron, Magellan Midstream and Kinder Morgan refined petroleum product pipeline systems, as well as local terminals.

Hartford Connector Products System

Our Hartford Connector Products System is strategically positioned to transport refined petroleum products that are produced at the Wood River Refinery (a refinery jointly owned by Phillips 66 and Cenovus Energy Inc.) in Roxana, Illinois, to major third-party interstate pipeline systems, including the Explorer refined petroleum product pipeline system. We also receive refined petroleum products into our Hartford Connector Products System for delivery to marketing outlets through third-party pipeline systems.

Our Hartford Connector Products System consists of the following pipelines and terminal:

- *Wood River to Hartford pipeline.* Our Wood River to Hartford pipeline consists of approximately three miles of 12-inch pipeline that delivers diesel and gasoline produced at the Wood River Refinery to our Hartford terminal. The 12-inch pipeline has a total capacity of 80,000 barrels per day.

- *Hartford terminal.* Our Hartford terminal is located in Hartford, Illinois, approximately three miles from the Wood River Refinery. The facility consists of a three-bay diesel truck rack with an active capacity of 25,000 barrels per day and 13 above-ground storage tanks with a total storage capacity of approximately 1.1 million barrels. The Hartford terminal delivers diesel, gasoline and jet fuel to the Explorer refined petroleum product pipeline system through a direct pipeline connection to Explorer pipeline and delivers diesel, gasoline and naphtha to, and receives lubricant base stocks from, barges through our interconnecting pipelines to our Hartford barge dock.

- *Hartford to Explorer pipeline.* Our Hartford to Explorer pipeline consists of approximately one mile of 24-inch pipeline that delivers refined petroleum products from the Hartford terminal to the Explorer refined petroleum product pipeline system. The pipeline has a total capacity of 430,000 barrels per day.

- *Hartford barge dock.* Our Hartford barge dock is located on the Mississippi River approximately one mile from our Hartford terminal. Our Hartford barge dock consists of a single-berth barge loading facility with an average barge loading of 13,000 barrels at an average flow rate of 3,000 barrels per hour, approximately 0.8 miles of 8-inch pipeline that transports lubricant base stocks and diesel, and approximately 0.8 miles of 14-inch pipeline that delivers diesel and naphtha from our Hartford terminal to the Hartford barge dock for delivery to third-party vessels.

Gold Line Products System

Our Gold Line Products System is strategically positioned to transport refined petroleum products that are produced at the Borger Refinery (a refinery jointly owned by Phillips 66 and Cenovus Energy Inc.) in Borger, Texas, to major third-party interstate pipeline systems, including the Explorer refined petroleum product pipeline system, and also to four terminals located in Wichita, Kansas, Kansas City, Kansas, Jefferson City, Missouri, and Cahokia, Illinois, with access to Phillips 66's Ponca City Refinery.

Our Gold Line Products System consists of the following pipelines and terminals:

- *Borger Refinery to Wichita pipeline.* Our Borger to Wichita pipeline consists of approximately 273 miles of 16-inch pipeline that delivers diesel and gasoline produced at the Borger Refinery to our Wichita North terminal. The 16-inch pipeline has a total capacity of 120,000 barrels per day.

- *Wichita to Paola pipeline.* Our Wichita to Paola pipeline consists of approximately 143 miles of 16-inch pipeline with a connection to receive refined petroleum products from the Ponca City Refinery via the Phillips 66-owned Standish pipeline. The 16-inch pipeline has a total capacity of 132,000 barrels per day.

- *Paola to East St. Louis pipeline.* Our Paola to East St. Louis pipeline consists of approximately 265 miles of 8- to 12-inch pipeline that delivers diesel and gasoline to our Jefferson City and East St. Louis terminals. The pipeline has a total capacity of 53,000 barrels per day.

- *Paola to Kansas City pipelines.* Our Paola to Kansas City pipelines consist of two parallel 53-mile lateral lines that run from Paola, Kansas, to Kansas City, Kansas. These 8-inch and 10-inch pipelines have a total aggregate capacity of 96,000 barrels per day.

- *East St. Louis terminal.* Our East St. Louis terminal is located in Cahokia, Illinois, approximately 681 miles from the Borger Refinery. The facility consists of a six-bay truck rack with an active capacity of 78,000 barrels per day and 19 above-ground storage tanks with a total storage capacity of approximately 2.2 million barrels. The East St. Louis terminal delivers diesel, gasoline and jet fuel to the Explorer and Buckeye refined petroleum product pipeline systems through a direct pipeline connection.

- *Jefferson City terminal.* Our Jefferson City terminal is located in Jefferson City, Missouri. The facility consists of a two-bay truck rack with an active capacity of 16,000 barrels per day and 8 above-ground storage tanks with a total storage capacity of approximately 110,000 barrels.

- *Kansas City terminal.* Our Kansas City terminal is located in Kansas City, Kansas, approximately 469 miles from the Borger Refinery. The facility consists of a five-bay truck rack with an active capacity of 66,000 barrels per day and 17 above-ground storage tanks with a total storage capacity of approximately 1.3 million barrels. The Kansas City terminal delivers diesel, gasoline and jet fuel to the Magellan refined petroleum product pipeline system through a direct pipeline connection.

- *Wichita North terminal.* Our Wichita North terminal is located in Wichita, Kansas, approximately 273 miles from the Borger Refinery. The facility also receives refined petroleum products from the Ponca City Refinery via the Phillips 66-owned Standish pipeline. The facility consists of a two-bay truck rack with an active capacity of 19,000 barrels per day and 19 above-ground storage tanks with a total storage capacity of approximately 679,000 barrels. The Wichita North terminal delivers diesel, gasoline and jet fuel to the NuStar refined petroleum product pipeline system through a direct pipeline connection.

Medford Spheres
Our Medford Spheres provide an outlet for delivery of refinery-grade propylene from the Ponca City Refinery, through interconnections with third-party pipelines, to Mont Belvieu, Texas. The two refinery-grade propylene storage spheres are located in Medford, Oklahoma, and have a total aggregate working capacity of 70,000 barrels. Medford Spheres commenced operations in March 2014.

Bayway Rail Rack
Our Bayway Rail Rack is located in Linden, New Jersey, within the Bayway Refinery. The rail rack consists of a four-track crude oil receiving facility with a rail unloading capacity of 75,000 barrels per day. The facility commenced commercial operations in August 2014 and is capable of unloading 120 railcars simultaneously.

Ferndale Rail Rack
Our Ferndale Rail Rack is located in Ferndale, Washington, adjacent to the Ferndale Refinery. The rail rack consists of a two-track crude oil receiving facility with a rail unloading capacity of 30,000 barrels per day. The facility commenced commercial operations in November 2014 and is capable of unloading 54 railcars simultaneously.

Cross-Channel Connector Project
Our Cross-Channel Connector project is a 20-inch refined products pipeline originating at our Pasadena terminal, running to terminal facilities located at Kinder Morgan’s Pasadena terminal and its Galena Park station in Galena Park, Texas, and terminating at the Holland Avenue Junction in Galena Park, Texas. We have undertaken an organic growth project to provide shippers with a connection from the Pasadena terminal to third-party systems with water access on the Houston Ship Channel. The pipeline system will have an initial capacity of up to 180,000 barrels per day and is anticipated to be completed and commence operations in the second quarter of 2015.

Bakken Joint Ventures

In January 2015, we closed on our joint venture transactions with Paradigm to develop and operate midstream logistics infrastructure in the Bakken region of North Dakota:

- *Phillips 66 Partners Terminal LLC* . We contributed the Palermo Rail Terminal project to the terminal joint venture, Phillips 66 Partners Terminal LLC, in exchange for a 70 percent interest, with Paradigm owning the remaining 30 percent interest. The Palermo Rail Terminal is a crude oil rail-loading facility currently under construction on a 710-acre site near Palermo, North Dakota. The terminal will have an initial capacity of 100,000 barrels per day, with the flexibility to be expanded to 200,000 barrels per day. It is located on a railway main line with two mainline switches, allowing east- and west-bound rail traffic. The terminal is anticipated to include a pipeline delivery and receipt connection to the Sacagawea Pipeline, allowing the terminal to receive crude oil from areas in Dunn and McKenzie County, North Dakota, and deliver it to terminals and pipelines located in Stanley, North Dakota. The terminal will also include adequate space for up to 12 truck unloading facilities and approximately 300,000 barrels of operational storage, with permits allowing total storage capacity of up to 2.4 million barrels. We are constructing and will operate the terminal. The terminal is anticipated to be completed and in service in the fourth quarter of 2015.

- *Paradigm Pipeline LLC* . We and Paradigm each own a 50 percent interest in the pipeline joint venture, Paradigm Pipeline LLC. The pipeline joint venture will own an 88 percent interest in Sacagawea Pipeline Company, LLC, the owner of the Sacagawea Pipeline, with the remaining 12 percent interest owned by Grey Wolf Midstream, LLC. The pipeline joint venture will also construct and own a crude oil storage terminal and a central delivery facility for various crude gathering systems located in Keene, North Dakota (the Paradigm CDP). The Sacagawea Pipeline project is a 76-mile pipeline being developed to deliver crude oil from various points in and around Johnson’s Corner and the Paradigm CDP, located in McKenzie County, North Dakota, to destinations with take away options for both rail and pipeline in Palermo and Stanley, North Dakota. Paradigm is constructing the pipeline and we will be the operator. The pipeline is anticipated to commence operations in the fourth quarter of 2015.

Eagle Ford Gathering System Project

Our Eagle Ford Gathering System is a crude oil gathering system, currently under construction, that will consist of two pipelines and a storage facility near Helena and Tilden, Texas. The gathering system is designed to connect Eagle Ford production to third-party pipelines. The pipelines will include a 6-inch, 6-mile crude oil pipeline near Helena and a 10-inch, 17-mile crude oil pipeline near Tilden with 7 origination/injection points. The storage facility, located in Tilden, will have a capacity of 90,000 barrels with an injection point into a third-party pump station. The Helena portion of the gathering system began operations in January 2015, and the entire gathering system is anticipated to be completed and in service in the third quarter of 2015, upon commencement of operations at the Tilden section of the gathering system. In January 2015, we entered into a throughput and deficiency agreement with Phillips 66, which provides minimum volume commitments on the gathering system when each portion of the system is completed and in service.

COMMERCIAL AND OTHER AGREEMENTS WITH PHILLIPS 66

Our assets are physically connected to, and integral to the operation of, Phillips 66's wholly owned Lake Charles, Sweeny, Ponca City, Bayway and Ferndale refineries and its jointly owned Wood River and Borger refineries. In connection with the Offering and the Acquisitions, we entered into multiple commercial agreements with Phillips 66, and amended an existing commercial agreement with Phillips 66, which include minimum volume commitments and inflation escalators. Currently, those agreements are the source of a significant portion of our revenue. Under these long-term, fee-based agreements, we provide transportation, terminaling and storage services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly volumes of crude oil and refined petroleum products.

The following table sets forth minimum commitment information regarding our commercial agreements with Phillips 66 as of December 31, 2014 .

Agreement	Phillips 66 Minimum Volume Commitment (Thousands of Barrels Daily) [1]	Phillips 66 Capacity Reservation (Thousands of Barrels Daily)
Transportation Services Agreements		
Clifton Ridge Transportation Services Agreement		
Clifton Ridge to Lake Charles refinery pipeline	190	—
Sweeny to Pasadena Transportation Services Agreement		
Sweeny to Pasadena pipelines	200	—
Hartford Connector Throughput and Deficiency Agreement		
Wood River refinery to Hartford pipeline [2]	43	12.2
Hartford to Explorer pipeline [2]	16	39.2
Gold Line Transportation Services Agreement		
Borger refinery to Wichita pipeline	54	—
Wichita to Kansas City pipeline	45	—
Wichita to Jefferson City pipeline	7	—
Wichita to East St. Louis Pipeline	10	—
Terminal and Storage Services Agreements		
Clifton Ridge Terminal Services Agreement		
Clifton Ridge terminal storage	190	—
Clifton Ridge ship dock / Pecan Grove barge dock	150	—
Hartford and Pasadena Terminal Services Agreement		
Pasadena terminal	135	—
Pasadena and Hartford terminal truck racks	55	—
Gold Line Terminal Services Agreement		
Wichita North, Kansas City, Jefferson City and East St. Louis terminals truck racks	80	—
Gold Line Storage Services Agreement		
Wichita North, Kansas City and East St. Louis terminals [3]	1,010	—
Medford Spheres Storage Services Agreement		
Medford Spheres [3]	70	—
Bayway Terminal Services Agreement		
Bayway Rail Rack [3]	75	—
Ferndale Terminal Services Agreement		
Ferndale Rail Rack [3]	30	—

[1] *Includes capacity-based monthly fee arrangements.*
[2] *Total volume commitment includes both Phillips 66 minimum volume commitment and Phillips 66 capacity reservation.*
[3] *Capacity upon which minimum monthly fee is calculated.*

See the “Commercial Agreements,” “Amended Operational Services Agreement,” “Amended Omnibus Agreement” and “Tax Sharing Agreement” sections of Note 18—Related Party Transactions , in the Notes to Consolidated Financial Statements, for summaries of the terms of these and other agreements with Phillips 66.

COMPETITION

As a result of our contractual relationship with Phillips 66 under our commercial agreements and our direct connections to Phillips 66’s owned or operated refineries, we believe that our crude oil and refined petroleum product pipelines, terminals and storage facilities will not face significant competition from other pipelines, terminals and storage facilities for Phillips 66’s crude oil or refined petroleum product transportation requirements to and from the refineries we support. If Phillips 66’s customers were to reduce their purchases of refined petroleum products from Phillips 66, Phillips 66 might only ship the minimum volumes through our pipelines (or pay the shortfall payment if it does not ship the minimum volumes), which would cause a decrease in our revenue. Phillips 66 competes with integrated petroleum companies, which have their own crude oil supplies and distribution and marketing systems, as well as with independent refiners, many of which also have their own distribution and marketing systems. Phillips 66 also competes with other suppliers that purchase refined petroleum products for resale. Competition in any particular geographic area is affected significantly by the volume of products produced by refineries in that area and by the availability of products and the cost of transportation to that area from distant locations.

RATES AND OTHER REGULATIONS

Our common carrier pipeline systems are subject to regulation by various federal, state and local agencies. The Federal Energy Regulatory Commission (FERC) regulates interstate transportation on our common carrier pipeline systems under the Interstate Commerce Act (ICA), the Energy Policy Act of 1992 (EPAct 1992) and the rules and regulations promulgated under those laws. FERC regulations require that rates for interstate service pipelines that transport crude oil and refined petroleum products (collectively referred to as “petroleum pipelines”) and certain other liquids be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. FERC regulations also require interstate common carrier petroleum pipelines to file with FERC and publicly post tariffs stating their interstate transportation rates and terms and conditions of service. Under the ICA, FERC or interested persons may challenge existing or changed rates or services. FERC is authorized to investigate such charges and may suspend the effectiveness of a new rate for up to seven months. A successful rate challenge could result in a common carrier paying refunds together with interest for the period that the rate was in effect. FERC may also order a pipeline to change its rates, and may require a common carrier to pay shippers reparations for damages sustained for a period up to two years prior to the filing of a complaint. EPAct 1992 deemed certain interstate petroleum pipeline rates then in effect to be just and reasonable under the ICA. These rates are commonly referred to as “grandfathered rates.” Our rates in effect at the time of the passage of EPAct 1992 for interstate transportation service were deemed just and reasonable and therefore are grandfathered. New rates have since been established after EPAct 1992 for certain pipeline systems. FERC may change grandfathered rates upon complaint only after it is shown that:

- A substantial change has occurred since enactment in either the economic circumstances or the nature of the services that were a basis for the rate.
- The complainant was contractually barred from challenging the rate prior to enactment of EPAct 1992 and filed the complaint within 30 days of the expiration of the contractual bar.
- A provision of the tariff is unduly discriminatory or preferential.

EPAct 1992 required FERC to establish a simplified and generally applicable methodology to adjust tariff rates for inflation for interstate petroleum pipelines. As a result, FERC adopted an indexing rate methodology which, as currently in effect, allows common carriers to change their rates within prescribed ceiling levels that are tied to changes in the Producer Price Index (PPI) for finished goods. FERC’s indexing methodology is subject to review every five years. During the five-year period commencing July 1, 2011, and ending June 30, 2016, common carriers charging indexed rates are permitted to adjust their indexed ceilings annually by PPI plus 2.65 percent. The indexing methodology is applicable to existing rates, including grandfathered rates, with the exclusion of market-based rates. A pipeline is not

required to raise its rates up to the index ceiling, but it is permitted to do so and rate increases made under the index are presumed to be just and reasonable unless a protesting party can demonstrate that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. Under the indexing rate methodology, in any year in which the index is negative, pipelines must file to lower their rates if those rates would otherwise be above the rate ceiling.

While common carriers often use the indexing methodology to change their rates, they may elect to support proposed rates by using other methodologies such as cost-of-service rate making, market-based rates and settlement rates. A pipeline can follow a cost-of-service approach when seeking to increase its rates above the rate ceiling (or when seeking to avoid lowering rates to the reduced rate ceiling). A common carrier can charge market-based rates if it establishes that it lacks significant market power in the affected markets. In addition, a common carrier can establish rates under settlement if agreed upon by all current shippers. We have used indexed rates and settlement rates for our different pipeline systems. If we used cost-of-service rate making to establish or support our rates, the issue of the proper allowance for federal and state income taxes could arise. In 2005, FERC issued a policy statement stating that it would permit common carriers, among others, to include an income tax allowance in cost-of-service rates to reflect actual or potential tax liability attributable to a regulated entity's operating income, regardless of the form of ownership. Under FERC's policy, a tax pass-through entity seeking such an income tax allowance must establish that its partners or members have an actual or potential income tax liability on the regulated entity's income. Whether a pipeline's owners have such actual or potential income tax liability is subject to review by FERC on a case-by-case basis. Although this policy is generally favorable for common carriers that are organized as pass-through entities, it still entails rate risk due to the FERC's case-by-case review approach. The application of this policy, as well as any decision by FERC regarding our cost of service, may also be subject to review in the courts. Intrastate services provided by certain of our pipeline systems are subject to regulation by state regulatory authorities. These state regulatory authorities use a complaint-based system of regulation, both as to matters involving rates and priority of access. State regulatory authorities could limit our ability to increase our rates or to set rates based on our costs or order us to reduce our rates and require the payment of refunds to shippers. FERC and state regulatory authorities generally have not investigated rates, unless the rates are the subject of a protest or a complaint. Phillips 66 has agreed not to contest our tariff rates applicable for our transportation services agreements entered into in connection with the Offering and the Acquisitions for the term of those agreements. However, FERC or a state regulatory authority could investigate our rates on its own initiative or at the urging of a third party, and this could lead to a refund of previously collected revenue.

Pipeline Safety

Our assets are subject to increasingly strict safety laws and regulations. The transportation and storage of crude oil and refined petroleum products involves a risk that hazardous liquids may be released into the environment, potentially causing harm to the public or the environment. In turn, any such incidents may result in substantial expenditures for response actions, significant government penalties, liability to government agencies for natural resources damages, and significant business interruption. The United States Department of Transportation (DOT) has adopted safety regulations with respect to the design, construction, operation, maintenance, inspection and management of our assets. These regulations contain requirements for the development and implementation of pipeline integrity management programs, which include the inspection and testing of pipelines and necessary maintenance or repairs. These regulations also require that pipeline operation and maintenance personnel meet certain qualifications and that pipeline operators develop comprehensive spill response plans. We are subject to regulation by the DOT under the Hazardous Liquid Pipeline Safety Act of 1979 (the HLPSA). The HLPSA delegated to DOT the authority to develop, prescribe, and enforce minimum federal safety standards for the transportation of hazardous liquids by pipeline. Congress also enacted the Pipeline Safety Act of 1992 (the PSA), which added the environment to the list of statutory factors that must be considered in establishing safety standards for hazardous liquid pipelines, required regulations be issued to define the term "gathering line" and establish safety standards for certain "regulated gathering lines," and mandated that regulations be issued to establish criteria for operators to use in identifying and inspecting pipelines located in High Consequence Areas (HCAs), defined as those areas that are unusually sensitive to environmental damage, that cross a navigable waterway, or that have a high population density. In 1996, Congress enacted the Accountable Pipeline Safety and Partnership Act (the APSPA), which limited the operator identification requirement mandate to pipelines that cross a waterway where a substantial likelihood of commercial navigation exists, required that certain areas where a pipeline rupture would likely cause permanent or long-term environmental damage be considered in determining whether an area is unusually sensitive to environmental damage, and mandated that regulations be issued for the qualification and testing of certain pipeline personnel. In the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (the PIPES Act), Congress required mandatory inspections for certain U.S. crude oil and natural gas transmission pipelines in HCAs

and mandated that regulations be issued for low-stress hazardous liquid pipelines and pipeline control room management. We are also subject to the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which reauthorized funding for federal pipeline safety programs through 2015, increased penalties for safety violations, established additional safety requirements for newly constructed pipelines, and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines.

DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) administers compliance with these statutes and has promulgated comprehensive safety standards and regulations for the transportation of hazardous liquid by pipeline, including regulations for the design and construction of new pipeline systems or those that have been relocated, replaced, or otherwise changed; pressure testing of new pipelines; operation and maintenance of pipeline systems, including inspecting and reburying pipelines in the Gulf of Mexico and its inlets, establishing programs for public awareness and damage prevention, managing the integrity of pipelines in HCAs, and managing the operation of pipeline control rooms; protection of steel pipelines from the adverse effects of internal and external corrosion; and integrity management requirements for pipelines in HCAs. In addition, in 2010, PHMSA issued an advance notice of proposed rulemaking on a range of topics relating to the safety of crude oil and other hazardous liquids pipelines. Among other items, the advance notice of proposed rulemaking requested comment on whether to extend regulation to certain pipelines currently exempt from federal safety regulations; whether to extend integrity management regulations to additional pipelines outside of HCAs; and whether to require leak detection outside of HCAs. PHMSA has not yet taken further action on the issues raised in the advance notice of proposed rulemaking. We do not anticipate that we would be impacted by these regulatory initiatives to any greater degree than other similarly situated competitors. In addition, PHMSA has published an advisory bulletin providing guidance on verification of records related to pipeline maximum operating pressure. PHMSA is considering a rulemaking on this topic referred to as the Integrity Verification Process. We have performed hydrostatic tests of our facilities to confirm the maximum operating pressure and do not expect that any final rulemaking by PHMSA regarding verification of maximum operating pressure would materially affect our operations or revenue.

We monitor the structural integrity of our pipelines through a program of periodic internal assessments using high resolution internal inspection tools, as well as hydrostatic testing and direct assessment that conforms to federal standards. We accompany these assessments with a review of the data and repair anomalies, as required, to ensure the integrity of the pipeline. We then utilize sophisticated risk algorithms and a comprehensive data integration effort to ensure that the highest-risk pipelines receive the highest priority for scheduling subsequent integrity assessments. We use external coatings and impressed-current cathodic protection systems to protect against external corrosion. We conduct all cathodic protection work in accordance with National Association of Corrosion Engineers standards. We continually monitor, test, and record the effectiveness of these corrosion inhibiting systems.

Product Quality Standards

Refined petroleum products that we transport are generally sold by our customers for use by the public. Various federal, state and local agencies have the authority to prescribe product quality specifications for products. Changes in product quality specifications or blending requirements could reduce our throughput volumes, require us to incur additional handling costs or require capital expenditures. For example, different product specifications for different markets affect the fungibility of the products in our system and could require the construction of additional storage. If we are unable to recover these costs through increased revenue, our cash flows and ability to pay cash distributions could be adversely affected. In addition, changes in the product quality of the products we receive on our product pipeline systems could reduce or eliminate our ability to blend products.

Terminal Safety

Our operations are subject to regulations promulgated by the U.S. Occupational Safety and Health Administration (OSHA), DOT and comparable state and local regulations. For each of our terminal facilities, we have identified which assets are subject to the jurisdiction of OSHA or DOT. Certain of our terminals are under the dual jurisdiction of DOT and OSHA, whereby certain portions of the terminal are subject to OSHA regulation and other assets at the terminal are subject to DOT regulation due to the type of asset and the configuration of the terminal. Our terminal facilities are operated in a manner consistent with industry safe practices and standards. The tanks designed for crude oil and refined product storage at our terminals are equipped with appropriate emission controls to promote safety. Our terminal facilities have response plans, spill prevention and control plans, and other programs to respond to emergencies.

Rail Safety
Our rail operations are currently limited to crude oil unloading and receiving activities. Generally, rail operations are subject to regulations promulgated by the U.S. Department of Transportation Federal Railroad Administration, PHMSA and comparable state and local regulations. We believe our rail operations are in material compliance with all applicable regulations and meet or exceed current industry standards and practices.

Security
We are also subject to Department of Homeland Security Chemical Facility Anti-Terrorism Standards, which are designed to regulate the security of high-risk chemical facilities, to the Transportation Security Administration's Pipeline Security Guidelines, and other comparable state and local regulations. We have an internal program of inspection designed to monitor and provide for compliance with all of these requirements. We believe that we are in material compliance with all applicable laws and regulations regarding the security of our facilities. However, these laws and regulations are subject to changes, or to changes in their interpretation, by the regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. In addition, any incidents may result in substantial expenditures for response actions, government penalties, and business interruption.

While we are not currently subject to governmental standards for the protection of computer-based systems and technology from cyber threats and attacks, proposals to establish such standards are being considered in the U.S. Congress and by U.S. Executive Branch departments and agencies, including the Department of Homeland Security, and we may become subject to such standards in the future. We currently are implementing our own cyber security programs and protocols; however, we cannot guarantee their effectiveness. A significant cyber attack could have a material effect on operations and those of our customers.

ENVIRONMENTAL REGULATIONS

General
Our operations are subject to extensive and frequently changing federal, state and local laws, regulations and ordinances relating to the protection of the environment. Among other things, these laws and regulations govern the emission or discharge of pollutants into or onto the land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination. As with the industry generally, compliance with existing and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, operate and upgrade equipment and facilities. While these laws and regulations affect our maintenance capital expenditures and net income, we believe they do not affect our competitive position, as the operations of our competitors are similarly affected. We believe our facilities are in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations are subject to changes, or to changes in their interpretation, by regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. Additionally, violation of environmental laws, regulations, and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions limiting our operations, investigatory or remedial liabilities or construction bans or delays in the construction of additional facilities or equipment. Further, a release of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expenses, including costs to comply with applicable laws and regulations and to resolve claims by third parties for personal injury or property damage, or by the U.S. federal government or state governments for natural resources damages. These impacts could directly and indirectly affect our business and have an adverse impact on our financial position, results of operations and liquidity. We cannot currently determine the amounts of such future impacts.

Expensed environmental costs were $1.0 million in 2014 and are expected to be approximately $4.6 million in 2015 and $0.5 million in 2016. The majority of the environmental expenses forecasted for 2015 and 2016 relate to environmental matters attributable to ownership of our current assets prior to our acquisition of these assets from Phillips 66. Phillips 66 has agreed to retain responsibility for these liabilities. Accordingly, although these amounts would be expensed by us, there would be no required cash outflow from us. See the "Indemnification" and "Excluded Liabilities of the Acquired Assets" sections to follow for additional information on Phillips 66-retained liabilities. Capitalized environmental costs were $23.9 million in 2014 and are expected to be approximately $25 million in 2015 and $26 million in 2016. These amounts do not include capital expenditures made for other purposes that have an indirect benefit on environmental compliance.

Air Emissions and Climate Change

We are subject to the Clean Air Act (CAA) and its regulations and comparable state and local statutes and regulations in connection with air emissions from our operations. Under these laws, permits may be required before construction can commence on a new source of potentially significant air emissions, and operating permits may be required for sources that are already constructed. These permits may require controls on our air emission sources, and we may become subject to more stringent regulations requiring the installation of additional emission control technologies.

Future expenditures may be required to comply with the CAA and other federal, state and local requirements for our various sites, including our pipeline and storage facilities. The impact of future legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, all of which could have an adverse impact on our financial position, results of operations and liquidity.

These air emissions requirements also affect Phillips 66's domestic refineries from which we directly or indirectly receive substantially all of our revenue. Phillips 66 has been required in the past, and will likely be required in the future, to incur significant capital expenditures to comply with new legislative and regulatory requirements relating to its operations. To the extent these capital expenditures have a material effect on Phillips 66, they could have a material effect on our business and results of operations.

In December 2007, Congress passed the Energy Independence and Security Act (EISA) that created a second Renewable Fuels Standard (RFS2). This standard requires the total volume of renewable transportation fuels (including ethanol and advanced biofuels) sold or introduced annually in the United States to rise to 36 billion gallons by 2022. The requirements could reduce future demand for petroleum products and thereby have an indirect effect on certain aspects of our business. For compliance year 2014, the U.S. Environmental Protection Agency (EPA) proposed to reduce the statutory volumes of advanced and total renewable fuels using authority granted to it under the EISA. We do not know whether this reduction will be finalized as proposed and/or whether the EPA will utilize its authority to reduce statutory volumes in future compliance years.

Currently, various legislative and regulatory measures to address greenhouse gas (GHG) emissions (including carbon dioxide, methane and other gases) are in various phases of discussion or implementation. These include requirements effective in January 2010 to report emissions of GHGs to the EPA beginning in 2011, and proposed federal legislation and regulation as well as state actions to develop statewide or regional programs, each of which require or could require reductions in our GHG emissions or those of Phillips 66. Requiring reductions in GHG emissions could result in increased costs to (1) operate and maintain our facilities, (2) install new emission controls at our facilities and (3) administer and manage any GHG emissions programs, including acquiring emission credits or allotments. These requirements may also impact Phillips 66's domestic refinery operations and may have an indirect effect on our business, financial condition and results of operations.

In addition, the EPA has proposed and may adopt further regulations under the CAA addressing GHGs, to which some of our facilities may become subject. Congress continues to consider legislation on GHG emissions, which may include a delay in the implementation of GHG regulations by the EPA or a limitation on the EPA's authority to regulate GHGs, although the ultimate adoption and form of any federal legislation cannot presently be predicted. The impact of future regulatory and legislative developments, if adopted or enacted, including any cap-and-trade program, is likely to result in increased compliance costs, increased utility costs, additional operating restrictions on our business, and an increase in the cost of products generally. Although such costs may impact our business directly or indirectly by impacting Phillips 66's facilities or operations, the extent and magnitude of that impact cannot be reliably or accurately estimated due to the present uncertainty regarding the additional measures and how they will be implemented.

Waste Management and Related Liabilities

To a large extent, the environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater, and surface water, and include measures to control pollution of the environment. These laws generally regulate the generation, storage, treatment, transportation, and disposal of solid and hazardous waste. They also require corrective action, including investigation and remediation, at a facility where such waste may have been released or disposed.

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), which is also known as Superfund, and comparable state laws impose liability, without regard to fault or to the legality of the original conduct, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the former and present owner or operator of the site where the release occurred and the transporters and generators of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liabilities for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we generate waste that falls within CERCLA's definition of a "hazardous substance" and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites.

We also generate solid wastes, including hazardous wastes, that are subject to the requirements of the Resource Conservation and Recovery Act (RCRA) and comparable state statutes. From time to time, the EPA considers the adoption of stricter disposal standards for non-hazardous wastes. Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could increase our maintenance capital expenditures and operating expenses. We continue to seek methods to minimize the generation of hazardous wastes in our operations.

We currently own and lease, and Phillips 66 has in the past owned and leased, properties where hydrocarbons are being or for many years have been handled. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other waste may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes were not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater), or to perform remedial operations to prevent further contamination.

Water

Our operations can result in the discharge of pollutants, including crude oil and petroleum products. Regulations under the Water Pollution Control Act of 1972 (Clean Water Act), Oil Pollution Act of 1990 (OPA 90) and comparable state laws impose regulatory burdens on our operations. Spill Prevention Control and Countermeasure (SPCC) requirements of federal laws and some state laws require containment to mitigate or prevent contamination of navigable waters in the event of an oil overflow, rupture, or leak. For example, the Clean Water Act requires us to maintain SPCC plans at many of our facilities. We maintain numerous discharge permits as required under the National Pollutant Discharge Elimination System program of the Clean Water Act and have implemented systems to oversee our compliance efforts.

In addition, the transportation and storage of crude oil and petroleum products over and adjacent to water involves risk and subjects us to the provisions of OPA 90 and related state requirements. Among other requirements, OPA 90 requires the owner or operator of a tank vessel or a facility to maintain an emergency plan to respond to releases of oil or hazardous substances. Also, in case of any such release, OPA 90 requires the responsible company to pay resulting removal costs and damages. OPA 90 also provides for civil penalties and imposes criminal sanctions for violations of its provisions. We operate facilities at which releases of oil and hazardous substances could occur. We have implemented emergency oil response plans for all of our components and facilities covered by OPA 90 and we have established SPCC plans for facilities subject to Clean Water Act SPCC requirements. Construction or maintenance of our pipelines, terminals and storage facilities may impact wetlands, which are also regulated under the Clean Water Act by the EPA and the United States Army Corps of Engineers. Regulatory requirements governing wetlands (including associated mitigation projects) may result in the delay of our projects while we obtain necessary permits and may increase the cost of new projects and maintenance activities.

Employee Safety
We are subject to requirements promulgated by OSHA and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

Endangered Species Act
The Endangered Species Act restricts activities that may affect endangered species or their habitats. While some of our facilities are in areas that may be designated as habitats for endangered species, we believe that we are in substantial compliance with the Endangered Species Act. However, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

Hazardous Materials Transportation Requirements
The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of crude oil and petroleum products discharge from onshore crude oil and petroleum product pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the DOT regulations contain detailed specifications for pipeline operation and maintenance. We believe our operations are in substantial compliance with these regulations. The DOT also has a pipeline integrity management rule, with which we are in substantial compliance.

Indemnification
Under our amended omnibus agreement, Phillips 66 indemnifies us for certain environmental liabilities, tax liabilities, and litigation and other matters attributable to the assets contributed by Phillips 66 in connection with the Offering (the Initial Assets) and which arose prior to the closing of the Offering. Indemnification for any unknown environmental liabilities is limited to liabilities due to occurrences prior to the closing of the Offering and that are identified before the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.1 million before we are entitled to indemnification. Indemnification for litigation matters provided therein (other than legal actions pending as of the Offering) is subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. Phillips 66 also indemnifies us under our amended omnibus agreement for failure to obtain certain consents, licenses and permits necessary to conduct our business, including the cost of curing any such condition, in each case that is identified prior to the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. We have agreed to indemnify Phillips 66 for events and conditions associated with the ownership or operation of the Initial Assets that occur on or after the closing of the Offering and for certain environmental liabilities related to the Initial Assets to the extent Phillips 66 is not required to indemnify us.

Excluded Liabilities of the Acquired Assets
Pursuant to the terms of the various agreements under which we acquired assets from Phillips 66 since the Offering, Phillips 66 assumed the responsibility for any liabilities arising out of or attributable to the ownership or operation of the Acquired Assets, or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, prior to the effective date of each acquisition. We have assumed, and have agreed to pay, discharge and perform as and when due, all liabilities arising out of or attributable to the ownership or operation of the Acquired Assets or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, from and after the effective date of each acquisition.

GENERAL

Major Customer

Phillips 66 accounted for 95 percent , 94 percent and 95 percent of our total revenues in the years ended December 31, 2014, 2013 and 2012, respectively. We provide crude oil and refined petroleum product pipeline transportation, terminaling, storage and rail-unloading services to Phillips 66.

Seasonality

The crude oil and refined petroleum products transported in our pipelines and stored in our terminals, rail racks and storage facilities are directly affected by the level of supply and demand for crude oil and refined petroleum products in the markets served directly or indirectly by our assets. However, many effects of seasonality on our revenue should be substantially mitigated through the use of our fee-based commercial agreements with Phillips 66 that include minimum volume commitments.

Pipeline Control Operations

Our pipeline systems are operated from a central control room owned and operated by Phillips 66, located in Bartlesville, Oklahoma. The control center operates with a supervisory control and data acquisition system equipped with computer systems designed to continuously monitor operational data. Monitored data includes pressures, temperatures, gravities, flow rates and alarm conditions. The control center operates remote pumps, motors, and valves associated with the receipt and delivery of crude oil and refined petroleum products, and provides for the remote-controlled shutdown of pump stations on the pipeline systems. A fully functional back-up operations center is also maintained and routinely operated throughout the year to ensure safe and reliable operations.

Employees

We are managed and operated by the executive officers of our General Partner with oversight provided by its Board of Directors. Neither we nor our subsidiaries have any employees. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our business are employed by affiliates of our General Partner. Our General Partner and its affiliates have approximately 130 employees who spend a significant amount of their time performing services for our operations. We believe that our General Partner and its affiliates have a satisfactory relationship with those employees.

Website Access to SEC Reports

Our Internet website address is *http://www.phillips66partners.com* . Information contained on our Internet website is not part of this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to these reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (the SEC). Alternatively, you may access these reports at the SEC's website at *http://www.sec.gov* . We also post on our website our beneficial ownership reports filed by officers and directors of our General Partner, as well as principal security holders, under Section 16(a) of the Securities Exchange Act of 1934, governance guidelines, audit and conflicts committee charters, code of business ethics and conduct, and information on how to communicate directly with our General Partner's Board of Directors.

Item 1A. RISK FACTORS

You should carefully consider the risks described below with all of the other information included in this Annual Report on Form 10-K. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common units.

Risks Related to Our Business

Phillips 66 accounts for substantially all of our revenue. If Phillips 66 changes its business strategy, is unable for any reason, including financial or other limitations, to satisfy its obligations under our commercial agreements or significantly reduces the volumes transported through our pipelines or terminals or stored at our storage assets, our revenue would decline and our financial condition, results of operations, cash flows, and ability to make distributions to our unitholders would be materially and adversely affected.

We derive substantially all of our revenue from multiple commercial agreements with Phillips 66. Any event, whether in our areas of operation or elsewhere, that materially and adversely affects Phillips 66's financial condition, results of operations or cash flows may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of Phillips 66, the most significant of which include the following:

- The effects of changing commodity prices and refining and petrochemical margins.
- The ability to obtain credit and financing on acceptable terms in light of current uncertainty and illiquidity in credit and capital markets, which could also adversely affect the financial strength of business partners.
- A deterioration in Phillips 66's credit profile could increase Phillips 66's costs of borrowing money and limit Phillips 66's access to the capital markets and commercial credit, which could also trigger co-venturer rights under Phillips 66's joint venture arrangements.
- The substantial capital expenditures and operating costs required to comply with existing and future environmental laws and regulations, which could also impact or limit Phillips 66's current business plans and reduce product demand.
- The effects of domestic and worldwide political and economic developments could materially reduce Phillips 66's profitability and cash flows.
- Large capital projects can take many years to complete, and market conditions could deteriorate significantly between the project approval date and the project startup date, negatively impacting project returns.
- Investments in joint ventures decrease Phillips 66's ability to manage risk and may adversely affect the distributions that Phillips 66 receives from the joint ventures.
- Significant losses resulting from the hazards and risks of operations may not be fully covered by insurance, and could adversely affect Phillips 66's operations and financial results.
- Interruptions of supply and increased costs as a result of Phillips 66's reliance on third-party transportation of crude oil and refined products.
- Increased regulation of hydraulic fracturing could result in reductions or delays in domestic production of crude oil and natural gas, which could adversely impact Phillips 66's results of operations.
- Competitors that produce their own supply of feedstocks, have more extensive retail outlets, or have greater financial resources may have a competitive advantage over Phillips 66.
- Potential losses from Phillips 66's forward-contract and derivative transactions may have an adverse impact on its results of operations and financial condition.

- A significant interruption in one or more of Phillips 66's facilities could adversely affect business.
- Any decision by Phillips 66 to temporarily or permanently curtail or shut down operations at one or more of its domestic refineries or other facilities and reduce or terminate its obligations under our commercial agreements.
- Phillips 66's performance depends on the uninterrupted operation of its refineries and other facilities, which are becoming increasingly dependent on information technology systems.
- Potential indemnification of ConocoPhillips by Phillips 66 for various matters related to Phillips 66's separation may have an adverse impact on its results of operations and financial condition.

Phillips 66 is not obligated to use our services with respect to volumes of crude oil or products in excess of the minimum volume commitments under its commercial agreements with us. See Items 1 and 2. Business and Properties—Commercial and Other Agreements with Phillips 66 and Related Parties, for a description of each of these commercial agreements.

We may not generate sufficient distributable cash flow to support the payment of the minimum quarterly distribution to our unitholders.

We may not generate sufficient distributable cash flow each quarter to support the payment of the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- The volume of crude oil and refined petroleum products we transport.
- The tariff rates with respect to volumes that we transport.
- Changes in revenue we realize under the loss allowance provisions of our regulated tariffs resulting from changes in underlying commodity prices.

In addition, the actual amount of distributable cash flow we generate will also depend on other factors, some of which are beyond our control, including:

- The amount of our operating expenses and general and administrative expenses, including reimbursements to Phillips 66, which are not subject to any caps or other limits, in respect of those expenses.
- The application by Phillips 66 of any remaining credit amounts to any volumes handled by our assets after the expiration or termination of our commercial agreement.
- The application by Phillips 66 of credit amounts under our Hartford Connector throughput and deficiency agreement, which may be applied towards deficiency payments in future periods.
- The level of maintenance capital expenditures we make.
- Our debt service requirements and other liabilities.
- Our ability to borrow funds and access capital markets.
- Restrictions contained in our revolving credit facility and other debt service requirements.
- Changes in commodity prices.
- Other business risks affecting our cash levels.

Phillips 66 may suspend, reduce or terminate its obligations under our commercial agreements, which could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Our commercial agreements and operational services agreement with Phillips 66 include provisions that permit Phillips 66 to suspend, reduce or terminate its obligations under the applicable agreement if certain events occur, such as Phillips 66's determination to suspend refining operations at one of its refineries in which any of our assets are integrated, either permanently or indefinitely for a period that will continue for at least twelve months. Under our commercial agreements, Phillips 66's minimum volume commitments will cover less than 100 percent of the operating capacity of our assets. Any such reduction, suspension or termination of Phillips 66's obligations would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Certain components of our revenue have exposure to direct commodity price risk.

We have exposure to direct commodity price risk through the loss allowance provisions of our regulated tariffs and the commodity imbalance provisions of our commercial agreements. Any future losses due to our commodity price risk exposure could materially and adversely affect our results of operations and financial condition and our ability in the future to make distributions to our unitholders. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk, for more information.

Our operations and Phillips 66's refining operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our or Phillips 66's facilities and damages for which we may not be fully covered by insurance. If a significant accident or event occurs that results in a business interruption or shutdown for which we are not adequately insured, our operations and financial results could be materially and adversely affected.

Our operations are subject to all of the risks and operational hazards inherent in transporting, terminaling and storing crude oil and refined petroleum products, including:

- Damages to pipelines, terminals and facilities, related equipment and surrounding properties caused by earthquakes, tornados, hurricanes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism.
- Maintenance, repairs, mechanical or structural failures at our or Phillips 66's facilities or at third-party facilities on which our or Phillips 66's operations are dependent, including electrical shortages, power disruptions and power grid failures.
- Damages to and loss of availability of interconnecting third-party pipelines, terminals and other means of delivering crude oil, feedstocks and refined petroleum products.
- Disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attack.
- Curtailments of operations due to severe seasonal weather.
- Riots, strikes, lockouts or other industrial disturbances.
- Inadvertent damage to pipelines from construction, farm and utility equipment.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, as well as business interruptions or shutdowns of our facilities. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition and results of operations. In addition, Phillips 66's refining operations, on which our operations are substantially dependent, are subject to similar operational hazards and risks inherent in refining crude oil. A serious accident at our facilities or at Phillips 66's facilities could result in serious injury or death to our employees or contractors

or those of Phillips 66 or its affiliates and could expose us to significant liability for personal injury claims and reputational risk. We have no control over the operations at Phillips 66's refineries and their associated facilities.

We do not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We carry separate policies for certain property damage, business interruption and third-party liabilities, which includes pollution liabilities, and are also insured under certain of Phillips 66's liability policies and are subject to Phillips 66's policy limits under these policies. The occurrence of an event that is not fully covered by insurance or failure by one or more insurers to honor its coverage commitments for an insured event could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to make acquisitions on economically acceptable terms from Phillips 66 or third parties, our future growth would be limited, and any acquisitions we may make may reduce, rather than increase, our cash flows and ability to make distributions to our unitholders.

A portion of our strategy to grow our business and increase distributions to our unitholders is dependent on our ability to make acquisitions that result in an increase in distributable cash flow per unit. The acquisition component of our growth strategy is based, in large part, on our expectation of ongoing divestitures of transportation and storage assets by industry participants, including Phillips 66.

If we are unable to make acquisitions from Phillips 66 or third parties, because (1) there is a material decrease in divestitures of transportation and storage assets, (2) we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, (3) we are unable to obtain financing for these acquisitions on economically acceptable terms, (4) we are outbid by competitors or (5) for any other reason, our future growth and ability to increase distributions will be limited. Furthermore, even if we do consummate acquisitions that we believe will be accretive, they may in fact result in a decrease in distributable cash flow per unit as a result of incorrect assumptions in our evaluation of such acquisitions or unforeseen consequences or other external events beyond our control. If we consummate any future acquisitions, unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in evaluating any such acquisitions.

Our expansion of existing assets and construction of new assets may not result in revenue increases and will be subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our operations and financial condition.

In order to optimize our existing asset base, we intend to evaluate and capitalize on organic opportunities for expansion projects in order to increase revenue on our pipeline, terminal and storage systems. The expansion of an existing pipeline, terminal or storage facility, such as by adding horsepower, pump stations or loading/unloading racks, or the construction of a new pipeline, terminal or storage asset, involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. If we undertake these projects, they may not be completed on schedule, at the budgeted cost, or at all. Moreover, we may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects and we may be unable to negotiate acceptable interconnection agreements with third-party pipelines to provide destinations for increased throughput. Even if we receive such commitments or make such interconnections, we may not realize an increase in revenue for an extended period of time. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could materially and adversely affect our results of operations and financial condition and our ability in the future to make distributions to our unitholders.

We do not own all of the land on which our pipelines are located, which could result in disruptions to our operations.

We do not own all of the land on which our pipelines are located, and we are, therefore, subject to the possibility of more onerous terms and increased costs to retain necessary land use if we do not have valid leases or rights-of-way or if such rights-of-way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies, and some of our agreements may grant us those rights for only a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Restrictions in our revolving credit facility could adversely affect our business, financial condition, results of operations, ability to make cash distributions to our unitholders and the value of our units.

We will be dependent upon the earnings and cash flows generated by our operations in order to meet any debt service obligations and to allow us to make cash distributions to our unitholders. The operating and financial restrictions and covenants in our revolving credit facility and any other financing agreements could restrict our ability to finance our future operations or capital needs or to expand or pursue our business activities, which may, in turn, limit our ability to make cash distributions to our unitholders.

The provisions of our revolving credit facility could affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our revolving credit facility could result in an event of default which would enable our lenders to terminate their commitments and declare the outstanding principal of that debt, together with accrued interest, to be immediately due and payable. If the payment of our debt is accelerated, defaults under our other debt instruments, if any, may be triggered, and our assets may be insufficient to repay such debt in full, and the holders of our units could experience a partial or total loss of their investment. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity, for additional information about our revolving credit facility and the notes payable with Phillips 66.

Our assets and operations (including our pipeline systems) are subject to federal, state and local laws and regulations relating to environmental protection and safety, including spills, releases, and pipeline integrity, any of which could require us to make substantial expenditures.

Our assets and operations involve the transportation of crude oil and refined petroleum products, which are subject to increasingly stringent federal, state and local laws and regulations related to protection of the environment. These regulations have raised operating costs for the crude oil and refined petroleum products industry and compliance with such laws and regulations may cause us and Phillips 66 to incur potentially material capital expenditures.

Transportation of crude oil and refined petroleum products involves inherent risks of spills and releases from our facilities, and can subject us to various federal and state laws governing spills and releases, including reporting and remediation obligations. The costs associated with such obligations can be substantial, as can costs associated with related enforcement matters, including possible fines and penalties. Transportation of such products over water or proximate to navigable water bodies involves inherent risks (including risks of spills) and could subject us to the provisions of the Oil Pollution Act of 1990 and similar state environmental laws should a spill occur from our pipelines. We and Phillips 66 have contracted with various spill response service companies in the areas in which we transport or store crude oil and refined petroleum products; however, these companies may not be able to adequately contain a "worst case discharge" in all instances, and we cannot ensure that all of their services would be available at any given time. In these and other cases, we may be subject to liability in connection with the discharge of crude oil or petroleum products into navigable waters. We could incur potentially significant additional expenses should we determine that any of our assets are not in compliance with applicable laws and regulations. Our failure to comply with these or any other environmental, safety or pipeline-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints. Any such penalties or liability could have a material adverse effect on our business, financial condition, or results of operations. We will be subject to an aggregate deductible of $0.1 million before we are entitled to indemnification from Phillips 66 for certain environmental liabilities under our amended omnibus agreement. Even if we are insured or indemnified against such risks, we may be responsible for costs or penalties to the extent our insurers or indemnitors do not fulfill their obligations to us. See Items 1 and 2. Business and Properties—Environmental Regulations and Items 1 and 2. Business and Properties—Rates and Other Regulations—Pipeline Safety, for additional information.

Evolving environmental laws and regulations on climate change could adversely affect our financial performance.

Potential additional regulations regarding climate change could affect our operations. Currently, various U.S. legislative and regulatory agencies and bodies are considering various measures in regard to GHG emissions. These measures include EPA programs to control GHG emissions and state actions to develop statewide or regional programs, each of which could impose reductions in GHG emissions. These actions could result in increased (1) costs to operate and

maintain our facilities, (2) capital expenditures to install new emission controls on our facilities and (3) costs to administer and manage any potential GHG emissions regulations or carbon trading or tax programs. These actions could also have an indirect adverse effect on our business if Phillips 66's refinery operations are adversely affected due to increased regulation of Phillips 66's facilities or reduced demand for crude oil, refined petroleum products and NGL, and a direct adverse effect on our business from increased regulation of our facilities. See Items 1 and 2. Business and Properties—Environmental Regulations—Air Emissions and Climate Change, for additional information.

Climate change may adversely affect our facilities and our ongoing operations.

The potential physical effects of climate change on our operations are highly uncertain and depend upon the unique geographic and environmental factors present. Examples of such effects include rising sea levels at our coastal facilities, changing storm patterns and intensities, and changing temperature levels. As many of our facilities are located near coastal areas or serve refineries in coastal areas, rising sea levels may disrupt our ability to transport crude oil and refined petroleum products. Extended periods of such disruption could have an adverse effect on our results of operations.

We may be unable to obtain or renew permits necessary for our operations, which could inhibit our ability to do business.

Our facilities operate under a number of federal and state permits, licenses and approvals with terms and conditions containing a significant number of prescriptive limits and performance standards in order to operate. All of these permits, licenses, approval limits and standards require a significant amount of monitoring, record keeping and reporting in order to demonstrate compliance with the underlying permit, license, approval limit or standard. Noncompliance or incomplete documentation of our compliance status may result in the imposition of fines, penalties and injunctive relief. A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations and on our financial condition, results of operations and cash flows.

Evolving environmental laws and regulations on hydraulic fracturing could have an indirect effect on our financial performance.

Hydraulic fracturing is a common practice used to stimulate production of crude oil and/or natural gas from dense subsurface rock formations, and is primarily presently regulated by state agencies. However, Congress has in the past and may in the future consider legislation to regulate hydraulic fracturing by federal agencies. Many states have already adopted laws and/or regulations that require disclosure of the chemicals used in hydraulic fracturing, and are considering legal requirements that could impose more stringent permitting, disclosure and well construction requirements on oil and/or natural gas drilling activities. The EPA is also moving forward with various regulations requiring, among other matters, "green completions" of hydraulically fractured wells by 2015 and certain emission requirements for some midstream equipment. We do not believe these new regulations will have a direct effect on our operations, but because oil and/or natural gas production using hydraulic fracturing is growing rapidly in the United States, if new or more stringent federal, state or local legal restrictions relating to such drilling activities or to the hydraulic fracturing process are adopted in areas where our shippers' producer suppliers operate, those producers could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of production or development activities, which could reduce demand for our transportation and midstream services.

New and proposed regulations governing fuel efficiency and renewable fuels could have an indirect but material adverse effect on our business.

Increases in fuel mileage standards and the increased use of renewable fuels could decrease demand for refined petroleum products, which could have an indirect, but material, adverse effect on our business, financial condition and results of operations. For example, in 2007, Congress passed the EISA, which, among other things, sets a target of 35 miles per gallon for the combined fleet of cars and light trucks in the United States by model year 2020, and contains RFS2. In August 2012, the National Highway Traffic Safety Administration enacted regulations establishing an average industry fleet fuel economy standard of 54.5 miles per gallon by 2025. RFS2 presents production and logistics challenges for both the renewable fuels and petroleum refining industries. RFS2 has required, and may in the future continue to require, additional capital expenditures or expenses by Phillips 66 to accommodate increased renewable fuels use. Phillips 66 may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

Many of our assets have been in service for many years and require significant expenditures to maintain them. As a result, our maintenance or repair costs may increase in the future.

Our pipelines, terminals and storage assets are generally long-lived assets, and many of them have been in service for many years. The age and condition of our assets could result in increased maintenance or repair expenditures in the future. Any significant increase in these expenditures could adversely affect our results of operations, financial position or cash flows, as well as our ability to make cash distributions to our unitholders.

Terrorist attacks and threats, cyber attacks, or escalation of military activity in response to these attacks, could have a material adverse effect on our business, financial condition or results of operations.

Terrorist attacks and threats, cyber attacks, or escalation of military activity in response to these attacks, may have significant effects on general economic conditions, fluctuations in consumer confidence and spending and market liquidity, each of which could materially and adversely affect our business. Strategic targets, such as energy-related assets and transportation assets, may be at greater risk of future terrorist or cyber attacks than other targets in the United States. We do not maintain specialized insurance for possible liability or loss resulting from a cyber attack on our assets that may shut down all or part of our business. It is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition and results of operations.

We may incur greater than anticipated costs and liabilities in order to comply with safety regulation, including pipeline integrity management program testing and related repairs.

The DOT, through its PHMSA, has adopted regulations requiring, among other things, pipeline operators to develop integrity management programs for transmission pipelines located where a leak or rupture could harm HCAs. The regulations require operators, including us, to, among other matters, perform ongoing assessments of pipeline integrity; repair and remediate pipelines as necessary; and implement preventative and mitigating actions. PHMSA is considering whether to revise the integrity management requirements or to include additional pipelines in HCAs, which could have a material adverse effect on our operations and costs of transportation services.

Although some of our facilities fall within a class that is currently not subject to these requirements, we may incur significant costs and liabilities associated with repair, remediation, preventative or mitigation measures associated with our non-exempt pipelines. We have not estimated the costs for any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which could be substantial, or any lost cash flows resulting from shutting down our pipelines during the pendency of such repairs. Additionally, should we fail to comply with the DOT or comparable state regulations, we could be subject to penalties and fines.

The tariff rates of our regulated assets are subject to review and possible adjustment by federal and state regulators, which could adversely affect our revenue and our ability to make distributions to our unitholders.

Certain of our pipelines provide interstate service that is subject to regulation by FERC. FERC uses prescribed rate methodologies for developing regulated tariff rates for interstate oil and product pipelines. Our tariff rates approved by FERC may not recover all of our costs of providing services. In addition, these methodologies and changes to FERC's approved rate methodologies, or challenges to our application of an approved methodology, could also adversely affect our rates.

Shippers may protest (and FERC may investigate) the lawfulness of new or changed tariff rates. FERC can suspend those tariff rates for up to seven months and can also require refunds of amounts collected pursuant to rates that are ultimately found to be unlawful and prescribe new rates prospectively. FERC and interested parties can also challenge tariff rates that have become final and effective. Under our existing commercial agreements, Phillips 66 has agreed not to challenge, or to cause others to challenge or assist others in challenging, our tariff rates in effect during the term of the agreements, except to the extent changes to the base tariff rate are inconsistent with FERC's indexing methodology or other rate changing methodologies. This agreement does not prevent other shippers or interested persons from challenging our tariffs, including our tariff rates and proration rules. Due to the complexity of rate making, the lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues and our ability to make distributions to our unitholders.

Our pipelines are common carriers and, as a consequence, we may be required to provide service to customers with credit and other performance characteristics with whom we would choose not to do business if permitted to do so.

Certain of our pipelines provide intrastate service that is subject to regulation by various state agencies. These state agencies could limit our ability to increase our rates or to set rates based on our costs or could order us to reduce our rates and could require the payment of refunds to shippers. Such regulation or a successful challenge to our intrastate pipeline rates could adversely affect our financial position, cash flows or results of operations. See Items 1 and 2. Business and Properties—Rates and Other Regulations, for additional information.

Risks Inherent in an Investment in Us

Our General Partner and its affiliates, including Phillips 66, have conflicts of interest with us and limited fiduciary duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over the business decisions and operations of Phillips 66, and Phillips 66 is under no obligation to adopt a business strategy that favors us.

As of December 31, 2014, Phillips 66 owned a 2 percent general partner interest and a 73.3 percent limited partner interest in us and owned and controlled our General Partner. Additionally, Phillips 66 continues to own a 50 percent equity interest in DCP Midstream, LLC (DCP Midstream), and a 50 percent equity interest in Chevron Phillips Chemical Company LLC (CPChem). Although our General Partner has a duty to manage us in a manner that is in the best interests of our partnership and our unitholders, the directors and officers of our General Partner also have a duty to manage our General Partner in a manner that is in the best interests of its owner, Phillips 66. Conflicts of interest may arise between Phillips 66 and its affiliates, including our General Partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts, our General Partner may favor its own interests and the interests of its affiliates, including Phillips 66, over the interests of our common unitholders. These conflicts include, among others, the following situations:

- Neither our partnership agreement nor any other agreement requires Phillips 66 to pursue a business strategy that favors us or utilizes our assets, which could involve decisions by Phillips 66 to increase or decrease refinery production, shut down or reconfigure a refinery, pursue and grow particular markets, or undertake acquisition opportunities for itself. Phillips 66's directors and officers have a fiduciary duty to make these decisions in the best interests of the stockholders of Phillips 66.

- Phillips 66, as our primary customer, has an economic incentive to cause us to not seek higher tariff rates, even if such higher rates or fees would reflect rates and fees that could be obtained in arm's-length, third-party transactions.

- Phillips 66 may be constrained by the terms of its debt instruments from taking actions, or refraining from taking actions, that may be in our best interests.

- Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our General Partner with contractual standards governing its duties, limiting our General Partner's liabilities and restricting the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty.

- Except in limited circumstances, our General Partner has the power and authority to conduct our business without unitholder approval.

- Our General Partner will determine the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash that is distributed to our unitholders.

- Our General Partner will determine the amount and timing of many of our cash expenditures and whether a cash expenditure is classified as an expansion capital expenditure, which would not reduce operating surplus, or a maintenance capital expenditure, which would reduce our operating surplus. This determination can affect the amount of available cash from operating surplus that is distributed to our unitholders and to our General Partner, the amount of adjusted operating surplus generated in any given period and the ability of the subordinated units to convert into common units.

- Our General Partner will determine which costs incurred by it are reimbursable by us.

- Our General Partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate expiration of the subordination period.

- Our partnership agreement permits us to classify up to $60.0 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions on our subordinated units or to our General Partner in respect of the general partner interest or the incentive distribution rights.

- Our partnership agreement does not restrict our General Partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.

- Our General Partner intends to limit its liability regarding our contractual and other obligations.

- Our General Partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if it and its affiliates own more than 80 percent of the common units.

- Our General Partner controls the enforcement of obligations owed to us by our General Partner and its affiliates, including our commercial agreements with Phillips 66.

- Our General Partner decides whether to retain separate counsel, accountants or others to perform services for us.

- Our General Partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our General Partner's incentive distribution rights without the approval of the conflicts committee of the Board of Directors of our General Partner, which we refer to as our conflicts committee, or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

Under the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our General Partner or any of its affiliates, including its executive officers, directors and owners. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our General Partner and result in less than favorable treatment of us and our unitholders.

Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.

Our partnership agreement requires that we distribute all of our available cash to our unitholders. As a result, we expect to rely primarily upon external financing sources, including related-party financing from Phillips 66, borrowings under our revolving credit facility and future issuances of equity and debt securities, to fund our acquisitions and expansion capital expenditures. Therefore, to the extent we are unable to finance our growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, because we will distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to our common units as to distributions or in liquidation or that have special voting rights and other rights, and our unitholders will have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such additional units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may reduce the amount of cash that we have available to distribute to our unitholders.

Our partnership agreement replaces our General Partner's fiduciary duties to holders of our common units with contractual standards governing its duties.

Delaware law provides that Delaware limited partnerships may, in their partnership agreements, expand, restrict or eliminate the fiduciary duties otherwise owed by the general partner to limited partners and the partnership, provided that partnership agreements may not eliminate the implied contractual covenant of good faith and fair dealing. This implied covenant is a judicial doctrine utilized by Delaware courts in connection with interpreting ambiguities in partnership agreements and other contracts, and does not form the basis of any separate or independent fiduciary duty in addition to the express contractual duties set forth in our partnership agreement. Under the implied contractual covenant of good faith and fair dealing, a court will enforce the reasonable expectations of the partners where the language in the partnership agreement does not provide for a clear course of action. As permitted by Delaware law, our partnership agreement contains provisions that eliminate the fiduciary standards to which our General Partner would otherwise be held by state fiduciary duty law and replaces those duties with several different contractual standards. For example, our partnership agreement permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing. This provision entitles our General Partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. By purchasing a common unit, a unitholder is treated as having consented to the provisions in our partnership agreement, including the provisions discussed above.

Our partnership agreement restricts the remedies available to holders of our common and subordinated units for actions taken by our General Partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our General Partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement:

- Provides that whenever our General Partner makes a determination or takes, or declines to take, any other action in its capacity as our General Partner, our General Partner is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the determination or the decision to take or decline to take such action was in the best interests of our partnership, and will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity.

- Provides that our General Partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith.

- Provides that our General Partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our General Partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal.

- Provides that our General Partner will not be in breach of its obligations under our partnership agreement or its fiduciary duties to us or our limited partners if a transaction with an affiliate or the resolution of a conflict of interest is approved in accordance with, or otherwise meets the standards set forth in, our partnership agreement.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, our partnership agreement provides that any determination by our General Partner must be made in good faith, and that our conflicts committee and the Board of Directors of our General Partner are entitled to a presumption that they acted in good faith. In any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

If you are not both a citizenship eligible holder and a rate eligible holder, your common units may be subject to redemption.

In order to avoid (1) any material adverse effect on the maximum applicable rates that can be charged to customers by our subsidiaries on assets that are subject to rate regulation by FERC or any analogous regulatory body, and (2) any substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or other authorization, in which we have an interest, we have adopted certain requirements regarding those investors who may own our common units. Citizenship eligible holders are individuals or entities whose nationality, citizenship or other related status does not create a substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or authorization, in which we have an interest, and will generally include individuals and entities who are U.S. citizens. Rate eligible holders are individuals or entities subject to U.S. federal income taxation on the income generated by us or entities not subject to U.S. federal income taxation on the income generated by us, so long as all of the entity's owners are subject to such taxation. If you are not a person who meets the requirements to be a citizenship eligible holder and a rate eligible holder, you run the risk of having your units redeemed by us at the market price as of the date three days before the date the notice of redemption is mailed. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our General Partner. In addition, if you are not a person who meets the requirements to be a citizenship eligible holder, you will not be entitled to voting rights.

Cost reimbursements, which will be determined in our General Partner's sole discretion, and fees due to our General Partner and its affiliates for services provided will be substantial and will reduce the amount of cash we have available for distribution to our unitholders.

Under our partnership agreement, we are required to reimburse our General Partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under our amended omnibus agreement, amended operational services agreement and tax sharing agreement, our General Partner determines the amount of these expenses. Under the terms of the amended omnibus agreement we will be required to reimburse Phillips 66 for the provision of certain operational and administrative support services to us. Under our amended operational services agreement, we will be required to reimburse Phillips 66 for the provision of certain maintenance, operating, administrative and construction services in support of our operations. Under our tax sharing agreement, we will reimburse Phillips 66 for our share of state and local income and other taxes incurred by Phillips 66 as a result of our results of operations being included in a combined or consolidated tax return filed by Phillips 66. Our General Partner and its affiliates also may provide us other services for which we will be charged fees as determined by our General Partner. The costs and expenses for which we are required to reimburse our General Partner and its affiliates are not subject to any caps or other limits. Payments to our General Partner and its affiliates will be substantial and will reduce the amount of cash we have available to distribute to unitholders.

Unitholders have very limited voting rights and, even if they are dissatisfied, they cannot remove our General Partner without its consent.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. For example, unlike holders of stock in a public corporation, unitholders will not have "say-on-pay" advisory voting rights. Unitholders did not elect our General Partner or the Board of Directors of our General Partner and will have no right to elect our General Partner or the Board of Directors of our General Partner on an annual or other continuing basis. The Board of Directors of our General Partner is chosen by the member of our General Partner, which is a wholly owned subsidiary of Phillips 66. Furthermore, if the unitholders are dissatisfied with the performance of our General Partner, they have little ability to remove our General Partner. As a result of these limitations, the price at which our common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

The unitholders are unable initially to remove our General Partner without its consent because our General Partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 2/3 percent of all outstanding common units and subordinated units voting together as a single class is required to remove our General Partner. Our General Partner and its affiliates own approximately 73 percent of our total outstanding common units and subordinated units on an aggregate basis. Also, if our General Partner is removed without cause during the subordination period and common units and subordinated units held by our General Partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically be converted into common units, and any existing

arrearages on the common units will be extinguished. A removal of our General Partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests.

Furthermore, unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20 percent or more of any class of units then outstanding, other than our General Partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the Board of Directors of our General Partner, cannot vote on any matter.

Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Our General Partner units or the control of our General Partner may be transferred to a third party without unitholder consent.

Our General Partner may transfer its general partner units to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of Phillips 66 to transfer its membership interest in our General Partner to a third party. The new owner of our General Partner would then be in a position to replace the Board of Directors and officers of our General Partner with its own choices.

We may issue additional units without unitholder approval, which would dilute unitholder interests.

At any time, we may issue an unlimited number of general partner interests or limited partner interests of any type without the approval of our unitholders and our unitholders will have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such general partner interests or limited partner interests. Further, there are no limitations in our partnership agreement on our ability to issue equity securities that rank equal or senior to our common units as to distributions or in liquidation or that have special voting rights and other rights. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- Our unitholders' proportionate ownership interest in us will decrease.
- The amount of cash we have available to distribute on each unit may decrease.
- Because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase.
- The ratio of taxable income to distributions may increase.
- The relative voting strength of each previously outstanding unit may be diminished.
- The market price of our common units may decline.

The issuance by us of additional general partner interests may have the following effects, among others, if such general partner interests are issued to a person who is not an affiliate of Phillips 66:

- Management of our business may no longer reside solely with our General Partner.
- Affiliates of the newly admitted general partner may compete with us, and neither that general partner nor such affiliates will have any obligation to present business opportunities to us.

Phillips 66 may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.

At December 31, 2014, Phillips 66 held 20,938,498 common units and 35,217,112 subordinated units. All of the subordinated units will convert into common units at the end of the subordination period and may convert earlier under certain circumstances. Additionally, we have agreed to provide Phillips 66 with certain registration rights under applicable securities laws. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Our General Partner's discretion in establishing cash reserves may reduce the amount of cash we have available to distribute to our unitholders.

Our partnership agreement requires our General Partner to deduct from operating surplus the cash reserves that it determines are necessary to fund our future operating expenditures. In addition, the partnership agreement permits the general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party, or to provide funds for future distributions to partners. These cash reserves will affect the amount of cash we have available to distribute to our unitholders.

Affiliates of our General Partner, including Phillips 66, DCP Midstream and CPChem, may compete with us, and neither our General Partner nor its affiliates have any obligation to present business opportunities to us.

Neither our partnership agreement nor our amended omnibus agreement prohibits Phillips 66 or any other affiliates of our General Partner, including DCP Midstream and CPChem, from owning assets or engaging in businesses that compete directly or indirectly with us. Under the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our General Partner or any of its affiliates, including Phillips 66, DCP Midstream and CPChem. Any such entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us does not have any duty to communicate or offer such opportunity to us. Consequently, Phillips 66 and other affiliates of our General Partner, including DCP Midstream and CPChem, may acquire, construct or dispose of additional midstream assets in the future without any obligation to offer us the opportunity to purchase any of those assets. As a result, competition from Phillips 66 and other affiliates of our General Partner, including DCP Midstream and CPChem, could materially and adversely impact our results of operations and distributable cash flow.

Our General Partner has a limited call right that may require you to sell your common units at an undesirable time or price.

If at any time our General Partner and its affiliates own more than 80 percent of our then-outstanding common units, our General Partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. Our General Partner and its affiliates owned approximately 53 percent of our common units at December 31, 2014. At the end of the subordination period, assuming no additional issuances of common units by us (other than upon the conversion of the subordinated units), our General Partner and its affiliates would own approximately 75 percent of our then outstanding common units and therefore would not be able to exercise the call right at that time.

Our General Partner, or any transferee holding incentive distribution rights, may elect to cause us to issue common units and general partner units to it in connection with a resetting of the target distribution levels related to its incentive distribution rights, without the approval of our conflicts committee or the holders of our common units. This could result in lower distributions to holders of our common units.

Our General Partner has the right, at any time when there are no subordinated units outstanding and it has received distributions on its incentive distribution rights at the highest level to which it is entitled (48 percent, in addition to distributions paid on its 2 percent general partner interest) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our distributions at the time of the exercise of the reset election. Following a reset election, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution, and the target distribution levels will be reset to correspondingly higher levels based on percentage

increases above the reset minimum quarterly distribution. If our General Partner elects to reset the target distribution levels, it will be entitled to receive a number of common units and general partner units. The number of common units to be issued to our General Partner will be equal to that number of common units that would have entitled their holder to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions to our General Partner on the incentive distribution rights in such two quarters. Our General Partner will also be issued the number of general partner units necessary to maintain our General Partner's interest in us at the level that existed immediately prior to the reset election. We anticipate that our General Partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion. It is possible, however, that our General Partner could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may, therefore, desire to be issued common units rather than retain the right to receive distributions based on the initial target distribution levels. This risk could be elevated if our incentive distribution rights have been transferred to a third party. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that they would have otherwise received had we not issued new common units and general partner units in connection with resetting the target distribution levels. Additionally, our General Partner has the right to transfer all or any portion of our incentive distribution rights at any time, and such transferee shall have the same rights as the general partner relative to resetting target distributions if our General Partner concurs that the tests for resetting target distributions have been fulfilled.

The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements.

We currently list our common units on the NYSE under the symbol "PSXP." Because we are a publicly traded limited partnership, the NYSE does not require us to have a majority of independent directors on our General Partner's Board of Directors or to establish a compensation committee or a nominating and corporate governance committee. Additionally, any future issuance of additional common units or other securities, including to affiliates, will not be subject to the NYSE's shareholder approval rules that apply to a corporation. Accordingly, unitholders do not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements. See Item 10. Directors, Executive Officers and Corporate Governance, for additional information.

Tax Risks

Our tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service (IRS) were to treat us as a corporation for federal income tax purposes, which would subject us to entity-level taxation, or if we were otherwise subjected to a material amount of additional entity-level taxation, then our distributable cash flow to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested a ruling from the IRS on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35 percent, and would likely pay state and local income tax at varying rates. Distributions would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to unitholders. Because a tax would be imposed upon us as a corporation, our distributable cash flow would be substantially reduced. In addition, changes in current state law may subject us to additional entity-level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Imposition of any such taxes may substantially reduce the cash available for distribution to unitholders. Therefore, if we were treated as a corporation for federal income tax purposes or otherwise subjected to a material amount of entity-level taxation, there would be material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution levels may be adjusted to reflect the impact of that law on us.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for federal income tax purposes. We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us, and any such changes could negatively impact the value of an investment in our common units.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our distributable cash flow to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take, and the IRS's positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a materially adverse impact on the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our General Partner because the costs will reduce our distributable cash flow.

We treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to unitholders. It also could affect the timing of these tax benefits or the amount of gain from sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. The U.S. Treasury Department issued proposed regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge this method or new Treasury Regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

We have adopted certain valuation methodologies and monthly conventions for federal income tax purposes that may result in a shift of income, gain, loss and deduction between our General Partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of our common units.

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our General Partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our General Partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of taxable income, gain, loss and deduction between our General Partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of taxable gain from our unitholders' sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

The sale or exchange of 50 percent or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have technically terminated our partnership for federal income tax purposes if there is a sale or exchange of 50 percent or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50 percent threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if relief was not available, as described below) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead we would be treated as a new partnership for federal income tax purposes. If treated as a new partnership, we must make new tax elections, including a

new election under Section 754 of the Internal Revenue Code and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 3. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not a party to any litigation or governmental or other proceeding that we believe will have a material adverse impact on our consolidated financial condition or results of operations. In addition, under our amended omnibus agreement, Phillips 66 indemnifies us for liabilities relating to litigation and environmental matters attributable to the ownership or operation of the assets contributed to us in connection with the Offering prior to the closing of the Offering. Pursuant to the terms of the various agreements under which we acquired assets from Phillips 66 since the Offering, Phillips 66 assumed the responsibility for all the liabilities relating to litigation and environmental matters attributable to the ownership and operation of the Acquired Assets prior to our acquisition of those assets.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Quarterly Common Unit Prices and Cash Distributions Per Unit

Our common units trade on the New York Stock Exchange (NYSE) under the symbol "PSXP." The following table reflects intraday high and low sales prices per common unit and cash distributions declared to unitholders for each quarter starting July 23, 2013, the date on which our common units began trading on the NYSE:

	Common Unit Price		Quarterly Cash Distribution Per Unit*
	High	Low	
2014			
First Quarter	**$ 50.45**	**35.50**	**.2743**
Second Quarter	**79.92**	**47.50**	**.3017**
Third Quarter	**79.83**	**61.82**	**.3168**
Fourth Quarter	**71.00**	**51.35**	**.3400**
2013			
Third Quarter	$ 35.92	28.10	.1548
Fourth Quarter	38.99	29.03	.2248

**Represents cash distribution attributable to the quarter and declared and paid within 45 days of quarter end pursuant to our partnership agreement. The quarterly cash distribution per unit for the third quarter of 2013 was pro-rated for the period from July 26, 2013, through September 30, 2013.*

Closing Common Unit Price at December 31, 2014	$ 68.93
Closing Common Unit Price at January 30, 2015	$ 72.42
Number of Unitholders of Record at January 30, 2015*	8

**In determining the number of unitholders, we consider clearing agencies and security position listings as one unitholder for each agency or listing.*

Distributions of Available Cash

Our partnership agreement requires that, within 45 days after the end of each quarter, beginning with the quarter ended September 30, 2013, we distribute all of our available cash to unitholders of record on the applicable record date.

Definition of Available Cash. Available cash is defined in our partnership agreement. Available cash generally means, for any quarter, all cash and cash equivalents on hand at the end of that quarter:

less , the amount of cash reserves established by our General Partner to:

- Provide for the proper conduct of our business (including reserves for our future capital expenditures, future acquisitions, anticipated future debt service requirements and refunds of collected rates reasonably likely to be refunded as a result of a settlement or hearing related to FERC rate proceedings or rate proceedings under applicable law subsequent to that quarter).
- Comply with applicable law, any of our or our subsidiaries' debt instruments or other agreements.
- Provide funds for distributions to our unitholders and to our General Partner for any one or more of the next four quarters (provided that our General Partner may not establish cash reserves for distributions if the effect of the establishment of such reserves will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter).

plus , if our General Partner so determines, all or any portion of the cash on hand on the date of determination of available cash for

the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

Intent to Distribute the Minimum Quarterly Distribution. Under our current cash distribution policy, we intend to make at least the minimum quarterly distribution to the holders of our common units and subordinated units of $0.2125 per unit, to the extent we have sufficient available cash after the establishment of cash reserves. However, there is no guarantee that we will pay the minimum quarterly distribution on our units in any quarter. The amount of distributions paid under our cash distribution policy and the decision to make any distribution will be determined by our General Partner, taking into consideration the terms of our partnership agreement. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Revolving Credit Facility, for a discussion of the restrictions included in our revolving credit facility that may restrict our ability to make distributions.

General Partner Interest and Incentive Distribution Rights. Our General Partner is entitled to 2 percent of all quarterly distributions that we make. This general partner interest was represented by 1,531,518 general partner units at December 31, 2014. Our General Partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner's initial 2 percent interest in these distributions will be reduced if we issue additional units in the future and our General Partner does not contribute a proportionate amount of capital to us to maintain its 2 percent general partner interest.

Our General Partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 48 percent, of the available cash we distribute from operating surplus (as defined in our partnership agreement) in excess of $0.244375 per unit per quarter. The maximum distribution of 48 percent does not include any distributions that our General Partner or its affiliates may receive on common, subordinated or general partner units that they own.

Percentage Allocations of Available Cash. The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our General Partner based on the specified target distribution levels in the partnership agreement. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of our General Partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution Per Unit Target Amount." The percentage interests shown for our unitholders and our General Partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our General Partner include its 2 percent general partner interest and assume that our General Partner has contributed any additional capital necessary to maintain its 2 percent general partner interest, our General Partner has not transferred its incentive distribution rights and there are no arrearages on common units.

	Total Quarterly Distribution Per Unit Target Amount		Marginal Percentage Interest in Distributions	
			Unitholders	General Partner
Minimum Quarterly Distribution	$0.2125		98%	2%
First Target Distribution	Above $0.2125	up to $0.244375	98%	2%
Second Target Distribution	Above $0.244375	up to $0.265625	85%	15%
Third Target Distribution	Above $0.265625	up to $0.318750	75%	25%
Thereafter	Above $0.318750		50%	50%

Subordination Period

Our partnership agreement provides that, during the subordination period (as defined below), the common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to $0.2125 per common unit, which amount is defined in our partnership agreement as the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed "subordinated" because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters. Furthermore,

no arrearages will accrue or be payable on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that, during the subordination period, there will be available cash to be distributed on the common units.

Definition of Subordination Period. Except as described below, the subordination period began on the closing date of the Offering and extends until the first business day following the distribution of available cash in respect of any quarter beginning with the quarter ending September 30, 2016, that each of the following tests are met:

- Distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded $0.85 (the annualized minimum quarterly distribution), for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date.

- The adjusted operating surplus (as defined in the partnership agreement) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of $0.85 (the annualized minimum quarterly distribution) on all of the outstanding common units, subordinated units and general partner units during those periods on a fully diluted basis.

- There are no arrearages in payment of the minimum quarterly distribution on the common units.

Early Termination of the Subordination Period. Notwithstanding the foregoing, the subordination period will automatically terminate on the first business day following the distribution of available cash in respect of any quarter, beginning with the quarter ended September 30, 2014, that each of the following tests are met:

- Distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded $1.275 (150 percent of the annualized minimum quarterly distribution) for the four-quarter period immediately preceding that date.

- The adjusted operating surplus generated during the four-quarter period immediately preceding that date equaled or exceeded the sum of (1) $1.275 (150 percent of the annualized minimum quarterly distribution) on all of the outstanding common units, subordinated units and general partner units during that period on a fully diluted basis and (2) the corresponding distributions on the incentive distribution rights.

- There are no arrearages in payment of the minimum quarterly distributions on the common units.

Expiration of the Subordination Period. When the subordination period ends, each outstanding subordinated unit will convert into one common unit and will thereafter participate pro rata with the other common units in distributions of available cash. In addition, if the unitholders remove our General Partner other than for cause:

- The subordinated units held by any person will immediately and automatically convert into common units on a one-for-one basis, provided (1) neither such person nor any of its affiliates voted any of its units in favor of the removal and (2) such person is not an affiliate of the successor general partner.

- If all of the subordinated units convert pursuant to the foregoing, all cumulative common unit arrearages on the common units will be extinguished and the subordination period will end.

- Our General Partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

Unregistered Sale of Equity Securities

On December 10, 2014, we issued 13,129 common units representing limited partner interests to Phillips 66 Company and 268 general partner units to our General Partner, as part of the consideration paid for the acquisition of the Palermo Rail Terminal project. The issuance of the common units was completed in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, under Section 4(a)(2), as a transaction by an issuer not involving a public offering. See Note 4—Acquisitions , in the Notes to Consolidated Financial Statements for additional information.

Item 6. SELECTED FINANCIAL DATA

See Items 1 and 2. Business and Properties — 2014 Developments, for a description of our significant transactions in 2014. The acquisitions of the Gold Line, Medford, Bayway and Ferndale assets from Phillips 66 were transfers of businesses between entities under common control, which requires them to be accounted for as if the transfers had occurred at the beginning of the period of transfer, with prior periods retrospectively adjusted to furnish comparative information. Accordingly, the accompanying financial information has been retrospectively adjusted to include the historical results and financial position of these acquired businesses prior to the effective date of each acquisition. The acquisitions of the Cross-Channel, Palermo and Eagle Ford projects represented transfers of assets. Accordingly, these assets are included in the financial statements prospectively from the effective date of each acquisition. See Note 4—Acquisitions , in the Notes to Consolidated Financial Statements, for additional information.

For periods prior to the Offering, the historical results of operations include our predecessor for accounting purposes. We refer to our pre-Offering predecessor and the operations of the Gold Line, Medford, Bayway and Ferndale assets prior to the effective date of each acquisition collectively as “our Predecessors.” The combined financial statements of our Predecessors were derived from the accounting records of Phillips 66, and reflect the combined historical results of operations, financial position and cash flows of our Predecessors as if such businesses had been combined for all periods presented.

All financial information presented for the periods after the Offering represents the consolidated results of operations, financial position and cash flows of the Partnership giving retrospective effect to the combined results of operations, financial position and cash flows of the Gold Line, Medford, Bayway and Ferndale assets. Accordingly:

- The selected income statement data for the year ended December 31, 2014, consists of the consolidated results of the Partnership and the combined results of the Gold Line, Medford, Bayway and Ferndale assets prior to the effective date of each acquisition. The selected income statement data for the year ended December 31, 2013, consists of the consolidated results of the Partnership for the period from July 26, 2013, through December 31, 2013, the combined results of our pre-Offering predecessor for the period from January 1, 2013, through July 25, 2013, and the combined results of the Gold Line, Medford, Bayway and Ferndale assets for the entire year of 2013. The selected income statement data for the years ended December 31, 2012 and 2011, consists entirely of the combined results of our Predecessors.

- The selected balance sheet data at December 31, 2014, consists of the consolidated balances of the Partnership. The selected balance sheet data at December 31, 2013, consists of the consolidated balances of the Partnership and the combined balances of the Gold Line, Medford, Bayway and Ferndale assets, while the selected balance sheet data at December 31, 2012 and 2011, consists of the combined balances of our Predecessors.

To ensure full understanding, you should read the selected financial data presented below in conjunction with Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and accompanying notes included elsewhere in this Annual Report on Form 10-K.

	Millions of Dollars Except Per Unit Amounts			
	2014	2013 (1)	2012 (1)	2011 (1)
Transportation and terminaling services revenue—related parties	**$ 222.9**	181.9	141.8	134.6
Transportation and terminaling services revenue—third parties	**6.1**	5.1	3.5	5.2
Net income	**124.4**	96.7	59.1	63.2
Net income attributable to the Partnership	**116.0**	28.9	**	**
Limited partners' interest in net income attributable to the Partnership	**107.7**	28.3	**	**
Net income attributable to the Partnership per limited partner unit (basic and diluted) (2)				
Common units	**1.48**	0.40	**	**
Subordinated units	**1.45**	0.40	**	**
Total assets	**539.5**	775.3	262.3	240.5
Long term debt	**18.0**	—	—	—
Note payable—related parties	**411.6**	—	—	—
Cash distributions declared per limited partner unit	**1.1176**	0.1548	**	**

(1) Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.

(2) See Note 9—Net Income Per Limited Partner Unit , in the Notes to Consolidated Financial Statements.

***Information is not applicable for the periods prior to the Offering.*

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis is the Partnership's analysis of its financial performance, financial condition, and significant trends that may affect future performance. It should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. It contains forward-looking statements including, without limitation, statements relating to the Partnership's plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. The Partnership does not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the Partnership's disclosures under the heading: "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS," beginning on page 63.

BUSINESS ENVIRONMENT AND EXECUTIVE OVERVIEW

Partnership Overview

We are a Delaware limited partnership formed in 2013 by Phillips 66 Company and Phillips 66 Partners GP LLC (our General Partner), both wholly owned subsidiaries of Phillips 66. We are a growth-oriented master limited partnership formed by Phillips 66 to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum products and natural gas liquids (NGL) pipelines and terminals and other transportation and midstream assets. On July 26, 2013 , we completed our initial public offering (the Offering), and our common units trade on the New York Stock Exchange under the symbol "PSXP."

2014 developments included:

- *Gold Line/Medford Acquisition.* We acquired the Gold Line Products System and the Medford Spheres (collectively, the Gold Line/Medford Assets) from Phillips 66 (the Gold Line/Medford Acquisition). The transaction closed on February 28, 2014, with an effective date of March 1, 2014.

- *Bayway/Ferndale/Cross-Channel Acquisition.* We acquired the Bayway and Ferndale rail racks and the Cross-Channel Connector assets and redevelopment project (collectively, the Bayway/Ferndale/Cross-Channel Assets) from Phillips 66 in two separate transactions (the Bayway/Ferndale/Cross-Channel Acquisition). Both transactions closed on December 1, 2014.

- *Palermo Rail Terminal Project Acquisition.* We purchased real property, assets under construction, lease agreements and permits associated with a rail terminal project from Phillips 66 in two separate transactions (the Palermo Acquisition). The transactions closed on December 5, 2014, and December 10, 2014.

- *Eagle Ford Gathering System Project Acquisition* . We purchased real property and assets under construction associated with a gathering system project from Phillips 66 (the Eagle Ford Acquisition). The transaction closed on December 31, 2014.

- *Joint Ventures.* On November 21, 2014, we entered into agreements with Paradigm Energy Partners, LLC (Paradigm) to form Phillips 66 Partners Terminal LLC and Paradigm Pipeline LLC, two joint ventures established to develop the Palermo Rail Terminal, a central delivery facility and the Sacagawea Pipeline in North Dakota. The joint ventures were formed on January 16, 2015.

For ease of reference, we refer to the Gold Line/Medford Assets, Bayway/Ferndale/Cross-Channel Assets and the assets associated with the Palermo Acquisition and Eagle Ford Acquisition collectively as "the Acquired Assets," and the Gold Line/Medford Acquisition, Bayway/Ferndale/Cross-Channel Acquisition, Palermo Acquisition and Eagle Ford Acquisition collectively as "the Acquisitions."

See the "Summary of Assets and Operations" section of Items 1 and 2. Business and Properties, for an overview of our assets and operations.

We generate revenue primarily by charging tariffs and fees for transporting crude oil and refined petroleum products through our pipelines, and terminaling and storing crude oil and refined petroleum products at our terminals, rail racks and storage facilities. Since we do not own any of the crude oil and refined petroleum products that we handle and do not engage in the trading of crude oil and refined petroleum products, we have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

In connection with the Offering and the Acquisitions, we entered into or amended multiple transportation services and terminal services agreements with Phillips 66. Under these long-term, fee-based agreements, we provide transportation, terminaling and storage services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products. We also entered into several other agreements with Phillips 66, including an omnibus agreement, an operational services agreement and a tax sharing agreement. See Note 18—Related Party Transactions , in the Notes to Consolidated Financial Statements, for a summary of the terms of these agreements.

Basis of Presentation
See the "Basis of Presentation" section of Note 1—Business and Basis of Presentation , in the Notes to Consolidated Financial Statements, for important information on the content and comparability of our historical financial statements.

Executive Overview
We reported 2014 net income attributable to the Partnership of $116.0 million and, when combined with the earnings of our Predecessors, net income of $124.4 million . Our partnership and predecessor operations generated cash from operations of $142.4 million , and Phillips 66 contributed $81.5 million to fund our predecessor's operations during the year. This cash was primarily used to fund strategic acquisitions of businesses and assets, fund capital expenditures, and make quarterly cash distributions to our unitholders and General Partner. As of December 31, 2014, we had cash and cash equivalents of $8.3 million , total debt of $429.6 million , and unused capacity under our revolving credit facility of $482.0 million .

Our 2014 operations and strategic initiatives demonstrated our continuing focus on our business strategies:

- Maintain safe and reliable operations. We are committed to maintaining and improving the safety, reliability and efficiency of our operations, which we believe to be key components in generating stable cash flows. We strive for operational excellence by utilizing Phillips 66's existing programs to integrate health, occupational safety, process safety and environmental principles throughout our business with a commitment to continuous improvement. We continue to employ Phillips 66's rigorous training, integrity and audit programs to drive ongoing improvements in both personal and process safety as we strive for zero incidents. Controlling operating expenses and overhead costs, within the context of our commitment to safety and environmental stewardship, is a high priority. We actively monitor these costs using various methodologies that are reported to senior management. We are committed to protecting the environment and strive to reduce our environmental footprint throughout our operations.

- Focus on fee-based businesses supported by contracts with minimum volume commitments and inflation escalators. We are focused on generating stable and predictable cash flows by providing fee-based transportation and midstream services to Phillips 66 and third parties. We have multiple long-term, fee-based commercial agreements with Phillips 66 that include minimum volume commitments and inflation escalators. We believe these agreements will substantially mitigate volatility in our cash flows by reducing our direct exposure to commodity price fluctuations.

- Grow through strategic acquisitions. We plan to pursue strategic acquisitions of assets from Phillips 66 and third parties. We believe Phillips 66 will offer us opportunities to purchase additional transportation and midstream assets that it may acquire or develop in the future or that it currently owns. We also may have opportunities to pursue the acquisition or development of additional assets jointly with Phillips 66.

- Optimize existing assets and pursue organic growth opportunities. We will seek to enhance the profitability of our existing assets by pursuing opportunities to increase throughput and storage volumes, as well as by managing costs and improving operating efficiencies. We also intend to consider opportunities to increase revenue on our pipeline, terminal, rail rack and storage systems by evaluating and capitalizing on organic expansion projects that may arise in the markets we serve.

How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our performance, including: (1) volumes handled (including pipeline throughput, terminaling throughput and storage volumes); (2) operating and maintenance expenses; (3) net income (loss) before net interest expense, income taxes, depreciation and amortization (EBITDA); (4) adjusted EBITDA; and (5) distributable cash flow.

Volumes Handled

The amount of revenue we generate primarily depends on the volumes of crude oil and refined petroleum products that we handle in our pipeline, terminal, rail rack and storage systems. These volumes are primarily affected by the supply of, and demand for, crude oil and refined petroleum products in the markets served directly or indirectly by our assets, as well as the operational status of the refineries served by our assets. Phillips 66 has committed to minimum throughput volumes under our commercial agreements.

Operating and Maintenance Expenses

Our management seeks to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses primarily consist of labor expenses (including contractor services), utility costs, and repairs and maintenance expenses. These expenses generally remain relatively stable across broad ranges of throughput volumes, but can fluctuate from period to period depending on the mix of activities, particularly maintenance activities, performed during that period. Although we seek to manage our maintenance expenditures on our pipelines, terminals, rail racks and storage facilities to avoid significant variability in our quarterly cash flows, we balance this approach with our high standards of safety and environmental stewardship, such that critical maintenance is performed regularly.

Our operating and maintenance expenses are also affected by volumetric gain/loss resulting from variances in meter readings and other measurement methods, as well as volume fluctuations due to pressure and temperature changes. Under certain commercial agreements with Phillips 66, the value of any crude oil or refined petroleum product volumetric gain/loss is determined by reference to the monthly average reference price for the applicable commodity. Any gains and losses under these provisions decrease or increase, respectively, our operating and maintenance expenses in the period in which they are realized. These contractual volumetric gain/loss provisions could increase variability in our operating and maintenance expenses.

EBITDA, Adjusted EBITDA and Distributable Cash Flow

We define EBITDA as net income (loss) before net interest expense, income taxes, depreciation and amortization, attributable to both the Partnership and our Predecessors. Adjusted EBITDA is the EBITDA attributable to the Partnership after deducting the EBITDA attributable to our Predecessors. Distributable cash flow is generally defined as adjusted EBITDA less net interest, maintenance capital expenditures and income taxes paid, plus adjustments for deferred revenue from minimum volume commitments and certain other items. Distributable cash flow does not reflect changes in working capital balances. EBITDA, adjusted EBITDA and distributable cash flow are not presentations made in accordance with accounting principles generally accepted in the United States (GAAP). EBITDA, adjusted EBITDA and distributable cash flow are non-GAAP supplemental financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may find useful to assess:

- Our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of EBITDA and adjusted EBITDA, financing methods.

- The ability of our business to generate sufficient cash to support our decision to make distributions to our unitholders.
- Our ability to incur and service debt and fund capital expenditures.
- The viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

The GAAP measures most directly comparable to EBITDA, adjusted EBITDA and distributable cash flow are net income and net cash provided by operating activities. EBITDA, adjusted EBITDA and distributable cash flow should not be considered as alternatives to GAAP net income or net cash provided by operating activities. EBITDA, adjusted EBITDA and distributable cash flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. Additionally, because EBITDA, adjusted EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definition of EBITDA, adjusted EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Factors Affecting the Comparability of Our Financial Results

Our results of operations may not be comparable to our Predecessors' historical results of operations for the reasons described below:

Revenues

Most of our revenues are generated from the commercial agreements we entered into or amended with Phillips 66 in connection with the Offering and the Acquisitions, under which Phillips 66 agreed to pay us tariffs for transporting crude oil and refined petroleum products on our pipeline systems and fees for providing terminaling and storage services at our terminals, rail racks and storage facilities. These contracts contain minimum volume commitments and, in many cases, tariffs and fees that are higher than our Predecessors' historical rates.

Expenses

We incur incremental general and administrative expenses as a result of being a stand-alone publicly traded partnership, as well as incremental insurance costs.

Financing

There are differences in the way we finance our operations as compared to the way our Predecessors financed those operations. Historically, our Predecessors' operations were financed as part of Phillips 66's integrated operations, and our Predecessors did not record any separate costs associated with financing our operations. Additionally, our Predecessors largely relied on internally generated cash flows and capital contributions from Phillips 66 to satisfy their capital expenditure requirements. We intend to make cash distributions to our unitholders at least at the minimum distribution rate of $0.2125 per unit per quarter ($0.85 per unit on an annualized basis). Based on the terms of our cash distribution policy, we will distribute to our unitholders and our General Partner most of the distributable cash flow generated by our operations. We fund acquisitions and expansion capital expenditures from external sources, including related-party financing from Phillips 66, borrowings under our revolving credit facility and future issuances of debt and equity securities.

Separation of Phillips 66 from ConocoPhillips

Effective April 30, 2012, ConocoPhillips engaged in a separation of its downstream businesses into an independent, publicly traded company, Phillips 66, through the distribution of Phillips 66 common stock to the stockholders of ConocoPhillips. Phillips 66's consolidated financial statements do not include all of the actual expenses that would have been incurred had Phillips 66 been a stand-alone company during periods prior to the separation and may not reflect Phillips 66's consolidated results of operations, financial position and cash flows had Phillips 66 been a stand-alone company during those periods. Actual costs that would have been incurred if Phillips 66 had been a stand-alone company depend upon multiple factors that include organizational structure and strategic decisions made in various areas, including information technology and infrastructure. Subsequent to the separation, Phillips 66 began performing these functions using internal resources or services provided by third parties, certain of which were provided by ConocoPhillips during a transition period pursuant to a transition services agreement. As a result, our Predecessors' historical financial statements for periods prior to the separation do not include all of the actual expenses that would have been allocated to our Predecessors had Phillips 66 been a stand-alone company during periods prior to the separation.

Business Environment

We generate a significant portion of our revenue under long-term, fee-based agreements with Phillips 66. These agreements are intended to promote cash flow stability and minimize our direct exposure to commodity price fluctuations. Because we do not take ownership of the crude oil or refined petroleum products that we transport and store for our customers, and we do not engage in the trading of any commodities, our direct exposure to commodity price fluctuations is limited to the loss allowance provisions in our tariffs and the volumetric gain/loss calculations included in our commercial agreements with Phillips 66. We also have indirect exposure to commodity price fluctuations to the extent such fluctuations affect the shipping patterns of Phillips 66 or our other customers. Our throughput volumes depend primarily on the volume of crude oil processed and refined petroleum products produced at Phillips 66's and Phillips 66-operated refineries with which our assets are integrated, which in turn is primarily dependent on Phillips 66's refining margins and maintenance schedules. Refining margins depend on the cost of crude oil or other feedstocks and the price of refined petroleum products. These prices are affected by numerous factors beyond our or Phillips 66's control, including the domestic and global supply of and demand for crude oil and refined petroleum products. While we believe we have substantially mitigated our indirect exposure to commodity price fluctuations through the minimum volume commitments in our commercial agreements with Phillips 66 during the respective terms of those agreements, our ability to execute our growth strategy will depend, in part, on the availability of competitively priced crude oil in the areas served by our crude oil pipelines and rail racks, demand for refined petroleum products in the markets served by our refined petroleum product pipelines and terminals, and general demand for midstream services, including natural gas liquids transportation and fractionation.

RESULTS OF OPERATIONS

	Millions of Dollars		
	Year Ended December 31		
	2014	2013*	2012*
Revenues			
Transportation and terminaling services—related parties	**$ 222.9**	181.9	141.8
Transportation and terminaling services—third parties	**6.1**	5.1	3.5
Other income	**0.1**	0.2	—
Total revenues	**229.1**	187.2	145.3
Costs and Expenses			
Operating and maintenance expenses	**52.5**	52.2	54.1
Depreciation	**16.2**	14.3	13.6
General and administrative expenses	**25.6**	18.4	13.7
Taxes other than income taxes	**4.2**	4.8	4.4
Interest and debt expense	**5.3**	0.3	—
Other expenses	**0.1**	—	0.1
Total costs and expenses	**103.9**	90.0	85.9
Income before income taxes	**125.2**	97.2	59.4
Provision for income taxes	**0.8**	0.5	0.3
Net Income	**$ 124.4**	96.7	59.1
Less: Net income attributable to predecessors	**8.4**	67.8	59.1
Net income attributable to the Partnership	**116.0**	28.9	—
Less: General partner’s interest in net income attributable to the Partnership	**8.3**	0.6	—
Limited partners’ interest in net income attributable to the Partnership	**$ 107.7**	28.3	—
Adjusted EBITDA	**$ 136.7**	32.0	—
Distributable cash flow	**$ 128.2**	30.4	—

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

	Year Ended December 31		
	2014	2013	2012
	Thousands of Barrels Daily		
Pipeline, Terminal and Storage Volumes			
Pipelines*			
Pipeline throughput volumes			
Crude oil	**286**	272	242
Refined products	**420**	400	395
Total	**706**	672	637
Terminals			
Terminaling throughput and storage volumes			
Crude oil	**477**	383	367
Refined products	**430**	391	405
Total	**907**	774	772
	Dollars per Barrel		
Revenue Per Barrel			
Average pipeline revenue per barrel	**$ 0.50**	0.52	0.45
Average terminaling and storage revenue per barrel	**0.30**	0.22	0.15

**Represents the sum of volumes transported through each separately tariffed pipeline segment.*

The following tables present reconciliations of EBITDA, adjusted EBITDA and distributable cash flow to net income and net cash provided by operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

	Millions of Dollars		
	Year Ended December 31		
	2014	2013*	2012*
Reconciliation to Net Income			
Net income	**$ 124.4**	96.7	59.1
Add:			
Depreciation	**16.2**	14.3	13.6
Net interest expense	**5.2**	0.1	—
Amortization of deferred rentals	**0.4**	0.2	—
Provision for income taxes	**0.8**	0.5	0.3
EBITDA	**147.0**	111.8	73.0
Less:			
EBITDA attributable to predecessors	**10.3**	79.8	73.0
Adjusted EBITDA	**136.7**	32.0	—
Plus:			
Adjustments related to minimum volume commitments	**0.6**	—	—
Phillips 66 prefunded projects and indemnities	**3.5**	0.8	—
Transaction costs associated with the Acquisitions	**2.7**	0.4	—
Less:			
Net interest	**3.2**	0.1	—
Income taxes paid	**0.2**	—	—

Maintenance capital expenditures		**11.9**	2.7	—
Distributable cash flow	**$**	**128.2**	30.4	—

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

	Millions of Dollars		
	Year Ended December 31		
	2014	2013*	2012*
Reconciliation to Net Cash Provided by Operating Activities			
Net cash provided by operating activities	**$ 142.4**	97.6	75.1
Add:			
Net interest expense	**5.2**	0.1	—
Provision for income taxes	**0.8**	0.5	0.3
Changes in working capital	**(0.3)**	12.3	(6.7)
Accrued environmental costs	**—**	1.1	1.8
Other	**(1.1)**	0.2	2.5
EBITDA	**147.0**	111.8	73.0
Less:			
EBITDA attributable to predecessors	**10.3**	79.8	73.0
Adjusted EBITDA	**136.7**	32.0	—
Plus:			
Adjustments related to minimum volume commitments	**0.6**	—	—
Phillips 66 prefunded projects and indemnities	**3.5**	0.8	—
Transaction costs associated with the Acquisitions	**2.7**	0.4	—
Less:			
Net interest	**3.2**	0.1	—
Income taxes paid	**0.2**	—	—
Maintenance capital expenditures	**11.9**	2.7	—
Distributable cash flow	**$ 128.2**	30.4	—

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

Statement of Income Analysis

2014 vs. 2013

Revenues increased $41.9 million , or 22 percent , in 2014, primarily attributable to:

- Higher terminaling and storage volumes and rates resulting from the terminal and storage services agreements entered into with Phillips 66 in connection with the Offering and the Gold Line/Medford Acquisition.
- Additional storage revenues from the Medford Spheres, which commenced operations in March 2014.
- Additional terminaling revenues from the Bayway and Ferndale rail racks, which commenced operations in August and November 2014, respectively.
- Higher pipeline tariff rates on our pipelines.
- Higher pipeline throughput volumes primarily on our Sweeny to Pasadena Products System, driven by higher volumes shipped from the Sweeny Refinery in 2014. This was partially offset by lower pipeline throughput volumes on our Gold Line Products System due to lower volumes shipped from the Borger Refinery in 2014.

Depreciation increased $1.9 million , or 13 percent , in 2014, primarily due to additional depreciation associated with the Medford Spheres, which commenced operations in March 2014, and the Bayway and Ferndale rail racks, which commenced operations in August and November 2014, respectively. In addition, the increase in 2014 included asset retirements on our Gold Line Products System and

Clifton Ridge Crude System.

General and administrative expenses increased $7.2 million , or 39 percent , in 2014, primarily reflecting a full year of incremental expenses associated with operating as a stand-alone publicly traded partnership after the Offering, including audit fees, director fees, insurance costs for directors and officers, and incremental employee costs. Additionally, the increase in 2014 reflected transaction costs, including legal, advisory and audit fees, associated with the Acquisitions.

Interest and debt expense increased $5.0 million in 2014, primarily due to the notes payable assumed in the first and fourth quarters of 2014 associated with the acquisitions of the Gold Line/Medford Assets, the Bayway/Ferndale/CrossChannel Assets and the Palermo Rail Terminal project. See Note 10—Debt , in the Notes to Consolidated Financial Statements, for additional information.

2013 vs. 2012

Revenues increased $41.9 million , or 29 percent , in 2013, primarily attributable to:

- Higher terminaling and storage fees in 2013, particularly at our Clifton Ridge terminal. Effective January 1, 2013, the structure of the fees we charge Phillips 66 for terminaling services provided at our Clifton Ridge terminal was changed, replacing a cost-plus arrangement with a fixed-fee, volume-based structure.

- Increased pipeline tariff rates in 2013, particularly on our Clifton Ridge crude pipelines. The tariff rates in the first six months of 2013 were $0.0800, $0.0500 and $0.0100 per barrel for volumes transported on our Clifton Ridge to Lake Charles refinery pipeline, our Shell to Clifton Ridge pipeline, and our Pecan Grove to Clifton Ridge pipeline, respectively, compared with $0.0050, $0.0025 and $0 per barrel in 2012. The tariff rates for each pipeline are subject to adjustment in July of each year. As such, effective in July 2013, the tariff rates were further increased on our Clifton Ridge crude pipelines, Sweeny to Pasadena products pipelines, Hartford Connector products pipelines and Gold Line products pipelines.

- Higher pipeline and terminaling throughput volumes on our Gold Line Products System, reflecting increased volumes shipped from the Borger Refinery in 2013.

- Higher revenues realized under loss allowance provisions in 2013, mainly due to a newly established loss allowance provision on our Sweeny to Pasadena pipelines effective in March 2013 and higher loss allowance revenues on our Clifton Ridge pipelines.

These increases were partially offset by lower pipeline and terminal throughput volume on our Sweeny to Pasadena Products System, reflecting lower volumes shipped from the Sweeny Refinery.

Operating and maintenance expenses decreased $1.9 million , or 4 percent , in 2013, mainly due to lower environmental costs on our Gold Line Products System and Clifton Ridge Crude System and lower expenses on our Ferndale Rail Rack driven by higher spending in 2012 on project design work. These decreases were partially offset by higher tank and marine dock maintenance costs at our Pasadena and Hartford terminals, repairs associated with a pipeline flange at our Pasadena terminal, and dredging work and tank repairs at our Clifton Ridge marine terminal, as well as higher insurance expenses associated with operating as a stand-alone publicly traded partnership. Operating and maintenance expenses included volumetric gains of $1.1 million in 2013, compared with $2.2 million in 2012.

Depreciation increased $0.7 million , or 5 percent , in 2013, mainly due to higher depreciation on the Gold Line Products System resulting from asset write-downs, partially offset by lower depreciation on our Clifton Ridge Crude System driven by asset retirements in 2012.

General and administrative expenses increased $4.7 million , or 34 percent , in 2013, primarily reflecting incremental expenses associated with operating as a stand-alone publicly traded partnership, and higher expense allocations from Phillips 66 due to its increased costs associated with being a stand-alone company subsequent to its separation from ConocoPhillips.

Interest and debt expense increased $0.3 million in 2013. In connection with the Offering, we entered into a $250 million senior unsecured revolving credit facility. The $0.3 million of interest and debt expense consisted of commitment fees and amortization of debt issuance costs.

CAPITAL RESOURCES AND LIQUIDITY

Significant Sources of Capital

Historically, our Predecessors' sources of liquidity included cash generated from operations and funding from Phillips 66. Prior to the Offering and the Acquisitions in respect of the Acquired Assets, our Predecessors participated in Phillips 66's centralized cash management system; accordingly, the cash receipts were deposited in Phillips 66's or its subsidiaries' bank accounts, all cash disbursements were made from those accounts, and our Predecessors maintained no bank accounts dedicated solely to our assets. As a result, our Predecessors' historical financial statements reflected no cash balances. In connection with the Offering, we established separate bank accounts, and Phillips 66 continues to provide treasury services under our amended omnibus agreement. Our ongoing sources of liquidity following the Offering include cash generated from operations, borrowings from related parties and under our revolving credit facility, and issuances of additional debt and equity securities. We believe that cash generated from these sources will be sufficient to meet our short-term working capital requirements and long-term capital expenditure requirements, and to make quarterly cash distributions.

Operating Activities

During 2014 , cash of $142.4 million was provided by operating activities, a 46 percent improvement over cash from operations of $97.6 million in 2013 . The improvement was driven by higher revenues and favorable working capital impacts, partially offset by higher general and administrative expenses and interest and debt expense. Favorable working capital impacts in 2014, compared with 2013, primarily reflected the payment of accrued environmental costs in 2013, and increased accounts payable and accrued interest in 2014.

During 2013 , cash of $97.6 million was provided by operating activities, a 30 percent improvement over cash from operations of $75.1 million in 2012 . The improvement was driven by higher revenues, partially offset by higher general and administrative expenses and unfavorable working capital impacts. Unfavorable working capital impacts in 2013, compared with 2012, primarily reflected the payment of accrued environmental costs and higher prepaid insurance expenses in 2013, as well as increased accounts receivable and payable with Phillips 66 subsequent to the Offering. Accounts receivable and payable of our Predecessors with Phillips 66 were reflected in the "Net contributions from (distributions to) Phillips 66 from predecessors" line of "Cash Flows from Financing Activities" on our consolidated statement of cash flows.

Revolving Credit Facility

On June 7, 2013, we entered into a $250 million senior unsecured revolving credit agreement (the Credit Agreement) with a syndicate of financial institutions, which became effective upon the closing of the Offering on July 26, 2013 . The Credit Agreement includes sub-facilities for swingline loans and letters of credit.

On November 21, 2014, we entered into a first amendment (the Amendment) to the Credit Agreement with several commercial lending institutions (the Credit Agreement and the Amendment are referred to as the Amended Credit Agreement). The Amendment increased the available amount to $500 million and extended the termination date to November 21, 2019. We have the option to increase the overall capacity of the Amended Credit Agreement by up to an additional $250 million for a total of $750 million, subject to, among other things, the consent of the existing lenders whose commitments will be increased or any additional lenders providing such additional capacity. We also have the option to extend the Amended Credit Agreement for two additional one-year terms after November 21, 2019, subject to, among other things, the consent of the lenders holding the majority of the commitments and of each lender extending its commitment.

Outstanding borrowings under the Amended Credit Agreement bear interest, at our option, at either: (a) the Eurodollar rate in effect from time to time plus the applicable margin; or (b) the base rate (as described in the Amended Credit Agreement) plus the applicable margin. Prior to our obtaining credit ratings, if any, the pricing levels for the commitment fee and interest-rate margins are determined based on the ratio of total debt as of such date to EBITDA (as described in the Amended Credit Agreement) for the prior four fiscal quarters (debt-to-EBITDA). After we obtain an investment grade credit rating, if ever, the pricing levels will, at our option, be determined based on the credit ratings in effect from time to time. The Amendment modifies the debt-to-EBITDA covenant such that, prior to our obtaining an investment grade rating, the debt-to-EBITDA ratio must be not greater than 4.0 to 1.0 as of the last day of each fiscal quarter (and 4.5 to 1.0 during the specified period following certain acquisitions). After achieving an investment grade rating, the debt-to-EBITDA ratio reverts back to the pre-Amendment requirement of it being not greater than 5.0 to 1.0 as of the last day of each fiscal quarter (and 5.5 to 1.0 during the specified period following certain acquisitions). If an event of default occurs under the Amended Credit Agreement and is continuing, the lenders may terminate their commitments and declare the amount of all outstanding borrowings, together with accrued interest and all fees, to be immediately due and payable. Additionally, until such time as we have an investment grade rating, we would not be able to make any cash distributions to our unitholders for so long as an event of default is continuing. As of December 31, 2014 , $18 million was outstanding under the Amended Credit Agreement.

Notes Payable

On March 1, 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Gold Line/Medford Acquisition pursuant to which we assumed a 5-year, $160 million note payable, due February 28, 2019, to a subsidiary of Phillips 66. The note payable bears interest at a fixed rate of 3 percent per annum.

On December 1, 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Bayway/Ferndale/Cross-Channel Acquisition pursuant to which we assumed a 5-year, $244 million note payable, due December 1, 2019, to a subsidiary of Phillips 66. The note payable bears interest at a fixed rate of 3.1 percent per annum.

On December 10, 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Palermo Acquisition pursuant to which we assumed a 5-year, $7.6 million note payable to a subsidiary of Phillips 66. The note payable bears interest at a fixed rate of 2.9 percent per annum.

Interest on these notes is payable quarterly, and all principal and accrued interest are due and payable at maturity on February 28, 2019, December 1, 2019, and December 1, 2019, respectively.

Shelf Registration

We have a universal shelf registration statement on file with the U.S. Securities and Exchange Commission (the SEC) under which we, as a well-known seasoned issuer, have the ability to issue and sell an indeterminate amount of common units representing limited partner interests and debt securities.

Off-Balance Sheet Arrangements

We have not entered into any transactions, agreements or other contractual arrangements that would result in off-balance sheet liabilities.

Capital Requirements

Acquisitions

During 2014, we completed several acquisitions of businesses, assets and projects under development. As consideration for these acquisitions, we:

- Paid $460 million in cash in 2014 (with an additional $14.8 million of cash payments payable in 2015).
- Assumed $411.6 million in notes payable from Phillips 66.
- Issued common and general partner units with a fair value of $208.8 million.

A portion of the cash consideration for the Gold Line/Medford and Bayway/Ferndale/Cross-Channel acquisitions was attributable to the carryover basis of the net assets acquired, and was classified as an investing cash outflow, similar to a capital expenditure.

See Note 4—Acquisitions and Note 16—Cash Flow Information , in the Notes to Consolidated Financial Statements, for additional information on our 2014 acquisitions, including consideration paid and the cash and noncash elements of the transactions.

Capital Expenditures

Our operations can be capital intensive, requiring investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational regulations. Our capital requirements consist of maintenance capital expenditures and expansion capital expenditures. Examples of maintenance capital expenditures are those made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets and to extend their useful lives, or other capital expenditures that are incurred in maintaining existing system volumes and related cash flows. In contrast, expansion capital expenditures are those made to expand and upgrade our systems and facilities and to construct or acquire new systems or facilities to grow our business.

Our capital expenditures for the years ended December 31, 2014 , 2013 and 2012 were:

	Millions of Dollars		
	2014	2013*	2012*
Capital Expenditures			
Capital Expenditures Attributable to Predecessors	**$ 90.8**	84.1	34.2
Partnership Capital Expenditures			
Expansion**	**54.2**	1.2	—
Maintenance	**11.9**	2.7	—
Total	**66.1**	3.9	—
Total Capital Expenditures	**$ 156.9**	88.0	34.2

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

***Expansion capital expenditures include the costs for acquisitions, other than the Gold Line/Medford and Bayway/Ferndale/Cross-Channel acquisitions discussed above.*

Our capital expenditures for the year ended December 31, 2014 , were $156.9 million , reflecting:

- Construction of rail racks to accept crude deliveries at the Bayway and Ferndale refineries.
- Construction and acquisition costs associated with the Palermo Rail Terminal project.
- Acquisition costs associated with the Eagle Ford Gathering System project.

- Reactivation of the Cross-Channel Connector Products System.
- Replacement of buried piping with above-ground piping on our Clifton Ridge Crude System.
- Engineering and survey work in preparation for the construction of a new tank and installation of enhanced equipment at our Hartford terminal, as well as the reactivation of a portion of the Hartford connector pipeline to a new connection point to increase available capacity.

Our capital expenditures for the year ended December 31, 2013 , were $88.0 million , reflecting:

- Construction of rail racks to accept crude deliveries at the Bayway and Ferndale refineries.
- Construction of two refinery-grade propylene storage spheres at Medford, Oklahoma.
- Returning an idled tank back to service, activating an additional bay at the truck rack, and commissioning biodiesel blending services at our Hartford terminal, thereby increasing the terminal’s available capacity.
- Expansion of ethanol storage capacity at our Wichita terminal.

Our capital expenditures for the year ended December 31, 2012 , were $34.2 million , reflecting:

- Construction of two refinery-grade propylene storage spheres at Medford, Oklahoma.
- Construction of rail racks to accept crude deliveries at the Bayway and Ferndale refineries.
- Installation of biodiesel tanks and associated equipment at our Hartford and Pasadena terminals, thereby increasing the terminals’ blending capacity.
- An upgrade of remote monitoring equipment at our Clifton Ridge Terminal.
- Construction of a biodiesel tank at our Kansas City Terminal to improve its biodiesel blending capacity.
- The replacement and upgrade of certain equipment on our Gold Line Products System to improve its operational reliability and efficiency.

We have forecasted capital expenditures and investments to be approximately $206.8 million for the year ending December 31, 2015. Included in our planned 2015 capital expenditures and investments are $12.1 million of maintenance capital expenditures and $194.7 million of expansion capital expenditures and investments. The forecasted capital expenditures and investments are primarily directed toward spending on:

- Construction of the Eagle Ford Gathering System.
- Shared construction costs of the joint venture projects with Paradigm, including construction of the Palermo Rail Terminal, the Sacagawea Pipeline, a crude oil storage terminal and a central delivery facility in North Dakota.
- Reactivation of the Cross-Channel Connector Products System.
- Construction of a diluent tank at our Hartford terminal.
- Adding butane blending capacity on our Sweeny to Pasadena Products System.
- Various upgrades and replacements on our assets.

We anticipate the forecasted maintenance capital expenditures will be funded primarily with cash from operations and $1.8 million in remaining project prefunding from Phillips 66. We expect to rely primarily upon external financing sources, including borrowings under the Amended Credit Agreement, borrowing from related parties and the issuance of debt and equity securities, to fund any significant future expansion capital expenditures.

Cash Distributions

For future quarters, we intend to pay at least the minimum quarterly distribution of $0.2125 per unit, which equates to $16.3 million per quarter, or $65.1 million per year, based on the number of common, subordinated and general partner units outstanding as of December 31, 2014 .

On January 21, 2015 , the Board of Directors of our General Partner declared a quarterly cash distribution of $0.34 per limited partner unit which, combined with distributions to our General Partner, will result in total distributions of $29.1 million attributable to the fourth quarter of 2014. This distribution is payable February 13, 2015 , to unitholders of record as of February 4, 2015 .

Cash distributions will be made to our General Partner in respect of the 2 percent general partner interest and its ownership of all incentive distribution rights (IDRs), which entitle our General Partner to receive increasing percentages, up to 50 percent, of quarterly cash distributions in excess of $0.244375 per unit. Accordingly, based on the per-unit distribution declared on January 21, 2015 , our General Partner will receive approximately 12 percent of the total cash distributions.

The following table summarizes our announced quarterly cash distributions:

Quarter Ended	Quarterly Cash Distribution Per Limited Partner Unit (Dollars)	Total Quarterly Cash Distribution (Millions of Dollars)	Date of Distribution
December 31, 2014	$ 0.3400	$ 29.1	February 13, 2015
September 30, 2014	0.3168	25.3	November 13, 2014
June 30, 2014	0.3017	23.9	August 13, 2014
March 31, 2014	0.2743	21.1	May 13, 2014
December 31, 2013	0.2248	16.2	February 13, 2014
September 30, 2013*	0.1548	11.1	November 13, 2013

**The quarterly cash distribution for the third quarter of 2013 was calculated as the minimum quarterly cash distribution of $0.2125 per unit, prorated for the period from July 26, 2013, to September 30, 2013.*

Subordination Period

Based on the quarterly distributions declared in the second, third and fourth quarters of 2014, a quarterly distribution declaration of $0.3165 or higher attributable to the first quarter of 2015 would end the subordination period during the second quarter of 2015, under the subordination period's early termination provisions. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Subordination Period, for additional information on the subordination period and the effects of its expiration.

Contractual Obligations

The following table summarizes our aggregate contractual obligations as of December 31, 2014 :

	Millions of Dollars				
	Payments Due by Period				
	Total	Up to 1 Year	Years 2-3	Years 4-5	After 5 Years
Debt obligations (a)	$ 429.6	—	—	429.6	—
Interest on debt	60.2	13.0	26.0	21.2	—
Operating lease obligations	74.4	1.9	3.8	3.8	64.9
Purchase obligations (b)	41.1	30.4	2.6	2.6	5.5
Other long-term liabilities:					
Asset retirement obligations	3.5	—	—	—	3.5
Total	$ 608.8	45.3	32.4	457.2	73.9

(a) See Note 10—Debt , in the Notes to Consolidated Financial Statements, for additional information.

(b) Represents any agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms. Includes accounts payable reflected on our consolidated balance sheet.

In addition to the obligations included in the table above, in conjunction with the Offering and the Acquisitions, we are party to an amended omnibus agreement with Phillips 66. The amended omnibus agreement contractually requires us to pay a fixed annual fee of $28.7 million to Phillips 66 for certain administrative and operational support services being provided to us. The amended omnibus agreement generally remains in full force and effect so long as Phillips 66 controls our General Partner. Due to the indefinite nature of the agreement's term, the fixed fee is not included in the contractual obligations table above.

Contingencies

From time to time, lawsuits involving a variety of claims that arise in the ordinary course of business may be filed against us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income-tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include any contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

Regulatory Matters

Our interstate common carrier crude oil and refined petroleum products pipeline operations are subject to rate regulation by the Federal Energy Regulatory Commission under the Interstate Commerce Act and Energy Policy Act of 1992, and certain of our pipeline systems providing intrastate service are subject to rate regulation by applicable state authorities under their respective laws and regulations. Our pipeline, rail rack and terminal operations are also subject to safety regulations adopted by the Department of Transportation, as well as to state regulations. See Items 1 and 2. Business and Properties—Rates and Other Regulations, for more information on federal and state regulations affecting our business.

Legal and Tax Matters

Under our amended omnibus agreement, Phillips 66 provides certain services for our benefit, including legal and tax support services, and we pay an operational and administrative support fee for these services. Phillips 66's legal and tax organizations apply their knowledge, experience and professional judgment to the specific characteristics of our cases and uncertain tax positions. Phillips 66's legal organization employs a litigation management process to manage and monitor the legal proceedings against us. The process facilitates the early evaluation and quantification of potential exposures in individual cases and enables tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, Phillips 66's legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required. As of December 31, 2014 , and December 31, 2013, we did not have any material accrued contingent liabilities associated with litigation matters. In the case of income-tax-related contingencies, Phillips 66's tax organization monitors tax legislation and court decisions, the status of tax audits and the statute of limitations within which a taxing authority can assert a liability. See Note 15—Income Taxes , in the Notes to Consolidated Financial Statements, for additional information about income-tax-related contingencies.

Environmental

We are subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, regulate the discharge of materials into the environment or otherwise relate to protection of the environment. Compliance with these laws and regulations may require us to remediate environmental damage from any discharge of petroleum or chemical substances from our facilities or require us to install additional pollution control equipment at or on our facilities. Our failure to comply with these or any other environmental or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of governmental orders that may subject us to additional operational constraints. Future expenditures may be required to comply with the Clean Air Act and other federal, state and local requirements in respect of our various sites, including our pipelines and storage assets. The impact of legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, each of which could have an adverse impact on our financial position, results of operations and liquidity.

As with all costs, if these expenditures are not ultimately reflected in the tariffs and other fees we receive for our services, our operating results will be adversely affected. We believe that substantially all similarly situated parties and holders of comparable assets must comply with similar environmental laws and regulations. However, the specific impact on each may vary depending on a number of factors, including, but not limited to, the age and location of its operating facilities.

We accrue for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs can be reasonably estimated. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. New or expanded environmental requirements, which could increase our environmental costs, may arise in the future. We

believe we are in substantial compliance with all legal requirements regarding the environment; however, it is not possible to predict all of the ultimate costs of compliance, including remediation costs that may be incurred and penalties that may be imposed, because not all of the costs are fixed or presently determinable (even under existing legislation) and the costs may be affected by future legislation or regulations. At December 31, 2013, our Predecessors recorded a total environmental accrual of $3.4 million associated with the Gold Line Products System. Pursuant to the terms of the Contribution, Conveyance and Assumption Agreement associated with the Gold Line/Medford Acquisition, Phillips 66 assumed the responsibility for these liabilities arising prior to the contribution of the Gold Line Products System to us; therefore we reflected no liabilities associated with them after the effective date of the acquisition. In the future, we may be involved in environmental assessments, cleanups and proceedings. See Items 1 and 2. Business and Properties—Environmental Regulations, for additional information regarding environmental regulations.

Indemnification

Under our amended omnibus agreement, Phillips 66 will indemnify us for certain environmental liabilities, tax liabilities, and litigation and other matters attributable to the ownership or operation of the assets contributed to us in connection with the Offering (the Initial Assets) and which arose prior to the closing of the Offering. Indemnification for any unknown environmental liabilities provided therein is limited to liabilities due to occurrences prior to the closing of the Offering and that are identified before the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.1 million before we are entitled to indemnification. Indemnification for litigation matters provided therein (other than legal actions pending at the closing of the Offering) is subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. Phillips 66 will also indemnify us under our amended omnibus agreement for failure to obtain certain consents, licenses and permits necessary to conduct our business, including the cost of curing any such condition, in each case that is identified prior to the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. We have agreed to indemnify Phillips 66 for events and conditions associated with the ownership or operation of the Initial Assets that occur on or after the closing of the Offering and for certain environmental liabilities related to the Initial Assets to the extent Phillips 66 is not required to indemnify us.

Excluded Liabilities of the Acquired Assets

Pursuant to the terms of the various agreements under which we acquired assets from Phillips 66 since the Offering, Phillips 66 assumed the responsibility for any liabilities arising out of or attributable to the ownership or operation of the Acquired Assets, or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, prior to the effective date of each acquisition. We have assumed, and have agreed to pay, discharge and perform as and when due, all liabilities arising out of or attributable to the ownership or operation of the Acquired Assets, or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, from and after the effective date of each acquisition.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. See Note 2—Summary of Significant Accounting Policies , in the Notes to Consolidated Financial Statements, for descriptions of our major accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used. The following discussions of critical accounting estimates, along with the discussion of contingencies in this report, address all important accounting areas where the nature of accounting estimates or assumptions could be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change.

Depreciation

We calculate depreciation expense using the straight-line method over the estimated useful lives of our PP&E, currently ranging from 3 years to 45 years. Changes in the estimated useful lives of our PP&E could have a material effect on our results of operations.

Impairments
Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, including applicable liabilities, the carrying value of the long-lived assets included in the asset group is written down to estimated fair value. Individual assets are grouped for impairment purposes based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets; generally at a pipeline system or terminal level. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined using one of the following methods: present values of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants; a market multiple of earnings for similar assets; or historical market transactions of similar assets, adjusted for principal market participant assumptions when necessary. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future tariffs, volumes, operating costs, and capital project decisions, considering all available information at the date of review.

Asset Retirement Obligations
Under various contracts, permits and regulations, we have legal obligations to remove tangible equipment and restore the land at the end of operations at certain operational sites. Our largest asset removal obligations involve the abandonment or removal of pipeline. Estimating the timing and amount of payments for future asset removal costs is difficult. Most of these removal obligations are many years, or decades, in the future and the contracts and regulations often have vague descriptions of what removal practices and criteria must be met when the removal event actually occurs. Asset removal technologies and costs, regulatory and other compliance considerations, expenditure timing, and other inputs into valuation of the obligation, including discount and inflation rates, are also subject to change.

Environmental Costs
In addition to asset retirement obligations discussed above, under the above or similar contracts, permits and regulations, we have certain obligations to complete environmental-related projects. These obligations are primarily related to historical releases of refined petroleum products. Future environmental remediation costs are difficult to estimate because they are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other responsible parties.

Intangible Assets and Goodwill
At December 31, 2014, we had an $8.4 million intangible asset pertaining to a construction permit, which is determined to have an indefinite useful life, and thus it is not amortized. This judgmental assessment of an indefinite useful life must be continuously evaluated in the future. If, due to changes in facts and circumstances, management determines this intangible asset has a finite useful life, amortization will commence at that time on a prospective basis. As long as this intangible asset is judged to have an indefinite life, it will be subject to an annual impairment test that requires management’s judgment of the estimated fair value of this intangible asset.

At December 31, 2014 , we had $2.5 million of goodwill recorded in conjunction with past business combinations. Goodwill, an intangible asset, is not amortized. Instead, goodwill is subject to an annual review for impairment at a reporting unit level. The reporting unit or units used to evaluate and measure goodwill for impairment are determined primarily from the manner in which the business is managed. A reporting unit is an operating segment or a component that is one level below an operating segment. We have determined we have one reporting unit for goodwill impairment testing purposes. Management must apply its judgment in determining the estimated fair value of our reporting unit for purposes of performing the annual goodwill impairment test.

Management uses all available information to make this fair value determination, including observed market earnings multiples of comparable companies, our unit price and associated total entity market capitalization and the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets. In addition, if the estimated fair value of the reporting unit is less than the book value (including the goodwill), further management judgment must be applied in determining the fair values of individual assets and liabilities for purposes of the hypothetical purchase price allocation. We completed our annual impairment test, as of October 1, 2014, and concluded that the fair value of our reporting unit exceeded the recorded net book value (including goodwill) by over 100 percent. However, a lower fair value estimate in the future could result in an impairment. For example, a prolonged or significant decline in our unit price or a significant decline in current or forecasted earnings could provide evidence of a need to record an impairment of goodwill.

NEW ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The new standard converged guidance on recognizing revenues in contracts with customers under accounting principles generally accepted in the United States and International Financial Reporting Standards. This ASU is intended to improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. ASU 2014-09 is effective for annual and quarterly reporting periods of public entities beginning after December 15, 2016. Early application for public entities is not permitted. We are currently evaluating the provisions of ASU 2014-09 and assessing the impact, if any, it may have on our financial position and results of operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse fluctuations in interest rates, the exchange rates of foreign currency markets, and commodity prices. Since we operate only in the United States, we are not exposed to foreign currency exchange-rate risk.

Commodity Price Risk

As we neither take ownership of the crude oil or refined petroleum products we transport or store for our customers nor engage in commodity trading, we have limited direct exposure to risks associated with fluctuating commodity prices. Certain of our pipeline tariffs include a contractual loss allowance, calculated as a percentage of throughput volume multiplied by the quoted market price of the commodities being shipped. This loss allowance, which represented 10 percent, 13 percent and 12 percent of total revenues in 2014 , 2013 and 2012, respectively, is more volatile than tariffs and terminaling fees, as it depends on and fluctuates with commodity prices; however, we do not intend to mitigate this risk to our revenues by hedging this commodity price exposure.

Interest Rate Risk

The following table provides information about our debt instruments that are sensitive to changes in U.S. interest rates. The table presents the principal cash flows and associated interest rates of these debt instruments by expected maturity dates. Weighted-average variable rates are based on effective rates at the reporting date. The carrying amount of our floating-rate debt approximates its fair value. We estimated the fair value of the fixed-rate financial instruments with a discounted cash flow model, using discount rates that approximate the rates we observed in the market for similar entities with debts of comparable durations. We increased these discount rates by 20 basis points to reflect structuring fees.

	Millions of Dollars Except as Indicated			
Expected Maturity Date	Fixed-Rate Maturity	Average Interest Rate	Floating Rate Maturity	Average Interest Rate
Year-End 2014				
2015	$ —		$ —	
2016	—		—	
2017	—		—	
2018	—		—	
2019	411.6	3.1%	18.0	1.3%
Remaining years	—		—	
Total	$ 411.6		18.0	
Fair value	$ 415.4		$ 18.0	

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements. You can identify our forward-looking statements by the words “anticipate,” “estimate,” “believe,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions.

We based the forward-looking statements on our current expectations, estimates and projections about us and the industries in which we operate in general. We caution you these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- The continued ability of Phillips 66 to satisfy its obligations under our commercial and other agreements.
- The volume of crude oil and refined petroleum products we transport, terminal and store.
- The tariff rates with respect to volumes that we transport through our regulated assets, which rates are subject to review and possible adjustment by federal and state regulators.
- Changes in revenue we realize under the loss allowance provisions of our regulated tariffs resulting from changes in underlying commodity prices.
- Fluctuations in the prices for crude oil and refined petroleum products.
- Changes in global economic conditions and the effects of a global economic downturn on the business of Phillips 66 and the business of its suppliers, customers, business partners and credit lenders.
- Liabilities associated with the risks and operational hazards inherent in transporting, terminaling and storing crude oil and refined petroleum products.
- Curtailment of operations due to severe weather disruption; riots, strikes, lockouts or other industrial disturbances; or failure of information technology systems due to various causes, including unauthorized access or attack.
- Inability to timely obtain or maintain permits, including those necessary for capital projects; comply with government regulations; or make capital expenditures required to maintain compliance.
- Failure to timely complete construction of announced and future capital projects.
- Costs or liabilities associated with federal, state and local laws and regulations relating to environmental protection and safety, including spills, releases and pipeline integrity.
- Costs associated with compliance with evolving environmental laws and regulations on climate change.
- Costs associated with compliance with safety regulations, including pipeline integrity management program testing and related repairs.
- Changes in the cost or availability of third-party vessels, pipelines, rail cars and other means of delivering and transporting crude

oil and refined petroleum products.

- Direct or indirect effects on our business resulting from actual or threatened terrorist incidents or acts of war.
- The operation and financing decisions of our joint ventures.
- The factors generally described in Item 1A. Risk Factors in this report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PHILLIPS 66 PARTNERS LP

INDEX TO FINANCIAL STATEMENTS

Report of Management

The accompanying consolidated financial statements of Phillips 66 Partners LP (the Partnership) and the other information appearing in this Annual Report were prepared by, and are the responsibility of, management of the Partnership's general partner, Phillips 66 Partners GP LLC. The consolidated financial statements present fairly the Partnership's financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. In preparing its consolidated financial statements, the Partnership includes amounts that are based on estimates and judgments management of the Partnership's general partner believes are reasonable under the circumstances. The Partnership's financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm appointed by the Audit Committee of the Phillips 66 Partners GP LLC Board of Directors. The management of the Partnership's general partner has made available to Ernst & Young LLP all of the Partnership's financial records and related data, as well as the minutes of directors' meetings.

Assessment of Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Phillips 66 Partners' internal control system was designed to provide reasonable assurance to the management and directors of the Partnership's general partner regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2014. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework* (2013), adopted by the Partnership on December 15, 2014. Based on this assessment, management concluded the Partnership's internal control over financial reporting was effective as of December 31, 2014 .

Ernst & Young LLP has issued an audit report on the Partnership's internal control over financial reporting as of December 31, 2014 , and their report is included herein.

/s/ Greg C. Garland

Greg C. Garland
Chairman of the Board of Directors and Chief Executive Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

/s/ Greg G. Maxwell

Greg G. Maxwell
Vice President and Chief Financial Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

February 13, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors of Phillips 66 Partners GP LLC and
Unitholders of Phillips 66 Partners LP

We have audited the accompanying consolidated balance sheet of Phillips 66 Partners LP as of December 31, 2014 and 2013 , and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014 . These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips 66 Partners LP at December 31, 2014 and 2013 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Phillips 66 Partners LP's internal control over financial reporting as of December 31, 2014 , based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 13, 2015 , expressed an unqualified opinion thereon **.**

/s/ Ernst & Young LLP

Houston, Texas
February 13, 2015

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors of Phillips 66 Partners GP LLC and
Unitholders of Phillips 66 Partners LP

We have audited Phillips 66 Partners LP's internal control over financial reporting as of December 31, 2014 , based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Management of the Partnership's general partner, Phillips 66 Partners GP LLC, is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included under the heading "Assessment of Internal Control Over Financial Reporting" in the accompanying "Report of Management." Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Phillips 66 Partners LP maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 , based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Phillips 66 Partners LP and our report dated February 13, 2015 , expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 13, 2015

Consolidated Statement of Income **Phillips 66 Partners LP**

Years Ended December 31	Millions of Dollars		
	2014	2013*	2012*
Revenues			
Transportation and terminaling services—related parties	**$ 222.9**	181.9	141.8
Transportation and terminaling services—third parties	**6.1**	5.1	3.5
Other income	**0.1**	0.2	—
Total revenues	**229.1**	187.2	145.3
Costs and Expenses			
Operating and maintenance expenses	**52.5**	52.2	54.1
Depreciation	**16.2**	14.3	13.6
General and administrative expenses	**25.6**	18.4	13.7
Taxes other than income taxes	**4.2**	4.8	4.4
Interest and debt expense	**5.3**	0.3	—
Other expenses	**0.1**	—	0.1
Total costs and expenses	**103.9**	90.0	85.9
Income before income taxes	**125.2**	97.2	59.4
Provision for income taxes	**0.8**	0.5	0.3
Net Income	**124.4**	96.7	59.1
Less: Net income attributable to predecessors	**8.4**	67.8	59.1
Net income attributable to the Partnership	**116.0**	28.9	—
Less: General partner's interest in net income attributable to the Partnership	**8.3**	0.6	—
Limited partners' interest in net income attributable to the Partnership	**$ 107.7**	28.3	—
Net Income Attributable to the Partnership Per Limited Partner Unit—Basic and Diluted *(dollars)*			
Common units	**$ 1.48**	0.40	**
Subordinated units—Phillips 66	**1.45**	0.40	**
Cash Distribution Paid Per Limited Partner Unit *(dollars)*	**$ 1.1176**	0.1548	**
Average Limited Partner Units Outstanding—Basic and Diluted *(thousands)*			
Common units—public	**18,889**	18,889	**
Common units—Phillips 66	**19,380**	16,328	**
Subordinated units—Phillips 66	**35,217**	35,217	**

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*
*** Information is not applicable for the pre-Offering period.*
See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet **Phillips 66 Partners LP**

At December 31	Millions of Dollars	
	2014	2013*
Assets		
Cash and cash equivalents	**$ 8.3**	425.1
Accounts receivable—related parties	**21.5**	11.3
Accounts receivable—third parties	**1.5**	0.6
Materials and supplies	**2.2**	2.0
Other current assets	**2.7**	2.3
Total Current Assets	**36.2**	441.3
Net properties, plants and equipment	**485.1**	325.1
Goodwill	**2.5**	2.5
Intangibles	**8.4**	—
Deferred rentals—related parties	**5.9**	6.4
Deferred tax assets	**0.5**	—
Other assets	**0.9**	—
Total Assets	**$ 539.5**	775.3
Liabilities		
Accounts payable—related parties	**$ 18.0**	5.2
Accounts payable—third parties	**10.2**	17.3
Payroll and benefits payable	**—**	0.2
Accrued property and other taxes	**2.7**	2.3
Accrued interest	**1.9**	—
Current portion of accrued environmental costs	**—**	2.0
Deferred revenues—related parties	**0.6**	—
Other current liabilities	**0.3**	0.4
Total Current Liabilities	**33.7**	27.4
Notes payable—related parties	**411.6**	—
Long-term debt	**18.0**	—
Asset retirement obligations	**3.5**	2.4
Accrued environmental costs	**—**	1.4
Deferred income taxes	**—**	0.1
Other liabilities	**0.5**	—
Total Liabilities	**467.3**	31.3
Equity		
Net investment—predecessors	**—**	169.9
Common unitholders—public (18,888,750 units issued and outstanding)	**415.3**	409.1
Common unitholder—Phillips 66 (2014—20,938,498 units issued and outstanding; 2013—16,328,362 units issued and outstanding)	**57.1**	48.6
Subordinated unitholder—Phillips 66 (35,217,112 units issued and outstanding)	**116.8**	104.9
General partner—Phillips 66 (2014—1,531,518 units issued and outstanding; 2013—1,437,433 units issued and outstanding)	**(517.0)**	11.5
Total Equity	**72.2**	744.0
Total Liabilities and Equity	**$ 539.5**	775.3

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*
See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows **Phillips 66 Partners LP**

Years Ended December 31	Millions of Dollars 2014	2013*	2012*
Cash Flows From Operating Activities			
Net income	**$ 124.4**	96.7	59.1
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	**16.2**	14.3	13.6
Deferred rentals—related parties	**0.4**	(0.3)	(1.6)
Accrued environmental costs	**—**	(1.1)	(1.8)
Deferred tax assets	**0.3**	—	—
Other	**0.8**	0.3	(0.9)
Working capital adjustments			
Decrease (increase) in accounts receivable	**(11.3)**	(11.0)	0.2
Decrease (increase) in materials and supplies	**(0.2)**	(0.3)	—
Decrease (increase) in other current assets	**(0.3)**	(2.2)	—
Increase (decrease) in accounts payable	**9.4**	6.6	(0.1)
Increase (decrease) in accrued interest	**1.9**	—	—
Increase (decrease) in deferred revenues—related parties	**0.5**	—	—
Increase (decrease) in environmental accruals	**—**	(6.0)	6.4
Increase (decrease) in other accruals	**0.3**	0.6	0.2
Net Cash Provided by Operating Activities	**142.4**	97.6	75.1
Cash Flows From Investing Activities			
Gold Line/Medford Acquisition**	**(138.0)**	—	—
Bayway/Ferndale/Cross-Channel Acquisition**	**(28.0)**	—	—
Capital expenditures**	**(156.9)**	(88.0)	(34.2)
Other	**7.6**	10.8	0.7
Net Cash Used in Investing Activities	**(315.3)**	(77.2)	(33.5)
Cash Flows From Financing Activities			
Net contributions from (distributions to) Phillips 66 from predecessors	**81.5**	8.5	(41.6)
Project prefunding from Phillips 66	**2.2**	3.0	—
Distributions to general partner associated with the Acquisitions**	**(262.0)**	—	—
Borrowing under revolving credit agreement	**28.0**	—	—
Repayments under revolving credit agreement	**(10.0)**	—	—
Proceeds from issuance of common units	**—**	434.4	—
Offering costs	**—**	(30.0)	—
Debt issuance costs	**(0.7)**	(0.1)	—
Distributions to common unitholders—public	**(21.2)**	(2.9)	—
Distributions to common unitholder—Phillips 66	**(21.4)**	(2.5)	—
Distributions to subordinated unitholder—Phillips 66	**(39.3)**	(5.5)	—
Distributions to general partner—Phillips 66	**(4.6)**	(0.2)	—
Other cash contributions from Phillips 66	**3.6**	—	—
Net Cash Provided by (Used in) Financing Activities	**(243.9)**	404.7	(41.6)

Net Change in Cash and Cash Equivalents	**(416.8)**	425.1	—
Cash and cash equivalents at beginning of period	**425.1**	—	—
Cash and Cash Equivalents at End of Period	**$ 8.3**	425.1	—

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

*** See Note 16—Cash Flow Information for additional information.*

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity **Phillips 66 Partners LP**

	Millions of Dollars					
	Partnership					
	Common Unitholders Public	Common Unitholder Phillips 66	Subordinated Unitholder Phillips 66	General Partner Phillips 66	Net Investment*	Total*
December 31, 2011	$ —	—	—	—	224.9	224.9
Net income	—	—	—	—	59.1	59.1
Net distributions to Phillips 66—predecessors	—	—	—	—	(41.6)	(41.6)
December 31, 2012	—	—	—	—	242.4	242.4
Net income attributable to predecessors	—	—	—	—	67.8	67.8
Net contributions from Phillips 66—predecessors	—	—	—	—	8.5	8.5
Project prefunding from Phillips 66	—	—	—	—	3.0	3.0
Allocation of net investment to unitholders	—	44.6	96.1	11.1	(151.8)	—
Proceeds from initial public offering, net of offering costs	404.4	—	—	—	—	404.4
Net income attributable to the Partnership	7.6	6.5	14.2	0.6	—	28.9
Quarterly cash distributions to unitholders and General Partner	(2.9)	(2.5)	(5.5)	(0.2)	—	(11.1)
Other contributions from Phillips 66	—	—	0.1	—	—	0.1
December 31, 2013	409.1	48.6	104.9	11.5	169.9	744.0
Net income attributable to predecessors	**—**	**—**	**—**	**—**	**8.4**	**8.4**
Net contributions from Phillips 66—predecessors	**—**	**—**	**—**	**—**	**96.3**	**96.3**
Contributions from Phillips 66 prior to the Acquisitions	**—**	**—**	**—**	**—**	**4.0**	**4.0**
Project prefunding from Phillips 66	**—**	**—**	**—**	**—**	**2.2**	**2.2**
Allocation of net investment—predecessors and deemed net distributions to General Partner	**—**	**—**	**—**	**(535.7)**	**(280.8)**	**(816.5)**
Issuance of units associated with the Acquisitions	**—**	**0.8**	**—**	**—**	**—**	**0.8**
Net income attributable to the Partnership	**27.4**	**29.1**	**51.2**	**8.3**	**—**	**116.0**
Quarterly cash distributions to unitholders and General Partner	**(21.2)**	**(21.4)**	**(39.3)**	**(4.6)**	**—**	**(86.5)**
Other contributions from Phillips 66	**—**	**—**	**—**	**3.5**	**—**	**3.5**
December 31, 2014	**$ 415.3**	**57.1**	**116.8**	**(517.0)**	**—**	**72.2**

	Common Units—Public	Common Units—Phillips 66	Subordinated Units—Phillips 66	General Partner Units—Phillips 66	Total Units
Units issued in July 2013	18,888,750	16,328,362	35,217,112	1,437,433	71,871,657
December 31, 2013	18,888,750	16,328,362	35,217,112	1,437,433	71,871,657
Units issued associated with the Acquisitions	**—**	**4,610,136**	**—**	**94,085**	**4,704,221**
December 31, 2014	**18,888,750**	**20,938,498**	**35,217,112**	**1,531,518**	**76,575,878**

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*
See Notes to Consolidated Financial Statements.

Note 1— Business and Basis of Presentation

Unless otherwise stated or the context otherwise indicates, all references to "Phillips 66 Partners," "the Partnership," "us," "our," "we," or similar expressions refer to Phillips 66 Partners LP, including its consolidated subsidiaries.

Description of the Business
We are a Delaware limited partnership formed in 2013 by Phillips 66 Company and Phillips 66 Partners GP LLC (our General Partner), both wholly owned subsidiaries of Phillips 66. We are a growth-oriented master limited partnership formed by Phillips 66 to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum products and natural gas liquids (NGL) pipelines and terminals and other transportation and midstream assets. On July 26, 2013 , we completed our initial public offering (the Offering), and our common units trade on the New York Stock Exchange under the symbol "PSXP."

2014 developments included:

- *Gold Line/Medford Acquisition* . We acquired the Gold Line Products System and the Medford Spheres (collectively, the Gold Line/Medford Assets) from Phillips 66 (the Gold Line/Medford Acquisition). The transaction closed on February 28, 2014, with an effective date of March 1, 2014.

- *Bayway/Ferndale/Cross-Channel Acquisition* . We acquired the Bayway and Ferndale rail racks and the Cross-Channel Connector assets and redevelopment project (collectively, the Bayway/Ferndale/Cross-Channel Assets) from Phillips 66 in two separate transactions (the Bayway/Ferndale/Cross-Channel Acquisition). Both transactions closed on December 1, 2014.

- *Palermo Rail Terminal Project Acquisition* . We purchased real property, assets under construction, lease agreements and permits associated with a rail terminal project from Phillips 66 in two separate transactions (the Palermo Acquisition). The transactions closed on December 5, 2014, and December 10, 2014.

- *Eagle Ford Gathering System Project Acquisition* . We purchased real property and assets under construction associated with a gathering system project from Phillips 66 (the Eagle Ford Acquisition). The transaction closed on December 31, 2014.

- *Joint Ventures.* In November 2014, we entered into agreements with Paradigm Energy Partners, LLC (Paradigm) to form Phillips 66 Partners Terminal LLC and Paradigm Pipeline LLC, two joint ventures established to develop the Palermo Rail Terminal, a central delivery facility and the Sacagawea Pipeline in North Dakota. The join venture transactions closed on January 16, 2015.

For ease of reference, we refer to the Gold Line/Medford Assets, Bayway/Ferndale/Cross-Channel Assets and the assets associated with the Palermo Acquisition and Eagle Ford Acquisition collectively as "the Acquired Assets," and the Gold Line/Medford Acquisition, Bayway/Ferndale/Cross-Channel Acquisition, Palermo Acquisition and Eagle Ford Acquisition collectively as "the Acquisitions."

Our assets consist of one crude oil pipeline, terminal and storage system; three refined petroleum products pipeline, terminal and storage systems; two crude oil rail racks; two refinery-grade propylene storage spheres and three under-construction organic growth projects. Our assets are connected to, and integral to the operation of, seven of Phillips 66's wholly owned or jointly owned refineries.

We generate revenue primarily by charging tariffs and fees for transporting crude oil and refined petroleum products through our pipelines, and terminaling and storing crude oil and refined petroleum products at our terminals, rail racks and storage facilities. Since we do not own any of the crude oil and refined petroleum products that we handle and do not engage in the trading of crude oil and refined petroleum products, we have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

Basis of Presentation

The acquisitions of the Gold Line, Medford, Bayway and Ferndale assets were transfers of businesses between entities under common control, which requires them to be accounted for as if the transfers had occurred at the beginning of the period of transfer, with prior periods retrospectively adjusted to furnish comparative information. Accordingly, the accompanying financial statements and notes have been retrospectively adjusted to include the historical results and financial position of these acquired businesses prior to the effective date of each acquisition. The acquisitions of the Cross-Channel, Palermo and Eagle Ford organic growth projects represented transfers of assets. Accordingly, these assets are included in the financial statements prospectively from the effective date of each acquisition. See Note 4—Acquisitions for additional information.

For periods prior to the Offering, the historical results of operations include our predecessor for accounting purposes. We refer to our pre-Offering predecessor and the operations of the Gold Line, Medford, Bayway and Ferndale assets prior to the effective date of each acquisition collectively as “our Predecessors.” The combined financial statements of our Predecessors were derived from the accounting records of Phillips 66, and reflect the combined historical results of operations, financial position and cash flows of our Predecessors as if such businesses had been combined for all periods presented.

All intercompany transactions and accounts within our Predecessors have been eliminated. The assets and liabilities of our Predecessors in these financial statements have been reflected on a historical cost basis because the transfer of our Predecessors to us took place within the Phillips 66 consolidated group. The consolidated statement of income also includes expense allocations for certain functions performed by Phillips 66 and historically not allocated to the Partnership, including allocations of general corporate expenses related to executive oversight, accounting, treasury, tax, legal, information technology and procurement; and operational support services such as engineering and logistics. These allocations were based primarily on relative values of net properties, plants and equipment (PP&E) and equity-method investments, or number of terminals and pipeline miles. Our management believes the assumptions underlying the allocation of expenses from Phillips 66 were reasonable. Nevertheless, the financial statements of our Predecessors may not include all of the actual expenses that would have been incurred had we been a stand-alone publicly traded partnership during the periods presented and may not reflect our actual results of operations, financial position and cash flows had we been a stand-alone publicly traded partnership during the periods prior to the Offering.

On April 30, 2012, ConocoPhillips completed the separation of its downstream businesses into Phillips 66. Accordingly, prior to April 30, 2012, the parent company of our Predecessors was ConocoPhillips, and subsequent to April 30, 2012, the parent company of our Predecessors has been Phillips 66. For ease of reference, we refer to Phillips 66 as our Predecessors’ parent for the periods prior to April 30, 2012. For purposes of related party transactions, ConocoPhillips is not considered a related party for periods after April 30, 2012.

All financial information presented for the periods after the Offering represents the consolidated results of operations, financial position and cash flows of the Partnership giving retrospective effect to the combined results of operations, financial position and cash flows of the Gold Line, Medford, Bayway and Ferndale assets. Accordingly:

- Our consolidated statements of income and cash flows for the year ended December 31, 2014, consist of the combined results of the Gold Line, Medford, Bayway and Ferndale assets prior to the effective date of each acquisition and the consolidated results of the Partnership. Our consolidated statements of income and cash flows for the year ended December 31, 2013, consist of the consolidated results of the Partnership for the period from July 26, 2013, through December 31, 2013, the combined results of our pre-Offering predecessor for the period from January 1, 2013, through July 25, 2013, and the combined results of the Gold Line, Medford, Bayway and Ferndale assets for the entire year of 2013. Our consolidated statements of income and cash flows for the year ended December 31, 2012, consist entirely of the combined results of our Predecessors.

- Our consolidated balance sheet at December 31, 2014, consists of the consolidated balances of the Partnership. Our consolidated balance sheet at December 31, 2013, consists of the consolidated balances of the Partnership and the combined balances of the Gold Line, Medford, Bayway and Ferndale assets.

- Our consolidated statement of changes in equity for the year ended December 31, 2014, consists of the combined activity of the Gold Line, Medford, Bayway and Ferndale assets prior to the effective date of each acquisition and the consolidated activity of the Partnership. Our consolidated statement of changes in equity for the year

ended December 31, 2013, consists of the consolidated activity of the Partnership completed at and subsequent to the Offering on July 26, 2013, through December 31, 2013, the combined activity of our pre-Offering predecessor for the period from January 1, 2013, through July 25, 2013, and the combined activity of the Gold Line, Medford, Bayway and Ferndale assets for the entire year of 2013. Our consolidated statement of changes in equity for the year ended December 31, 2012, consists entirely of the combined activity of our Predecessors.

Note 2— Summary of Significant Accounting Policies

- **Consolidation Principles and Investments** —Our consolidated financial statements include the accounts of majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated.

- **Net Investment** —In the consolidated balance sheet, net investment represents Phillips 66's historical investment in our Predecessors, our Predecessors' accumulated net earnings after taxes, and the net effect of transactions with, and allocations from, Phillips 66.

- **Use of Estimates** —The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from these estimates.

- **Common Control Transactions** —Businesses acquired from Phillips 66 and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with ours at their historical costs. If any recognized consideration transferred in such a transaction exceeds the carrying value of the net assets acquired, the excess is treated as a capital distribution to our General Partner, similar to a dividend. If the carrying value of the net assets acquired exceeds any recognized consideration transferred including, if applicable, the fair value of any limited partner units issued, then that excess is treated as a capital contribution from our General Partner. To the extent that such transactions require prior periods to be recast, historical net equity amounts prior to the transaction date are reflected in "Net Investment." Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our consolidated statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows.

- **Revenue Recognition** —Revenue is recognized for crude oil and refined petroleum product pipeline transportation based on the delivery of actual volumes transported at contractual tariff rates. Revenue is recognized for crude oil and refined petroleum product terminaling and storage as performed based on contractual rates related to throughput volumes, capacity or cost-plus-margin arrangements. A significant portion of our revenue is derived from Phillips 66, and the contractual rates do not necessarily reflect market rates for the historical periods presented prior to the Offering or the Acquisitions in respect of the Acquired Assets.

  Effective January 1, 2013, the structure of the fees we charge Phillips 66 for terminaling services provided at the Clifton Ridge terminal was changed. During 2012, terminaling fees were on a cost-plus-margin reimbursement basis. Beginning in 2013, the cost-plus-margin arrangement was replaced with various storage, dock and truck unloading fees.

  Transportation contracts that are operating leases and include rentals with fixed escalation are recognized on a straight-line basis over the lease term. Any difference between the transportation fee recognized under the straight-line method and the transportation fee received in cash is deferred to the consolidated balance sheet as "Deferred rentals—related parties." If the underlying transportation contract is amended to eliminate fixed escalation, the balance of deferred rentals is amortized over the remaining life of the contract.

In connection with the Offering and the Acquisitions, we entered into certain transportation services agreements and terminal services agreements with Phillips 66 that are considered operating leases under GAAP. See Note 18—Related Party Transactions , for additional information on these agreements. These agreements include escalation clauses to adjust transportation tariffs and terminaling fees to reflect changes in price indices. Revenues from these agreements are recorded within "Transportation and terminaling services—related parties" on our consolidated statement of income.

Billings to Phillips 66 for shortfall volumes under its quarterly minimum volume commitments are recorded as "Deferred revenues—related parties" in our consolidated balance sheet, as Phillips 66 has the right to make up the shortfall volumes in the following four quarters. The deferred revenue will be recognized at the earlier of:

- The fulfillment of making up the shortfall volumes.
- The expiration of the period in which Phillips 66 is contractually allowed to make up the shortfall volumes.

As of December 31, 2014, there was $0.6 million deferred and reported as "Deferred revenues—related parties" in our consolidated balance sheets related to shortfall volumes that could be made up in the future periods.

- **Cash Equivalents** —Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and will mature within 90 days or less from the date of acquisition. We carry these at cost plus accrued interest, which approximates fair value.

- **Imbalances** —We do not purchase or produce crude oil or refined petroleum product inventories. We experience imbalances as a result of variances in meter readings and in other measurement methods, and volume fluctuations within our crude oil system due to pressure and temperature changes. Certain of our transportation contracts provide for the shipper to pay a contractual loss allowance, which is valued using quoted market prices of the applicable commodity being shipped. These loss allowances, which are received from the shipper irrespective of, and calculated independently from, actual volumetric gains or losses, are recorded as revenue. Any volumetric gains or losses are valued using quoted market prices of the applicable commodities and are recorded as decreases or increases to operating and maintenance expenses, respectively.

- **Fair Value Measurements** —We measure assets and liabilities requiring fair value presentation or disclosure using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclose such amounts according to the quality of valuation inputs under the following hierarchy:

  Level 1: Quoted prices in an active market for identical assets or liabilities.
  Level 2: Inputs other than quoted prices that are directly or indirectly observable.
  Level 3: Unobservable inputs that are significant to the fair value of assets or liabilities.

  We classify the fair value of an asset or liability based on the lowest level of input significant to its measurement. A fair value initially reported as Level 3 will be subsequently reported as Level 2 if the unobservable inputs become inconsequential to its measurement, or corroborating market data becomes available. Asset and liability fair values initially reported as Level 2 will be subsequently reported as Level 3 if corroborating market data becomes unavailable.

  The carrying amounts of our trade receivables and payables approximate fair values.

  Nonrecurring Fair Value Measurements —Fair value measurements are applied with respect to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consists primarily of asset retirement obligations. Nonrecurring fair value measurements are also applied, when applicable, to determine the fair value of our long-lived assets.

- **Accounts Receivable** —Prior to the Offering or the Acquisitions in respect of the Acquired Assets, our receivables primarily consisted of third-party customer accounts receivable that were recorded at the invoiced amounts and did not bear interest. Intercompany receivables with Phillips 66 were included in "Net investment—predecessors" on the consolidated balance sheet. Subsequent to the Offering or the Acquisitions in respect of the Acquired Assets, our receivables primarily consist of accounts receivable from related parties that are recorded at the invoiced amounts and do not bear interest. Account balances for these receivables are charged directly to bad debt expense if it becomes probable the receivable will not be collected.

- **Properties, Plants and Equipment (PP&E)** —PP&E is stated at cost. Costs of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation of PP&E is determined by either the individual-unit-straight-line method or the group-straight-line method (for those individual units that are highly integrated with other units).

- **Major Maintenance Activities** —Costs for planned integrity management projects are expensed in the period incurred. These types of costs include pipe and tank inspection services, contractor repair services, materials and supplies, equipment rentals and our labor costs.

- **Impairment of PP&E** —PP&E used in operations is assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated by an asset group. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, including applicable liabilities, the carrying value of the PP&E in the asset group is written down to estimated fair value through additional depreciation provisions and reported as impairments in the periods in which the determination of the impairment is made. Individual assets are grouped for impairment purposes at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets—generally at a pipeline system or terminal level. Because there usually is a lack of quoted market prices for our long-lived assets, the fair value of impaired assets is typically determined based on one or more of the following methods: the present values of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants; a market multiple of earnings for similar assets; or historical market transactions of similar assets, adjusted using principal market participant assumptions when necessary.

  The expected future cash flows used for impairment reviews and related fair value calculations are based on estimated future throughputs, prices, operating costs, tariffs, and capital project decisions, considering all available evidence at the date of review.

- **Intangible Assets Other Than Goodwill** —Intangible assets with finite useful lives are amortized by the straight-line method over their useful lives. Intangible assets with indefinite useful lives are not amortized but are tested at least annually for impairment. Each reporting period, we evaluate the remaining useful lives of intangible assets not being amortized to determine whether events and circumstances continue to support indefinite useful lives. These indefinite-lived intangibles are considered impaired if the fair value of the intangible asset is lower than net book value. The fair value of intangible assets is determined based on quoted market prices in active markets, if available. If quoted market prices are not available, fair value of intangible assets is determined based upon the present values of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants, or upon estimated replacement cost, if expected future cash flows from the intangible asset are not determinable.

- **Goodwill** —Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized, but rather is tested for impairment annually and when events or changes in circumstances indicate that the fair value of the reporting unit with goodwill has been reduced below carrying value. The fair value of the reporting unit is compared to the book value of the reporting unit. If the fair value is less than book value, including goodwill, then the recorded goodwill is written down to its implied fair value with a charge to earnings. We have determined we have one reporting unit for testing goodwill for impairment.

- **Asset Retirement Obligations and Environmental Costs** —Fair values of legal obligations to retire and remove long-lived assets are recorded in the period in which the obligation is incurred. When the liability is initially recorded, we capitalize this cost by increasing the carrying amount of the related PP&E. Over time, the liability is increased for the change in its present value, and the capitalized cost in PP&E is depreciated over the useful life of the related asset or group of assets. Our estimate may change after initial recognition, in which case we record an adjustment to the liability and PP&E.

  Environmental expenditures are expensed or capitalized, depending upon their future economic benefit. Expenditures relating to an existing condition caused by past operations, and those having no future economic benefit, are expensed. Liabilities for environmental expenditures are recorded on an undiscounted basis (unless acquired in a purchase business combination) when environmental assessments or cleanups are probable and the costs can be reasonably estimated. Recoveries of environmental remediation costs from other parties, such as state reimbursement funds, are recorded as assets when their receipt is probable and estimable.

- **Employee Benefit Plans** —The employees supporting our operations are employees of Phillips 66 and its affiliates. Phillips 66 sponsors various employee pension and postretirement health insurance plans. For purposes of these consolidated financial statements, we are accounting for our participation in these benefit plans as multiemployer plans. We recognize as expense in each period an allocation from Phillips 66 for our share of payroll costs and employee benefit plan costs, and we do not recognize any employee benefit plan assets or liabilities. See Note 18—Related Party Transactions , for additional information on benefit plan cost allocation from Phillips 66. While we are accounting for our participation as multiemployer plans for the purposes of presenting these consolidated financial statements, those benefit plans are not technically multiemployer plans. Therefore, we have not included the disclosures required for multiemployer plans.

- **Income Taxes** —We follow the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Our taxable income was included in the consolidated U.S. federal income tax returns of Phillips 66 and in a number of consolidated state income tax returns. Subsequent to the Offering and the Acquisitions in respect of the Acquired Assets, our operations are treated as a partnership for federal and state income tax purposes, with each partner being separately taxed on its share of the taxable income. Therefore, we have excluded income taxes from these consolidated financial statements, except for the income tax provision resulting from state laws that apply to entities organized as partnerships. With regard to Texas, our tax provision is computed as if we were a stand-alone tax paying entity. Interest related to unrecognized tax benefits is included in interest and debt expense, and penalties are included in operating and maintenance expenses.

- **Comprehensive Income** —We have not reported comprehensive income due to the absence of items of other comprehensive income in the periods presented.

- **Unit-Based Compensation** —Upon awarding phantom units to non-employee directors of the Partnership, we immediately recognize compensation expense equal to the grant-date fair value of the phantom units, since these phantom units cannot be forfeited.

Note 3— Changes in Accounting Principles

Effective July 1, 2014, we early adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” This ASU amends the definition of discontinued operations so that only disposals of components of an entity representing major strategic shifts that have a major effect on an entity’s operations and financial results will qualify for discontinued operations reporting. The ASU also requires additional disclosures about discontinued operations and individually material disposals that do not meet the definition of a discontinued operation. The adoption of this ASU did not have an effect on our consolidated financial statements.

Note 4— Acquisitions

Gold Line/Medford Acquisition
In February 2014, we entered into a Contribution, Conveyance and Assumption Agreement (CCAA) with subsidiaries of Phillips 66 to acquire the Gold Line/Medford Assets, which were operating as a business at the time of their acquisition, for total consideration of $700.0 million , consisting of $400.0 million in cash; the issuance of 3,530,595 common units of the Partnership to Phillips 66 Company and the issuance of 72,053 general partner units of the Partnership to our General Partner to maintain its 2 percent general partner interest, with an aggregate fair value of the common and general partner units of $140.0 million ; and the assumption by the Partnership of a 5-year , $160.0 million note payable to a subsidiary of Phillips 66. The Gold Line/Medford Acquisition closed on February 28, 2014, with an effective date of March 1, 2014. Total transaction costs of $1.8 million associated with the Gold Line/Medford Acquisition were expensed as incurred.

Bayway/Ferndale/Cross-Channel Acquisition
In October 2014, we entered into a CCAA and a separate Purchase and Sale Agreement (PSA) with subsidiaries of Phillips 66, to acquire the Bayway and Ferndale rail racks, which were operating as businesses at the time of their acquisition, and the Cross-Channel Connector project, an organic growth project to substantially expand and redevelop a pipeline system at the Houston Ship Channel. Consideration under the CCAA was $340.0 million , consisting of $28.0 million cash; the issuance of 1,066,412 common units of the Partnership to Phillips 66 Company and the issuance of 21,764 general partner units of the Partnership to our General Partner to maintain its 2 percent general partner interest, with an aggregate fair value of the common and general partner units of $68.0 million ; and the assumption by the Partnership of a 5-year , $244.0 million note payable to a subsidiary of Phillips 66. Consideration under the PSA was $7.0 million , payable in cash and reflected as a payable to Phillips 66 at December 31, 2014. Both transactions comprising the Bayway/Ferndale/Cross-Channel Acquisition closed on December 1, 2014, with total estimated transaction costs of $0.7 million expensed as incurred.

Palermo Rail Terminal Project Acquisition
In December 2014, we entered into a PSA with a subsidiary of Phillips 66 to purchase real property, assets under construction and lease agreements associated with the rail terminal project for $28.0 million in cash. In addition, we entered into a Contribution Agreement with certain subsidiaries of Phillips 66 to acquire Phillips 66’s ownership interest in the rail terminal project, including permits, for total consideration of $8.4 million , consisting of the issuance of 13,129 common units of the Partnership to Phillips 66 Company and the issuance of 268 general partner units of the Partnership to our General Partner to maintain its 2 percent general partner interest, with an aggregate fair value of the common and general partner units of $0.8 million , and the assumption by the Partnership of a 5-year, $7.6 million note payable to a subsidiary of Phillips 66. The acquisitions closed on December 5, 2014, and December 10, 2014.

Eagle Ford Gathering System Project Acquisition
In December 2014, we entered into a PSA with a subsidiary of Phillips 66 to acquire real property and assets under construction associated with the gathering system project for total consideration of $11.8 million . $5.5 million of the consideration was cash paid in December 2014, and $6.3 million was reflected as a payable to Phillips 66 at December 31, 2014. The acquisition closed on December 31, 2014.

In connection with the Acquisitions, we entered into various commercial agreements with Phillips 66 and amended the omnibus agreement and the operational services agreement with Phillips 66. See Note 18—Related Party Transactions , for a summary of the terms of these agreements.

After the Acquisitions, Phillips 66 owns:

- 20,938,498 common units and 35,217,112 subordinated units, representing an aggregate 73.3 percent limited partner interest.
- 1,531,518 general partner units, representing a 2.0 percent general partner interest.
- All of the incentive distribution rights (IDRs).

Because the Gold Line, Medford, Bayway and Ferndale acquisitions were considered transfers of businesses between entities under common control, these acquired businesses were transferred at historical carrying value under GAAP. The carrying value of the Gold Line/Medford Assets was $138.0 million as of February 28, 2014. The carrying value of the Bayway and Ferndale rail racks was $142.8 million as of November 30, 2014. Our historical financial statements have been retrospectively adjusted to reflect the results of operations, financial position, and cash flows of these acquired businesses prior to the effective date of each acquisition, as if we owned these acquired businesses for all periods presented. The acquisitions of the Cross-Channel, Palermo and Eagle Ford organic growth projects represented transfers of assets between entities under common control. Accordingly, these assets were also transferred at historical carrying value, but are included in the financial statements prospectively from the effective date of each acquisition.

The following tables present our results of operations and financial position giving effect to the Acquisitions. The combined results of the Gold Line/Medford Assets and the Bayway/Ferndale rail racks prior to the effective date of each acquisition are included in "Gold Line/Medford Predecessor" and "Bayway/Ferndale Predecessor," respectively. The consolidated results of the Acquired Assets after the effective date of each acquisition are included in "Phillips 66 Partners LP."

	Millions of Dollars			
	Year Ended December 31, 2014			
	Phillips 66 Partners LP [1]	Gold Line/Medford Predecessor [2]	Bayway/Ferndale Predecessor [3]	Consolidated Results
Consolidated Statement of Income				
Revenues				
Transportation and terminaling services—related parties	**$ 203.5**	**15.2**	**4.2**	**222.9**
Transportation and terminaling services—third parties	**5.4**	**0.7**	**—**	**6.1**
Other income	**0.1**	**—**	**—**	**0.1**
Total revenues	**209.0**	**15.9**	**4.2**	**229.1**
Costs and Expenses				
Operating and maintenance expenses	**47.0**	**3.3**	**2.2**	**52.5**
Depreciation	**14.3**	**1.2**	**0.7**	**16.2**
General and administrative expenses	**21.9**	**1.1**	**2.6**	**25.6**
Taxes other than income taxes	**3.6**	**0.6**	**—**	**4.2**
Interest and debt expense	**5.3**	**—**	**—**	**5.3**
Other expenses	**0.1**	**—**	**—**	**0.1**
Total costs and expenses	**92.2**	**6.2**	**5.5**	**103.9**
Income before income taxes	**116.8**	**9.7**	**(1.3)**	**125.2**
Provision for income taxes	**0.8**	**—**	**—**	**0.8**
Net Income	**116.0**	**9.7**	**(1.3)**	**124.4**
Less: Net income attributable to predecessors	**—**	**9.7**	**(1.3)**	**8.4**
Net Income Attributable to the Partnership	**$ 116.0**	**—**	**—**	**116.0**

[1] *Includes the consolidated results of the Acquired Assets after the effective date of each acquisition.*
[2] *Combined results of the Gold Line/Medford Assets prior to the effective date of the acquisition.*
[3] *Combined results of the Bayway/Ferndale rail racks prior to the effective date of the acquisition.*

	Millions of Dollars				
	Year Ended December 31, 2013				
		Phillips 66 Partners LP (As previously reported on Form 10-K filed on 2/21/2014)	Gold Line/Medford Predecessor	Bayway/Ferndale Predecessor	Consolidated Results
Consolidated Statement of Income					
Revenues					
Transportation and terminaling services—related parties	$	106.4	75.5	—	181.9
Transportation and terminaling services—third parties		0.2	4.9	—	5.1
Other income		0.2	—	—	0.2
Total revenues		106.8	80.4	—	187.2
Costs and Expenses					
Operating and maintenance expenses		27.4	23.8	1.0	52.2
Depreciation		6.2	8.1	—	14.3
General and administrative expenses		10.0	6.5	1.9	18.4
Taxes other than income taxes		1.7	3.0	0.1	4.8
Interest and debt expense		0.3	—	—	0.3
Total costs and expenses		45.6	41.4	3.0	90.0
Income before income taxes		61.2	39.0	(3.0)	97.2
Provision for income taxes		0.5	—	—	0.5
Net Income		60.7	39.0	(3.0)	96.7
Less: Net income attributable to predecessors		31.8	39.0	(3.0)	67.8
Net Income Attributable to the Partnership	$	28.9	—	—	28.9

	Millions of Dollars			
	Year Ended December 31, 2012			
	Phillips 66 Partners LP (As previously reported on Form 10-K filed on 2/21/2014)	Gold Line/Medford Predecessor	Bayway/Ferndale Predecessor	Consolidated Results
Consolidated Statement of Income				
Revenues				
Transportation and terminaling services—related parties	$ 79.7	62.1	—	141.8
Transportation and terminaling services—third parties	0.4	3.1	—	3.5
Total revenues	80.1	65.2	—	145.3
Costs and Expenses				
Operating and maintenance expenses	22.9	29.5	1.7	54.1
Depreciation	6.6	7.0	—	13.6
General and administrative expenses	7.8	5.6	0.3	13.7
Taxes other than income taxes	1.4	3.0	—	4.4
Other expenses	—	0.1	—	0.1
Total costs and expenses	38.7	45.2	2.0	85.9
Income before income taxes	41.4	20.0	(2.0)	59.4
Provision for income taxes	0.3	—	—	0.3
Net Income	41.1	20.0	(2.0)	59.1
Less: Net income attributable to predecessors	41.1	20.0	(2.0)	59.1
Net Income Attributable to the Partnership	**$** —	—	—	—

	Millions of Dollars			
	Year Ended December 31, 2013			
	Phillips 66 Partners LP (As previously reported on Form 10-K filed on 2/21/2014)	Gold Line/Medford Predecessor	Bayway/Ferndale Predecessor	Consolidated Results
Consolidated Balance Sheet				
Assets				
Cash and cash equivalents	$ 425.1	—	—	425.1
Accounts receivable—related parties	11.3	—	—	11.3
Accounts receivable—third parties	0.1	0.5	—	0.6
Materials and supplies	0.6	1.4	—	2.0
Other current assets	2.3	—	—	2.3
Total Current Assets	439.4	1.9	—	441.3
Net properties, plants and equipment	135.9	135.3	53.9	325.1
Goodwill	2.5	—	—	2.5
Deferred rentals—related parties	6.4	—	—	6.4
Total Assets	$ 584.2	137.2	53.9	775.3
Liabilities				
Accounts payable—related parties	$ 5.2	—	—	5.2
Accounts payable—third parties	3.0	5.0	9.3	17.3
Payroll and benefits payable	—	0.1	0.1	0.2
Accrued property and other taxes	1.0	1.3	—	2.3
Current portion of accrued environmental costs	—	2.0	—	2.0
Other current liabilities	0.4	—	—	0.4
Total Current Liabilities	9.6	8.4	9.4	27.4
Asset retirement obligations	0.4	2.0	—	2.4
Accrued environmental costs	—	1.4	—	1.4
Deferred income taxes	0.1	—	—	0.1
Total Liabilities	10.1	11.8	9.4	31.3
Equity				
Net investment—predecessors	—	125.4	44.5	169.9
Common unitholders—public	409.1	—	—	409.1
Common unitholder—Phillips 66	48.6	—	—	48.6
Subordinated unitholder—Phillips 66	104.9	—	—	104.9
General partner—Phillips 66	11.5	—	—	11.5
Total Equity	574.1	125.4	44.5	744.0
Total Liabilities and Equity	$ 584.2	137.2	53.9	775.3

Note 5— Major Customer and Concentration of Credit Risk

Phillips 66 accounted for 95 percent , 94 percent and 95 percent of our total revenues for the years ended December 31, 2014 , 2013 and 2012, respectively. We provide crude oil and refined petroleum product pipeline transportation, terminaling and storage services to Phillips 66 and other related and third parties.

We are potentially exposed to concentration of credit risk primarily through our accounts receivable with Phillips 66. These receivables have payment terms of 30 days or less. We monitor the creditworthiness of Phillips 66, which has an investment grade credit rating, and we have no history of collectability issues with them.

Note 6— Properties, Plants and Equipment

Our investment in PP&E, with the associated accumulated depreciation, at December 31 was:

	Estimated Useful Lives	Millions of Dollars	
		2014	2013*
Cost:			
Land		**$ 17.4**	6.0
Buildings and improvements	3 to 30 years	**27.3**	15.6
Pipelines and related assets	10 to 45 years	**165.0**	150.7
Terminals and related assets	25 to 45 years	**334.7**	286.5
Rail racks and related assets	33 years	**133.5**	—
Construction-in-progress		**54.5**	95.9
Gross PP&E		**732.4**	554.7
Less: accumulated depreciation		**(247.3)**	(229.6)
Net PP&E		**$ 485.1**	325.1

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

Note 7— Goodwill and Intangibles

Goodwill
Goodwill was allocated to us from Phillips 66 based on the relative fair market value of our net PP&E, compared with the fair market value of Phillips 66's reporting unit that included our net PP&E as of the date on which Phillips 66's purchase transaction that resulted in goodwill was completed. Goodwill is tested for impairment on an annual basis and when indicators of potential impairment exist. We have performed our annual impairment tests, and no impairment in the carrying value of goodwill has been identified for the years ended December 31, 2014 , 2013 and 2012 . Goodwill was $2.5 million as of December 31, 2014 and 2013 .

Intangible Asset
In connection with the Palermo Acquisition, we acquired an indefinite-lived intangible asset pertaining to a construction permit. At December 31, 2014, the balance for this asset was $8.4 million . As of December 31, 2014 and 2013, we had no amortized intangible assets.

Note 8— Asset Retirement Obligations and Accrued Environmental Costs

Asset retirement obligations and accrued environmental costs at December 31 were:

	Millions of Dollars	
	2014	2013
Asset retirement obligations	**$ 3.5**	2.4
Accrued environmental costs	**—**	3.4
Total asset retirement obligations and accrued environmental costs	**3.5**	5.8
Asset retirement obligations and accrued environmental costs due within one year	**—**	(2.0)
Long-term asset retirement obligations and accrued environmental costs	**$ 3.5**	3.8

Asset Retirement Obligations

We have asset removal obligations that we are required to perform under law or contract once an asset is permanently taken out of service. These obligations primarily relate to the abandonment or removal of pipelines and rail racks. Most of these obligations are not expected to be paid until many years in the future.

During 2014 and 2013 , our overall asset retirement obligations changed as follows:

	Millions of Dollars	
	2014	2013
Balance at January 1	**$ 2.4**	2.0
Accretion of discount	**0.1**	—
New obligations*	**1.0**	—
Changes in estimates of existing obligations	**—**	0.4
Balance at December 31	**$ 3.5**	2.4

**New obligation was associated with the newly constructed Bayway Rail Rack.*

We do not expect any short-term spending and, as a result, there were no current liabilities reported on the consolidated balance sheet for asset retirement obligations at December 31, 2014 and 2013 .

Accrued Environmental Costs

Our Predecessors recorded a total environmental accrual of $3.4 million at December 31, 2013 , primarily related to cleanup and remediation at pipeline and terminal locations. Pursuant to the terms of our amended omnibus agreement, Phillips 66 indemnifies us for the environmental liabilities associated with the assets contributed to us in connection with the Offering and which arose prior to the closing of the Offering. Pursuant to the terms of various agreements under which we acquired assets from Phillips 66 since the Offering, Phillips 66 assumed the responsibility for accrued environmental liabilities associated with the Acquired Assets arising prior to the effective date of each acquisition. In the future, we may be involved in environmental assessments, cleanups and proceedings.

Note 9— Net Income Per Limited Partner Unit

Net income per unit applicable to common and subordinated units is computed by dividing these limited partners' respective interests in net income attributable to the Partnership by the weighted average number of common units and subordinated units, respectively, outstanding for the period. Because we have more than one class of participating securities, we use the two-class method to calculate the net income per unit applicable to limited partners. The classes of participating securities include common units, subordinated units, general partner units, and IDRs. Basic and diluted net income per unit are the same because we do not have any potentially dilutive instruments outstanding for the periods presented.

	Millions of Dollars	
	2014	2013
Net income attributable to the Partnership	**$ 116.0**	28.9
Less: General partner's distributions declared (including IDRs)*	**7.9**	0.5
Limited partners' distributions declared on common units*	**48.1**	13.4
Limited partner's distributions declared on subordinated units*	**43.4**	13.4
Distributions less than net income attributable to the Partnership	**$ 16.6**	1.6

**Distributions declared are attributable to the indicated periods.*

	2014			
	General Partner (including IDRs)	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Net income attributable to the Partnership *(millions of dollars):*				
Distributions declared	**$ 7.9**	**48.1**	**43.4**	**99.4**
Distributions less than net income attributable to the Partnership	**0.4**	**8.4**	**7.8**	**16.6**
Net income attributable to the Partnership	**$ 8.3**	**56.5**	**51.2**	**116.0**
Weighted average units outstanding:				
Basic	**1,499,704**	**38,268,371**	**35,217,112**	**74,985,187**
Diluted	**1,499,704**	**38,268,371**	**35,217,112**	**74,985,187**
Net income per limited partner unit *(dollars):*				
Basic		**$ 1.48**	**1.45**	
Diluted		**1.48**	**1.45**	

	2013			
	General Partner (including IDRs)	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Net income attributable to the Partnership *(millions of dollars):*				
Distributions declared	$ 0.5	13.4	13.4	27.3
Distributions less than net income attributable to the Partnership	0.1	0.7	0.8	1.6
Net income attributable to the Partnership	$ 0.6	14.1	14.2	28.9
Weighted average units outstanding:				
Basic	1,437,433	35,217,112	35,217,112	71,871,657
Diluted	1,437,433	35,217,112	35,217,112	71,871,657
Net income per limited partner unit *(dollars):*				
Basic		$ 0.40	0.40	
Diluted		0.40	0.40	

On January 21, 2015 , the Board of Directors of our General Partner declared a quarterly cash distribution of $0.34 per limited partner unit which, combined with distributions to our General Partner, will result in total distributions of $29.1 million attributable to the fourth quarter of 2014. This distribution is payable February 13, 2015 , to unitholders of record as of February 4, 2015 .

Note 10— Debt

Long-term debt at December 31 was:

	Millions of Dollars	
	2014	2013
Revolving credit facility due 2019 at 1.3% at year-end 2014	**$ 18.0**	—
Note payable to Phillips 66 due 2019 at 3.0% at year-end 2014	**160.0**	—
Note payable to Phillips 66 due 2019 at 3.1% at year-end 2014	**244.0**	—
Note payable to Phillips 66 due 2019 at 2.9% at year-end 2014	**7.6**	—
Total debt	**429.6**	—
Short-term debt	**—**	—
Long-term debt	**$ 429.6**	—

Revolving Credit Facility
On June 7, 2013, we entered into a $250 million senior unsecured revolving credit agreement (the Credit Agreement) with a syndicate of financial institutions, which became effective upon the closing of the Offering on July 26, 2013 . The Credit Agreement includes sub-facilities for swingline loans and letters of credit.

On November 21, 2014, we entered into a first amendment (the Amendment) to the Credit Agreement with several commercial lending institutions (the Credit Agreement and the Amendment are referred to as the Amended Credit Agreement). The Amendment increased the available amount to $500 million from $250 million and extended the termination date to November 21, 2019. We have the option to increase the overall capacity of the Amended Credit

Agreement by up to an additional $250 million , for a total of $750 million , subject to, among other things, the consent of the existing lenders whose commitments would be increased or any additional lenders providing such additional capacity. We also have the option to extend the Amended Credit Agreement for two additional one-year terms after November 21, 2019, subject to, among other things, the consent of the lenders holding the majority of the commitments and each lender extending its commitment. As of December 31, 2014 , $18 million was outstanding under the Amended Credit Agreement.

Notes Payable
On March 1, 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Gold Line/Medford Acquisition pursuant to which we assumed a 5-year, $160 million note payable to a subsidiary of Phillips 66. The note payable bears interest at a fixed rate of 3 percent per annum. Interest on the note is payable quarterly, and all principal and accrued interest are due and payable at maturity on February 28, 2019. At December 31, 2014, the carrying value and fair value of this note were $160.0 million and $162.7 million , respectively.

On December 1, 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Bayway/Ferndale/Cross-Channel Acquisition pursuant to which we assumed a 5-year, $244 million note payable to a subsidiary of Phillips 66 that bears interest at a fixed rate of 3.1 percent per annum. Interest on the note is payable quarterly, and all principal and accrued interest is due and payable at maturity on December 1, 2019. At December 31, 2014, the carrying value and fair value of this note were $244.0 million and $245.2 million , respectively.

On December 10, 2014, we entered in an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the Palermo Rail Terminal Project Acquisition pursuant to which we assumed a 5-year, $7.6 million note payable to a subsidiary of Phillips 66 that bears interest at a fixed rate of 2.9 percent per annum. Interest on the note is payable quarterly, and all principal and accrued interest are due and payable at maturity on December 1, 2019. At December 31, 2014, the carrying value and fair value of this note were $7.6 million and $7.5 million , respectively.

We calculated the fair values of these notes with a discounted cash flow model, using discount rates that approximate the rates we observed in the market for similar entities with debts of comparable durations. We increased these discount rates by 20 basis points to reflect structuring fees. Given the methodology employed, w e classified the quality of these fair values as Level 2.

Subsidiary Guarantors
In August 2014, we filed a universal shelf registration statement with the U.S. Securities and Exchange Commission under which we, as a well-known seasoned issuer, have the ability to issue and sell an indeterminate amount of common units representing limited partner interests and debt securities. Phillips 66 Partners LP, as the Partnership’s parent company, has no independent assets or operations. The Partnership’s operations are conducted by its operating subsidiaries. Under the shelf registration statement, each of Phillips 66 Partners LP’s subsidiaries is a guarantor, other than (i) Phillips 66 Partners Finance Corporation, a 100 -percent-owned subsidiary of the Partnership whose sole purpose is to possibly act as co-issuer of any debt securities, and (ii) subsidiaries that are minor. Each subsidiary guarantor is directly or indirectly 100 percent owned by Phillips 66 Partners LP. The guarantees are full and unconditional and joint and several. There are no significant restrictions on the ability of Phillips 66 Partners LP or any subsidiary guarantor to obtain funds from its subsidiaries by dividend or loan. None of the assets of Phillips 66 Partners LP or a subsidiary guarantor represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended.

Note 11— Contingencies

From time to time, lawsuits involving a variety of claims that arise in the ordinary course of business may be filed against us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income-tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include any contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

Environmental
We are subject to federal, state and local environmental laws and regulations. We record accruals for environmental liabilities based on management's best estimates, using all information that is available at the time. We measure estimates and base liabilities on currently available facts, existing technology, and presently enacted laws and regulations, taking into account stakeholder and business considerations. When measuring environmental liabilities, we also consider our prior experience in remediation of contaminated sites, other companies' cleanup experience, and data released by the U.S. Environmental Protection Agency or other organizations. We consider unasserted claims in our determination of environmental liabilities, and we accrue them in the period they are both probable and reasonably estimable. At December 31, 2013, our Predecessors recorded a total environmental accrual of $3.4 million associated with the Gold Line Products System. Pursuant to the terms of the Contribution, Conveyance and Assumption Agreement associated with the Gold Line/Medford Acquisition, Phillips 66 assumed the responsibility for these liabilities arising prior to the contribution of the Gold Line Products System to us; therefore we reflect no liabilities associated with them after effective date of the acquisition. As of December 31, 2014, we did not have any material environmental accruals. In the future, we may be involved in environmental assessments, cleanups and proceedings. See Note 8—Asset Retirement Obligations and Accrued Environmental Costs , for a summary of our accrued environmental liabilities.

Legal Proceedings
Under our amended omnibus agreement, Phillips 66 provides certain services for our benefit, including legal support services, and we pay an operational and administrative support fee for these services. Phillips 66's legal organization applies its knowledge, experience and professional judgment to the specific characteristics of our cases, employing a litigation management process to manage and monitor the legal proceedings against us. The process facilitates the early evaluation and quantification of potential exposures in individual cases and enables tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, Phillips 66's legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required. As of December 31, 2014 and 2013 , we did not have any material accrued contingent liabilities associated with litigation matters.

Indemnification
Under our amended omnibus agreement, Phillips 66 will indemnify us for certain environmental liabilities, tax liabilities, and litigation and other matters attributable to the ownership or operation of the assets contributed to us in connection with the Offering (the Initial Assets) and which arose prior to the closing of the Offering. Indemnification for any unknown environmental liabilities provided therein is limited to liabilities due to occurrences prior to the closing of the

Offering and that are identified before the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.1 million before we are entitled to indemnification. Indemnification for litigation matters provided therein (other than legal actions pending at the closing of the Offering) is subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. Phillips 66 will also indemnify us under our amended omnibus agreement for failure to obtain certain consents, licenses and permits necessary to conduct our business, including the cost of curing any such condition, in each case that is identified prior to the fifth anniversary of the closing of the Offering, subject to an aggregate deductible of $0.2 million before we are entitled to indemnification. We have agreed to indemnify Phillips 66 for events and conditions associated with the ownership or operation of the Initial Assets that occur on or after the closing of the Offering and for certain environmental liabilities related to the Initial Assets to the extent Phillips 66 is not required to indemnify us.

Excluded Liabilities of the Acquired Assets

Pursuant to the terms of the various agreements under which we acquired assets from Phillips 66 since the Offering, Phillips 66 assumed the responsibility for any liabilities arising out of or attributable to the ownership or operation of the Acquired Assets, or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, prior to the effective date of each acquisition. We have assumed, and have agreed to pay, discharge and perform as and when due, all liabilities arising out of or attributable to the ownership or operation of the Acquired Assets, or other activities occurring in connection with and attributable to the ownership or operation of the Acquired Assets, from and after the effective date of each acquisition.

Note 12— Leases

Lessor

In connection with the Offering and the Acquisitions, we entered into several transportation services agreements, terminal services agreements and storage services agreements with Phillips 66 that are considered operating leases under GAAP. See Note 18—Related Party Transactions , for additional information on these agreements. These agreements include escalation clauses to adjust transportation tariffs and terminaling and storage fees to reflect changes in price indices. Revenues from these agreements are recorded within “Transportation and terminaling services—related parties” on our consolidated statement of income.

As of December 31, 2014 , future minimum payments to be received related to these agreements were estimated to be:

		Millions of Dollars
2015	$	211.0
2016		211.5
2017		211.0
2018		192.3
2019		162.4
2020 and thereafter		753.6
Total	$	1,741.8

Lessee

In connection with the acquisition of the Bayway Rail Rack, we entered into a lease agreement with Phillips 66 for using the land underlying or associated with the Bayway Rail Rack. Effective December 1, 2014, the land lease has a primary term of 40 years and is considered an operating lease under GAAP. Due to the economic infeasibility to cancel the land lease, we consider the lease non-cancellable. See Note 18—Related Party Transactions , for additional information on the lease agreement. For the year ended December 31, 2014, the operating lease rental expense was $0.2 million , representing one month of rental expense. The future minimum lease payments as of December 31, 2014 , for the operating lease obligation were:

	Millions of Dollars
2015	$ 1.9
2016	1.9
2017	1.9
2018	1.9
2019	1.9
Remaining years	64.9
Total minimum lease payments	$ 74.4

Note 13— Employee Benefit Plans

Employees of Phillips 66 who directly or indirectly support our operations participate in the pension, postretirement health insurance, and defined contribution benefit plans sponsored by Phillips 66, which includes other subsidiaries of Phillips 66. For the year ended December 31, 2014 , the pension, postretirement health insurance and defined contribution benefit plan costs of $0.6 million , consisted of the costs allocated to the Gold Line, Medford, Bayway and Ferndale businesses from Phillips 66 prior to the effective date of each acquisition, and the costs of Phillips 66's employees who are fully dedicated to supporting our business for the year ended December 31, 2014. For the year ended December 31, 2013, these costs, totaling $3.0 million , consisted of the costs allocated to our Predecessors from Phillips 66 prior to the effective date of each acquisition, and the costs of Phillips 66's employees who are fully dedicated to supporting our business. For the year ended December 31, 2012, these costs, totaling $4.5 million , consisted of the costs allocated to our Predecessors from Phillips 66 prior to the effective date of each acquisition.

These costs are included in either "General and administrative expenses" or "Operating and maintenance expenses" on our consolidated statement of income, depending on the nature of the employee's role in our operations.

Note 14— Unit-Based Compensation

The Board of Directors of our General Partner adopted the Phillips 66 Partners LP 2013 Incentive Compensation Plan (the ICP) in the third quarter of 2013. Awards under the ICP are available for officers, directors and employees of our General Partner or its affiliates, and any consultants or other individuals who perform services for the Partnership. The ICP allows for the grant of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. The ICP limits the number of common units that may be delivered pursuant to awards to 2,500,000 , subject to proportionate adjustment in the event of unit splits and similar events.

From the closing of the Offering through December 31, 2014 , we have only issued phantom units to non-employee directors under the ICP. A phantom unit entitles the recipient to receive cash equal to the fair market value of a common unit on the settlement date, and to also receive a distribution equivalent each quarter between the grant date and the settlement date in an amount equal to any cash distributions paid on a common unit during that time. During the years ended December 31, 2014 and 2013 , we granted 4,161 and 2,171 phantom units, respectively, to three non-employee directors of our General Partner. On the grant date, phantom units awarded to non-employee directors become non-forfeitable; therefore we immediately recognize expense equal to the grant-date fair value of the award. These phantom units do not convey voting rights.

Note 15— Income Taxes

We are not a taxable entity for U.S. federal income tax purposes or for the majority of states that impose an income tax. Taxes on our net income generally are borne by our partners through the allocation of taxable income. Our income tax provision results from state laws that apply to entities organized as partnerships, primarily Texas.

Income taxes charged to income were:

	Millions of Dollars		
	2014	2013	2012
Current	**$ 0.5**	0.4	0.3
Deferred	**0.3**	0.1	—
Total	**$ 0.8**	0.5	0.3

At December 31, 2014 and 2013 , we had a deferred tax asset of $0.5 million and a deferred tax liability of $0.1 million , respectively. The deferred tax asset was primarily associated with PP&E, partially offset by deferred rentals. The deferred tax liability was primarily related to PP&E and deferred rentals. Our effective tax rate was 0.6 percent , 0.5 percent and 0.5 percent , respectively, for the years ended December 31, 2014 , 2013 and 2012 . The higher effective tax rate in 2014 was primarily associated with the acquisition of the Bayway/Ferndale/Cross-Channel Assets.

As of December 31, 2014 and 2013 , we had no liability reported for unrecognized tax benefits and we did not have any interest or penalties related to income taxes for the years ended December 31, 2014 , 2013 and 2012 . Texas and Illinois tax returns for 2014 and 2013 are subject to examination.

Note 16— Cash Flow Information

The Acquisitions had cash and noncash elements. The common and general partner units issued to Phillips 66 in the Gold Line/Medford and Bayway/Ferndale/Cross-Channel acquisitions were assigned no value, because the cash consideration and note payable assumption exceeded the historical net book value of the acquired assets for each acquisition. Accordingly, the units issued for these acquisitions had no impact on partner capital balances, other than changing ownership percentages.

Gold Line/Medford Acquisition
We attributed $138.0 million of the total $400.0 million cash consideration paid to the historical book value of the assets acquired (an investing cash outflow). The remaining $262.0 million of excess cash consideration was deemed a distribution to our General Partner (a financing cash outflow). The assumption of the $160.0 million note payable was deemed a noncash distribution to our General Partner (a noncash financing activity). Together, the excess cash consideration and the assumption of the note payable resulted in a $422.0 million reduction in our General Partner’s capital balance.

Bayway/Ferndale/Cross-Channel Acquisition
The historical net book value of the assets acquired in the Bayway/Ferndale/Cross-Channel Acquisition was $160.1 million . Cash consideration was $35.0 million , of which we paid $28.0 million in December 2014 (an investing cash outflow) and $7.0 million was reflected as a payable to Phillips 66 at December 31, 2014 (a noncash investing activity). We attributed $125.1 million of the $244.0 million note payable assumed to the remaining historical book value of the net assets acquired (noncash investing and financing activities). The remaining $118.9 million of the note payable assumed was deemed a noncash distribution to our General Partner (a noncash financing activity), which reduced our General Partner's capital balance by that amount.

Palermo Rail Terminal Project Acquisition
The historical book value of the Palermo Rail Terminal project was $41.6 million . Cash consideration was $28.0 million , of which we paid $26.5 million in December 2014 (an investing cash outflow) and $1.5 million was reflected as a payable to Phillips 66 at December 31, 2014 (a noncash investing activity). Noncash consideration consisted of the assumption of a $7.6 million note payable (noncash investing and financing activities) and the issuance of common and general partner units to Phillips 66 with an aggregate fair value of $0.8 million (a noncash financing activity). The $5.2 million excess of historical book value over the consideration paid was deemed a contribution from our General Partner (a noncash financing activity), which increased our General Partner's capital balance by that amount.

Eagle Ford Gathering System Project Acquisition
We paid consideration of $11.8 million for the Eagle Ford Gathering System project, the same as its historical book value. $5.5 million of the consideration was cash paid in December 2014 (an investing cash outflow), and $6.3 million was reflected as a payable to Phillips 66 at December 31, 2014 (a noncash investing activity).

Our capital expenditures consisted of:

	Millions of Dollars		
	2014	2013*	2012*
Capital Expenditures			
Capital expenditures attributable to predecessors	**$ 90.8**	84.1	34.2
Capital expenditures attributable to the Partnership	**66.1**	3.9	—
Total capital expenditures	**$ 156.9**	88.0	34.2

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

	Millions of Dollars		
	2014	2013	2012
Noncash Investing and Financing Activities			
Certain liabilities of the Acquired Assets retained by Phillips 66 (1)	**$ 14.8**	—	—
Notes payable assumed associated with the Acquisitions (2)	**411.6**	—	—
Cash Payments			
Interest and debt expense	**$ 3.3**	0.3	—
Income taxes (3)	**0.2**	—	—

(1) Certain liabilities of the Acquired Assets were retained by Phillips 66, pursuant to the terms of various agreements under which we acquired assets from Phillips 66 since the Offering. See Note 11—Contingencies for additional information on these excluded liabilities associated with the Acquired Assets.
(2) See Note 10—Debt for additional information.
(3) Excludes our share of cash tax payments made directly by Phillips 66 prior to the Offering and the Acquisitions in respect of the Acquired Assets.

Note 17— Other Financial Information

	Millions of Dollars		
	2014	2013	2012
Interest and Debt Expense			
Incurred			
Debt	**$ 5.3**	0.3	—
Other	**—**	—	—
	5.3	0.3	—
Capitalized	**—**	—	—
Expensed	**$ 5.3**	0.3	—
Other Income			
Interest Income	**$ 0.1**	0.2	—

Note 18— Related Party Transactions

Commercial Agreements
In connection with the Offering and the Acquisitions, we entered into multiple transportation services agreements, terminal services agreements and storage services agreements with Phillips 66 and amended an existing transportation services agreement with Phillips 66. Under these long-term, fee-based agreements, we provide transportation, terminaling and storage services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products.

The commercial agreements with Phillips 66 include:

- A 10-year transportation services agreement under which we charge Phillips 66 for transporting crude oil on our Clifton Ridge to Lake Charles refinery pipeline, our Pecan Grove to Clifton Ridge pipeline and our Shell to Clifton Ridge pipeline.

- A 10-year transportation services agreement under which we charge Phillips 66 for transporting diesel, gasoline and other refined petroleum products on our two 60 -mile Sweeny to Pasadena pipelines.

- A 23-year throughput and deficiency agreement under which we charge Phillips 66 for transporting gasoline, diesel, jet fuel and other refined petroleum products on our Wood River to Hartford pipeline and our Hartford to Explorer pipeline.

- A 10-year transportation services agreement, effective March 1, 2014, under which we charge Phillips 66 for transporting refined petroleum products along four routes on the Gold Line Products System.

- A 5-year terminal services agreement under which we charge Phillips 66 for offloading ships and barges at our Clifton Ridge ship dock and Pecan Grove barge dock and for unloading trucks and storing crude oil at our Clifton Ridge Terminal.

- A 5-year terminal services agreement under which we charge Phillips 66 for providing terminaling services at our Pasadena and Hartford terminals and at our Hartford barge dock.

- A 5-year terminal services agreement, effective March 1, 2014, under which we charge Phillips 66 for receiving refined petroleum products, handling and storing such refined petroleum products, and delivering such refined petroleum products into pipelines and transport trucks at our terminals located in Wichita, Kansas; Kansas City, Kansas; Paola, Kansas; Jefferson City, Missouri; and Cahokia, Illinois.

- A 10-year rail terminal services agreement, effective December 1, 2014, under which we charge fees to Phillips 66 for receiving crude oil at the Bayway Rail Rack via rail car and unloading the crude oil and redelivering it into a pipeline for onward delivery to Phillips 66's Bayway Refinery.

- A 10-year rail terminal services agreement, effective December 1, 2014, under which we charge fees to Phillips 66 for receiving crude oil at the Ferndale Rail Rack via rail car and unloading the crude oil and redelivering it into a pipeline for onward delivery to Phillips 66's Ferndale Refinery.

Other than our Hartford Connector throughput and deficiency agreement (Hartford Connector T&D), each of our transportation services agreements includes a 10-year initial term, and Phillips 66 has the option to renew each agreement for up to one or two additional 5-year terms. Our Hartford Connector T&D, which was amended in connection with the Offering, has a 23-year term that began in January 2008 and will expire on December 31, 2030.

Under each of our transportation services agreements, if Phillips 66 fails to transport its minimum throughput volume during any quarter, then Phillips 66 will pay us a deficiency payment based on the calculation described in the agreement. If the minimum capacity of the pipeline(s) falls below the level of Phillips 66's commitment at any time (other than outages caused by our planned maintenance) or if capacity on the pipeline(s) is required to be allocated among shippers as a result of volume nominations exceeding available capacity, Phillips 66's minimum throughput commitment may be proportionately reduced until such time that the available capacity is sufficient to fulfill Phillips 66's minimum volume commitments. We may elect to adjust our tariffs on an annual basis, and the new tariffs become effective on July 1 of each year. For the transportation services agreement for the Gold Line Products System, we may elect to adjust our tariff beginning July 1, 2015. Under each of our transportation services agreements other than our Hartford Connector T&D, if we agree to make any capital expenditures at Phillips 66's request, Phillips 66 will reimburse us for, or we will have the right under certain circumstances to file for an increased tariff rate to recover, the actual amount we incur for such expenditures.

Under our terminal services agreements, Phillips 66 is obligated to throughput or store minimum volumes of crude oil and refined petroleum products and pay us terminaling fees, as well as fees for providing related ancillary services (such as ethanol and biodiesel blending and additive injection) at our terminals. If Phillips 66 fails to meet its minimum volume commitment on certain terminaling services during any quarter, then Phillips 66 will pay us a deficiency payment based on the calculation described in each agreement. We may adjust our per-barrel fees annually on January 1 of each year. These agreements have a primary term of five years and may be renewed by Phillips 66 for up to two or three additional 5-year periods upon 180 days' written notice from Phillips 66 to us prior to the end of the initial term or any renewal term, as applicable.

Under our Bayway and Ferndale rail terminal services agreements, Phillips 66 is required to pay a monthly fee based on the capacity of the rail rack. If the amount of crude oil actually unloaded during a month exceeds such capacity, Phillips 66 will pay an additional fee on the amount that exceeds the capacity. We may adjust our per-barrel fees annually on January 1 of each year, beginning on January 1, 2016, based on the Producer Price Index (the PPI) for finished goods. These agreements have a primary term of ten years and may be renewed by Phillips 66 for up to two additional 5-year periods upon 180 days' written notice from Phillips 66 to us prior to the end of the initial term or any renewal term, as applicable.

These transportation services and terminal services agreements include provisions that permit Phillips 66 to suspend, reduce or terminate its obligations under the applicable agreement if certain events occur. Under all of our commercial agreements other than our Hartford Connector T&D, these events include Phillips 66 deciding to completely suspend refining operations at a refinery that is supported by our assets for at least twelve consecutive months, unless it publicly announces its intent to resume operations prior to the expiration of the 12-month notice period. Under all of our commercial agreements, these events include certain force majeure events that would prevent us or Phillips 66 from performing our respective obligations under the applicable agreement.

In connection with the Offering, we entered into two storage and stevedoring services agreements with Phillips 66. Under these agreements, we provide Phillips 66 certain storage, stevedoring, sampling and testing services and such other services as we and Phillips 66 may mutually agree upon from time to time, and Phillips 66 commits to provide us with minimum storage volumes of lubricant base stocks at our Hartford and Pecan Grove terminals.

We also entered into a storage services agreement with Phillips 66. Under this agreement, we will provide certain storage, sampling and testing services and such other services as we and Phillips 66 may mutually agree upon from time to time. Phillips 66 commits to provide us with minimum storage volumes at our Hartford terminal.

In connection with the Acquisitions, we entered into several storage services agreements, one origination services agreement and one land lease agreement with Phillips 66:

- A storage services agreement (storage on the Gold Line Products System). Pursuant to this agreement, effective March 1, 2014, we charge fees to Phillips 66 for storing certain identified petroleum products in storage tanks located in Wichita, Kansas; Kansas City, Kansas; and Cahokia, Illinois. The fees payable by Phillips 66 to us are subject to adjustment each year beginning on January 1, 2015, based on the PPI for finished goods. This agreement has a primary term of five years and automatically extends for up to two additional 5-year periods, unless terminated by either party.

- A storage services agreement (storage at the Medford Spheres). Pursuant to this agreement, effective March 1, 2014, we charge fees to Phillips 66 for receiving and storing natural gas liquids (NGL) and refinery-grade propylene in the Medford Spheres. The fees payable by Phillips 66 to us are subject to adjustment each year beginning January 1, 2015, based on the PPI for finished goods. This agreement has a primary term of ten years and automatically extends for up to two additional 5-year periods unless terminated by either party.

- An origination services agreement (Gold Line Products System). Pursuant to this agreement, effective March 1, 2014, Phillips 66 charges fees to us for the provision of certain operational services by Phillips 66 to us in connection with the origination of petroleum products movements on the Gold Line Products System. The monthly fee payable by us to Phillips 66 is $110,000 and is subject to adjustment each year beginning in 2016 based on the PPI for finished goods. This agreement has a primary term of ten years and automatically extends for successive 5-year renewal terms, unless terminated by either party.

- A land lease agreement (Bayway Rail Rack). Pursuant to this agreement, effective December 1, 2014, we lease from Phillips 66 the real property underlying or associated with the Bayway Rail Rack. Rent under the lease is payable by us in monthly installments of $155,230 plus any and all property taxes and other costs or expenses related to the lease of the premises. The land lease has a base term of 40 years and may be renewed by us for up to three 10-year periods upon 90 days' written notice from us to Phillips 66 prior to the end of the base term or any renewal term, as applicable.

With respect to periods prior to the Offering or the Acquisitions in respect of the Acquired Assets, our Predecessors were part of the consolidated operations of Phillips 66, and substantially all of our Predecessors' revenues were derived from transactions with Phillips 66 and its affiliates. The contractual rates used for these revenue transactions may be materially different than rates we might have received had they been transacted with third parties.

Amended Operational Services Agreement

In connection with the Offering, we entered into an operational services agreement with Phillips 66. Under this agreement, we reimburse Phillips 66 for providing certain operational services to us in support of our pipelines, terminals and storage facilities. These services include routine and emergency maintenance and repair services, routine operational activities, routine administrative services, construction and related services and such other services as we and Phillips 66 may mutually agree upon from time to time. The agreement has an initial term of five years and will continue in full force and effect thereafter unless terminated by either party. In connection with the Gold Line/Medford Acquisition, we entered into the first amendment to the operational services agreement with Phillips 66. In connection with the Bayway/Ferndale/Cross-Channel Acquisition, we entered into the second amendment to the operational services agreement with Phillips 66. Pursuant to the two aforementioned amendments, the services provided to us by Phillips 66 under the operational services agreement are also provided in support of the assets acquired through the two acquisitions.

Amended Omnibus Agreement

In connection with the Offering, we entered into an omnibus agreement with Phillips 66, certain of its subsidiaries and our General Partner. This agreement addresses our payment of an annual operating and administrative support fee, and our obligation to reimburse Phillips 66 for all other direct or allocated costs and expenses incurred by Phillips 66 in providing general and administrative services. It also addresses our right of first offer to acquire Phillips 66's direct one-third equity interest in each of DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC. Additionally, the omnibus agreement addresses Phillips 66's indemnification to us and our indemnification to Phillips 66 for certain environmental and other liabilities related to our assets, and the prefunding of certain projects by Phillips 66. Further, it addresses the granting of a license from Phillips 66 to us with respect to the use of certain Phillips 66 trademarks. In connection with the Gold Line/Medford Acquisition, we entered into the first amendment to the omnibus agreement with Phillips 66. In connection with the Bayway/Ferndale/Cross-Channel Acquisition, we entered into the second amendment to the omnibus agreement with Phillips 66. Pursuant to the two aforementioned amendments, Phillips 66 provides for additional services to us in support of the assets acquired though the two acquisitions, and the monthly operational and administrative support fee payable by us to Phillips 66 increased from the initial amount of $1.1 million to $2.3 million , and further to $2.4 million .

Tax Sharing Agreement

In connection with the Offering, we entered into a tax sharing agreement with Phillips 66 pursuant to which we will reimburse Phillips 66 for our share of state and local income and other taxes incurred by Phillips 66 as a result of the inclusion of our results of operations in a combined or consolidated tax return filed by Phillips 66 with respect to taxable periods including or beginning on the closing date of the Offering. The amount of any such reimbursement will be limited to the tax that we (and our subsidiaries) would have paid had we not been included in a combined group with Phillips 66. Phillips 66 may use its tax attributes to cause its combined or consolidated group, of which we may be a member for this purpose, to owe no tax. Nevertheless, we would reimburse Phillips 66 for the tax we would have owed had the attributes not been available or used for our benefit, even though Phillips 66 had no cash expense for that period.

Related Party Transactions

Significant related-party transactions included in operating and maintenance expenses, general and administrative expenses, and interest and debt expense were:

	Millions of Dollars		
	2014	2013*	2012*
Operating and maintenance expenses	**$ 30.8**	24.6	22.5
General and administrative expenses	**21.2**	18.3	13.6
Interest and debt expense	**4.7**	—	—
Total	**$ 56.7**	42.9	36.1

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

We pay Phillips 66 a monthly operational and administrative support fee under the terms of the amended omnibus agreement, initially in the amount of $1.1 million from July 26, 2013, through February 28, 2014, $2.3 million from March 1, 2014, through November 30, 2014, and $2.4 million beginning December 1, 2014.

The operational and administrative support fee is for the provision of certain services, including: executive services; financial and administrative services (including treasury and accounting); information technology; legal services; corporate health, safety and environmental services; facility services; human resources services; procurement services; corporate engineering services, including asset integrity and regulatory services; logistical services; asset oversight, such as operational management and supervision; business development services; investor relations; tax matters; and public company reporting services. We also reimburse Phillips 66 for all other direct or allocated costs incurred on behalf of us, pursuant to the terms in our amended omnibus agreement. Under our amended operational services agreement, we reimburse Phillips 66 for the provision of certain operational services to us in support of our pipelines, rail racks, and terminaling and storage facilities. Additionally, we pay Phillips 66 for insurance services provided to us. Operating and maintenance expenses also included volumetric gains/losses associated with volumes transported by Phillips 66. The classification of these charges between operating and maintenance expenses and general and administrative expenses is based on the functional nature of the services being performed for our operations.

In connection with the Acquisitions, we assumed a total of $411.6 million of notes payable to a subsidiary of Phillips 66. See Note 10—Debt , for additional information.

Note 19— New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new standard converged guidance on recognizing revenues in contracts with customers under accounting principles generally accepted in the United States and International Financial Reporting Standards. This ASU is intended to improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. ASU 2014-09 is effective for annual and quarterly reporting periods of public entities beginning after December 15, 2016. Early application for public entities is not permitted. We are currently evaluating the provisions of ASU 2014-09 and assessing the impact, if any, it may have on our financial position and results of operations.

Note 20— Subsequent Events

On January 16, 2015, we closed on two agreements with Paradigm forming two joint ventures to develop midstream logistics infrastructure in North Dakota. At closing, we contributed our Palermo Rail Terminal project for a 70 percent ownership interest in Phillips 66 Partners Terminal LLC, and $4.9 million for a 50 percent ownership interest in Paradigm Pipeline LLC.

Selected Quarterly Financial Data (Unaudited)

	Millions of Dollars					Per Common Unit
	Total Revenues	Income Before Income Taxes	Net Income	Net Income Attributable to the Partnership	Limited Partners' Interest in Net Income Attributable to the Partnership	Net Income Attributable to the Partnership
						Basic and Diluted
2014						
First*	**$ 51.9**	**27.5**	**27.2**	**18.3**	**17.5**	**0.25**
Second*	**56.9**	**31.1**	**30.9**	**32.1**	**30.4**	**0.41**
Third*	**55.5**	**30.1**	**30.0**	**29.4**	**27.4**	**0.37**
Fourth	**64.8**	**36.5**	**36.3**	**36.2**	**32.4**	**0.44**
2013*						
First*	$ 42.3	22.0	21.9	**	**	**
Second*	45.3	23.5	23.4	**	**	**
Third*	50.5	27.2	27.0	11.9	11.7	0.17
Fourth*	49.1	24.5	24.4	17.0	16.6	0.24

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*
***Information is not applicable for the periods prior to the Offering.*

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission (the SEC) rules and forms, and that such information is accumulated and communicated to our General Partner's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2014 , our General Partner's Chairman and Chief Executive Officer and its Vice President and Chief Financial Officer, with the participation of the general partner's management, carried out an evaluation, pursuant to Rule 13a-15(b) of the Act, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our General Partner's Chairman and Chief Executive Officer and its Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of December 31, 2014 .

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the quarterly period ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

This report is included in Item 8 on page 65 and is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

This report is included in Item 8 on page 67 and is incorporated herein by reference.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Management of Phillips 66 Partners LP

We are managed by the directors and executive officers of our General Partner, Phillips 66 Partners GP LLC. Our General Partner is not elected by our unitholders and will not be subject to re-election by our unitholders in the future. Phillips 66 indirectly owns all of the membership interests in our General Partner. Our General Partner has a Board of Directors, and our unitholders are not entitled to elect the directors or directly or indirectly participate in our management or operations.

The Board of Directors of our General Partner currently has eight members, three of whom are independent as defined under the independence standards established by the New York Stock Exchange (NYSE). The NYSE does not require a listed limited partnership to have a majority of independent directors on its general partner's board of directors or to establish a compensation committee or a nominating committee. However, the Board of Directors of our General Partner has established an Audit Committee and a Conflicts Committee to address conflict situations. Phillips 66 appoints all members to the Board of Directors of our General Partner. The Board of Directors of our General Partner has determined that Joseph W. O'Toole, Mark A. Haney and Gary K. Adams are independent directors under the independence standards of the NYSE.

The officers of our General Partner manage the day-to-day affairs of our business. Neither we nor our subsidiaries have any employees. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our business are employed by affiliates of our General Partner, but we sometimes refer to these individuals in this Annual Report on Form 10-K as our employees.

Directors and Executive Officers of Phillips 66 Partners GP LLC

Directors are elected by the sole member of our General Partner and hold office until their successors have been elected or qualified or until the earlier of death, resignation, removal or disqualification. Executive officers are appointed by, and serve at the discretion of, the Board of Directors. The following table shows information for the directors and executive officers of Phillips 66 Partners GP LLC.

Name	Position with Phillips 66 Partners GP LLC	Age*
Greg C. Garland	Chairman of the Board of Directors and Chief Executive Officer	57
Tim G. Taylor	Director and President	61
Robert A. Herman	Director and Senior Vice President, Operations	55
Greg G. Maxwell	Director, Vice President and Chief Financial Officer	58
C.C. (Clayton) Reasor	Director and Vice President, Investor Relations	58
J.T. (Tom) Liberti	Vice President and Chief Operating Officer	62
Chukwuemeka A. Oyolu	Vice President and Controller	45
Joseph W. O'Toole	Director	76
Mark A. Haney	Director	59
Gary K. Adams	Director	64

**On February 6, 2015.*

Greg C. Garland has served as Chief Executive Officer and Chairman of the Board of Directors of our General Partner since March 2013. Mr. Garland became Chairman of the Board of Directors, President and Chief Executive Officer of Phillips 66 in April 2012, and has been Chairman and Chief Executive Officer of Phillips 66 since June 2014. Mr. Garland devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, directly managing our business and affairs. Mr. Garland was appointed Senior Vice President, Exploration and Production—Americas for ConocoPhillips in October 2010, having previously served as President and Chief Executive Officer of ChevronPhillips Chemical Company LLC (CPChem) since 2008. Mr. Garland is currently a member of the Board of Directors of DCP Midstream, LLC and Amgen Inc. We believe that Mr. Garland's extensive experience in the energy industry, including

his more than 30-year career with Phillips Petroleum Company, CPChem and ConocoPhillips, and his position as Chief Executive Officer of Phillips 66, makes him well qualified to serve both as a director and as Chairman of the Board of Directors of our General Partner. In addition to his other skills and qualifications, we believe that Mr. Garland's role as both Chairman and Chief Executive Officer will provide a vital link between management and the Board of Directors and allow the Board of Directors to perform its oversight role with the benefit of management's perspective on business and strategy.

Tim G. Taylor has served as President and a member of the Board of Directors of our General Partner since March 2013. Mr. Taylor became Executive Vice President, Commercial, Marketing, Transportation and Business Development of Phillips 66 in April 2012 and has served as President since June 2014. Mr. Taylor devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, devoted to our business and affairs. Mr. Taylor retired as Chief Operating Officer of CPChem in 2011. Prior to that time, Mr. Taylor served as Executive Vice President, Olefins and Polyolefins of CPChem from 2008 to 2011. Mr. Taylor is currently a member of the Board of Directors of CPChem and has previously served on the Board of Directors of Colonial Pipeline Company, Explorer Pipeline, and CPChem. We believe that Mr. Taylor is a suitable member of the Board of Directors because of his extensive industry experience, particularly his experience in the transportation and midstream businesses during his employment at Phillips 66 and Phillips Petroleum Company.

Robert A. Herman has served as Senior Vice President, Operations and a member of the Board of Directors of our General Partner since June 2014. Mr. Herman became Executive Vice President, Midstream of Phillips 66 in June 2014. Mr. Herman devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, devoted to our business and affairs. Before assuming his current role, Mr. Herman served Phillips 66 as Senior Vice President, Health, Safety, and Environment, Projects and Procurement, from February 2014 to June 2014, and Senior Vice President, Health, Safety, and Environment, from April 2012 to February 2014. Before joining Phillips 66, Mr. Herman worked for ConocoPhillips as Vice President, Health, Safety, and Environment, from 2010 to 2012; and President, Refining, Marketing and Transportation—Europe, from 2008 to 2010. Mr. Herman is currently a member of the Board of Directors of CPChem. We believe that Mr. Herman is a suitable member of the Board of Directors due to the significant industry experience he has gained through his employment with Phillips 66 and ConocoPhillips.

Greg G. Maxwell has served as Vice President, Chief Financial Officer and a member of the Board of Directors of our General Partner since March 2013. Mr. Maxwell became Executive Vice President, Finance and Chief Financial Officer of Phillips 66 in April 2012. Mr. Maxwell devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, devoted to our business and affairs. Mr. Maxwell retired as CPChem's Senior Vice President, Chief Financial Officer and Controller in 2012, a position he held since 2003. Mr. Maxwell is currently a member of the Board of Directors of DCP Midstream, LLC and CPChem. In addition, Mr. Maxwell has previously served as a member of the Board of Directors of DCP Midstream GP, LLC, the general partner of DCP Midstream Partners, LP, and several of CPChem's joint ventures. We believe that Mr. Maxwell is a suitable member of the Board of Directors because of his extensive industry experience and the knowledge of industry accounting and financial practices he has gained as Chief Financial Officer of Phillips 66 and Chief Financial Officer and Controller of CPChem. Mr. Maxwell also has pertinent board service as a board member for DCP Midstream Partners, DCP Midstream and CPChem.

C.C. (Clayton) Reasor has served as Vice President, Investor Relations and a member of the Board of Directors of our General Partner since March 2013. Mr. Reasor became Senior Vice President, Investor Relations, Strategy and Corporate Affairs of Phillips 66 in April 2012 and has served as Executive Vice President, Investor Relations, Strategy, Corporate and Government Affairs since October 2014. Mr. Reasor devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, devoted to our business and affairs. Before April 2012, Mr. Reasor was Vice President, Corporate and Investor Relations for ConocoPhillips since 2009. He is a member of the Board of Directors of Stage Stores Inc. We believe that Mr. Reasor is a suitable member of the Board of Directors due to the significant investor relations experience he has gained through his employment with Phillips 66 and ConocoPhillips. Mr. Reasor has developed, implemented and articulated corporate and marketing strategies and has leadership experience with operating and financial responsibilities. Mr. Reasor also has experience serving on the board of a public company.

J.T. (Tom) Liberti has served as Vice President and Chief Operating Officer of our General Partner since March 2013. Mr. Liberti became General Manager, Master Limited Partnership of Phillips 66 in March 2013. Prior to his current role at Phillips 66, Mr. Liberti served as General Manager, Lubricants of Phillips 66 since April 2012 and General Manager, Lubricants of ConocoPhillips from 2002 to 2012.

Chukwuemeka A. Oyolu became the Vice President and Controller of our General Partner in December 2014. Mr. Oyolu also became the Vice President and Controller of Phillips 66 in December 2014. Mr. Oyolu devotes the majority of his time to his roles at Phillips 66 and also spends time, as needed, devoted to our business and affairs. Prior to his current role at Phillips 66, Mr. Oyolu served as General Manager, Finance for Refining, Marketing and Transportation from May 2012 until February 2014 when he became General Manager, Planning and Optimization. Prior to this Mr. Oyolu worked for ConocoPhillips as Manager, Downstream Finance for ConocoPhillips from 2009 to April 2012.

Joseph W. O'Toole has served as a member of the Board of Directors of our General Partner since July 2013 and serves as the chair of the Audit Committee. Mr. O'Toole is currently the managing partner of Maeve Investment Company, LP, a private investment company. Mr. O'Toole retired as Vice President, General Tax Officer and General Tax Counsel of Phillips Petroleum Company in 1999, a position he held since 1977. Mr. O'Toole served as chairman of the American Petroleum Institute's General Tax Committee in 1983 and represented the industry and Phillips Petroleum Company before government bodies in the U.S. and foreign countries on numerous occasions. Mr. O'Toole is currently a member of the Board of Directors of St. Vincent College and serves as the Chairman of its Investment and Institutional Advancement Committee. We believe that Mr. O'Toole is a suitable member of the Board of Directors because of his lengthy tenure and extensive experience in the energy industry and the knowledge of industry accounting, tax and financial practices he procured while serving in senior tax and financial positions with Phillips Petroleum Company.

Mark A. Haney has served as a member of the Board of Directors of our General Partner since July 2013 and serves on the Audit Committee and Conflicts Committee. Mr. Haney retired as Executive Vice President of Olefins and Polyolefins of CPChem in December 2011. Prior to that time, Mr. Haney served as Senior Vice President, Specialties, Aromatics and Styrenics of CPChem from 2008 to 2011, and Vice President, Polyethylene of CPChem from 2001 to 2008. Prior to joining CPChem in 2001, he held several senior positions with Phillips Petroleum Company, where he began his career in 1977. He also serves as a director for Advanced Drainage Systems, Inc. We believe that Mr. Haney is a suitable member of the Board of Directors because of his lengthy tenure and extensive experience in the energy industry, particularly his leadership experience with operating responsibilities.

Gary K. Adams has served as a member of the Board of Directors of our General Partner since September 2013. Mr. Adams serves as the lead director of our General Partner, chair of the Conflicts Committee, and also serves on the Audit Committee. Mr. Adams currently serves as chief advisor of Chemicals for IHS Inc. He previously served more than 20 years with Chemical Market Associates Inc. (CMAI), during which he progressed to president, Chief Executive Officer and chairman of CMAI in 1997, serving that role until its acquisition by IHS in 2011. He also serves as a director for Trecora Resources and Westlake Chemical Partners LP. We believe that Mr. Adams is a suitable member of the Board of Directors because of his lengthy tenure and extensive experience in the energy industry, particularly his leadership experience with operating responsibilities.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Act) requires directors and executive officers of our General Partner, and persons who own more than 10 percent of a registered class of our equity securities, to file reports of ownership and changes in ownership of our common units with the U.S. Securities and Exchange Commission (SEC) and the NYSE, and to furnish us with copies of the forms they file. To our knowledge, based solely upon a review of the copies of such reports furnished to us and written representations of our officers and directors, during the year ended December 31, 2014, all Section 16(a) reports applicable to our officers and directors were filed on a timely basis.

Committees of the Board of Directors

The Board of Directors of our General Partner has an Audit Committee and a Conflicts Committee. Each of the standing committees of the Board of Directors has the composition and responsibilities described below.

Audit Committee

Our General Partner has an Audit Committee consisting of three directors, each of whom meets the independence and experience standards established by the NYSE and the Act. The members of the Audit Committee are Messrs. Adams, Haney, and O'Toole. Mr. O'Toole serves as the chair of the Audit Committee, and the Board of Directors of our General Partner has determined that Mr. O'Toole is an audit committee financial expert (as defined in the Act). The Audit Committee assists the Board of Directors in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. The Audit Committee has the sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and the terms thereof, and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. The Audit Committee is also responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm has unrestricted access to the Audit Committee. The Audit Committee has a written charter adopted by the Board of Directors of our General Partner, which is available on our website at *http://www.phillips66partners.com* by selecting "About," then "Governance," then "Committees," and selecting "View the Audit Committee Charter."

Conflicts Committee

Two members of the Board of Directors of our General Partner serve on our General Partner's Conflicts Committee to review specific matters that may involve conflicts of interest in accordance with the terms of our partnership agreement. The members of the Conflicts Committee are Messrs. Adams and Haney, with Mr. Adams serving as the chair. The Board of Directors of our General Partner determines whether to refer a matter to the Conflicts Committee on a case-by-case basis. The members of our Conflicts Committee may not be officers or employees of our General Partner or directors, officers, or employees of its affiliates, and must meet the independence and experience standards established by the NYSE and the Act to serve on an audit committee of a board of directors. In addition, the members of our Conflicts Committee may not own any interest in our General Partner or any interest in us or our subsidiaries other than common units or awards under our incentive compensation plan. If our General Partner seeks approval from the Conflicts Committee, then it will be presumed that, in making its decision, the Conflicts Committee acted in good faith, and in any proceeding brought by or on behalf of any limited partner or Phillips 66 Partners LP (the Partnership) challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Code of Business Ethics and Conduct

Our General Partner has adopted a Code of Business Ethics and Conduct for directors and employees designed to help directors and employees resolve ethical issues in an increasingly complex global business environment. Our Code of Business Ethics and Conduct applies to all directors and employees, including the Chief Executive Officer and the Chief Financial Officer. Our Code of Business Ethics and Conduct covers topics including, but not limited to, conflicts of interest, insider trading, competition and fair dealing, discrimination and harassment, confidentiality, payments to government personnel, anti-boycott laws, U.S. embargoes and sanctions, compliance procedures and employee complaint procedures. Our Code of Business Ethics and Conduct is posted on the "About" section of our website under the "Governance" caption. Unitholders may also request printed copies of our Code of Business Ethics and Conduct by following the instructions located under the section "Website Access to SEC Reports" in Items 1 and 2. Business and Properties.

Item 11. EXECUTIVE COMPENSATION

We and our General Partner were formed in February 2013 and did not accrue any obligations with respect to compensation for directors and officers for the 2012 fiscal year or for any prior periods. Neither we nor our General Partner employ any of the individuals who serve as executive officers of our General Partner and are responsible for managing our business. We are managed by our General Partner, the executive officers of which are employees of Phillips 66. We and our General Partner have entered into an omnibus agreement with Phillips 66 pursuant to which, among other matters:

- Phillips 66 makes available to our General Partner the services of the Phillips 66 employees who will serve as the executive officers of our General Partner.

- Our General Partner is obligated to reimburse Phillips 66 for an allocated portion of the costs that Phillips 66 incurs in providing compensation and benefits to certain Phillips 66 employees, including the executive officers of our General Partner who devote at least a majority of their working time to our business (but not the executive officers of our General Partner who devote less than a majority of their working time to our business).

- Our General Partner pays an operational and administrative support fee to Phillips 66 to cover, among other things, the services provided to us by the executive officers of our General Partner who devote less than a majority of their working time to our business.

Pursuant to the applicable provisions of our partnership agreement, we reimburse our General Partner for the costs it incurs in relation to the Phillips 66 employees, including executive officers, who provide services to operate our business. Our “Named Executive Officers” (NEOs) consist of our General Partner’s chief executive officer, our General Partner’s chief financial officer and our next three most highly compensated executive officers, who are as follows:

- Greg C. Garland, Chairman of the Board of Directors and Chief Executive Officer.

- Greg G. Maxwell, Vice President and Chief Financial Officer.

- Tim G. Taylor, President.

- Chukwuemeka A. Oyolu, Vice President and Controller.

- J. T. (Tom) Liberti, Vice President and Chief Operating Officer.

Compensation Discussion and Analysis

Messrs. Garland, Maxwell, Taylor and Oyolu, who are also executive officers of Phillips 66, devote the majority of their time to their respective roles at Phillips 66 and also spend time, as needed, directly managing our business and affairs. Pursuant to the terms of the amended omnibus agreement, we pay a fixed operational and administrative support fee to Phillips 66, which covers, among other things, the services provided to us by Messrs. Garland, Maxwell, Taylor and Oyolu. Except with respect to awards that may be granted under the Phillips 66 Partners LP 2013 Incentive Compensation Plan (the ICP), which is discussed in more detail below under the section “Our Incentive Compensation Plan,” Messrs. Garland, Maxwell, Taylor and Oyolu do not receive any separate amounts of compensation for their services to our business or as executive officers of our General Partner and, except for the fixed operational and administrative support fee we pay to Phillips 66, we do not otherwise pay or reimburse any compensation amounts to or for Messrs. Garland, Maxwell, Taylor and Oyolu.

Mr. Liberti devotes substantially all of his working time to our business and, pursuant to the terms of the amended omnibus agreement, we reimburse Phillips 66 for all the compensation and benefits paid to him with respect to time spent managing our business.

The Human Resources and Compensation Committee of the Board of Directors of Phillips 66 (the Compensation Committee) has ultimate decision making authority with respect to the compensation of our NEOs other than with respect to awards of equity in our partnership, for which the Board of our General Partner retains control. Any awards under the

ICP are approved by the Board of Directors of our General Partner. The elements of compensation discussed below, and Phillips 66's decisions with respect to determinations on payments, were approved by the Compensation Committee, and were not subject to approvals by the Board of Directors of our General Partner.

See Note 18—Related Party Transactions —Amended Omnibus Agreement, in the Notes to Consolidated Financial Statements, for additional information.

Elements of Compensation
Phillips 66 provides compensation to its executives in the form of base salaries, annual cash incentive awards, long-term equity incentive awards and participation in various employee benefits plans and arrangements, including broad-based and supplemental defined contribution and defined benefit retirement plans. Phillips 66 also provides certain additional benefits to its executives, such as personal security and executive life insurance arrangements. In addition, although our NEOs have not entered into employment agreements with Phillips 66, our NEOs are eligible to participate in Phillips 66's executive severance and change in control plans, pursuant to which they would receive severance payments and benefits from Phillips 66 in the event of an involuntary termination of employment (with an enhanced level of payment if such termination occurs in connection with a change in control of Phillips 66). In the future, as Phillips 66 and our General Partner formulate and implement compensation programs for our NEOs, Phillips 66 and/or our General Partner may provide different and/or additional compensation components, benefits and/or perquisites to our NEOs, to ensure that they are provided with a comprehensive and competitive compensation structure.

As explained above, Messrs. Garland, Maxwell, Taylor and Oyolu currently devote a small portion of their overall working time to our business and the compensation these NEOs receive from Phillips 66 in relation to their services for us does not comprise a material amount of their total compensation. In addition, except for a fixed operational and administrative support fee that we pay to Phillips 66 pursuant to the terms of the amended omnibus agreement, and any awards that may be granted in the future to Messrs. Garland, Maxwell, Taylor and Oyolu under the ICP, we will not pay or reimburse any compensation amounts to or for Messrs. Garland, Maxwell, Taylor and Oyolu. For a detailed discussion of the compensation and benefits that Phillips 66 provides to the NEOs, and its philosophy, objectives and policies related to executive compensation, please refer to the Compensation Discussion and Analysis section of Phillips 66's 2015 Proxy Statement, which will be available upon its filing on the SEC's website at *http://www.sec.gov* . The following sets forth a more detailed explanation of the elements of Phillips 66's executive compensation program for Mr. Liberti.

Base Salary. Base salary is designed to provide a competitive fixed rate of pay recognizing employees' different levels of responsibility and performance. In setting an executive's base salary, Phillips 66 considers factors including, but not limited to, the responsibility level for the position held, market data for its relevant peer group, experience and expertise, individual performance and business results.

Annual Cash Bonus. Phillips 66's annual cash incentive program provides participants with an opportunity to earn annual cash bonus awards generally based on company, business unit and individual performance. Target annual bonus levels are established at the beginning of each year and are based on a percentage of the executive's eligible earnings. For 2014, 2013 and 2012, Mr. Liberti had an annualized target bonus of 49 percent, 49 percent and 42 percent, respectively, of his eligible earnings.

The base award is weighted equally for corporate and business unit performance. For 2013 and 2012, Phillips 66 used the following metrics in relation to the corporate performance of Phillips 66 as a whole when evaluating performance for annual bonus program purposes, with the weightings specified as follows:

Personal Safety, Process Safety, Environmental Stewardship and Reliability Metrics	20 percent
Cost Management	20 percent
Adjusted Earnings/Earnings Per Share	20 percent
Return of Capital Employed	20 percent
Total Shareholder Return	20 percent

For 2014, TSR has been removed from the corporate metrics. The elimination is consistent with leading governance practices, focuses the Variable Cash Incentive Program (VCIP) on internal metrics, increases the line of sight between executives' responsibilities and performance goals and drives employee ownership of performance results. The remaining metrics are weighted as follows:

Personal Safety, Process Safety, Environmental Stewardship and Reliability Metrics	25 percent
Cost Management	25 percent
Adjusted Earnings/Earnings Per Share	25 percent
Return of Capital Employed	25 percent

The Compensation Committee used its judgment in assessing results in relation to the foregoing categories of criteria to award between zero and 200 percent of the NEO's target bonus. There are multiple award units within Phillips 66 designed to measure performance and reward employees according to business unit performance. Performance criteria include quantitative and qualitative metrics specific to each business unit, such as income, cost control, safety and operational excellence, and resource and talent management. Finally, an individual performance adjustment may be applied for its executives and key employees. For 2012, Phillips 66 paid a cash bonus to Mr. Liberti at a level of approximately 175 percent of his target award level in recognition of Phillips 66's performance above target levels for several of the above-specified criteria, as well as its overall strong performance in the remaining categories. This payout level also reflected the performance of the business unit Mr. Liberti managed. Additionally, Mr. Liberti received an upward individual performance adjustment of 15 percent. For 2013, Phillips 66 paid a cash bonus to Mr. Liberti at a level of approximately 179 percent of his target award level in recognition of Phillips 66's performance above target levels. This payout level reflected the performance of the business unit Mr. Liberti managed. For 2014, Phillips 66 will pay a cash bonus to Mr. Liberti at a level of approximately 150 percent of his target award level in recognition of Phillips 66's performance in 2014. This payout level reflected the performance of his business unit. Additionally, Mr. Liberti will receive an upward individual adjustment of 25 percent.

Long-Term Equity-Based Compensation Awards. Phillips 66 maintains a long-term incentive program pursuant to which it grants equity-based awards in Phillips 66 stock to its executives and key employees. For 2012, Phillips 66's equity-based awards for Mr. Liberti consisted of performance shares granted under its Performance Share Program (PSP). The PSP awards consisted of restricted stock units that will vest and be paid out based on Phillips 66's performance over periods ending at the end of fiscal years 2012, 2013 and 2014. Awards are paid out from zero to 200 percent of target depending on Phillips 66's performance relative to the applicable targets. Individual performance adjustments of +/-50 percent can also apply. Maximum payout, inclusive of both corporate and individual payout, is 200 percent. For the portion of the award covering the performance period ending at the end of fiscal year 2012, the performance metrics were the same as those that applied under Phillips 66's annual cash bonus program for 2012. For the remaining two performance periods, payout levels for the PSP awards are based on Phillips 66's Total Shareholder Return (TSR) (50 percent), as compared to a group of Phillips 66's peer companies, and Return on Capital Employed (ROCE) (50 percent). Generally, performance at the 50th percentile of the peer group would result in payout at target levels, subject to any individual performance or other adjustments that may be made by the Compensation Committee. Any shares awarded in relation to Phillips 66's PSP are subject to an additional 5-year escrow period and will be forfeited if the recipient's employment terminates during the 5-year escrow period for a reason other than death, disability, layoff, or retirement after age 55 with five years of service. Phillips 66 also expects that its regular equity compensation program for its executives will include regular awards of stock options in Phillips 66, which is generally expected to account for 50 percent of the total targeted value of the equity-based awards going forward. However, Phillips 66 did not grant any such stock options in 2012.

For 2013, Phillips 66 adjusted the long-term incentive program to include restricted stock units. The programs deliver 50 percent of long-term target value in the form of performance share units through the PSP, 25 percent in the form of stock options and 25 percent in the form of restricted stock units. This reflects the cyclical nature of its business, promotes retention of high-performing talent and supports succession planning. For PSP programs beginning in 2013, awards can be paid out from zero to 200 percent of target with individual adjustments of +/- 50 percent. Maximum payout, inclusive of both corporate and individual payout, is 200 percent. Payout levels will be based on Phillips 66's TSR (50 percent), as

compared to a group of Phillips 66's peer companies, and ROCE (50 percent). Beginning in 2013, payouts from the PSP will be paid out in cash at the end of the performance period.

For 2014, the programs deliver 50 percent of long-term target value in the form of performance share units through the PSP, 25 percent in the form of stock options and 25 percent in the form of restricted stock units. For 2014, the PSP program was changed to apply individual performance adjustments to targets at the beginning of the period. This change further strengthens the link between executive pay and company performance. Awards can be paid out from zero to 200 percent of target. Payout levels will be based on Phillips 66's TSR (50 percent), as compared to a group of Phillips 66's peer companies, and ROCE (50 percent). Payouts from the PSP will be paid out in cash at the end of the performance period.

Retirement, Health, Welfare and Additional Benefits. Our NEOs are eligible to participate in the employee benefit plans and programs that Phillips 66 may from time to time offer to its employees, subject to the terms and eligibility requirements of those plans. Our NEOs are also eligible to participate in tax-qualified defined contribution and defined benefit retirement plans to the same extent as all other Phillips 66 employees. Phillips 66 also maintains three supplemental retirement plans in which its executives and key employees participate. Its voluntary deferred compensation plan (the Phillips 66 Key Employee Deferred Compensation Plan) allows executives to defer both the receipt and taxation of a portion of their base salary until separation and annual bonus until a specific date or when they separate from employment. Its defined contribution restoration plan (the Phillips 66 Defined Contribution Make-Up Plan) restores benefits capped under Phillips 66's qualified defined contribution plan due to Internal Revenue Code limits. Finally, its defined benefit restoration plans (the Phillips 66 Key Employee Supplemental Retirement Plan and the Phillips 66 Supplemental Executive Retirement Plan) restore company sponsored benefits capped under the qualified defined benefit pension plan due to Internal Revenue Code limits and provide additional nonqualified pension benefits to executives who were hired in mid-career to partially compensate for the loss of retirement benefits from a previous employer. Our NEOs, including Mr. Liberti, participate in these programs and Phillips 66 remains responsible for providing 100 percent of the benefits thereunder. However, with respect to the executives for whom we are obligated to reimburse Phillips 66 for an allocated portion of compensation and benefits costs, we will pay periodic amounts to Phillips 66 pursuant to the terms of the amended omnibus agreement representing Phillips 66's estimated costs for providing these benefits.

Severance and Change in Control Programs. Phillips 66 does not maintain individual severance or change in control agreements with its executives. Rather, Phillips 66 maintains an Executive Severance Plan (ESP) and a Key Employee Change in Control Severance Plan (CICSP) to provide and preserve an economic motivation for participating executives to consider a business combination that might result in an executive's job loss and to compete effectively in attracting and retaining executives in an industry that features frequent acquisitions and divestitures.

Executive Severance Plan. The ESP provides that if Phillips 66 terminates the employment of an executive other than for cause, the executive will receive the following benefits, which may vary depending on salary grade level:

- A lump sum payment equal to one and one-half or two times (one and one-half times in the case of Mr. Liberti) the sum of the executive's base salary and current target annual bonus.
- A lump sum payment equal to the present value of the increase in pension benefits that would result from crediting the executive with an additional one and one-half or two years of age and service under the pension plan (one and one-half years in the case of Mr. Liberti).
- A lump sum payment equal to the cost of certain welfare benefits for an additional one and one-half or two years (one and one-half years in the case of Mr. Liberti).
- Continued eligibility for a pro rata portion of the annual bonus paid with respect to the year of termination.
- Layoff treatment under compensation plans that generally allows the executive to retain grants of Phillips 66 restricted stock and restricted stock units, and maintain eligibility for Phillips 66 PSP awards for ongoing periods in which he or she had participated for at least one year.

Change in Control Severance Plan. The CICSP provides that, if within two years of a change in control of Phillips 66, an executive's employment is terminated, other than for cause, or by the executive for good reason, the executive will receive the following benefits, which may vary depending on salary grade level:

- A lump sum payment equal to two or three times (two times in the case of Mr. Liberti) the sum of the executive's base salary and the higher of current target annual bonus or the average of the two most recent bonus payments.

- A lump sum payment equal to the present value of the increase in pension benefits that would result from crediting the executive with an additional two or three years of age and service under the pension plan (two years in the case of Mr. Liberti).

- A lump sum payment equal to Phillips 66's cost of certain welfare benefits for an additional two or three years (two years in the case of Mr. Liberti).

- Continued eligibility for a pro rata portion of the annual bonus paid with respect to the year of termination.

In addition, upon severance following a change in control, an executive becomes eligible for vesting in all Phillips 66 equity awards and lapsing of any restrictions, with continued ability to exercise any stock options for their remaining terms. Stock options shall be exercisable at the original times set forth in the applicable award documents. After a change in control, the CICSP may not be amended or terminated if the amendment would be adverse to the interests of any eligible participant without the participant's written consent. Amounts payable under the CICSP are offset by any payments or benefits payable under any of Phillips 66's other plans.

Our Incentive Compensation Plan

Our General Partner adopted the ICP for officers, directors and employees of our General Partner or its affiliates, and any consultants, affiliates of our General Partner or other individuals who perform services for us. Our General Partner may issue our executive officers and other service providers long-term equity based awards under the ICP. These awards will be intended to compensate the recipients thereof based on the performance of our common units and their continued employment during the vesting period, as well as align their long-term interests with those of our unitholders. We will be responsible for the cost of awards granted under the ICP, and all determinations with respect to awards to be made under the ICP will be made by the Board of Directors of our General Partner or any committee thereof that may be established for such purpose or by any delegate of the Board of Directors or such committee, subject to applicable law, which we refer to as the plan administrator. The Board of Directors of our General Partner is currently designated as the plan administrator. The following description reflects the principal terms of the ICP.

General. The ICP provides for the grant, from time to time at the discretion of the Board of Directors of our General Partner or any applicable committee or delegate thereof, subject to applicable law, of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. The purpose of awards under the ICP is to provide additional incentive compensation to individuals providing services to us, and to align the economic interests of such individuals with the interests of our unitholders. The ICP limits the number of units that may be delivered pursuant to vested awards to 2,500,000 common units, subject to proportionate adjustment in the event of unit splits and similar events. Common units subject to awards that are canceled, forfeited, or otherwise terminated without delivery of the common units will be available for delivery pursuant to other awards. Common units canceled for payment of taxes will not be available for delivery pursuant to other awards.

Restricted Units and Phantom Units. A restricted unit is a common unit that is subject to forfeiture if the terms of vesting are not met. Upon vesting, the forfeiture restrictions lapse and the recipient holds a common unit that is not subject to forfeiture. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit or on a deferred basis upon specified future dates or events or, in the discretion of the plan administrator, cash equal to the fair market value of a common unit. The plan administrator may make grants of restricted and phantom units under the ICP that contain such terms, consistent with the ICP, as the administrator may determine are appropriate, including the period over which restricted or phantom units will vest. The plan administrator may, in its discretion, base vesting on the grantee's completion of a period of service or upon the achievement of specified financial objectives or other criteria or upon a change of control (as defined in the ICP) or as otherwise described in an award agreement. Distributions made by us with respect to awards of restricted units may be subject to the same vesting requirements as the restricted units.

Distribution Equivalent Rights. The plan administrator, in its discretion, may also grant distribution equivalent rights, either as stand-alone awards or in tandem with other awards. Distribution equivalent rights are rights to receive an amount in cash, restricted units or phantom units equal to all or a portion of the cash distributions made on units during the period in which an award remains outstanding.

Unit Options and Unit Appreciation Rights. The ICP also permits the grant of options covering common units. Unit options represent the right to purchase a number of common units at a specified exercise price. Unit appreciation rights represent the right to receive the appreciation in the value of a number of common units over a specified exercise price, either in cash or in common units. Unit options and unit appreciation rights may be granted to such eligible individuals and with such terms as the plan administrator may determine, consistent with the ICP; however, a unit option or unit appreciation right must have an exercise price equal to at least the fair market value of a common unit on the date of grant.

Unit Awards. Awards covering common units may be granted under the ICP with such terms and conditions, including restrictions on transferability, as the plan administrator may establish.

Profits Interest Units. Awards granted to grantees who are partners, or granted to grantees in anticipation of the grantee becoming a partner or granted as otherwise determined by the plan administrator, may consist of profits interest units. The plan administrator will determine the applicable vesting dates, conditions to vesting and restrictions on transferability and any other restrictions for profits interest awards.

Other Unit-Based Awards. The ICP may also permit the grant of "other unit-based awards," which are awards that, in whole or in part, are valued or based on or related to the value of a common unit. The vesting of another unit-based award may be based on a participant's continued service, the achievement of performance criteria or other measures. On vesting or on a deferred basis upon specified future dates or events, other unit-based awards may be paid in cash and/or in units (including restricted units), or any combination thereof as the plan administrator may determine.

Source of Common Units. Common units to be delivered with respect to awards may be newly issued units, common units acquired by us or our General Partner in the open market, common units already owned by our General Partner or us, common units acquired by our General Partner directly from us or any other person or any combination of the foregoing.

Anti-Dilution Adjustments and Change in Control. If an "equity restructuring" event occurs that could result in an additional compensation expense under applicable accounting standards if adjustments to awards under the ICP with respect to such event were discretionary, the plan administrator will equitably adjust the number and type of units covered by each outstanding award and the terms and conditions of such award to equitably reflect the restructuring event, and the plan administrator will adjust the number and type of units with respect to which future awards may be granted under the ICP. With respect to other similar events, including, for example, a combination or exchange of units, a merger or consolidation or an extraordinary distribution of our assets to unitholders, that would not result in an accounting charge if adjustment to awards were discretionary, the plan administrator will have discretion to adjust awards in the manner it deems appropriate and to make equitable adjustments, if any, with respect to the number of units available under the ICP and the kind of units or other securities available for grant under the ICP. Furthermore, upon any such event, including a change in control of us or our General Partner, or a change in any law or regulation affecting the ICP or outstanding awards or any relevant change in accounting principles, the plan administrator will generally have discretion to (1) accelerate the time of exercisability or vesting or payment of an award, (2) require awards to be surrendered in exchange for a cash payment or substitute other rights or property for the award, (3) provide for the award to be assumed

by a successor or one of its affiliates, with appropriate adjustments thereto, (4) cancel unvested awards without payment or (5) make other adjustments to awards as the plan administrator deems appropriate to reflect the applicable transaction or event.

Termination of Employment. The consequences of the termination of a grantee's employment, membership on our General Partner's Board of Directors or other service arrangement will generally be determined by the Compensation Committee in the terms of the relevant award agreement.

Amendment or Termination of ICP. The plan administrator, at its discretion, may terminate the ICP at any time with respect to the common units for which a grant has not previously been made. The ICP automatically terminates in July 2023. The plan administrator also has the right to alter or amend the ICP or any part of it from time to time or to amend any outstanding award made under the ICP, provided that no change in any outstanding award may be made that would materially impair the vested rights of the participant without the consent of the affected participant or result in taxation to the participant under Section 409A of the Code.

Compensation Consultants
Our General Partner does not have a compensation committee, and its Board of Directors did not retain a compensation consultant in 2014.

Unit Ownership Requirements
Our General Partner does not have established unit ownership requirements.

Guidelines for Trading by Insiders
We maintain policies that govern trading in our units by the officers and directors of our General Partner who are required to report under Section 16 of the Exchange Act, as well as certain other employees who may have regular access to material non-public information about us. These policies include pre-approval requirements for all trades and periodic trading "black-out" periods designed with reference to our quarterly financial reporting schedule. We also require pre-approval of all trading plans adopted pursuant to Rule 10b5-1 promulgated under the Exchange Act. These policies also prohibit speculative transactions in our units by these individuals such as short sales, puts, calls or other similar options to buy or sell our units in an effort to hedge certain economic risks or otherwise.

Compensation Risk Assessment
The Compensation Committee oversees the risk assessment performed by Phillips 66 management of all elements of its compensation programs, policies and practices for all employees. A discussion of this risk assessment will be included in the Compensation Discussion and Analysis section of Phillips 66's 2015 Proxy Statement, which will be available upon its filing on the SEC's website at *http://www.sec.gov* .

Compensation Committee Report

The independent directors of our General Partner (the Independent Directors) have reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Independent Directors recommended to the Board of our General Partner that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

The Independent Directors have submitted this Report to the Board of Directors as of February 10, 2015:

- Gary K. Adams
- Mark A. Haney
- Joseph W. O'Toole

Summary Compensation Table

The following summarizes the total compensation paid to our NEOs for their services in relation to our business since Phillips 66's inception as a separate company in April 2012, or in the case of Mr. Oyolu, since he became an executive officer in 2014.

Name and Principal Position	Year [2]	Salary [3] ($)	Stock Awards [4] ($)	Stock Options [5] ($)	Non-Equity Incentive Compensation Plan [6] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [7] ($)	All Other Compensation [8] ($)	Total($)
Greg C. Garland, Chief Executive Officer [1]	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
	2012	—	—	—	—	—	—	—
Greg G. Maxwell, Vice President and Chief Financial Officer [1]	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
	2012	—	—	—	—	—	—	—
Tim G. Taylor, President [1]	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
	2012	—	—	—	—	—	—	—
Chukwuemeka A. Oyolu, Vice President and Controller [1]	2014	—	—	—	—	—	—	—
J.T. (Tom) Liberti, Vice President and Chief Operating Officer	2014	324,408	363,313	121,280	278,180	504,174	29,297	1,620,652
	2013	308,592	495,744	83,850	267,318	128,732	32,891	1,317,127
	2012	184,896	284,422	—	220,229	190,332	32,488	912,367

(1) Messrs. Garland, Maxwell, Taylor and Oyolu devote a small portion of their overall working time to our business. The compensation these NEOs receive from Phillips 66 in relation to their services for us does not represent a material amount of their total compensation.

(2) All amounts for 2012 in this table reflect compensation received on or after Phillips 66's separation from ConocoPhillips.

(3) Includes any amounts that were voluntarily deferred under Phillips 66's Key Employee Deferred Compensation Plan.

(4) Amounts shown represent the aggregate grant date fair value of awards determined in accordance with U.S. generally accepted accounting principles (GAAP) and reflect awards granted under Phillips 66's PSP and Phillips 66's Restricted Stock Program. The amount shown is the target set for the PSP award, because it is the probable outcome at the setting of the target for the applicable performance period that the target will be achieved consistent with the accounting treatment under GAAP. If payout was made at maximum, and excluding any individual adjustments, the amount shown would double, although the value of the actual payout would depend on Phillips 66's stock price at the time of the payout. If payout was made at minimum, the amount would be reduced to zero. The amounts shown for awards from PSP relate to the respective three-year performance periods beginning in each of the years presented. The amounts shown for 2012 relate to three performance periods beginning in 2012 and ending in 2012, 2013 and 2014. Actual payout for the performance period that ended in 2014 was approved by the Phillips 66 Compensation Committee at its February 2015 meeting. The fair market value on the date of payout was $735,716. On February 6, 2014, Mr. Liberti received a grant of 1,676 restricted stock units under the Phillips 66 Restricted Stock Program valued at $121,099, as part of the Phillips 66 long-term incentive program. The restrictions on this award lapse on the third anniversary of the grant date. Termination for any reason other than retirement or layoff at least six months after the grant date, death or disability results in forfeiture, if the award is not vested. A layoff between six months and one year from the grant date results in a prorated award.

(5) Amounts shown represent the aggregate grant date fair value of awards determined in accordance with GAAP and reflect awards granted under the Phillips 66 Stock Option Program. Stock options granted under that program generally vest in three equal annual installments beginning with the first anniversary of the date of the grant and expire ten years after the date of the grant. However, if an NEO has attained the early retirement age of 55 with five years of service, the value of the options granted is taken in the year of grant or over the number of months until the executive attains age 55 with five years

of service. Termination for any reason other than retirement or layoff at least six months after the grant date, death or disability results in forfeiture, if the award is not vested. A layoff between six months and one year from the grant date results in a prorated award.

(6) These are amounts paid under Phillips 66's annual bonus program for 2012, 2013 and 2014, including bonus amounts that were voluntarily deferred under the Key Employee Deferred Compensation Plan. These amounts were paid in February 2013, February 2014 and February 2015, respectively.

(7) Reflects the actuarial increase in the present value of the benefits under Phillips 66's pension plans determined using interest rate and mortality rate assumptions consistent with those used in its financial statements. Interest rate assumption changes have a significant impact on the pension values. There are no deferred compensation earnings reported in this column, as the nonqualified deferred compensation plans do not provide above-market or preferential earnings.

(8) Amounts shown represent company contributions under the Phillips 66 Matching Gift Program, Phillips 66's tax-qualified savings plan and non-qualified deferred compensation plan.

Grants of Plan-Based Awards

The following table provides additional information about plan-based compensation disclosed in the Summary Compensation Table. The table includes both equity and non-equity awards only to Mr. Liberti because he is the only NEO for whom we reimburse Phillips 66 for his compensation.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards [2]			Estimated Future Payouts Under Equity Incentive Plan Awards [3]			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards [4] ($)
Name	Grant Date [1]	Threshold ($)	Target($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Mr. Liberti		—	158,960	397,400	—	—	—	—	—	—	—
	2/6/2014	—	—	—	—	—	—	1,676	—	—	121,099
	2/6/2014	—	—	—	—	3,385	6,770	—	—	—	242,214
	2/6/2014	—	—	—	—	—	—	—	6,400	72.255	121,280

(1) The grant date shown is the date on which the Compensation Committee approved the target awards.

(2) Threshold and maximum awards are based on the provisions in the VCIP. Actual awards earned can range from 0 to 200 percent of the target awards, with a further possible adjustment of +/- 50 percent of the target award for individual performance. The Compensation Committee retains the authority to make awards under the program and to use its judgment in adjusting awards, including making awards greater than the amounts shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66, approved by shareholders. Actual payouts under the annual bonus program for 2014 are calculated using base salary earned in 2014 and reflected in the "Non-Equity Incentive Compensation Plan" column of the "Summary Compensation Table" on page 111.

(3) Threshold and maximum awards are based on the provisions of the PSP. Actual awards earned can range from 0 to 200 percent of the target awards. Performance periods under the PSP cover a three-year period, and since a new three-year period commences each year, there could be three overlapping performance periods ongoing at any time. In 2014, Mr. Liberti received an award for the three-year performance period beginning in 2014 and ending in 2016. The Compensation Committee retains the authority to make awards under the PSP using its judgment, including making awards greater than the maximum payout shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66.

(4) For equity incentive plan awards, these amounts represent the grant date fair value at target level under the PSP as determined pursuant to GAAP. For Stock Option awards, these amounts represent the grant date fair value of the option awards using a Black-Scholes-Merton-based methodology. Actual value realized upon option exercise depends on market prices at the time of exercise. For other stock awards, these amounts represent the grant date fair value of the restricted stock unit awards determined pursuant to GAAP.

Outstanding Equity Awards at Fiscal Year End

We have not granted, and none of our NEOs have received any grants of, equity or equity-based awards in us and no such awards were outstanding as of December 31, 2014. We may make grants of equity and equity-based awards in us to our NEOs and other key employees under the ICP. See “Our Incentive Compensation Plan” for additional information.

Our NEOs have received and may continue to receive equity or equity-based awards in Phillips 66 under Phillips 66’s equity compensation programs. The following provides additional information about only Mr. Liberti’s outstanding equity awards in Phillips 66 as of December 31, 2014, because he is the only NEO for whom we reimburse Phillips 66 for his compensation.

Name	Grant Date [1]	Option Awards [2]				Stock Awards			
		Number of Securities Underlying Unexercised Options Exercisable [3] (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested [4] (#)	Market Value of Shares or Units of Stock That Have Not Vested($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested [5] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)
Mr. Liberti	2/9/2012	14,499	7,250	32.03	2/9/2022	—	—	—	—
	2/7/2013	1,666	3,334	62.17	2/7/2023	—	—	—	—
	2/6/2014	—	6,400	72.255	2/6/2024	—	—	—	—
						39,176	2,808,919	8,338	597,835

(1) The dates presented in this column represent the date the awards were granted by ConocoPhillips for grants prior to the separation from ConocoPhillips, and by Phillips 66 for all other awards. The awards granted prior to the separation were converted to Phillips 66 equity awards in connection with the separation and generally remain subject to the same original terms and conditions. All options vest in three equal annual installments following the date of grant.

(2) All options shown in the table have a maximum term for exercise of ten years from the grant date. Under certain circumstances, the terms for exercise may be shorter, and in certain circumstances, the options may be forfeited and canceled. All awards shown in the table have associated restrictions upon transferability.

(3) The options shown in this column vested and became exercisable in 2014 or prior years (although under certain termination circumstances, the options may still be forfeited).

(4) These amounts include unvested restricted stock and restricted stock units awarded under the PSP for performance periods ending prior to May 1, 2012. These amounts also include the unvested restricted stock unit awards under the PSP for the performance period which ended December 31, 2014, or prior. Restrictions on PSP awards for performance periods beginning prior to 2009 lapse upon separation from service. Restrictions on PSP awards for performance periods beginning in 2009 through 2012 lapse five years from the grant date unless an election was made prior to the beginning of the performance period to defer lapsing of the restrictions until separation from service. Awards are subject to forfeiture if, prior to lapsing, Mr. Liberti separates from service for a reason other than death, disability, layoff, retirement after reaching age 55 with five years of service, or after a change of control, although Phillips 66’s Compensation Committee has the authority to waive forfeiture. The awards have no voting rights, but do pay dividend equivalents in cash. PSP awards for performance periods beginning in 2013 or later will be paid out in cash at the end of the performance period. The value of the awards reflects the closing price of Phillips 66’s stock, as reported on the NYSE, on December 31, 2014 ($71.70).

(5) Reflects potential awards from ongoing performance periods under the PSP for performance periods ending December 31, 2015, and December 31, 2016. These awards are shown at target levels; however, there is no assurance that awards will be granted at, below or above target after the end of the relevant performance periods, as the determination to make a grant and the amount of any grant is within the judgment of Phillips 66’s Compensation Committee. Until an actual grant is made, these unearned awards pay no dividend equivalents. The value of these unearned awards reflects the closing price of Phillips 66’s stock, as reported on the NYSE, on December 31, 2014 ($71.70).

Option Exercises and Stock Vested

The following table summarizes the value received from stock option exercises and stock grants vested during 2014 for Mr. Liberti only because he is the only NEO for whom we reimburse Phillips 66 for his compensation.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting ($)
Mr. Liberti	36,851	1,927,579	—	—

Pension Benefits

The following table lists the pension program participation and actuarial present value of only Mr. Liberti's defined benefit pension as of December 31, 2014, because he is the only NEO for whom we reimburse Phillips 66 for his compensation.

Name	Plan Name	Number of Years Credited Service [1](#)	Present Value of Accumulated Benefit [2]($)	Payments During Last Fiscal Year($)
Mr. Liberti	Phillips 66 Retirement Plan—Title 1	14	779,968	—
	Phillips 66 Key Employee Supplemental Retirement Plan	14	913,390	—
	Phillips 66 Supplemental Executive Retirement Plan	14	894,948	—

(1) Years of credited service include service recognized under the predecessor ConocoPhillips plans from which these plans were spun off effective May 1, 2012.
(2) Because Mr. Liberti is already retirement eligible, the amounts shown represent his actual benefit.

Nonqualified Deferred Compensation

The following table provides information on nonqualified deferred compensation of only Mr. Liberti's defined benefit pension as of December 31, 2014, because he is the only NEO for whom we reimburse Phillips 66 for his compensation.

Name	Executive Contribution in Last Fiscal Year($)	Registrant Contribution in Last Fiscal Year [2]($)	Aggregate Earnings in Last Fiscal Year [3] ($)	Aggregate Withdrawals/Distributions ($)	Aggregate Balance at Last Fiscal Year-End [4]($)
Mr. Liberti [1]	—	5,797	13	—	27,616

(1) Mr. Liberti participates in the Phillips 66 Defined Contribution Make-Up Plan (DCMP). As of December 31, 2014, participants in this plan had 96 investment options. 35 of the options were the same as those available in our 401(k) plan and the remaining options were other mutual funds approved by the plan administrator.
(2) These amounts represent Phillips 66's contributions under the DCMP. These amounts are also included in the "All Other Compensation" column of the "Summary Compensation Table" on page 111.
(3) These amounts represent earnings on plan balances from January 1 to December 31, 2014. These amounts are not included in the "Summary Compensation Table" on page 111.
(4) The total reflects contributions by Mr. Liberti, contributions by us, and earnings on balances prior to 2014; plus contributions by Mr. Liberti, contributions by us, and earnings from January 1, 2014, through December 31, 2014 (shown in the appropriate columns of this table, with amounts that are included in the "Summary Compensation Table" on page 111 shown in footnote 2 above).

Potential Payments upon Termination or Change-in-Control

Executive Benefits and Payments Upon Termination	Involuntary Not-for-Cause Termination (Not CIC)($)	For-Cause Termination ($)	Involuntary or Good Reason for Termination (CIC) ($)	Death($)	Disability($)
Base salary	489,564	—	652,752	—	—
Short-term incentive	239,886	(159,924)	487,547	—	—
2012-2014 (performance period)	—	(711,536)	—	—	—
2013-2015 (performance period)	—	(234,674)	—	—	—
2014-2016 (performance period)	—	(80,878)	—	—	—
Restricted stock/units from prior performance and inducement	—	(2,097,368)	—	—	—
Stock options/stock appreciation rights	—	(319,381)	—	—	—
Unvested and accelerated	—	—	—	—	—
Incremental pension	257,857	—	343,809	—	—
Post-employment health and welfare	31,229	—	41,639	—	—
Life insurance	—	—	—	326,376	—
	1,018,536	(3,603,761)	1,525,747	326,376	—

Compensation of Our Directors

The officers or employees of our General Partner or of Phillips 66 who also serve as directors of our General Partner do not receive additional compensation for their service as a director of our General Partner. Directors of our General Partner who are not officers or employees of our General Partner or of Phillips 66, or independent directors, receive compensation as described below. In addition, independent directors are reimbursed for out-of-pocket expenses in connection with attending meetings of the Board of Directors or its committees. Each director will be indemnified for his actions associated with being a director to the fullest extent permitted under Delaware law.

Each of our General Partner's independent directors receives an annual compensation package, which consists of $70,000 in annual cash compensation and $50,000 in annual equity based compensation. In addition, the chairman of the Audit Committee and the chairman of the Conflicts Committee each receives an additional $10,000 in annual cash compensation. The equity portion of the independent directors' compensation consists of phantom units granted under the ICP, which are subject to a three-year restriction period. The phantom units are expected to be granted in tandem with distribution equivalent rights, will be settled upon the expiration of the three-year restriction period and are currently expected to be settled in cash. No deferral elections are expected to be permitted with respect to the equity-based portion of the annual compensation package. The cash portion of the annual compensation package is paid monthly, unless a timely election is made by the independent director to defer payment.

Non-Employee Director Compensation Table

The following table summarizes the compensation for our non-employee directors for 2014.

Name	Fees Earned or Paid in Cash [1] ($)	Unit Awards [2] ($)	Option Awards($)	Non-Equity Incentive Plan Compensation($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings($)	All Other Compensation [3] ($)	Total($)
Gary K. Adams	80,000	50,015	—	—	—	1,455	131,470
Mark A. Haney	70,000	50,015	—	—	—	3,680	123,695
Joseph W. O'Toole	80,000	50,015	—	—	—	—	130,015

(1) Reflects 2014 base cash compensation of $70,000, payable to each non-employee director. In 2014, non-employee directors serving in specified committee positions also received the additional cash compensation described above. Compensation amounts reflect adjustments related to various changes in committee assignments by board members through the year, if any. Amounts shown in the "Fees Earned or Paid in Cash" column include any amounts that were voluntarily deferred. Mr. Adams has elected to defer his cash compensation.

(2) Amounts represent the grant date fair value of unit awards. In 2014, non-employee directors received a grant of phantom units valued at $50,000 on the date of grant based on the average of the high and low prices for Phillips 66 Partners LP units on the grant date. These grants are made in whole units with fractional units rounded up, resulting in units with a value of $50,015 being granted on January 15, 2014.

(3) Includes amounts relating to use of the Phillips 66 corporate aircraft and associated payments by us relating to certain taxes incurred by the director. These primarily occur when we request spouses or other guests to accompany the director to partnership functions, and as a result, the director is deemed to make personal use of Phillips 66's or the Partnership's assets. In such circumstances, if the director is imputed income in accordance with the applicable tax laws, we will generally reimburse the director for the increased tax costs.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth information about Phillips 66 Partners LP common units that may be issued under all existing equity compensation plans as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights [1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights [3]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,332 [2]	$ —	2,493,668
Equity compensation plans not approved by security holders	—	—	—
Total	6,332	$ —	2,493,668

(1) Includes awards issued under the ICP.
(2) Includes 6,332 phantom units issued to non-employee directors that will be settled in cash upon lapsing of restrictions; however, the Partnership reserves the right to settle the phantom units with common units representing limited partner interests.
(3) There were no options outstanding under the ICP as of December 31, 2014.

The following table sets forth information regarding persons who we know to be the beneficial owners of more than five percent of our issued and outstanding common units as of February 6, 2015.

Name and Address	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Subordinated Units Beneficially Owned	Percentage of Subordinated Units Beneficially Owned	Percentage of Total Common Units and Subordinated Units
Phillips 66 Company [1] 3010 Briarpark Drive Houston, TX 77042	20,938,498	52.6%	35,217,112	100.0%	74.8%
Tortoise Capital Advisors, L.L.C. [2] 11550 Ash Street Suite 300 Leawood, KS 66211	2,714,659	7.0%	—	—	3.6%

(1) Phillips 66 is the parent company of Phillips 66 Company, the sole owner of the member interests of our General Partner. Phillips 66 Company is the owner of 20,938,498 common units and 35,217,112 subordinated units. Phillips 66 may, therefore, be deemed to beneficially own the units held by Phillips 66 Company.
(2) Based solely on an amendment to Schedule 13G filed with the SEC on February 10, 2015, by Tortoise Capital Advisors, L.L.C.

The following table sets forth the beneficial ownership of units of Phillips 66 Partners LP held by each director and NEO of Phillips 66 Partners GP LLC, our General Partner, and by all directors and executive officers of our General Partner as a group as of February 6, 2015.

Name of Beneficial Owner *	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Subordinated Units Beneficially Owned	Percentage of Subordinated Units Beneficially Owned	Percentage of Total Common Units and Subordinated Units Beneficially Owned
NEOs and Directors					
Greg C. Garland	35,000	**	—	—	**
Greg G. Maxwell	30,000	**	—	—	**
J.T. (Tom) Liberti	37,496	**	—	—	**
Tim G. Taylor	50,000	**	—	—	**
C.C. (Clayton) Reasor	20,000	**	—	—	**
Robert A. Herman	25,000	**	—	—	**
Chukwuemeka A. Oyolu	5,000	**	—	—	**
Joseph W. O'Toole	25,000	**	—	—	**
Mark A. Haney	20,000	**	—	—	**
Gary K. Adams	—	**	—	—	**
All Directors and Executive Officers as a Group (10 Persons)	247,496	**	—	—	**

**Unless otherwise indicated, the address for all beneficial owners in this table is 3010 Briarpark Drive, Houston, Texas 77042.*
***The beneficial ownership does not exceed one percent of the common units outstanding.*

The following table sets forth the number of shares of Phillips 66 common stock beneficially owned as of February 6, 2015, except as otherwise noted, by each director, director nominee and named executive officer of our General Partner and by all directors and executive officers of our General Partner as a group.

Name of Beneficial Owner	Total Common Stock Beneficially Owned	Restricted/Deferred Stock Units [1]	Options Exercisable Within 60 Days [2]	Percentage of Total Outstanding
NEOs and Directors				
Greg C. Garland	56,897	652,761	329,159	**
Greg G. Maxwell	30,096	108,236	60,685	**
J.T. (Tom) Liberti	5,667	41,353	26,945	**
Tim G. Taylor	34,689	159,026	108,693	**
C.C. (Clayton) Reasor	18,289	88,179	110,304	**
Robert A. Herman	8,067	80,711	146,144	**
Chukwuemeka A. Oyolu	2,030	13,144	900	**
Joseph W. O'Toole	—	—	—	—
Mark A. Haney	—	—	—	—
Gary K. Adams	—	—	—	—
All Directors and Executive Officers as a Group (10 Persons)	155,735	1,143,410	782,830	**

(1) Includes restricted or deferred stock units that may be voted or sold only upon passage of time.
(2) Includes beneficial ownership of shares of common stock that may be acquired within 60 days of February 6, 2015, through stock options awarded under compensation plans.
***The beneficial ownership does not exceed one percent of the common stock outstanding.*

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

At December 31, 2014, our General Partner, Phillips 66 Partners GP LLC, and its affiliates owned 20,938,498 common units and 35,217,112 subordinated units, representing a 73.3 percent limited partner interest in us. In addition, our General Partner owned 1,531,518 general partner units representing a 2 percent general partner interest in us.

Distributions and Payments to Our General Partner and Its Affiliates

The following table summarizes the distributions and payments to be made by us to our General Partner and its affiliates in connection with the ongoing operation and liquidation of Phillips 66 Partners LP. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Operational Stage

Distributions of available cash to our General Partner and its affiliates	We generally make cash distributions of 98 percent to the unitholders pro rata, including Phillips 66, as a holder of an aggregate of common units and subordinated units, and 2 percent to our General Partner, assuming it makes any capital contributions necessary to maintain its 2 percent general partner interest in us. In addition, if distributions exceed the minimum quarterly distribution and target distribution levels, the incentive distribution rights held by our General Partner will entitle our General Partner to increasing percentages of the distributions, up to 48 percent of the distributions above the highest target distribution level. Assuming we generate sufficient distributable cash flow to support the payment of the full minimum quarterly distribution on all of our outstanding units for four quarters, our General Partner and its affiliates would receive an annual distribution of approximately $1.3 million on the 2 percent general partner interest and $47.7 million on their common units and subordinated units.
Payments to our General Partner and its affiliates	Under our partnership agreement, we are required to reimburse our General Partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under our amended omnibus agreement, amended operational services agreement and tax sharing agreement, our General Partner determines the amount of these expenses and such determinations must be made in good faith under the terms of our partnership agreement. Under our amended omnibus agreement, we reimburse Phillips 66 for expenses incurred by Phillips 66 and its affiliates in providing certain operational support and general and administrative services to us, including the provision of executive management services by certain officers of our General Partner. The expenses of other employees are allocated to us based on the amount of time actually spent by those employees on our business. These reimbursable expenses also include an allocable portion of the compensation and benefits of employees and executive officers of other affiliates of our General Partner who provide services to us. We also reimburse Phillips 66 for any additional out-of-pocket costs and expenses incurred by Phillips 66 and its affiliates in providing general and administrative services to us. The costs and expenses for which we are required to reimburse our General Partner and its affiliates are not subject to any caps or other limits. Under our amended operational services agreement, we pay Phillips 66 for any direct costs actually incurred by Phillips 66 in providing our pipelines, terminals and storage facilities with certain maintenance, operational, administrative and construction services. Under our tax sharing agreement, we reimburse Phillips 66 for our share of state and local income and other taxes incurred by Phillips 66 as a result of our results of operations being included in a combined or consolidated tax return filed by Phillips 66 with respect to taxable periods on or after the completion of the initial public offering (the Offering).

Withdrawal or removal of our General Partner	If our General Partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.
Liquidation Stage	
Liquidation	Upon our liquidation, the partners, including our General Partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

Transactions and Commercial and Other Agreements with Phillips 66 and Related Parties

See “2014 Developments” in Items 1 and 2. Business and Properties, for a description of our transactions and related agreements with Phillips 66 in 2014. See the “Commercial Agreements,” “Amended Operational Services Agreement,” “Amended Omnibus Agreement” and “Tax Sharing Agreement” sections of Note 18—Related Party Transactions , in the Notes to Consolidated Financial Statements, for summaries of the terms of these and other agreements with Phillips 66.

Procedures for Review, Approval and Ratification of Related Person Transactions

The Board of Directors of our General Partner adopted a related party transactions policy that provides that the Board of Directors of our General Partner or its authorized committee will review on at least a quarterly basis all related person transactions that are required to be disclosed under the SEC rules and, when appropriate, initially authorize or ratify all such transactions. In the event that the Board of Directors of our General Partner or its authorized committee considers ratification of a related person transaction and determines not to so ratify, the code of business conduct and ethics provides that our management will make all reasonable efforts to cancel or annul the transaction.

The related party transactions policy provides that, in determining whether or not to recommend the initial approval or ratification of a related person transaction, the Board of Directors of our General Partner or its authorized committee should consider all of the relevant facts and circumstances available, including (if applicable) but not limited to: (1) whether there is an appropriate business justification for the transaction; (2) the benefits that accrue to us as a result of the transaction; (3) the terms available to unrelated third parties entering into similar transactions; (4) the impact of the transaction on a director’s independence (in the event the related person is a director, an immediate family member of a director or an entity in which a director or an immediate family member of a director is a partner, shareholder, member or executive officer); (5) the availability of other sources for comparable products or services; (6) whether it is a single transaction or a series of ongoing, related transactions; and (7) whether entering into the transaction would be consistent with the code of business conduct and ethics.

Director Independence

See Item 10. Directors, Executive Officers and Corporate Governance, for information on director independence required by Item 407(a) of Regulation S-K.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents fees for the years ended December 31, 2014 and 2013, for professional services performed by our independent registered public accounting firm, Ernst & Young LLP (EY).

	Millions of Dollars	
	2014	2013
Fees		
Audit fees (1)	**$ 1.5**	0.8
Audit-related fees	**—**	—
Tax fees	**—**	—
All other fees	**—**	—
Total	**$ 1.5**	0.8

(1) Fees for audit services related to the fiscal year consolidated audit, quarterly reviews, registration statements, and services that were provided in connection with statutory and regulatory filings.

The audit fees presented above for the year ended December 31, 2013, were for professional services rendered during the period subsequent to the Offering. The total audit fees incurred prior to the Offering were $1.6 million and were paid by Phillips 66.

The Audit Committee has adopted a pre-approval policy that provides guidelines for the audit, audit-related, tax and other non-audit services that may be provided by EY to the Partnership. All of the fees in the table above were approved in accordance with this policy. The policy (a) identifies the guiding principles that must be considered by the Audit Committee in approving services to ensure that EY's independence is not impaired; (b) describes the audit, audit-related, tax and other services that may be provided and the non-audit services that are prohibited; and (c) sets forth pre-approval requirements for all permitted services. Under the policy, all services to be provided by EY must be pre-approved by the Audit Committee. The Audit Committee has delegated authority to approve permitted services to the Audit Committee's Chair. Such approval must be reported to the entire Audit Committee at the next scheduled Audit Committee meeting.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements and Supplementary Data
The financial statements and supplementary information listed in the Index to Financial Statements, which appears on page 64, are filed as part of this Annual Report.

2. Financial Statement Schedules
Financial statement schedules are omitted because they are not required, not significant, not applicable or the information is shown in another schedule, the financial statements or the notes to consolidated financial statements.

3. Exhibits
The exhibits listed in the Index to Exhibits, which appears on pages 123 to 126, are filed as part of this Annual Report.

PHILLIPS 66 PARTNERS LP

INDEX TO EXHIBITS

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit Number**	**Filing Date**	**SEC File No.**
3.1	Certificate of Limited Partnership of Phillips 66 Partners LP.	S-1	3.1	3/27/2013	333-187582
3.2	First Amended and Restated Agreement of Limited Partnership of Phillips 66 Partners LP dated as of July 26, 2013 between Phillips 66 Partners GP LLC and Phillips 66 Company.	8-K	3.1	7/26/2013	001-36011
10.1	Credit Agreement, dated as of June 7, 2013, among Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, JPMorgan Chase Bank, N.A., as administrative agent, The Royal Bank of Scotland PLC and DNB Bank ASA, New York Branch, as co-syndication agents, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and PNC Bank, National Association, as co-documentation agents, and each of RBS Securities Inc., DNB Markets, Inc., Mizuho Corporate Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and PNC Capital Markets LLC, as joint lead arrangers and book runners, and the other commercial lending institutions parties thereto.	S-1/A	10.1	6/27/2013	333-187582
10.2	First Amendment to the Credit Agreement, dated November 21, 2014.	8-K	10.1	11/21/2014	001-36011
10.3	Contribution, Conveyance and Assumption Agreement dated as of July 26, 2013, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Partners Holdings LLC, 66 Pipeline LLC, Phillips 66 Company, Phillips Texas Pipeline Company, Ltd., Phillips 66 Carrier LLC, and Phillips 66 Pipeline LLC.	8-K	10.1	7/30/2013	001-36011
10.4	Contribution, Conveyance and Assumption Agreement, dated as of February 13, 2014, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC and Phillips 66 Company.	8-K	2.1	2/13/2014	001-36011
10.5	Contribution, Conveyance and Assumption Agreement, dated as of October 22, 2014, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company and Phillips 66 Pipeline LLC.	8-K	2.1	10/27/2014	001-36011
10.6*	Formation and Contribution Agreement with Paradigm Energy Partners, LLC, dated as of November 21, 2014.				
10.7	Omnibus Agreement dated as of July 26, 2013, by and among Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC, and Phillips 66 Partners GP LLC.	8-K	10.2	7/30/2013	001-36011

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.8	First Amendment to the Omnibus Agreement, dated as of February 28, 2014, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC.	8-K	10.1	3/3/2014	001-36011
10.9	Second Amendment to the Omnibus Agreement, dated as of December 1, 2014, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC.	8-K	10.1	12/2/2014	001-36011
10.10	Operational Services Agreement dated as of July 26, 2013, by and among Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC, and Phillips 66 Pipeline LLC.	8-K	10.3	7/30/2013	001-36011
10.11	First Amendment to the Operational Services Agreement, dated as of February 28, 2014, by and between Phillips 66 Carrier LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Pipeline.	8-K	10.2	3/3/2014	001-36011
10.12	Second Amendment to the Operational Services Agreement, dated as of December 1, 2014, by and among Phillips 66 Carrier LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Pipeline LLC.	8-K	10.2	12/2/2014	001-36011
10.13	Tax Sharing Agreement dated as of July 26, 2013, between Phillips 66 and Phillips 66 Partners LP.	8-K	10.9	7/30/2013	001-36011
10.14	Transportation Services Agreement (Clifton Ridge) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.4	7/30/2013	001-36011
10.15	Transportation Services Agreement (Sweeny to Pasadena) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.5	7/30/2013	001-36011
10.16	Transportation Services Agreement (Gold Line), dated March 1, 2014, by and between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.7	3/3/2014	001-36011
10.17	Amended and Restated Throughput and Deficiency Agreement (Hartford Connector) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.6	7/30/2013	001-36011
10.18	First Amendment to Amended and Restated Throughput and Deficiency Agreement (Hartford Connector) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	10-Q	10.1	10/31/2013	001-36011

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.19†	Terminal Services Agreement (Clifton Ridge) dated as of July 26, 2013, between Phillips 66 Partners Holdings LLC and Phillips 66 Company.	8-K	10.7	7/30/2013	001-36011
10.20†	Terminal Services Agreement (Hartford and Pasadena) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.8	7/30/2013	001-36011
10.21†	Supplement dated December 19, 2013, to Terminal Services Agreement (Hartford and Pasadena) dated July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	10-K	10.12	2/21/14	001-36011
10.22†	Terminal Services Agreement (Gold Line), dated March 1, 2014, by and between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.6	3/3/2014	001-36011
10.23†	Terminal Services Agreement (Bayway Rail Rack), dated December 1, 2014, by and between Phillips 66 Partners Holdings LLC and Phillips 66 Company.	8-K	10.3	12/2/2014	001-36011
10.24†	Terminal Services Agreement (Ferndale Rail Rack), dated December 1, 2014, by and between Phillips 66 Partners Holdings LLC and Phillips 66 Company.	8-K	10.4	12/2/2014	001-36011
10.25	Gold Line Origination Services Agreement, dated as of March 1, 2014, by and between Phillips 66 Carrier LLC and Phillips 66 Pipeline LLC.	8-K	10.3	3/3/2014	001-36011
10.26†	Storage Services Agreement (Gold Line), dated March 1, 2014, by and between Phillips 66 Carrier LLC and Phillips 66 Company.	8-K	10.4	3/3/2014	001-36011
10.27†	Storage Services Agreement (Medford Spheres), dated March 1, 2014, by and between Phillips 66 Partners Holdings LLC and Phillips 66 Company.	8-K	10.5	3/3/2014	001-36011
10.28	Lease Agreement (Bayway Rail Rack), dated as of December 1, 2014, by and between Phillips 66 Partners Holdings LLC and Phillips 66 Company.	8-K	10.5	12/2/2014	001-36011
10.29	Assignment, Assumption and Modification of Note, dated as of March 1, 2014, by and among Phillips 66 Company, Phillips 66 Partners LP, and Phillips Gas Company Shareholder, Inc.	8-K	10.8	3/3/2014	001-36011
10.30	Assignment, Assumption and Modification of Note, dated as of December 1, 2014, by and among Phillips 66 Company, Phillips 66 Partners LP, and Phillips Gas Company Shareholder, Inc.	8-K	10.6	12/2/2014	001-36011

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.31**	Phillips 66 Partners LP 2013 Incentive Compensation Plan.	8-K	10.1	7/26/2013	001-36011
10.32**	Phillips 66 Partners GP LLC Deferred Compensation Plan for Non-Employee Directors.	10-Q	10.12	8/20/2013	001-36011
10.33**	Form of Phantom Unit Award Agreement for Non-Employee Directors under the Phillips 66 Partners LP 2013 Incentive Compensation Plan.	10-Q	10.13	8/20/2013	001-36011
12*	Computation of Ratio of Earnings to Fixed Charges.				
21*	List of Subsidiaries of Phillips 66 Partners LP.				
23*	Consent of Ernst & Young LLP, independent registered public accounting firm.				
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
32*	Certifications pursuant to 18 U.S.C. Section 1350.				
101.INS*	XBRL Instance Document.				
101.SCH*	XBRL Schema Document.				
101.CAL*	XBRL Calculation Linkbase Document.				
101.LAB*	XBRL Labels Linkbase Document.				
101.PRE*	XBRL Presentation Linkbase Document.				
101.DEF*	XBRL Definition Linkbase Document.				

* Filed herewith.

** Compensatory plan or arrangement.

† Confidential treatment has been granted for certain portions of this Exhibit pursuant to a confidential treatment order granted by the Securities and Exchange Commission. Such portions have been omitted and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHILLIPS 66 PARTNERS LP

By: Phillips 66 Partners GP LLC, its general partner

February 13, 2015

/s/ Greg C. Garland

Greg C. Garland
Chairman of the Board of Directors
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed, as of February 13, 2015 , by the following persons on behalf of the registrant and in the capacities indicated.

Signature	**Title**
/s/ Greg C. Garland *Greg C. Garland*	Chairman of the Board of Directors and Chief Executive Officer (Principal executive officer) Phillips 66 Partners GP LLC
/s/ Greg G. Maxwell *Greg G. Maxwell*	Director, Vice President and Chief Financial Officer (Principal financial officer) Phillips 66 Partners GP LLC
/s/ Chukwuemeka A. Oyolu *Chukwuemeka A. Oyolu*	Vice President and Controller (Principal accounting officer) Phillips 66 Partners GP LLC

/s/ Gary K. Adams	Director
Gary K. Adams	Phillips 66 Partners GP LLC
/s/ Mark A. Haney	Director
Mark A. Haney	Phillips 66 Partners GP LLC
/s/ Joseph W. O'Toole	Director
Joseph W. O'Toole	Phillips 66 Partners GP LLC
/s/ C.C. (Clayton) Reasor	Director
C.C. (Clayton) Reasor	Phillips 66 Partners GP LLC
/s/ Tim G. Taylor	Director
Tim G. Taylor	Phillips 66 Partners GP LLC
/s/ Robert A. Herman	Director
Robert A. Herman	Phillips 66 Partners GP LLC

Exhibit 10.6

FORMATION AND CONTRIBUTION AGREEMENT

BY AND AMONG

PHILLIPS 66 PARTNERS LP

and

PARADIGM ENERGY PARTNERS, LLC

Executed November 21, 2014

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Schedules

Schedule 4.6(b) Sacagawea Permits

FORMATION AND CONTRIBUTION AGREEMENT

This Formation and Contribution Agreement (the " Agreement") is made and entered into as of November 21, 2014, by and between Phillips 66 Partners LP, a Delaware limited partnership (" PSXP") and Paradigm Energy Partners, LLC, a Delaware limited liability company (" Paradigm ").

W I T N E S S E T H:

WHEREAS, PSX owns all of the issued and outstanding Equity Interest (" Mountrail Interests ") of Phillips 66 Mountrail Terminal LLC, a Delaware limited liability company (" Mountrail").

WHEREAS, prior to Closing, PSX will cause Mountrail to transfer the PSXP Real Property Interests to PSXP.

WHEREAS, prior to Closing, PSX will transfer all of the Mountrail Interests to PSXP. WHEREAS, Paradigm owns 88% of the Equity Interest ("Sacagawea Interests") in Sacagawea Pipeline Company, LLC, a Delaware limited liability company ("Sacagawea").

WHEREAS, Paradigm owns 100% of the Equity Interest ("Three Bears Interests") in Paradigm Midstream Services – DC, LLC, a Delaware limited liability company ("Three Bears").

WHEREAS, Paradigm Midstream Services – ND, LLC, a Delaware limited liability company, a wholly-owned subsidiary of Paradigm ("Paradigm ND"), owns the Exemplary Assets.

WHEREAS, prior to Closing, Paradigm will cause Paradigm ND to (a) transfer the Exemplary Assets into a newly formed Delaware limited liability company that is a wholly- owned subsidiary of Paradigm ND ("Exemplary" and, together with Sacagawea and Three Bears, the "Paradigm Companies") and (b) distribute 100% of the Equity Interest of Exemplary ("Exemplary Interests") to Paradigm, such that immediately prior to Closing Exemplary will be wholly-owned by Paradigm.

WHEREAS, at or immediately prior to the Closing, the Parties shall form "Scramble Pipeline LLC" (or such other name as the Parties may agree), as a Delaware limited liability company (" Pipeline LLC");

WHEREAS, at the Closing, the Parties shall make the following contributions to Pipeline LLC:

(i) Paradigm shall contribute the Sacagawea Interests, the Three Bears Interests and the Exemplary Interests (collectively, the " the Paradigm Interests ") to Pipeline LLC as an initial capital contribution in exchange for 50% of the Equity Interest in Pipeline LLC; and

(ii) PSXP will make a cash contribution to Pipeline LLC as an initial capital contribution in exchange for 50% of the Equity Interest in Pipeline LLC; and

WHEREAS, at or immediately prior to the Closing, the Parties shall form "Scramble Terminal LLC" (or such other name as the Parties may agree), as a Delaware limited liability company (" Terminal LLC");

WHEREAS, at the Closing, the Parties shall make the following contributions to Terminal LLC:

(i) PSXP shall contribute all of the Mountrail Interests and the PSXP Real Property Interests to Terminal LLC as an initial capital contribution in exchange for the Percentage Interest of the Equity Interest in Terminal LLC; and

(ii) Paradigm will make a cash contribution to Terminal LLC as an initial capital contribution in exchange for the value of one hundred percent (100%) minus the Percentage Interest of the Equity Interest in Terminal LLC; and

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants, agreements and conditions contained herein, the Parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions. The terms defined in this Section 1.1 shall, when used in this Agreement, have the respective meanings specified herein, with each such definition equally applicable to both singular and plural forms of the terms so defined:

" Accessing Party" has the meaning ascribed to such term in Section 6.3(a).

" Accounting Arbitrator" has the meaning ascribed to such term in Section 2.4(b).

" Additional Paradigm Parties" means Paradigm CM, Stonepeak Paradigm Holdings, LLC and Troy Andrews and any additional parties to the Transaction Documents that are Paradigm Affiliates, other than Pipeline LLC and Terminal LLC.

" Additional PSXP Parties" means PSX, PSX Operating and any additional parties to the Transaction Documents that are PSXP Affiliates, other than Pipeline LLC and Terminal LLC.

" Affidavit of Non-Foreign Status" means an Affidavit of Non-Foreign Status in substantially the form of Exhibit J that meets the requirements of Treasury Regulations Section 1.1445-2(b)(2).

" Affiliate" when used with respect to a Person, means any other Person that directly or indirectly Controls, is Controlled by or is under common Control with such first Person.

" Agreement" has the meaning ascribed to such term in the preamble.

" Assets" means, collectively, the PSXP Assets and the Paradigm Assets.

" Business Day" means any day other than (a) a day on which commercial banks in New York, New York are required or authorized to be closed for business and (b) a Saturday, a Sunday or a day observed as a holiday in New York, New York under the applicable Laws of the State of New York or the United States of America.

" Business Opportunity Agreement" means a Business Opportunity Agreement by and among PSX, PSXP, Troy Andrews and Paradigm, substantially in the form attached as Exhibit K.

" Closing" has the meaning ascribed to such term in Section 3.1.

" Closing Date" has the meaning ascribed to such term in Section 3.1.

" Code" means the Internal Revenue Code of 1986, as amended.

" Confidentiality Agreement" means that certain Confidentiality Agreement by and between Paradigm and PSX, dated June 20, 2014.

" Construction Management Agreement - Pipeline" means a Construction Management Agreement by and between Paradigm CM and Pipeline LLC, substantially in the form attached as Exhibit L or in such other form as the Parties may agree.

" Construction Management Agreement - Terminal" means a Construction Management Agreement by and between PSX Operating and Terminal LLC, substantially in the form of the Construction Management Agreement – Pipeline or in such other form as the Parties may agree.

" Contract" means any agreement, contract, lease, sublease, easement, right-of-way, indenture, mortgage, license, concession, commitment, promise or undertaking (whether written or oral and whether express or implied).

" Control" and its derivatives, mean the possession, directly or indirectly, of the power, whether by contract, equity ownership or otherwise, to direct or cause the direction of the management and policies of a Person.

" Customary Post-Closing Consents" shall mean the consents and approvals from Governmental Authorities that are customarily obtained after transfers comparable to the transactions contemplated hereby, excluding any such consents that are required to be delivered as a condition to Closing pursuant to Sections 7.1(b), 7.1(c), 7.2(b) and 7.2(c).

" Deed" means the Deed by and between PSXP and Terminal LLC of the PSXP Real Property Interests in substantially the form attached hereto as Exhibit W .

" Defensible Title" shall mean good and defensible title that is free and clear of all Liens other than Permitted Asset Liens.

" Equity Interest" means (a) with respect to a corporation, any and all shares of capital stock of such corporation and any Rights with respect thereto and (b) with respect to a limited liability company, any and all units, membership interests or other limited liability company interests of such limited liability company and any Rights with respect thereto.

" Estimated Paradigm Closing Cash Contribution " has the meaning ascribed to such term in Section 2.3.

" Estimated Pipeline Closing Statement" has the meaning ascribed to such term in Section 2.3.

" Estimated PSXP Closing Cash Contribution" has the meaning ascribed to such term in Section 2.3.

" Estimated Terminal Closing Statement" has the meaning ascribed to such term in Section 2.3.

" Exemplary" has the meaning ascribed to such term in the recitals.

" Exemplary Assets" means the Paradigm Keene Terminal and the Watford Express Pipeline and any property owned, leased, occupied, supplied to or used by Exemplary with respect to the Exemplary Assets, including:

(a) the Exemplary Real Property Interests;

(b) the Exemplary Rights-of-Way;

(c) the Exemplary Personal Property;

(d) the Exemplary Permits;

(e) the Exemplary Records; and

(f) the Exemplary Surface Rights Agreements.

" Exemplary Contracts " has the meaning ascribed to such term in Section 4.7(a).

" Exemplary Interests " has the meaning ascribed to such term in the recitals.

" Exemplary Permits" has the meaning ascribed to such term in Section 4.6(a).

" Exemplary Project" means that certain development plan described on Exhibit N.

" Exemplary Personal Property" means all right, title and interest of Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, in and to all equipment, machinery, and other tangible and intangible personal property, which are either located on the Exemplary Real Property

Interests or the Exemplary Rights-of-Way on the Closing Date, used or held for use primarily in connection with the Exemplary Project, or are otherwise described on Exhibit A-1.

" Exemplary Real Property Interests " means fee simple title in and to those tracts of land more particularly described on Exhibit A-2.

" Exemplary Records" means all right, title and interest of Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, in and to all files, records, maps, information, and data, whether written or electronically stored, including: (A) land and title records (including abstracts of title, title opinions, and title curative documents); (B) contract files; (C) correspondence; and (D) operations, environmental, throughput, and accounting records primarily relating the Exemplary Assets.

" Exemplary Rights-of-Way" means the easements, rights-of-way, licenses, servitudes, and other surface rights more particularly described in Exhibit A-3.

" Exemplary Surface Rights Agreements" means all right, title and interest of Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, in and to the surface agreements described on Exhibit A-4.

" FERC" means the U.S. Federal Energy Regulatory Commission.

" GAAP" means generally accepted accounting principles in the United States of America.

" Governing Documents" means, (i) with respect to a corporation, its charter and bylaws, or equivalent governing documents and (ii) with respect to a limited liability company, its certificate of formation and its operating agreement, or equivalent governing documents.

" Governmental Authority" means any (a) national, state, county, municipal, or local government (whether domestic or foreign) and any political subdivision thereof, (b) any court or administrative tribunal, (c) any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity of competent jurisdiction (including any zoning authority, state public utility commission or other state agency with jurisdiction over gas pipelines, Gathering, compression or gas transport systems, FERC, or any comparable authority), (d) any non-governmental agency, tribunal or entity that is properly vested by a governmental authority with applicable jurisdiction, or (e) any arbitrator with authority to bind a party at law.

" Income Tax" means any Tax imposed on net income or profits, including all net income, profits, earnings, capital gain, gross receipts, excess profits or any other similar Tax imposed by a Governmental Authority, including any related interest, fines or penalties.

" Indemnified Party" means a Paradigm Indemnified Party or a PSXP Indemnified Party.

" Indemnifying Party" has the meaning ascribed to such in term in Section 10.4.

" Indemnity Claim " has the meaning ascribed to such term in Section 10.4.

" Intellectual Property" means all intellectual property rights, statutory or common law, worldwide, including (i) trademarks, service marks, trade dress, slogans, logos, assumed names , and all goodwill associated therewith, and any applications or registrations for any of the foregoing; (ii) copyrights and domain names and any applications or registrations for any of the foregoing; and (iii) patents, all confidential know-how, trade secrets and similar proprietary rights in confidential inventions, discoveries, improvements, processes, techniques, devices, methods, patterns, formulae, specifications, and lists of suppliers, vendors, customers, and distributors.

" Knowledge" means, (a) with respect to Paradigm, the actual knowledge of each person listed on Schedule 1.1 (a), and (b) with respect to PSXP, the actual knowledge of each person listed on Schedule 1.1(b).

" Law" means all applicable statutes, law, rules, regulations, orders, ordinances, judgments and decrees of any Governmental Authority.

" Liabilities " means liabilities and obligations, whether accrued, contingent, absolute, determined, determinable or otherwise, including all losses, deficiencies, costs, expenses, fines, interest, expenditures, claims, suits, Proceedings, judgments, damages, and reasonable attorneys' fees and reasonable expenses of investigating, defending and prosecuting any Proceeding.

" Lien" means any mortgage, pledge, security interest, lien, restriction on use or transfer (other than those imposed by law), other possessory interest, adverse claim or encumbrance or charge of any kind.

" Material Adverse Effect" means, with respect to any Person or Persons, any event, effect or development that is materially adverse to the business, financial condition or operations of such Person or Persons, taken as a whole; *provided , however* , that a "Material Adverse Effect" shall not be deemed to have occurred as a result of any of the following (either alone or in combination) (i) changes in the oil and gas midstream industry generally, (ii) changes in United States or global economic conditions or financial, banking, or securities markets (including any disruption thereof) in general, (iii) changes in national or international political or social conditions, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack, (iv) changes, or proposed changes in GAAP or applicable Law (or any interpretation thereof), (v) the taking of any action expressly consented to by PSXP pursuant to Section 6.1(b) or the taking of any action expressly consented to by Paradigm pursuant to Section 6.2(b) and (vi) the announcement of the execution of this Agreement or the Transaction Documents or the proposed or actual consummation of the transactions contemplated hereby or thereby; *except that* , with respect to clauses (i), (ii) and (iii) above, to the extent that the effects of such event, effect or development are disproportionately adverse to the financial condition, results of operation or business of such Person or Persons, taken as a whole, as compared to other companies in the industry in which such Person or Persons operate in the United States.

" MBPD" means one thousand barrels per day.

" Mountrail" has the meaning ascribed to such term in the recitals.

" Mountrail Assets" means any property owned, leased, occupied, supplied to or used by Mountrail with respect to the Mountrail Assets, including:

(g) the Mountrail Permits;

(h) the Mountrail Records;

(i) the Mountrail Rights-of-Way;

(j) the Mountrail Personal Property; and

(k) the Mountrail Surface Rights Agreements.

" Mountrail Contracts" has the meaning ascribed to such term in Section 5.7.

" Mountrail Interests" has the meaning ascribed to such term in the recitals.

" Mountrail Permits" has the meaning ascribed to such term in Section 5.6(a).

" Mountrail Personal Property" means all right, title and interest of Mountrail in and to all equipment, machinery, and other tangible and intangible personal property, which are located on the Mountrail Rights-of-Way on the Closing Date, used or held for use primarily in connection with the PSXP Project, or are otherwise described on Exhibit D-1.

" Mountrail Records" means all right, title and interest of Mountrail in and to all files, records, maps, information, and data, whether written or electronically stored, including: (A) land and title records (including abstracts of title, title opinions, and title curative documents); (B) contract files; (C) correspondence; and (D) operations, environmental, throughput, and accounting records primarily relating to the PSXP Assets.

" Mountrail Rights-of-Way" means the easements, rights-of-way, licenses, servitudes, and other surface rights more particularly described in Exhibit D-3.

" Mountrail Surface Rights Agreements" means all right, title and interest of Mountrail in and to the surface agreements described on Exhibit D-4.

" Non-Income Tax" means any Tax other than an Income Tax or a Transaction Tax, including any excise Tax, federal and state environmental Tax, state and local sales and use Tax, oil company gross receipt or franchise Tax, business and occupation Tax, state and local product Tax, state and local inspection fees, and state and local oil spill Tax or fees.

" Notice of Disagreement" has the meaning ascribed to such term in Section 2.4(b).

" Open Season" has the meaning ascribed to such term in Section 7.1(e).

" Operating Agreement - Pipeline" means an Operating Agreement by and between PSX Operating and Pipeline LLC, substantially in the form attached as Exhibit M or such other form as the Parties may agree.

" Operating Agreement - Terminal" means an Operating Agreement by and between PSX Operating and Terminal LLC, substantially in the form of the Operating Agreement – Pipeline or such other form as the Parties may agree.

" Paradigm " has the meaning ascribed to such term in the preamble.

" Paradigm Draft Budget" means the capital budget for fiscal years 2014 – 2015 setting forth the anticipated capital expenditures for the Sacagawea Project, attached hereto as Exhibit U.

" Paradigm Assets" means, collectively, the Exemplary Assets, the Sacagawea Assets and the Three Bears Assets.

" Paradigm Assignment and Assumption Agreement" means that certain Assignment and Assumption Agreement of the Paradigm Interests by and between Paradigm and Pipeline LLC substantially in the form attached as Exhibit H.

" Paradigm Closing Cash Contribution" has the meaning ascribed to such term in Section 2.1(b)(ii).

" Paradigm Closing Certificate" has the meaning ascribed to such term in Section 7.1(a).

" Paradigm CM" means the Affiliate of Paradigm designated as "Construction Manager" under the Construction Management Agreement – Pipeline.

" Paradigm Companies" has the meaning ascribed to such term in the recitals.

" Paradigm Contracts" means, collectively, the Exemplary Contracts, the Sacagawea Contracts and the Three Bears Contracts.

" Paradigm Indemnified Parties" has the meaning ascribed to such term in Section 10.2.

" Paradigm Insurance Policies" has the meaning ascribed to such term in Section 4.11.

" Paradigm Interests" has the meaning ascribed to such term in the recitals.

" Paradigm ND" has the meaning ascribed to such term in the recitals.

" Paradigm Project" means, collectively, the Exemplary Project, the Sacagawea Project and the Three Bears Project, and "each Paradigm Project" means each of the Exemplary Project, the Sacagawea Project and the Three Bears Project.

" Paradigm Rights-of-Way" means, collectively, the Exemplary Rights-of-Way, the Sacagawea Rights-of-Way and the Three Bears Rights-of-Way.

" Paradigm Surface Rights Agreements" means, collectively, the Exemplary Surface Rights Agreements, the Sacagawea Surface Rights Agreements and the Three Bears Surface Rights Agreements.

" Parties" means PSXP and Paradigm, collectively, and "Party" refers to either of them, individually.

" Percentage Interests " has the meaning ascribed to such term in Section 2.2(b)(i).

" Permits" means all permits, licenses, certificates, orders, approvals, authorizations, registrations, grants, consents, concessions, warrants, franchises, exemptions, variances and similar rights and privileges granted by a Governmental Authority.

" Permitted Asset Liens " means:

(l) Liens for Taxes or assessments not yet due or delinquent;

(m) Customary Post-Closing Consents;

(n) conventional rights of reassignment upon final intention to abandon or release the Assets, or any of them;

(o) such title defects as either Party may waive in writing;

(p) all applicable Laws, and rights reserved to or vested in any Governmental Authority (i) to control or regulate any of the Assets in any manner; (ii) by the terms of any right, power, franchise, grant, license, or permit, or by any provision of Law, to terminate such right, power, franchise grant, license, or permit or to purchase, condemn, expropriate, or recapture or to designate a purchaser of any of the Assets; (iii) to use such property in a manner which does not materially impair the use of such property for the purposes for which it is currently owned and operated and (iv) to enforce any obligations or duties affecting the Assets to any Governmental Authority, with respect to any franchise, grant, license, or permit;

(q) rights of a common owner of any interest in any Paradigm Rights-of-Way or Mountrail Rights-of-Way, as applicable, to the extent that the same does not materially impair the use or operation of the Assets, as applicable, as currently used and operated;

(r) easements, conditions, covenants, restrictions, servitudes, permits, rights- of-way, surface leases and other rights affecting the Assets for the purpose of surface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines, and removal of timber, grazing, logging operations, canals, ditches, reservoirs, and other like purposes, or for the joint or common use of real estate, rights- of-way, facilities, and equipment, in each case, that do not materially impair the use, ownership or operation of the Assets (as currently owned and operated) or reduce the share of revenues or increase the share of costs with respect to the Assets that must be borne by Pipeline LLC or Terminal LLC, as applicable;

(s) vendors, carriers, warehousemen's, repairmen's, mechanics, workmen's, materialmen's, construction or other like liens arising by operation of Law in the ordinary course of business or incident to the construction or improvement of any property in respect of obligations which are not yet due or are being contested in good faith by appropriate proceedings;

(t) any Liens affecting the Assets which are discharged by such contributing Party or its Affiliates at or prior to Closing;

(u) any Liens arising under original purchase price conditional sales contracts and equipment leases with other Persons entered into in the ordinary course of business; and

(v) any title defects or Liens that do not, individually or in the aggregate, materially detract from the value, use or occupancy of the Paradigm Assets, taken as a whole, or the PSXP Assets taken as a whole.

" Permitted Liens" means:

(w) Liens pursuant to this Agreement;

(x) Liens pursuant to the Governing Documents of Mountrail or any Paradigm Company, as applicable; and

(y) Liens pursuant to securities Law.

" Person" means an individual or entity, including any partnership, corporation, association, trust, limited liability company, joint venture, unincorporated organization or Governmental Authority.

" Pipeline Closing Statement" has the meaning ascribed to such term in Section 2.4(a).

" Pipeline LLC" has the meaning ascribed to such term in the recitals.

" Pipeline LLC Agreement" has the meaning ascribed to such term in Section 2.1(c).

" Pipeline Certificate of Formation" has the meaning ascribed to such term in Section 2.1(a).

" Proceeding " means any action, suit, litigation, arbitration, proceeding (including any bankruptcy, civil, criminal, administrative, environmental, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority.

" PSX" means Phillips 66 Company.

" PSX Operating" means Phillips 66 Pipeline LLC.

" PSXP" has the meaning ascribed to such term in the preamble.

" PSXP Assets" means the PSXP Real Property Interests and the Mountrail Assets.

" PSXP Assignment and Assumption Agreement" means that certain Assignment and Assumption Agreement of the Mountrail Interests by and between PSXP and Terminal LLC substantially in the form attached as Exhibit I.

" PSXP Closing Cash Contribution " has the meaning ascribed to such term in Section 2.1(b)(ii).

" PSXP Closing Certificate" has the meaning ascribed to such term in Section 7.2(a).

" PSXP Draft Budget" means the capital budget for fiscal years 2014 – 2016, setting forth the anticipated capital expenditures for the PSXP Project, attached hereto as Exhibit V.

" PSXP Indemnified Parties" has the meaning ascribed to such term in Section 10.1.

" PSXP Insurance Policies" has the meaning ascribed to such term in Section 5.11.

" PSXP Project" means that certain development plan described on Exhibit Q.

" PSXP Real Property Interests" means fee simple title in and to those tracts of land more particularly described on Exhibit D -2.

" Real Property Assets" has the meaning ascribed to such term in Section 4.5(j).

" Resolution Period" has the meaning ascribed to such term in Section 2.4(b).

" Review Period" has the meaning ascribed to such term in Section 2.4(b).

" Right" means any option, warrant, convertible or exchangeable security or other right, however denominated, to subscribe for, purchase or otherwise acquire any equity interest or other security of any class, with or without payment of additional consideration in cash or property, either immediately or upon the occurrence of a specified date or a specified event or the satisfaction or happening of any other condition or contingency.

" Sacagawea" has the meaning ascribed to such term in the recitals.

" Sacagawea Assets" means any property owned, leased, occupied, supplied to or used by Sacagawea with respect to the Sacagawea Assets, including:

(z) the Sacagawea Real Property Interests;

(aa) the Sacagawea Rights-of-Way;

(bb) the Sacagawea Personal Property;

(cc) the Sacagawea Permits;

(dd) the Sacagawea Records; and

(ee) the Sacagawea Surface Rights Agreements.

" Sacagawea Contract" has the meaning ascribed to such term in Section 4.7(b).

" Sacagawea Interests " has the meaning ascribed to such term in the recitals.

" Sacagawea Permits" has the meaning ascribed to such term in Section 4.6(a).

" Sacagawea Personal Property" means all right, title and interest of Sacagawea in and to all equipment, machinery, and other tangible and intangible personal property, which are either located on the Sacagawea Real Property Interests or the Sacagawea Rights-of-Way on the Closing Date, used or held for use primarily in connection with the Sacagawea Project, or are otherwise described on Exhibit B-1.

" Sacagawea Project" means that certain development plan described on Exhibit O.

" Sacagawea Real Property Interests" means fee simple title in and to those tracts of land more particularly described on Exhibit B-2.

" Sacagawea Records" means all right, title and interest of Sacagawea in and to all files, records, maps, information, and data, whether written or electronically stored, including: (A) land and title records (including abstracts of title, title opinions, and title curative documents);
(B) contract files; (C) correspondence; and (D) operations, environmental, throughput, and accounting records primarily relating to the Sacagawea Assets.

" Sacagawea Rights-of-Way" means the easements, rights-of-way, licenses, servitudes, and other surface rights more particularly described in Exhibit B-3.

" Sacagawea Surface Rights Agreements" means all right, title and interest of Sacagawea in and to the surface agreements described on Exhibit B-4.

" Schedules " means the schedules to this Agreement.

" Securities Act" means the Securities Act of 1933, as amended.

" Solvent" means, with respect to the a Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities of such Person that would constitute liabilities under GAAP, (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay its debts as they become absolute and matured, taking into account the possibility of refinancing such obligations and selling assets, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts as they mature taking into account the possibility of refinancing such obligations and selling assets and (d) such Person is not engaged in business or a transaction, and does not intend to engage in business or a transaction, for which such Person's property remaining after such transaction would constitute unreasonably small capital.

" Straddle Period" means a taxable period that begins on or before and ends after the Closing Date.

" Submission Deadline Date" has the meaning ascribed to such term in Section 2.4(b).

" Tax" means any and all (i) taxes, fees, duties and other assessments, including license, registration, payroll, employment, excise, severance, occupation, premium, windfall profits, ad valorem, environmental, capital stock, franchise, profits, payroll or employment or other withholding, health insurance, social security (or similar), unemployment, disability, real property, personal property, abandoned property, forfeitures, escheat, alternative or add-on minimum or estimated taxes or other tax of any kind whatsoever imposed by any Governmental Authority, including any related interest, fines or penalties, and (ii) liability for the items listed in (i) imposed on another party by Law or contract.

" Tax Return" means any report, return, election, document, estimated Tax filing, declaration, claim for refund, information return, or other filing provided to any Governmental Authority.

" Terminal Certificate of Formation" has the meaning ascribed to such term in Section 2.2(a).

" Terminal Closing Statement" has the meaning ascribed to such term in Section 2.4(a).

" Terminal LLC" has the meaning ascribed to such term in the recitals.

" Terminal LLC Agreement" has the meaning ascribed to such term in Section 2.2(c).

" Termination Date" has the meaning ascribed to such term in Section 9.1(b).

" Third Party" means any Person other than the Parties or any of their respective Affiliates.

" Three Bears" has the meaning ascribed to such term in the recitals.

" Three Bears Assets" means, the Little Missouri Explorer Pipeline and any property owned, leased, occupied, supplied to or used by Three Bears with respect to the Three Bears Assets, including:

(ff) the Three Bears Real Property Interests;

(gg) the Three Bears Rights-of-Way;

(hh) the Three Bears Personal Property;

(i) the Three Bears Permits;

(jj) the Three Bears Records; and

(kk) the Three Bears Surface Rights Agreements.

" Three Bears Contracts" has the meaning ascribed to such term in Section 4.7(c).

" Three Bears Interests" has the meaning ascribed to such term in the recitals.

" Three Bears Joint Venture Interest" means the rights of Three Bears under that certain Joint Venture Agreement dated as of May 23, 2014 between Three Bears and Dakota Bear LLC.

" Three Bears Permits" has the meaning ascribed to such term in Section 4.6(c).

" Three Bears Personal Property" means all right, title and interest of Three Bears in and to all equipment, machinery, and other tangible and intangible personal property, which are either located on the Three Bears Real Property Interests or the Three Bears Rights-of-Way on the Closing Date, used or held for use primarily in connection with the Three Bears Project, or are otherwise described on Exhibit C-1.

" Three Bears Project" means that certain development plan described on Exhibit P.

" Three Bears Real Property Interests " means fee simple title in and to those tracts of land more particularly described on Exhibit C-2.

" Three Bears Records" means all right, title and interest of Three Bears in and to all files, records, maps, information, and data, whether written or electronically stored, including: (A) land and title records (including abstracts of title, title opinions, and title curative documents); (B) contract files; (C) correspondence; and (D) operations, environmental, throughput, and accounting records primarily relating the Three Bears Assets.

" Three Bears Rights-of-Way" means the easements, rights-of-way, licenses, servitudes, and other surface rights more particularly described in Exhibit C-3.

" Three Bears Surface Rights Agreements" means all right, title and interest of Three Bears in and to the surface agreements described on Exhibit C-4.

" Transaction Documents" means the Pipeline LLC Agreement, the Terminal LLC Agreement, the Paradigm Assignment and Assumption Agreement, the PSXP Assignment and Assumption Agreement, the Operating Agreement – Pipeline, the Operating Agreement – Terminal, the Construction Management Agreement – Pipeline, the Construction Management Agreement – Terminal, the Business Opportunity Agreement, the Transfer Restrictions Agreement, the Transportation Services Agreement – Pipeline and the Transportation Services Agreement – Terminal.

" Transaction Tax" means all required documentary, filing, recording, registration, transfer or stamp duty Tax, sale and use Tax, any goods and services Tax and similar duty and other fees and expenses imposed by any Governmental Authority with respect to the transactions described in this Agreement, including any related interest, fines or penalties.

" Transfer Restrictions Agreement" means a Transfer Restrictions Agreement by and among PSXP, Paradigm, and Stonepeak Paradigm Holdings, LLC, substantially in the form attached as Exhibit T.

" Transportation Services Agreement – Pipeline" means a Transportation Services Agreement between PSX and Sacagawea, substantially in the form attached as Exhibit R.

" Transportation Services Agreement – Terminal" means a Transportation Services Agreement between PSX and Terminal LLC, in a form agreed upon by the Parties and containing the terms and conditions set forth in that certain letter agreement dated as of September 19, 2014 between Paradigm and PSX.

" Unattained PSXP Real Property Assets" has the meaning ascribed to such term in Section 5.5(d).

" Unattained Sacagawea Real Property Assets" has the meaning ascribed to such term in Section 4.5(k).

1.2 Construction. Unless the context requires otherwise: (a) the gender (or lack thereof) of all words used in this Agreement includes the masculine, feminine and neuter, (b) references to this Agreement, herein, hereby, hereunder and hereof, and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited, (c) references to Articles, Sections, and Exhibits refer to Articles, Sections, and Exhibits of this Agreement, (d) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law, (e) references to money refer to legal currency of the United States of America, (f) the word "including" (in its various forms) means "including, without limitation," (g) all capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms, (h) each accounting term not defined herein will have the meaning given it under GAAP, (i) headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement, (j) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, (k) if any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action shall be deferred until the next Business Day, and (l) the terms "ordinary course" or "ordinary course of business" shall be deemed to refer to the conduct of the Parties with respect to the Assets in the ordinary course consistent with past practice.

ARTICLE 2

FORMATION, CONTRIBUTION AND SPECIAL DISTRIBUTION

2.1 Formation of Pipeline LLC.

(a) Immediately prior to the Closing, the Parties shall file a certificate of formation with respect to Pipeline LLC in the form attached hereto as Exhibit E (the " Pipeline Certificate of Formation") with the Secretary of State of the State of Delaware.

(b) At the Closing, the Parties shall make the following initial capital contributions:

(i) Paradigm shall contribute the Paradigm Interests to Pipeline LLC in exchange for 50% of the Equity Interest in Pipeline LLC on the Closing Date; and

(ii) PSXP shall make a cash contribution to Pipeline LLC of an amount equal to the actual development costs paid by Paradigm and its Affiliates and attributable to the development of the Paradigm Assets at the time of Closing in accordance with the Paradigm Projects (the "PSXP Closing Cash Contribution"), subject to adjustment at the Closing pursuant to Section 2.4, in immediately available funds, to a bank account of Pipeline LLC designated by the Parties not less than three (3) Business Days prior to the Closing Date, in exchange for 50% of the Equity Interest in Pipeline LLC on the Closing Date.

(c) At Closing, the Parties shall each execute and deliver the limited liability company agreement in the form attached hereto as Exhibit G (the "Pipeline LLC Agreement").

2.2 Formation of Terminal LLC.

(a) Immediately prior to the Closing, the Parties shall file a certificate of formation with respect to Terminal LLC in substantially the form of the Pipeline Certificate of Formation or as otherwise agreed to by the Parties (the "Terminal Certificate of Formation") with the Secretary of State of the State of Delaware.

(b) At the Closing, the Parties shall make the following initial capital contributions:

(i) PSXP shall contribute the Mountrail Interests and the PSXP Real Property Interests to Terminal LLC in exchange for the Equity Interest in Terminal LLC on the Closing Date determined as follows: (1) if the aggregate volume of binding commitments (including any commitment by PSXP or its Affiliates) as a result of the Open Season on the Sacagawea Assets is less than 100 MBPD, then PSXP shall receive Equity Interests in Terminal LLC equal to 70%; (2) if the aggregate volume of binding commitments (including any commitment by PSXP or its Affiliates) as a result of the Open Season on the Sacagawea Assets is equal to 100 MBPD or greater but less than 110 MBPD, then PSXP shall receive Equity Interests in Terminal LLC equal to 60%; and (3) if the aggregate volume of binding commitments (including any commitment by PSXP or its Affiliates) as a result of the Open Season on the Sacagawea Assets is equal to or exceeds 110 MBPD, then PSXP shall receive Equity Interests in Terminal LLC equal to 50% (PSXP's Equity Interest in Terminal LLC determined pursuant to this Section 2.2(b), the "Percentage Interest"); and

(ii) Paradigm shall make a cash contribution to Terminal LLC of an amount equal to (A) the actual development and acquisition costs paid by PSXP and its Affiliates and attributable to the development of the PSXP Asset at the time of Closing in accordance with the PSXP Project divided by the Percentage Interest,

multiplied by (B) the value of 100% minus the Percentage Interest (the " Paradigm Closing Cash Contribution"), subject to adjustment at the Closing pursuant to Section 2.4, in immediately available funds, to a bank account of Terminal LLC designated by the Parties not less than three Business Days prior to the Closing Date, in exchange for a percentage of the Equity Interest in Terminal LLC equal to 100% minus the Percentage Interest on the Closing Date.

(c) At Closing, the Parties shall each execute and deliver the limited liability company agreement of Terminal LLC in substantially the form of the Pipeline LLC Agreement or as otherwise agreed to by the Parties (the " Terminal LLC Agreement").

2.3 Closing Statement. Not less than 15 Business Days prior to the Closing, (a) Paradigm shall prepare and submit to PSXP a draft closing statement (the " Estimated Pipeline Closing Statement") that sets forth its good faith estimate of the PSXP Closing Cash Contribution (the " Estimated PSXP Closing Cash Contribution") and (b) PSXP shall prepare and submit to Paradigm a draft closing statement (the " Estimated Terminal Closing Statement") that sets forth its good faith estimate of the Paradigm Closing Cash Contribution (the " Estimated Paradigm Closing Cash Contribution "). Within five Business Days of receipt of the Estimated Pipeline Closing Statement by PSXP and the Estimated Terminal Closing Statement by Paradigm the receiving Party will deliver to the other Party a written report containing any changes with an explanation therefor that such receiving Party proposes to be made to the Estimated Pipeline Closing Statement or the Estimated Terminal Closing Statement, as applicable. The Estimated Pipeline Closing Statement and the Estimated Terminal Closing Statement, as agreed upon by the Parties, will be used to determine the Estimated PSXP Closing Cash Contribution to be paid by PSXP at Closing and the Estimated Paradigm Closing Cash Contribution to be paid by Paradigm at Closing. If the Parties cannot agree on the Estimated Pipeline Closing Statement or the Estimated Terminal Closing Statement prior to the Closing, the Estimated Pipeline Closing Statement, as presented by Paradigm, will be used to determine the Estimated PSXP Closing Cash Contribution and the Estimated Terminal Closing Statement, as presented by PSXP, will be used to determine the Estimated Paradigm Closing Cash Contributions.

2.4 Post-Closing Purchase Price Adjustment.

(a) As promptly as practicable after the Closing Date, and in any event not later than 60 days after the Closing Date, (a) Paradigm shall prepare and submit to PSXP a closing statement (the " Pipeline Closing Statement") that sets forth the amount of the PSXP Closing Cash Contribution and (b) PSXP shall prepare and submit to Paradigm a closing statement (the " Terminal Closing Statement") that sets forth the amount of the Paradigm Closing Cash Contribution.

(b) PSXP shall have 30 days from the receipt of the Pipeline Closing Statement and Paradigm shall have 30 days from the receipt of the Terminal Closing Statement (the " Review Period") to review such Pipeline Closing Statement and Terminal Closing Statement, as applicable. In connection with (i) PSXP's review of, and in the case of any dispute with respect to, the Pipeline Closing Statement and (ii) Paradigm's review of, and in the case of any dispute with respect to, the Terminal Closing Statement, each Party shall provide to the other Party and its authorized representatives (1) access to the relevant books and records of such Party and its Affiliates and

authorized representatives, including the work papers of such authorized representatives, and (2) any other information that relates to the Pipeline Closing Statement that is reasonably requested and is relevant to the calculation of the PSXP Closing Cash Contribution and the Terminal Closing Statement that is reasonably requested and is relevant to the calculation of the Paradigm Closing Cash Contribution, as applicable. Unless PSXP provides written notice to Paradigm of its disagreement as to one or more items included in the Pipeline Closing Statement or Paradigm provides written notice to PSXP of its disagreement as to one or more items included in the Terminal Closing Statement (" Notice of Disagreement") prior to the expiration of the Review Period, the Pipeline Closing Statement with respect to PSXP and the Terminal Closing Statement with respect to Paradigm shall become final and binding on each Party. A Notice of Disagreement shall set forth all disputed items in the calculation of the PSXP Closing Cash Contribution or the Paradigm Closing Cash Contribution, as applicable, together with the proposed changes thereto. If either Party has delivered a timely Notice of Disagreement, then the Parties shall use their good faith efforts to reach written agreement on the disputed items. If all of the disputed items have not been resolved by the 30th day following the receipt of the Notice of Disagreement (the " Resolution Period"), then the remaining disputed items may be submitted by the Parties to binding arbitration by Ernst & Young or such other independent, nationally recognized accounting firm as may be selected by the Parties (the " Accounting Arbitrator "). The Accounting Arbitrator shall act as an arbitrator to determine only those items in dispute. All fees and expenses relating to the work to be performed by the Accounting Arbitrator shall be paid 50% by PSXP and 50% by Paradigm. The Parties shall provide information regarding the disputed items, and such supporting material as they deem reasonably appropriate, to the Accounting Arbitrator within five Business Days of the appointment of such Accounting Arbitrator (the " Submission Deadline Date"), and each Party shall provide a contemporaneous copy to the other Party of the disputed items (and supporting material, if any) submitted to the Accounting Arbitrator. The Accounting Arbitrator shall then prepare and deliver to the Parties a written determination (such determination to include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Accounting Arbitrator by the Parties) of the PSXP Closing Cash Contribution and the Paradigm Closing Cash Contribution, as applicable, including the disputed items, within 60 days following the Submission Deadline Date, which determination will be final, binding and conclusive on the Parties as to such disputed items.

(c) If the PSXP Closing Cash Contribution, as finally determined pursuant to the provisions of Section 2.4(b), is greater than as set forth on the Estimated Pipeline Closing Statement, PSXP shall promptly make a cash contribution to Pipeline LLC of an amount equal to the difference between the PSXP Closing Cash Contribution and the Estimated PSXP Closing Cash Contribution, to a bank account of Pipeline LLC designated by the Parties. If the Paradigm Closing Cash Contribution, as finally determined pursuant to the provisions of Section 2.4(b), is greater than as set forth on the Estimated Terminal Closing Statement, Paradigm shall promptly make a cash contribution to Terminal LLC of an amount equal to the difference between the Estimated Paradigm Closing Cash Contribution and the Paradigm Closing Cash Contribution, to a bank account of Terminal LLC designated by the Parties. If the PSXP Closing Cash Contribution, as finally determined pursuant to the provisions of Section 2.4(b), is less than as set forth on the Estimated Pipeline Closing Statement, the Parties shall cause Pipeline LLC to promptly make a distribution to an account designated by PSXP of an amount equal to the difference between the Estimated PSXP Closing Cash Contribution and the PSXP Closing Cash Contribution. If the Paradigm Closing Cash

Contribution, as finally determined pursuant to the provisions of Section 2.4(b), is less than as set forth on the Estimated Terminal Closing Statement, the Parties shall cause Terminal LLC to promptly make a distribution to an account designated by Paradigm of an amount equal to the difference between the Estimated Paradigm Closing Cash Contribution and the Paradigm Closing Cash Contribution. Any payment or distribution, as applicable, to be made pursuant to this Section 2.4(c) shall be made by wire transfer of immediately available funds within five (5) Business Days of the date the amount of the PSXP Closing Cash Contribution or the Paradigm Closing Cash Contribution is agreed or finally determined pursuant to the provisions of Section 2.4(b). Any payment by PSXP to Pipeline LLC under this Section 2.4(c) shall be treated as an increase in the PSXP Closing Cash Contribution pursuant to Section 2.1(b)(ii). Any payment by Paradigm to Terminal LLC under this Section 2.4(c) shall be treated as an increase in the Paradigm Closing Cash Contribution pursuant to Section 2.2(b)(ii).

ARTICLE 3

CLOSING

3.1 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall be held at the offices of Bracewell & Giuliani, 711 Louisiana Street, Suite 2300, Houston, Texas 77002 on the third Business Day following the date on which all of the conditions to Closing set forth in ARTICLE 7 have been satisfied or waived, at 10:00 a.m., Houston time, or such other place, date and time as may be mutually agreed to in writing by the Parties. The "Closing Date," as referred to herein, shall mean the date of the Closing.

3.2 Deliveries of Paradigm at Closing.

(a) At the Closing, upon the terms and subject to the conditions of this Agreement, Paradigm shall deliver or cause to be delivered the following with respect to Pipeline LLC:

(i) a counterpart of the Paradigm Assignment and Assumption Agreement, duly executed by Paradigm;

(ii) a counterpart of the Pipeline LLC Agreement, duly executed by Paradigm;

(iii) a counterpart of the Construction Management Agreement – Pipeline, duly executed by Paradigm CM;

(iv) an Affidavit of Non-Foreign Status, duly executed by Paradigm;

(v) the minute books and other organizational books and records in Paradigm's or its Affiliates' possession and relating to the Paradigm Assets or the Paradigm Companies;

(vi) the certificate of formation of each Paradigm Company, certified by the applicable Secretary of State of the state of formation;

(vii) the consent and waiver by Grey Wolf Midstream, LLC described in Section 7.1(f); and

(viii) a counterpart of the Transportation Services Agreements – Pipeline, duly executed by Sacagawea.

(b) At the Closing, upon the terms and subject to the conditions of this Agreement, Paradigm shall deliver or cause to be delivered the following with respect to Terminal LLC:

(i) a counterpart of the Terminal LLC Agreement, duly executed by Paradigm; and

(ii) a wire transfer to Terminal LLC, in an amount equal to the Estimated Paradigm Closing Cash Contribution in immediately available funds.

(c) At the Closing, upon the terms and subject to the conditions of this Agreement, Paradigm shall deliver or cause to be delivered the following with respect to Pipeline LLC and Terminal LLC:

(i) counterparts of the Business Opportunity Agreement, duly executed by each of Paradigm and Troy Andrews;

(ii) counterparts of the Transfer Restrictions Agreement, duly executed by each of Paradigm and Stonepeak Paradigm Holdings, LLC;

(iii) the Paradigm Closing Certificate;

(iv) a certificate from the Secretary of Paradigm certifying and attaching a copy of the resolutions or written consent of the governing body of Paradigm approving this Agreement and each of the Transaction Documents to which it is a party and the transactions contemplated hereby and thereby;

(v) a certificate of good standing for Paradigm and each Paradigm Company from the applicable authority of the state of formation, dated within ten days prior to Closing; and

(vi) all other documents required to be delivered by Paradigm to PSXP at the Closing pursuant to this Agreement.

3.3 Deliveries of PSXP at Closing.

(a) At the Closing, upon the terms and subject to the conditions of this Agreement, PSXP shall deliver or cause to be delivered the following with respect to Pipeline LLC:

(i) a counterpart of the Pipeline LLC Agreement, duly executed by PSXP;

(ii) a counterpart of the Operating Agreement – Pipeline, duly executed by PSX Operating;

(iii) a counterpart of the Transportation Services Agreement – Pipeline, duly executed by PSX; and

(iv) a wire transfer to Pipeline LLC, in an amount equal to the Estimated PSXP Closing Cash Contribution in immediately available funds.

(b) At the Closing, upon the terms and subject to the conditions of this Agreement, PSXP shall deliver or cause to be delivered the following with respect to Terminal LLC:

(i) a counterpart of the PSXP Assignment and Assumption Agreement, duly executed by PSXP;

(ii) a counterpart of the Deed, duly executed by PSXP;

(iii) a counterpart of the Operating Agreement – Terminal, duly executed by PSX Operating;

(iv) a counterpart of the Construction Management Agreement – Terminal, duly executed by PSX Operating;

(v) a counterpart of the Terminal LLC Agreement, duly executed by PSXP;

(vi) a counterpart of the Transportation Services Agreement – Terminal, duly executed by PSX;

(vii) an Affidavit of Non-Foreign Status, duly executed by PSXP;

(viii) the minute books and other organizational books and records in PSXP's or its Affiliates' possession and relating to the PSXP Assets; and

(ix) the certificate of formation of Mountrail, certified by the applicable Secretary of State of the state of formation.

(c) At the Closing, upon the terms and subject to the conditions of this Agreement, PSXP shall deliver or cause to be delivered the following with respect to Pipeline LLC and Terminal LLC:

(i) counterparts of the Business Opportunity Agreement, duly executed by each of PSX and PSXP;

(ii) a counterpart of the Transfer Restrictions Agreement, duly executed by PSXP;

(iii) the PSXP Closing Certificate;

(iv) a certificate from the Secretary of PSXP certifying and attaching a copy of the resolutions or written consent of the governing body of PSXP approving this Agreement and each of the Transaction Documents to which it is a party and the transactions contemplated hereby and thereby;

(v) a certificate of good standing for PSXP and Mountrail from the applicable authority of the state of formation, dated within ten days prior to Closing; and

(vi) all other documents required to be delivered by PSXP to Paradigm at the Closing pursuant to this Agreement.

3.4 Deliveries of Pipeline LLC at Closing. At the Closing, upon the terms and subject to the conditions of this Agreement, the Parties shall cause Pipeline LLC to deliver the following:

(a) a counterpart of the Paradigm Assignment and Assumption Agreement, duly executed by Pipeline LLC;

(b) a counterpart of the Operating Agreement - Pipeline, duly executed by Pipeline LLC; and

(c) a counterpart of the Construction Management Agreement - Pipeline, duly executed by Pipeline LLC.

3.5 Deliveries of Terminal LLC at Closing. At the Closing, upon the terms and subject to the conditions of this Agreement, the Parties shall cause Terminal LLC to deliver the following:

(a) a counterpart of the PSXP Assignment and Assumption Agreement, duly executed by Terminal LLC;

(b) a counterpart of the Deed, duly executed by Terminal LLC;

(c) a counterpart of the Operating Agreement – Terminal, duly executed by Terminal LLC;

(d) a counterpart of the Construction Management Agreement – Terminal, duly executed by Terminal LLC; and

(e) a counterpart of the Transportation Services Agreement – Terminal, duly executed by Terminal LLC.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF PARADIGM

Except as set forth in the Schedules delivered to PSXP by Paradigm on the date hereof, Paradigm represents and warrants to PSXP as of the date hereof and as of the Closing as follows:

4.1 Organization.

(a) Paradigm is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite limited liability company power and authority to own the Paradigm Interests and to carry on its business as now conducted. Sacagawea is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite limited liability company power and authority to own the Sacagawea Assets and to carry on its business as now conducted. Three Bears is a Delaware limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite limited liability company power and authority to own the Three Bears Assets and to carry on its business as now conducted. At the Closing, Exemplary will be a Delaware limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and will have all requisite limited liability company power and authority to own the Exemplary Assets and to carry on its business as now conducted. Each Paradigm Company is duly licensed or qualified to do business and is in good standing in the states in which the character of the properties and assets owned or held by it or the nature of the business conducted by it requires it to be so licensed or qualified, except where the failure to be so qualified would not have a Material Adverse Effect on such Paradigm Company.

(b) Exemplary will be formed immediately prior to Closing solely for the purpose of engaging in the transactions contemplated by this Agreement and the Transaction Documents. Exemplary has no assets or Liabilities other than those associated with the Exemplary Assets. Sacagawea has no assets or Liabilities other than those associated with the Sacagawea Assets. Three Bears has no assets or Liabilities other than those associated with the Three Bears Assets. Other than Permitted Asset Liens, there are no Liens on any of the assets of Exemplary, Sacagawea or Three Bears.

4.2 Authority and Approval; Enforceability. Paradigm has full limited liability company power and authority to execute and deliver this Agreement and, subject to the satisfaction of the condition set forth in Section 7.2 (e), the Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby and to perform all of the terms and conditions hereof and thereof to be performed. The execution and delivery of this Agreement and, subject to the satisfaction of the condition set forth in Section 7.2(e), the Transaction Documents, the consummation of the transactions contemplated hereby and thereby and the performance of all of the terms and conditions hereof and thereof to be performed have been duly authorized and approved by all requisite limited liability company action of Paradigm. This Agreement and each of the Transaction Documents to which Paradigm or the Additional Paradigm Parties is a party is, or when executed will be, duly executed and delivered by Paradigm or the Additional Paradigm Parties, as applicable, and, assuming this Agreement and each of the Transaction Documents to which Paradigm is a party have

been duly authorized, executed and delivered by PSXP or the Additional PSXP Parties, as the case may be, constitute the valid and legally binding obligation of Paradigm or the Additional Paradigm Parties, as applicable, enforceable against Paradigm or the additional Paradigm Parties, as applicable, in accordance with their terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights and remedies generally and by general principles of equity (whether applied in a proceeding at law or in equity).

4.3 No Conflict; Consents.

(a) Except as set forth on Schedule 4.3(a), the execution, delivery and performance of this Agreement and the Transaction Documents by Paradigm and the Additional Paradigm Parties does not, and the fulfillment and compliance with the terms and conditions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not, (i) violate, conflict with any of, result in any breach of, or require the consent of any Person under, the terms, conditions or provisions of the Governing Documents of Paradigm or the Additional Paradigm Parties, (ii) violate any provision of any Law applicable to Paradigm, Pipeline LLC, the Paradigm Interests, the Mountrail Interests, the PSXP Assets, the Paradigm Companies, or the Paradigm Assets; (iii) conflict with, result in a breach of, constitute a default under (whether with notice or the lapse of time or both), or accelerate or permit the acceleration of the performance required by, or result in the suspension, termination or cancellation of, or in a right of suspension, termination or cancellation of, any Contract or other instrument to which Paradigm, Paradigm ND or any Paradigm Company is bound, or to which, immediately after the Closing, Pipeline LLC will be bound or violate any Permit held by Paradigm, any Paradigm Company or that will be held by Pipeline LLC immediately after the Closing, related to the Paradigm Assets.

(b) Except as set forth on Schedule 4.3(b), no consent, approval, license, permit, order or authorization of any Governmental Authority is required in connection with the execution, delivery, and performance by Paradigm of this Agreement and the Transaction Documents except (i) as have been waived or obtained or (ii) with respect to which the time for asserting such right has expired.

4.4 Assets.

(a) Exhibit A-1 sets forth a list and description that is true and correct in all material respects of all the Exemplary Personal Property as of the date hereof.

(b) Exhibit B-1 sets forth a list and description that is true and correct in all material respects of all the Sacagawea Personal Property as of the date hereof.

(c) Exhibit C-1 sets forth a list and description that is true and correct in all material respects of all the Three Bears Personal Property as of the date hereof.

(d) Exhibit A-2 sets forth a true and correct list and description of all real estate owned in fee that comprises all of the Exemplary Real Property Interests, as of the date hereof.

(e) Exhibit B-2 sets forth a true and correct list and description of all real estate owned in fee that comprises all of the Sacagawea Real Property Interests, as of the date hereof.

(f) Exhibit C-2 sets forth a true and correct list and description of all real estate owned in fee that comprises all of the Three Bears Real Property Interests, as of the date hereof.

(g) Exhibit A-3 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume page number) of all the Exemplary Rights-of-Way, as of the date hereof.

(h) Exhibit B-3 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume page number) of all the Sacagawea Rights-of-Way, as of the date hereof.

(i) Exhibit C-3 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume page number) of all the Three Bears Rights-of-Way, as of the date hereof.

(j) Exhibit A-4 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume and page number) of all the Exemplary Surface Rights Agreements, as of the date hereof.

(k) Exhibit B-4 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume and page number) of all the Sacagawea Surface Rights Agreements, as of the date hereof.

(l) Exhibit C-4 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume and page number) of all the Three Bears Surface Rights Agreements, as of the date hereof.

(m) Except as set forth in Schedule 4.4(m) , there are no preferential rights of purchase or consent rights of any Person that are applicable to the Paradigm Assets due to the transactions contemplated hereby.

4.5 Title. Except as set forth on Schedule 4.5:

(a) Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, has Defensible Title to the Exemplary Real Property Interests and the Exemplary Rights- of-Way.

(b) Sacagawea has Defensible Title to the Sacagawea Real Property Interests and the Sacagawea Rights-of-Way.

(c) Three Bears has Defensible Title to the Three Bears Real Property Interests and the Three Bears Rights-of-Way.

(d) There is no default with respect to any of the Exemplary Real Property Interests or Exemplary Rights-of-Way, which default could reasonably be expected to result in a termination or loss of any of such Exemplary Real Property Interests or Exemplary Rights-of- Way.

(e) There is no default with respect to any of the Sacagawea Real Property Interests or Sacagawea Rights-of-Way, which default could reasonably be expected to result in a termination or loss of any of such Sacagawea Real Property Interests or Sacagawea Rights-of- Way.

(f) There is no default with respect to any of the Three Bears Real Property Interests or Three Bears Rights-of-Way, which default could reasonably be expected to result in a termination or loss of any of such Three Bears Real Property Interests or Three Bears Rights- of-Way.

(g) There are no obligations under the terms of the instruments creating the possessory interests of Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, in the Exemplary Real Property Interests or the Exemplary Rights-of-Way requiring the payment of any money to permit the continued use of the rights granted by such instruments.

(h) There are no obligations under the terms of the instruments creating the possessory interests of Sacagawea in the Sacagawea Real Property Interests or the Sacagawea Rights-of-Way requiring the payment of any money to permit the continued use of the rights granted by such instruments.

(i) There are no obligations under the terms of the instruments creating the possessory interests of Three Bears in the Three Bears Real Property Interests or the Three Bears Rights-of-Way requiring the payment of any money to permit the continued use of the rights granted by such instruments.

(j) Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, owns in fee or has a valid interest in, as applicable, all tracts of land, easements, rights-of- way, licenses, servitudes, and other surface rights (collectively, “Real Property Assets”) necessary to develop, own, and operate the Exemplary Assets, other than as indicated in the Exemplary Project.

(k) Sacagawea owns in fee or has a valid interest in, as applicable, all Real Property Assets necessary to develop, own, and operate the Sacagawea Assets, other than as indicated in the Sacagawea Project (such unattained Real Property Assets, the “Unattained Sacagawea Real Property

Assets"). Reasonable estimates of the cost to obtain all such Unattained Sacagawea Real Property Assets are included in the Paradigm Draft Budget.

(l) Three Bears owns in fee or has a valid interest in, as applicable, all Real Property Assets necessary to develop, own, and operate the Three Bears Assets, other than as indicated in the Three Bears Project.

(m) Paradigm ND, as of the date hereof, and Exemplary, as of the Closing Date, has a good and marketable title to the Exemplary Personal Property free and clear of all Liens other than Permitted Asset Liens.

(n) Sacagawea has a good and marketable title to the Sacagawea Personal Property free and clear of all Liens other than Permitted Asset Liens.

(o) Three Bears has a good and marketable title to the Three Bears Personal Property free and clear of all Liens other than Permitted Asset Liens.

4.6 Permits.

(a) Schedule 4.6(a) sets forth a true and complete list of all of the material Permits relating to the Exemplary Assets to which Paradigm ND is a party as of the date hereof, and to which Exemplary will be a party as of the Closing Date (the " Exemplary Permits"). Except as set forth on Schedule 4.6(a): (i) Paradigm ND validly holds the Exemplary Permits as of the date hereof, and Exemplary will validly hold the Exemplary Permits as of the Closing Date and (ii) Paradigm ND has not received any written notification concerning any violations with respect to any of the Exemplary Permits as of the date hereof, and Paradigm ND has not, and to Paradigm's Knowledge Exemplary has not, received any written notification concerning any violations with respect to any of the Exemplary Permits as of the Closing Date.

(b) Schedule 4.6(b) sets forth a true and complete list of all of the material Permits relating to the Sacagawea Assets to which Sacagawea is a party as of the date hereof (the " Sacagawea Permits"). Except as set forth on Schedule 4.6(b): (i) Sacagawea validly holds the Sacagawea Permits and (ii) Paradigm has not, and to Paradigm's Knowledge Sacagawea has not, received any written notification concerning any violations with respect to any of the Sacagawea Permits.

(c) Schedule 4.6(c) sets forth a true and complete list of all of the material Permits relating to the Three Bears Assets to which Three Bears is a party as of the date hereof (the " Three Bears Permits"). Except as set forth on Schedule 4.6(c): (i) Three Bears validly holds the Three Bears Permits and (ii) Paradigm has not, and to Paradigm's Knowledge Three Bears has not, received any written notification concerning any violations with respect to any of the Three Bears Permits.

(d) Schedule 4.6(d) sets forth a true and complete list as of the date hereof of all of the material Permits required to complete the Sacagawea Project, other than the Sacagawea Permits.

4.7 Contracts.

(a) Schedule 4.7(a) sets forth a true and complete listing, as of the date hereof, of (i) the Contracts relating to the Exemplary Assets to which Paradigm ND is a party as of the date hereof, and to which Exemplary will be a party as of the Closing Date and (ii) the Contracts by which the Exemplary Assets are otherwise bound (the " Exemplary Contracts"). Paradigm has provided PSXP with a true and complete copy of each Exemplary Contract, including all amendments thereto. The Exemplary Contracts are in full force and effect as to Paradigm ND or the applicable Affiliate of Paradigm as of the date hereof and as to Exemplary as of the Closing Date, and to Paradigm's Knowledge, as to each counterparty (excluding any Exemplary Contract that terminates as a result of expiration of its existing term). Except as set forth on Schedule 4.7(a), there exist no defaults under the Exemplary Contracts by Paradigm ND or any Affiliate thereof as of the date hereof, by Exemplary as of the Closing Date, and to Paradigm's Knowledge, by any other Person that is a party to such Exemplary Contracts. Except as set forth on Schedule 4.7(a), neither Paradigm ND nor its Affiliates as of the date hereof nor Exemplary as of the Closing Date has given or received any written notice of any material disputes under any Exemplary Contract. Neither Paradigm ND nor its Affiliates as of the date hereof nor Exemplary as of the Closing Date has received or given any unresolved written notice of default, amendment, waiver, price redetermination, market out, curtailment or termination with respect to any Exemplary Contract.

(b) Schedule 4.7(b) sets forth a true and complete listing of the Governing Documents of Sacagawea and, as of the date hereof, the Contracts to which Sacagawea is a party or by which the Sacagawea Assets are otherwise bound (collectively, the " Sacagawea Contracts"). Paradigm has provided PSXP with a true and complete copy of each Sacagawea Contract, including all amendments thereto. The Sacagawea Contracts are in full force and effect as to Sacagawea, Paradigm, and Affiliates of Paradigm, as applicable, and to Paradigm's Knowledge, as to each counterparty (excluding any Sacagawea Contract that terminates as a result of expiration of its existing term). Except as set forth on Schedule 4.7(b), there exist no defaults under the Sacagawea Contracts by Sacagawea, Paradigm, or any Affiliate of Paradigm, and to Paradigm's Knowledge, by any other Person that is a party to such Sacagawea Contracts. Except as set forth on Schedule 4.7(b), neither Sacagawea, Paradigm, nor any Affiliate of Paradigm has given or received any written notice of any material disputes under any Sacagawea Contract. None of Sacagawea, Paradigm, nor any Affiliate of Paradigm has received or given any unresolved written notice of default, amendment, waiver, price redetermination, market out, curtailment or termination with respect to any Sacagawea Contract.

(c) Schedule 4.7(c) sets forth a true and complete listing, as of the date hereof, of the Contracts to which Three Bears is a party or by which the Three Bears Assets are otherwise bound (the " Three Bears Contracts"). Paradigm has provided PSXP with a true and complete copy of each Three Bears Contract, including all amendments thereto. The Three Bears Contracts are in full force and effect as to Three Bears, and to Paradigm's Knowledge, as to each counterparty (excluding any Three Bears Contract that terminates as a result of expiration of its existing term). Except as set forth on Schedule 4.7(c), there exist no defaults under the Three Bears Contracts by Three Bears, and to Paradigm's Knowledge, by any other Person that is a party to such Three Bears Contracts. Except as set forth on Schedule 4.7(c), Three Bears has not given or received any written notice of any

material disputes under any Three Bears Contract. Three Bears has not received or given any unresolved written notice of default, amendment, waiver, price redetermination, market out, curtailment or termination with respect to any Three Bears Contract.

4.8 Taxes. Except as set forth on Schedule 4.8:

(a) All Tax Returns with respect to the (i) Sacagawea Interests, (ii) Three Bears Interests, (iii) Exemplary Interests, (iv) Paradigm Companies, (v) Exemplary Assets, (vi) Three Bears Joint Venture Interest and (vii) Three Bears Assets, have been timely filed. Such Tax Returns are true, correct and complete in all material respects.

(b) All Taxes (whether or not reflected on a Tax Return) due and owing with respect to the (i) Sacagawea Interests, (ii) Three Bears Interests, (iii) Exemplary Interests, (iv) Paradigm Companies, (v) Exemplary Assets, (vi) Three Bears Joint Venture Interest and (vii) Three Bears Assets have been timely paid to the appropriate Governmental Authority. There are no Liens for Taxes on any of the (i) Sacagawea Interests, (ii) Three Bears Interests, (iii) Exemplary Interests, (iv) Paradigm Assets,(v) Exemplary Assets, (vi) Three Bears Joint Venture Interests or (vii) Three Bears Assets.

(c) There is no Proceeding pending or threatened in writing for any Taxes with respect to the (i) Sacagawea Interests, (ii) Three Bears Interests, (iii) Exemplary Interests, (iv) Paradigm Companies, (v) Exemplary Assets, (vi) Three Bears Joint Venture Interest or (vii) Three Bears Assets.

(d) None of the Paradigm Companies nor the Three Bears Joint Venture is a party to any Tax sharing agreement and otherwise has any contractual obligation to indemnify any Person with respect to Taxes.

(e) Each of Sacagawea and the Three Bears Joint Venture is, and has been since the date of its formation, a partnership, and each of Exemplary and Three Bears is , and has been since the date of its formation, an entity disregarded as separate from its owner, for U.S. federal income Tax purposes.

4.9 Litigation; Compliance with Laws. Except as set forth on Schedule 4.9:

(a) There is no Proceeding pending or, to Paradigm's Knowledge, threatened (i) against Paradigm or any of its Affiliates that questions or involves the validity or enforceability of any obligations of Paradigm under this Agreement or any of the Transaction Documents to which any such Person is a party or (ii) against or affecting (a) Paradigm ND as of the date hereof with respect to the Exemplary Assets, (b) any Paradigm Company or (c) any of the Paradigm Assets.

(b) There are no judgments, orders, decrees or injunctions of any Governmental Authority, or, to Paradigm's Knowledge, sought by any Governmental Authority, whether at Law or in equity, (i) against or affecting any of the Paradigm Assets or (ii) that questions or involves the validity or enforceability of any obligations of Paradigm under this Agreement or any of the Transaction Documents to which such entity is a party.

(c) Paradigm has been and is in compliance in all material respects with applicable Laws with respect to (i) the ownership of the Paradigm Interests and (ii) the Exemplary Assets, as the date hereof, and to Paradigm's Knowledge, each Paradigm Company is in compliance in all material respects with applicable Laws with respect to the Paradigm Assets.

4.10 Employees and Employee Benefits. None of the Paradigm Companies has, or has ever had, any employees.

4.11 Insurance. Schedule 4.11 sets forth all insurance policies of Paradigm, the Paradigm Companies or any of their respective Affiliates that provide coverage with respect to the Paradigm Assets (including amounts and types of coverage) (the " Paradigm Insurance Policies"). All of the Paradigm Insurance Policies are in full force and effect, and the policyholders are in compliance in all material respects with the terms of such policies. There is no claim pending under any of the Paradigm Insurance Policies as to which coverage with respect to the policyholder or insured party has been denied or disputed by the underwriters or issuers of such Paradigm Insurance Policies. No such policyholder has received any written notice of cancellation of any of the Paradigm Insurance Policies, that any Paradigm Insurance Policy will not be renewed or that any underwriter or issuer of any of the Paradigm Insurance Policies is unable or unwilling to perform its obligations thereunder.

4.12 Intellectual Property. Except as otherwise set forth on Schedule 4.12, neither Paradigm, the Paradigm Companies nor any of their respective Affiliates own any material Intellectual Property or possess any licenses to use any material Intellectual Property (other than customary software licenses relating to "off-the-shelf" software) that is used in connection with the Paradigm Assets. To Paradigm's Knowledge, the use of the Paradigm Assets does not materially conflict with any Intellectual Property of any Third Parties.

4.13 Solvency. Paradigm and each Paradigm Company is, and immediately after giving effect to the transactions contemplated by this Agreement and the Transaction Documents will be, Solvent.

4.14 Brokerage Arrangements. Neither Paradigm nor any Paradigm Company have entered (directly or indirectly) into any Contract with any Person that would require the payment of a commission, brokerage or "finder's fee" or other fee in connection with this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby for which Pipeline LLC, Terminal LLC or PSXP would be responsible.

4.15 Subsidiaries. None of the Paradigm Companies has, or has ever had, any subsidiaries.

4.16 Bank Accounts. Each bank account owned by a Paradigm Company is set forth on Schedule 4.16.

4.17 Independent Investigation. Paradigm is sophisticated in the evaluation, purchase, ownership and operation of oil and gas midstream assets, gas gathering pipelines and related facilities. In making its decision to enter into this Agreement, and to consummate the transaction contemplated hereby and thereby, Paradigm, except to the extent of the express representations, warranties, covenants

and agreements of PSXP and the Additional PSXP Parties contained in this Agreement and the Transaction Documents, or in the schedules delivered in connection herewith and therewith, (a) has relied or shall rely on its own independent investigation and evaluation of the PSXP Assets and the advice of its own legal, tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by any representatives or consultants or advisors engaged by PSXP, and (b) has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the PSXP Assets.

4.18 Financing. Paradigm has, or will have at Closing, sufficient cash, available lines of credit or other sources of immediately available funds to enable Paradigm to fund the Estimated Paradigm Closing Cash Contribution and its other obligations as of Closing under the Transaction Documents.

4.19 Accredited Investor. Paradigm is an "accredited investor," as such term is defined in Regulation D of the Securities Act, as amended, and will acquire its Equity Interest in Pipeline LLC and Terminal LLC for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act, and the rules and regulations thereunder, any applicable state blue sky Laws or any other applicable securities Laws. Paradigm acknowledges that the Equity Interest in Pipeline LLC and Terminal LLC received in exchange for its capital contribution will not be registered under the Securities Act or any applicable state securities Law, and that the Equity Interest in Pipeline LLC and Terminal LLC may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to state securities Laws and regulations as applicable.

4.20 Investment Company. Neither Paradigm nor any of its Affiliates is an investment company or a company controlled by an investment company, within the meaning of the Investment Company Act of 1940, as amended.

4.21 Ownership and Transfer of the Paradigm Interest. Paradigm is the owner of record of (i) the Sacagawea Interests representing 88% of the issued and outstanding Equity Interest of Sacagawea, (ii) at Closing, the Exemplary Interests representing 100% of the issued and outstanding Equity Interest of Exemplary and (iii) the Three Bears Interests representing 100% of the issued and outstanding Equity Interest of Three Bears. Grey Wolf Midstream, LLC is the owner of record of 12% of the issued and outstanding Equity Interest of Sacagawea. Paradigm has good and valid title to the Sacagawea Interests and the Three Bears Interests, and at Closing, will have good and valid title to the Exemplary Interests, in each case, free and clear of any and all Liens other than Permitted Liens and transfer restrictions imposed pursuant to applicable securities Laws. Paradigm has the requisite power and authority to sell, assign, transfer, convey and deliver the Paradigm Interests to Pipeline LLC. There are no outstanding options or warrants to purchase, or other securities convertible into, Equity Interests of the Paradigm Companies.

4.22 Disclaimer.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR CERTIFICATE DELIVERED BY PARADIGM OR THE ADDITIONAL PARADIGM PARTIES IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT (i) PARADIGM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (ii) PARADIGM EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO PSXP OR ANY ITS AFFILIATES, EMPLOYEES, AGENTS, CONSULTANTS OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PSXP BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF PARADIGM OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR CERTIFICATE DELIVERED BY PARADIGM OR THE ADDITIONAL PARADIGM PARTIES IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PARADIGM EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (i) THE CONTENT, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES; (ii) ANY ESTIMATES OF THE VALUE OF THE PARADIGM ASSETS OR FUTURE REVENUES GENERATED BY THE PARADIGM ASSETS; (iii) THE TRANSPORTATION, PROCESSING OR GATHERING OF HYDROCARBONS FROM THE PARADIGM ASSETS; (iv) THE VOLUMES OF HYDROCARBONS AVAILABLE TO THE PARADIGM ASSETS; (v) TITLE TO, OR THE CONDITION, QUALITY, SUITABILITY OR DESIGN OF, THE PARADIGM ASSETS, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY PSXP THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR ANY CERTIFICATE DELIVERED BY PARADIGM IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT, PIPELINE LLC WILL BE DEEMED TO BE OBTAINING THE PARADIGM ASSETS IN THEIR PRESENT STATUS, CONDITION, AND STATE OF REPAIR, “AS IS” AND “WHERE IS” WITH ALL FAULTS AND PSXP HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PSXP DEEMS APPROPRIATE; (vi) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO PSXP OR ITS AFFILIATES, OR THEIR EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, AND FURTHER DISCLAIM ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM EXHIBITORY VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF PSXP

Except as set forth in the Schedules delivered to Paradigm by PSXP on the date hereof, PSXP represents and warrants to Paradigm as of the date hereof and as of the Closing as follows:

5.1 Organization.

(a) PSXP is a limited partnership duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite limited partnership power and authority to carry on its business as now conducted. Mountrail is a Delaware limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite limited liability company power and authority to own the PSXP Assets, as the date hereof, and the Mountrail Assets, as of the Closing, and to carry on its business as now conducted. Mountrail is duly licensed or qualified to do business and is in good standing in the states in which the character of the properties and assets owned or held by it or the nature of the business conducted by it requires it to be so licensed or qualified, except where the failure to be so qualified would not have a Material Adverse Effect on Mountrail.

(b) Mountrail has no assets or Liabilities other than those associated with the Mountrail Assets. Other than Permitted Asset Liens, there are no Liens on any of the PSXP Assets.

5.2 Authority and Approval; Enforceability. PSXP has full limited partnership power and authority to execute and deliver this Agreement and, subject to the satisfaction of the condition set forth in Section 7.1(e), the Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby and to perform all of the terms and conditions hereof and thereof to be performed. The execution and delivery of this Agreement and, subject to the satisfaction of the condition set forth in Section 7.1(e), the Transaction Documents to which PSXP is a party, the consummation of the transactions contemplated hereby and thereby and the performance of all of the terms and conditions hereof and thereof to be performed have been duly authorized and approved by all requisite limited partnership action of PSXP. This Agreement and each of the Transaction Documents to which PSXP or the Additional PSXP Parties is a party is, or when executed will be, duly executed and delivered by PSXP or the Additional PSXP Parties, as applicable, and, assuming this Agreement and each of the Transaction Documents to which PSXP is a party have been duly authorized, executed and delivered by Paradigm and the Additional Paradigm Parties, as the case may be, constitute the valid and legally binding obligation of PSXP or the Additional PSXP Parties, as applicable, enforceable against PSXP or the Additional PSXP Parties, as applicable, in accordance with their terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights and remedies generally and by general principles of equity (whether applied in a proceeding at law or in equity).

5.3 No Conflict; Consents.

(a) Except as set forth on Schedule 5.3(a), the execution, delivery and performance of this Agreement and the Transaction Documents by PSXP and the Additional PSXP Parties do not, and the fulfillment and compliance with the terms and conditions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not, (i) violate, conflict with any of, result in any breach of, or require the consent of any Person under, the terms, conditions or provisions of the Governing Documents of PSXP or the Additional PSXP Parties, (ii) violate any provision of any Law applicable to PSXP, Terminal LLC, the Paradigm Interests, the Mountrail Interests, Mountrail, or the PSXP Assets; (iii) conflict with, result in a breach of, constitute a default under (whether with notice or the lapse of time or both), or accelerate or permit the acceleration of the performance required by, or result in the suspension, termination or cancellation of, or in a right of suspension, termination or cancellation of, any Contract or other instrument to which PSXP or Mountrail is bound, or to which, immediately after the Closing, Terminal LLC will be bound or violate any Permit held by Mountrail or that will be held by Terminal LLC immediately after the Closing, related to the PSXP Assets.

(b) Except as set forth on Schedule 5.3(b), no consent, approval, license, permit, order or authorization of any Governmental Authority is required in connection with the execution, delivery, and performance by PSXP of this Agreement and the Transaction Documents except (i) as have been waived or obtained or (ii) with respect to which the time for asserting such right has expired.

5.4 Assets.

(a) Exhibit D-1 sets forth a list and description that is true and correct in all material respects of all the Mountrail Personal Property as of the date hereof.

(b) Exhibit D-2 sets forth a true and correct list and description of all real estate owned in fee that comprises all of the PSXP Real Property Interests as of the date hereof.

(c) Exhibit D-3 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee, recording volume number, recording volume page number) of all the Mountrail Rights-of-Way as of the date hereof.

(d) Exhibit D-4 sets forth a true and correct list and summary description (including location by state, county and township, date, grantor, grantee) of all the Mountrail Surface Rights Agreements as of the date hereof.

(e) Except as set forth in Schedule 5.4(e), there are no preferential rights of purchase or consent rights of any Person that are applicable to the PSXP Assets due to the transactions contemplated hereby.

5.5 Title. Except as set forth on Schedule 5.5:

(a) Mountrail, as of the date hereof, and PSXP, as of the Closing Date, has Defensible Title to the PSXP Real Property Interests, and Mountrail has Defensible Title to the Mountrail Rights-of-Way.

(b) There is no default with respect to any of the PSXP Real Property Interests or Mountrail Rights-of-Way, which default could reasonably be expected to result in a termination or loss of any of such PSXP Real Property Interests or Mountrail Rights-of-Way.

(c) There are no obligations under the terms of the instruments creating the possessory interests of Mountrail, as of the date hereof, and PSXP, as of the Closing Date, in the PSXP Real Property Interests, or of Mountrail in the Mountrail Rights-of-Way requiring the payment of any money to permit the continued use of the rights granted by such instruments.

(d) PSXP and Mountrail, collectively, own in fee or have a valid interest in, as applicable, all Real Property Assets necessary to develop, own, and operate the PSXP Assets, other than as indicated in the PSXP Project (such unattained Real Property Assets, the "Unattained PSXP Real Property Assets"). Reasonable estimates of the cost to obtain all such Unattained PSXP Real Property Assets are included in the PSXP Draft Budget.

(e) Mountrail has a good and marketable title to the Mountrail Personal Property free and clear of all Liens other than Permitted Asset Liens.

5.6 Permits.

(a) Schedule 5.6(a) sets forth a true and complete list of all of the material Permits relating to the PSXP Assets to which Mountrail is a party as of the date hereof (the " Mountrail Permits"). Except as set forth on Schedule 5.6(a): (i) Mountrail validly holds the Mountrail Permits and (ii) PSXP has not, and to PSXP's Knowledge Mountrail has not, received any written notification concerning any violations with respect to any of the Mountrail Permits.

(b) Schedule 5.6(b) sets forth a true and complete list as of the date hereof of all of the material Permits required to complete the PSXP Project, other than the Mountrail Permits.

5.7 Contracts. Schedule 5.7 sets forth a true and complete listing of the Governing Documents of Mountrail. Schedule 5.7 sets forth a true and complete listing, as of the date hereof, of the Contracts to which Mountrail is a party or by which the PSXP Assets are otherwise bound (collectively, the " Mountrail Contracts"). PSXP has provided Paradigm with a true and complete copy of each Mountrail Contract, including all amendments thereto. The Mountrail Contracts are in full force and effect as to Mountrail and to PSXP's Knowledge, as to each counterparty (excluding any Mountrail Contract that terminates as a result of expiration of its existing term). Except as set forth on Schedule 5.7, there exist no defaults under the Mountrail Contracts by Mountrail and to PSXP's Knowledge, by any other Person that is a party to such Mountrail Contracts. Except as set forth on Schedule 5.7, Mountrail has not given or received any written notice of any material disputes under any Mountrail Contract. Mountrail has not received or given any unresolved written notice of default,

amendment, waiver, price redetermination, market out, curtailment or termination with respect to any Mountrail Contract.

5.8 Taxes. Except as set forth on Schedule 5.8:

(a) All Tax Returns with respect to (i) the Mountrail Interests, (ii) Mountrail and (iii) the PSXP Assets, have been timely filed. Such Tax Returns are true, correct and complete in all material respects.

(b) All Taxes (whether or not reflected on a Tax Return) due and owing with respect to (i) the Mountrail Interests, (ii) Mountrail and (iii) the PSXP Assets, have been timely paid to the appropriate Governmental Authority. There are no Liens for Taxes on any of (i) the Mountrail Interests, (ii) Mountrail and (iii) the PSXP Assets.

(c) There is no Proceeding pending or threatened in writing for any Taxes with respect to (i) the Mountrail Interests, (ii) Mountrail and (iii) the PSXP Assets.

(d) Mountrail is not a party to any Tax sharing agreement and it does not otherwise have any contractual obligation to indemnify any Person with respect to Taxes.

(e) Mountrail is, and has been since the date of its formation, an entity disregarded as separate from its owner, for U.S. federal income Tax purposes.

5.9 Litigation; Compliance with Laws. Except as set forth on Schedule 5.9:

(a) There is no Proceeding pending or, to PSXP's Knowledge, threatened (i) against PSXP or any of its Affiliates that questions or involves the validity or enforceability of any obligations of PSXP under this Agreement or any of the Transaction Documents to which any such Person is a party or (ii) against or affecting (A) Mountrail or (B) any of the PSXP Assets.

(b) There are no judgments, orders, decrees or injunctions of any Governmental Authority, or, to PSXP's Knowledge, sought by any Governmental Authority, whether at Law or in equity, (i) against or affecting any of the PSXP Assets or (ii) that questions or involves the validity or enforceability of any obligations of PSXP under this Agreement or any of the Transaction Documents to which such entity is a party.

(c) To PSXP's Knowledge, (i) PSX has been and is in compliance in all material respects with applicable Laws with respect to the ownership of the Mountrail Interests as of the date hereof and (ii) Mountrail is in compliance in all material respects with applicable Laws with respect to the PSXP Assets.

5.10 Employees and Employee Benefits. Mountrail does not have, and has never had, any employees.

5.11 Insurance. Schedule 5.11 sets forth all insurance policies of PSXP and Mountrail or any of their respective Affiliates that provide coverage with respect to the PSXP Assets (including amounts and types of coverage) (the " PSXP Insurance Policies"). All of the PSXP Insurance Policies

are in full force and effect, and the policyholders are in compliance in all material respects with the terms of such policies. There is no claim pending under any of the PSXP Insurance Policies as to which coverage with respect to the policyholder or insured party has been denied or disputed by the underwriters or issuers of such PSXP Insurance Policies. No such policyholder has received any written notice of cancellation of any of the PSXP Insurance Policies, that any PSXP Insurance Policy will not be renewed or that any underwriter or issuer of any of the PSXP Insurance Policies is unable or unwilling to perform its obligations thereunder.

5.12 Intellectual Property. Except as otherwise set forth on Schedule 5.12, neither PSXP, Mountrail nor any of their respective Affiliates own any material Intellectual Property or possess any licenses to use any material Intellectual Property (other than customary software licenses relating to "off-the-shelf" software) that is used in connection with the PSXP Assets. To PSXP's Knowledge, the use of the PSXP Assets does not materially conflict with any Intellectual Property of any Third Parties.

5.13 Solvency. PSXP and Mountrail are, and immediately after giving effect to the transactions contemplated by this Agreement and the Transaction Documents will be, Solvent.

5.14 Brokerage Arrangements. Neither PSXP nor Mountrail have entered (directly or indirectly) into any Contract with any Person that would require the payment of a commission, brokerage or "finder's fee" or other fee in connection with this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby for which Pipeline LLC, Terminal LLC or Paradigm would be responsible.

5.15 Subsidiaries. Mountrail does not have, and has never had, any subsidiaries.

5.16 Bank Accounts. As of the date hereof, each bank account owned by Mountrail is set forth on Schedule 5.16.

5.17 Independent Investigation. PSXP is sophisticated in the evaluation, purchase, ownership and operation of oil and gas midstream assets, gas gathering pipelines and related facilities. In making its decision to enter into this Agreement, and to consummate the transaction contemplated hereby and thereby, PSXP, except to the extent of the express representations, warranties, covenants and agreements of Paradigm and the Additional Paradigm Parties contained in this Agreement and the Transaction Documents, or in the schedules delivered in connection herewith and therewith, (a) has relied or shall rely on its own independent investigation and evaluation of the Paradigm Assets and the advice of its own legal, tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by any representatives or consultants or advisors engaged by Paradigm, and (b) has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Paradigm Assets.

5.18 Financing. PSXP has, or will have at Closing, sufficient cash, available lines of credit or other sources of immediately available funds to enable PSXP to fund the Estimated PSXP Closing Cash Contribution and its other obligations as of Closing under the Transaction Documents.

5.19 Accredited Investor. PSXP is an "accredited investor," as such term is defined in Regulation D of the Securities Act, as amended, and will acquire its Equity Interest in Pipeline LLC and Terminal LLC for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act, and the rules and regulations thereunder, any applicable state blue sky Laws or any other applicable securities Laws. PSXP acknowledges that the Equity Interest in Pipeline LLC and Terminal LLC received in exchange for its capital contribution will not be registered under the Securities Act or any applicable state securities Law, and that the Equity Interest in Pipeline LLC and Terminal LLC may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to state securities Laws and regulations as applicable.

5.20 Investment Company. Neither PSXP nor any of its Affiliates is an investment company or a company controlled by an investment company, within the meaning of the Investment Company Act of 1940, as amended.

5.21 Ownership and Transfer of the Mountrail Interests. As of Closing, PSXP is the owner of record of the Mountrail Interests representing 100% of the issued and outstanding Equity Interest of Mountrail. PSXP will, as of Closing, have good and valid title to the Mountrail Interests free and clear of any and all Liens other than Permitted Liens and transfer restrictions imposed pursuant to applicable securities Laws. PSXP will, as of Closing, have the requisite power and authority to sell, assign, transfer, convey and deliver the Mountrail Interests to Terminal LLC. There are no outstanding options or warrants to purchase, or other securities convertible into, Equity Interests of Mountrail.

5.22 Disclaimer.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR CERTIFICATE DELIVERED BY PSXP OR THE ADDITIONAL PSXP PARTIES IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT (i) PSXP MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (ii) PSXP EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO PARADIGM OR ANY ITS AFFILIATES, EMPLOYEES, AGENTS, CONSULTANTS OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PARADIGM BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF PSXP OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR CERTIFICATE DELIVERED BY PSXP OR THE ADDITIONAL PSXP PARTIES IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PSXP EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (i) THE CONTENT, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES; (ii) ANY ESTIMATES OF THE VALUE OF

THE PSXP ASSETS OR FUTURE REVENUES GENERATED BY THE PSXP ASSETS; (iii) THE TRANSPORTATION, PROCESSING, STORAGE OR GATHERING OF HYDROCARBONS FROM OR IN THE PSXP ASSETS; (iv) THE VOLUMES OF HYDROCARBONS AVAILABLE TO THE PSXP ASSETS; (v) TITLE TO, OR THE CONDITION, QUALITY, SUITABILITY OR DESIGN OF, THE MOUNTRAIL INTERESTS OR THE PSXP ASSETS, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY PARADIGM THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR ANY CERTIFICATE DELIVERED BY PSXP IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT, TERMINAL LLC WILL BE DEEMED TO BE OBTAINING THE MOUNTRAIL INTERESTS AND THE PSXP ASSETS IN THEIR PRESENT STATUS, CONDITION, AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND PARADIGM HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PARADIGM DEEMS APPROPRIATE; (vi) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO PARADIGM OR ITS AFFILIATES, OR THEIR EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, AND FURTHER DISCLAIM ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM EXHIBITORY VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT.

ARTICLE 6

ADDITIONAL AGREEMENTS, COVENANTS, RIGHTS AND OBLIGATIONS

6.1 Operation of the Paradigm Assets.

(a) Except as provided in this Agreement or as consented to in writing by PSXP, during the period from the date of this Agreement through the earlier of the Closing Date and the termination of this Agreement, Paradigm shall, and shall cause Paradigm ND and each Paradigm Company, to:

(i) own, maintain and develop the Paradigm Assets in the ordinary course of business;

(ii) communicate regularly with PSXP and keep PSXP advised of any material developments relating to the Paradigm Assets; and

(iii) use commercially reasonable efforts to pursue the development of the Paradigm Project, including making capital expenditures in respect of the Sacagawea Project in accordance with the Paradigm Draft Budget.

(b) Except as set forth on Schedule 6.1(b), as provided in this Agreement or the Transaction Documents or as consented to in writing by PSXP, during the period from the date of this Agreement through the earlier of the Closing Date or the termination of this Agreement, Paradigm

shall, and shall cause Paradigm ND and each Paradigm Company to, not do any of the following as it relates to the Paradigm Companies or the Paradigm Assets:

(i) merge, consolidate, liquidate, dissolve, recapitalize or otherwise wind up its business or amend any Governing Documents of any Paradigm Company;

(ii) (A) issue any Equity Interest, or effect any change in its capitalization as it exists on the date of this Agreement in the Paradigm Companies, (B) redeem, purchase or otherwise acquire any Equity Interest, (C) grant, confer or award any option, warrant, conversion right or other right to acquire or otherwise with respect to any Equity Interest, or grant or issue any restricted securities, (D) encumber the Equity Interest of any Paradigm Company or (E) enter into any solvency or bankruptcy proceedings;

(iii) enter into any Contract (including, in the case of the Paradigm Companies, by the acceptance of the assignment of any Contract), terminate any Paradigm Contract or amend any Paradigm Contract in any material respect, other than any contract entered into with respect to the Open Season;

(iv) purchase or otherwise acquire (including by merger, consolidation, purchase of assets, lease or otherwise) the business of, or any Equity Interest in, any Person;

(v) sell, lease or otherwise dispose of any Paradigm Asset that individually has a fair market value of in excess of $500,000;

(vi) take any action, refrain from taking any action, or enter into any Contract that would result in the imposition of any Lien (other than Permitted Asset Liens) on any of the Paradigm Assets;

(vii) cancel, compromise, waive, release or settle any right, claim or lawsuit with respect to the Paradigm Assets other than immaterial rights and claims in the ordinary course of business consistent with past practice;

(viii) make any capital expenditures with respect to the Paradigm Assets, other than (A) in the case of the Sacagawea Project, expenditures in accordance with the Paradigm Draft Budget and (B) in the case of the Exemplary Project and the Three Bears Project, expenditures that do not, individually or in the aggregate with all such other expenditures, exceed $1,000,000;

(ix) purchase any assets relating to the Paradigm Project other than (A) in the case of the Sacagawea Project, purchased in accordance with the Paradigm Draft Budget and (B) in the case of the Exemplary Project and the Three Bears Project, purchases that do not, individually or in the aggregate with all such other purchases, exceed $1,000,000;

(x) enter into any transactions with any of its Affiliates relating to or affecting the Paradigm Assets, except as contemplated by this Agreement;

(xi) fail to maintain in full force and effect the Paradigm Insurance Policies; or

(xii) agree, whether in writing or otherwise, to do any of the foregoing.

6.2 Operation of the PSXP Assets.

(a) Except as provided in this Agreement or as consented to in writing by Paradigm, during the period from the date of this Agreement through the earlier of the Closing Date and the termination of this Agreement, PSXP shall, and shall cause Mountrail, to:

(i) own, maintain and develop the PSXP Assets in the ordinary course of business;

(ii) communicate regularly with Paradigm and keep Paradigm advised of any material developments relating to the PSXP Assets; and

(iii) use commercially reasonable efforts to pursue the development of the PSXP Project, including making capital expenditures in respect of the PSXP Project in accordance with the PSXP Draft Budget.

(b) Except as set forth on Schedule 6.2(b), as provided in this Agreement or the Transaction Documents or as consented to in writing by Paradigm, during the period from the date of this Agreement through the earlier of the Closing Date or the termination of this Agreement, PSXP shall cause Mountrail to not do any of the following:

(i) merge, consolidate, liquidate, dissolve, recapitalize or otherwise wind up its business or amend any Governing Documents;

(ii) (A) issue any Equity Interest, or effect any change in its capitalization as it exists on the date of this Agreement, (B) redeem, purchase or otherwise acquire any Equity Interest, (C) grant, confer or award any option, warrant, conversion right or other right to acquire or otherwise with respect to any Equity Interest, or grant or issue any restricted securities or (D) enter into any solvency or bankruptcy proceedings;

(iii) purchase or otherwise acquire (including by merger, consolidation, purchase of assets, lease or otherwise) the business of, or any Equity Interest in, any Person;

(iv) enter into any Contract, terminate any Mountrail Contract or amend any Mountrail Contract in any material respect;

(v) sell, lease or otherwise dispose of any PSXP Asset that individually has a fair market value of in excess of $500,000;

(vi) take any action, refrain from taking any action, or enter into any Contract that would result in the imposition of any Lien (other than Permitted Asset Liens) on any of the PSXP Assets;

(vii) cancel, compromise, waive, release or settle any right, claim or lawsuit with respect to the PSXP Assets other than immaterial rights and claims in the ordinary course of business consistent with past practice;

(viii) make any capital expenditures with respect to the PSXP Assets, other than expenditures in accordance with the PSXP Draft Budget;

(ix) purchase any assets relating to the PSXP Project other than in accordance with the PSXP Draft Budget;

(x) enter into any transactions with any of its Affiliates relating to or affecting the PSXP Assets, except as contemplated by this Agreement;

(xi) fail to maintain in full force and effect the PSXP Insurance Policies; or

(xii) agree, whether in writing or otherwise, to do any of the foregoing.

(c) Except as set forth on Schedule 6.2(c), as provided in this Agreement or the Transaction Documents or as consented to in writing by Paradigm, during the period from the date of this Agreement through the earlier of the Closing Date or the termination of this Agreement, PSXP shall not do any of the following as it relates to Mountrail or the PSXP Real Property Interests:

(i) merge, consolidate, liquidate, dissolve, recapitalize or otherwise wind up its business or amend any Governing Documents;

(ii) encumber the Mountrail Interests;

(iii) enter into any Contract with respect to the PSXP Real Property Interests in any material respect;

(iv) sell, lease or otherwise dispose of any PSXP Real Property Interests that individually has a fair market value of in excess of $500,000;

(v) take any action, refrain from taking any action, or enter into any Contract that would result in the imposition of any Lien (other than Permitted Asset Liens) on any of the PSXP Assets;

(vi) cancel, compromise, waive, release or settle any right, claim or lawsuit with respect to the PSXP Assets other than immaterial rights and claims in the ordinary course of business consistent with past practice;

(vii) make any capital expenditures with respect to the PSXP Assets, other than expenditures in accordance with the PSXP Draft Budget;

(viii) purchase any assets relating to the PSXP Project other than in accordance with the PSXP Draft Budget;

(ix) enter into any transactions with any of its Affiliates relating to or affecting the PSXP Assets, except as contemplated by this Agreement;

(x) fail to maintain in full force and effect the PSXP Insurance Policies; or

(xi) agree, whether in writing or otherwise, to do any of the foregoing.

6.3 Access to Records.

(a) Between the date hereof and the earlier of the Closing Date or the earlier termination of this Agreement, each Party shall give the other Party (the " Accessing Party") and its authorized representatives reasonable access, during regular business hours and upon reasonable advance notice, to the financial, title, tax, corporate and legal materials and operating data, records and information relating to the Assets, the Paradigm Companies or Mountrail, as applicable, including the work papers used or created by such Party or their representatives, and shall furnish to such Party such other information as it may reasonably request; *provided* that, with respect to any such data, records and information that is in electronic form, each Party shall use commercially reasonable efforts to make such data, records and information (including the Records) available to the other Party in formats that are acceptable to them; and, *provided , further ,* that each Accessing Party shall not (a) contact clients, customers, suppliers or lenders of the other Party with respect to the transactions contemplated hereby or (b) perform invasive or subsurface investigations of the real property comprising the Assets, as applicable, without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed). Each Party shall, and shall cause its representatives to, comply fully with all rules, regulations, policies and instructions reasonably issued by the other Party and provided to them regarding such Person's actions while upon, entering or leaving any property. Each Party shall not, and shall cause its representatives not to, unreasonably interfere with the day-to-day operations of the businesses of the other Party in conducting any due diligence activities. Each Party shall have the right to have a representative present at all times of any

inspections, interviews, and examinations conducted at or on the offices or other facilities or properties of such Party.

(b) Each Accessing Party hereby agrees to defend, indemnify and hold harmless the other Party from and against any and all Liabilities attributable to personal injury, death or physical property damage, or violations of such other Party's or its Affiliate's rules, regulations or operating policies of which such Accessing Party or the Accessing Party's representatives and advisors had been informed, in each case arising out of, resulting from or relating to any field visit, environmental property assessment, or other due diligence activity conducted by such Accessing Party or any Accessing Party's representative or advisor with respect to the Assets, as applicable, prior to Closing, **EVEN IF SUCH LIABILITIES ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT ORCOMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PARTIES, EXCEPTING ONLY LIABILITIES ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PARTIES** .

6.4 Regulatory Filings; Consents. Each Party shall each use, and shall cause their respective Affiliates to use, all commercially reasonable efforts to obtain all necessary consents, waivers, authorizations and approvals and to give all notices to and make all filings with, all Governmental Authorities and other Persons that may be or become necessary for its execution and delivery of, and the performance of its obligations under this Agreement and the Transaction Documents to which it is a party and will cooperate fully with the other Party in promptly seeking to obtain all such authorizations, consents, orders, and approvals, giving such notices, and making such filings with respect to the transactions contemplated by this Agreement, provided that, except as specifically provided in this Section 6.4, such assistance shall not be deemed to require an expenditure of money by either Party with respect to consent or approval required to be obtained by any Party or their Affiliates.

6.5 Further Assurances. Upon the request of PSXP or Paradigm at any time on or after the Closing Date, the other Party shall, or if requested shall cause its Affiliate to, promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as the requesting Party or its counsel may reasonably request in order in order to effectuate the purposes of this Agreement or any of the Transaction Documents or to vest in Pipeline LLC or Terminal LLC (as applicable) all right, title and interest in and to Paradigm Interests, the Mountrail Interests, or the Assets (as applicable), free and clear of all Liens (except Permitted Liens and Permitted Asset Liens).

6.6 Employee Matters.

(a) For a period of one year beginning as of the date of this Agreement, PSXP agrees that neither PSXP nor any of its Affiliates will, without the prior written consent of Paradigm, solicit to hire or hire (or cause or seek to cause to leave the employ of Paradigm or any of its Affiliates) any person who is an employee of Paradigm or any of its Affiliates that perform services in connection with the Paradigm Assets; *provided* , *however* , that (i) the foregoing provision will not prevent PSXP or any of such Affiliates of PSXP from hiring any such person (x) who has been terminated by Paradigm

or any of its Affiliates, (y) who has not been employed by Paradigm or any of its Affiliates during the six preceding calendar months, or (z) who seeks employment with PSXP or any of such Affiliates of PSXP as a result of activities described in clause (ii) of this paragraph, or who otherwise seeks such employment without solicitation by PSXP or any of such Affiliates of PSXP, and (ii) a bona fide public advertisement or general solicitation for employment placed by PSXP or any of such Affiliates of PSXP and not specifically targeted at employees of Paradigm or any of its Affiliates shall not constitute a solicitation under this Agreement.

(b) For a period of one year beginning as of the date of this Agreement, Paradigm agrees that neither Paradigm nor any of its Affiliates will, without the prior written consent of PSXP, solicit to hire or hire (or cause or seek to cause to leave the employ of PSXP or any of its Affiliates) any person who is an employee of PSXP or any of its Affiliates that perform services in connection with the PSXP Assets; *provided , however ,* that (i) the foregoing provision will not prevent Paradigm or any of such Affiliates of Paradigm from hiring any such person (x) who has been terminated by PSXP or any of its Affiliates, (y) who has not been employed by PSXP or any of its Affiliates during the six preceding calendar months, or (z) who seeks employment with Paradigm or any of such Affiliates of Paradigm as a result of activities described in clause (ii) of this paragraph, or who otherwise seeks such employment without solicitation by Paradigm or any of such Affiliates of Paradigm, and (ii) a bona fide public advertisement or general solicitation for employment placed by Paradigm or any of such Affiliates of Paradigm and not specifically targeted at employees of PSXP or any of its Affiliates shall not constitute a solicitation under this Agreement.

6.7 Consents. In the case of any Assets constituting Contracts or Permits that require the consent of a Third Party in connection with the transactions contemplated hereby, the Parties will use their reasonable commercial efforts to obtain or cause to be obtained such consents in writing prior to the Closing Date (except for consents customarily obtained after closing in comparable transactions and as agreed by the Parties). Each Party will assist the other Party in such manner as may be reasonably requested in connection with the foregoing, including by participating in discussions and negotiations with all Persons with the authority to grant or withhold such consent, *provided, however* , that, such assistance will not be deemed to require any expenditure of money on the part of either Party, whether before or after the Closing Date.

6.8 Unrecorded Real Property Interests. Within 15 Business Days of the date of this Agreement, the Parties shall, or shall cause the Paradigm Companies or Mountrail, as applicable, to record in the appropriate county real property records all instruments held by such Person, evidencing ownership by such Person of any Paradigm Rights-of-Way or Mountrail Rights-of- Way or any Paradigm Surface Rights Agreements or Mountrail Surface Rights Agreements that were not recorded as of the date of this Agreement. The Parties shall, or shall cause the Paradigm Companies or Mountrail to, as applicable, record any instruments evidencing ownership of any real estate interests in the Paradigm Assets or the PSXP Assets (as applicable) received after the date of this Agreement promptly after receipt.

6.9 Exemplary. Immediately prior to Closing, Paradigm shall transfer the Exemplary Assets into Exemplary, and Paradigm will cause Paradigm ND to distribute the Equity Interests in Exemplary to Paradigm.

6.10 Exclusivity. From the date hereof until the earlier of the Closing Date or the termination of this Agreement, each Party shall not, and shall cause their respective Affiliates not to, directly or indirectly (a) solicit or initiate, or encourage the submission of, proposals or offers relating to, (b) respond to any submissions, proposals or offers relating to (other than to inform any person of such Party's obligations under this paragraph), (c) engage in any negotiations or discussions with any Person relating to or (d) enter into any Contract or otherwise cooperate in any way with any other Person in connection with, in each case, any acquisition, equity investment, merger, recapitalization, liquidation, dissolution or similar transaction involving all or any portion of the assets of such Party or any of its Affiliates or all or any portion of the Equity Interest of such Party or any of its Affiliates, in each case, to the extent relating to the Assets, without first obtaining the written approval of the other Parties.

6.11 Assignment of Contracts . Without any additional consideration to Paradigm or its Affiliates, Paradigm shall, and shall cause its applicable Affiliates to, prior to Closing, assign to the applicable Paradigm Company those Contracts listed in Schedule 4.7(a) and Schedule 4.7(b) relating to the Paradigm Assets to which Paradigm or its Affiliates (other than the Paradigm Companies) are parties, as and to the extent necessary to ensure that the appropriate Paradigm Company is a party to such Contract.

ARTICLE 7

CONDITIONS TO CLOSING

7.1 Conditions to the Obligation of PSXP. The obligations of PSXP to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of all of the following conditions, any one or more of which may be waived, in whole or in part, by PSXP:

(a) The representations and warranties of Paradigm set forth in this Agreement shall be true and correct in all material respects. Paradigm shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by them by the time of the Closing. Paradigm shall have delivered to PSXP a certificate, dated as of the Closing Date and signed by an authorized officer of Paradigm, confirming the foregoing matters set forth in this Section 7.1(a) (the " Paradigm Closing Certificate").

(b) All the consents and approvals of any Governmental Authority set forth on Schedule 7.1(b) and required to be obtained by Paradigm for the consummation of the transactions contemplated in this Agreement shall have been made and obtained and fully executed copies of such consents and approvals shall have been delivered to PSXP.

(c) The consents of any Person not a Party hereto, other than any Governmental Authority, set forth on Schedule 7.1(c) and required to be obtained by Paradigm or the Paradigm Companies for the consummation of the transactions contemplated in this Agreement shall have been obtained, and fully executed copies of such consents shall have been delivered to PSXP.

(d) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction, judgment or other order shall have been enacted, entered, promulgated, enforced or issued by any Governmental Authority, or other legal restraint

or prohibition initiated by a Third Party or Governmental Authority preventing the consummation of the transactions contemplated hereby shall be in effect.

(e) The open season on the Sacagawea Assets (the " Open Season") shall have been successfully completed, in PSXP's sole opinion, and the general partner of PSXP shall have approved of the consummation of the transactions contemplated by this Agreement and the Transaction Documents.

(f) (i) Each of Grey Wolf Midstream LLC and the board of managers of Sacagawea shall have issued its unconditional consent to the assignment by Paradigm to Pipeline LLC of the Sacagawea Interests, as contemplated hereby, and (ii) Grey Wolf Midstream LLC shall have irrevocably waived, on behalf of itself and its successors, any right it (or its successors) may have pursuant to Section 9.2 (Right of First Offer) of the Limited Liability Company Agreement of Sacagawea, effective as of August 21, 2014, in respect of any direct or indirect transfer of all or any portion of the Sacagawea Interests by Paradigm or Pipeline LLC to PSXP or an Affiliate of PSXP, in each case, in form reasonably satisfactory to PSXP.

(g) All of the Exemplary Assets shall have been transferred to Exemplary in form and substance reasonably satisfactory to PSXP.

(h) Paradigm shall, or shall cause Paradigm ND to, enter into one or more agreements with Pipeline LLC relating to that certain Pipeline Connection Agreement dated as of October 22, 2014 between Bridger Pipeline LLC and Paradigm ND and that certain Paradigm/THPP System Connection Agreement, dated as of May 28, 2014 between Paradigm and Tesoro High Plains Pipeline Company, in form and substance reasonably satisfactory to PSXP.

(i) Paradigm shall have assigned, or caused to be assigned, to the applicable Paradigm Company all such Contracts pursuant to Section 6.11 in a manner reasonably acceptable to PSXP.

7.2 Conditions to the Obligation of Paradigm . The obligation of Paradigm to proceed with the Closing contemplated hereby is subject to the satisfaction on or prior to the Closing Date of all of the following conditions, any one or more of which may be waived in writing, in whole or in part, by Paradigm:

(a) The representations and warranties of PSXP set forth in this Agreement shall be true and correct in all material respects. PSXP shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by it by the time of the Closing. PSXP shall have delivered to Paradigm a certificate, dated as of the Closing Date and signed by an authorized officer of PSXP, confirming the foregoing matters set forth in this Section 7.2(a) (the " PSXP Closing Certificate").

(b) All the consents and approvals of any Governmental Authority set forth on Schedule 7.2(b) and required to be obtained by PSXP for the consummation of the transactions contemplated in this Agreement shall have been made and obtained and fully executed copies of such consents and approvals shall have been delivered to Paradigm.

(c) The consents of any Person not a Party hereto, other than any Governmental Authority, set forth on Schedule 7.2(c) and required to be obtained by PSXP or Mountrail for the consummation of the transactions contemplated in this Agreement shall have been obtained, and fully executed copies of such consents shall have been delivered to Paradigm.

(d) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction, judgment or other order shall have been enacted, entered, promulgated, enforced or issued by any Governmental Authority, or other legal restraint or prohibition initiated by a Third Party or Governmental Authority preventing the consummation of the transactions contemplated hereby shall be in effect.

(e) The Open Season shall have been successfully completed in the sole opinion of the board of managers of Paradigm, and the board of managers of Paradigm shall have approved of the consummation of the transactions contemplated by this Agreement and the Transaction Documents.

ARTICLE 8

TAX MATTERS

8.1 Responsibility for Payment of Taxes and Filing Tax Returns .

(a) Paradigm will be responsible for all Taxes accrued with respect to the (i) Sacagawea Interests, (ii) Three Bears Interests, (iii) Exemplary Interests, (iv) Exemplary Assets and (v) Three Bears Joint Venture Interest, on or prior to the Closing Date. Paradigm shall cause
(i) Sacagawea to allocate its items of income, gain, loss, deduction or credit in a manner consistent with Code section 706(d) and the Treasury Regulations thereunder as provided in Section 9.5(e) of the Limited Liability Agreement of Sacagawea Pipeline Company, LLC effective as of August 21, 2014 and (ii) the Three Bears Joint Venture to allocate its items of income, gain, loss, deduction or credit in a manner consistent with Code section 706(d) and the Treasury Regulations thereunder. Paradigm will provide such allocations to PSXP for its review and comment within 30 days after the Closing Date and Paradigm and PSXP shall use their reasonable efforts to resolve any disputes regarding the allocations. For any Straddle Period, liability for Non-Income Tax will be apportioned as follows: (i) property and similar ad valorem Tax will be apportioned on a ratable daily basis; and (ii) all other Tax will be apportioned based on an interim closing of the books at the end of the day on the Closing Date. Paradigm will timely remit all Non-Income Taxes with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets and Three Bears Joint Venture Interest due on or prior to the Closing Date. Pipeline LLC will timely remit all Non-Income Taxes with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets and Three Bears Joint Venture Interest due after the Closing Date, and Paradigm shall promptly reimburse Pipeline LLC for any Taxes paid by Pipeline LLC for which Paradigm is responsible pursuant to this Section 8.1(a).

(b) Paradigm will prepare and timely file all Tax Returns with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets and Three Bears Joint Venture Interest (i) for Non-Income Taxes required to be filed on or before the Closing Date and (ii) for all Income Taxes for taxable periods that end on or prior to the Closing Date. Pipeline LLC will prepare and timely file all Tax Returns for Non-Income Tax with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets and Three Bears Joint Venture Interest required to be filed after the Closing Date and, with respect to any such Tax Return that covers any period or portion thereof prior to the Closing Date, Pipeline LLC shall, at least 5 Business Days prior to filing such Tax Return, provide a copy of each such Tax Return to Paradigm for its review and approval (which approval shall not be unreasonably withheld, conditioned or delayed). Pipeline LLC shall not file or cause the filing of, or amend or cause the amendment of, any Tax Return for Income Tax with respect to the Paradigm Companies for taxable periods ending on or before the Closing Date, without the prior written consent of Paradigm, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) PSXP will be responsible for all Taxes accrued with respect to the (i) Mountrail Interests and (ii) PSXP Assets on or prior to the Closing Date. For any Straddle Period, liability for Non-Income Tax will be apportioned as follows: (i) property and similar ad valorem Tax will be apportioned on a ratable daily basis; and (ii) all other Tax will be apportioned based on an interim closing of the books at the end of the day on the Closing Date. PSXP will timely remit all Non-Income Taxes with respect to the Mountrail Interests and PSXP Assets due on or prior to the Closing Date. Terminal LLC will timely remit all Non-Income Taxes with respect to the Mountrail Interests and PSXP Assets due after the Closing Date, and PSXP shall promptly reimburse Terminal LLC for any Taxes paid by Terminal LLC for which PSXP is responsible pursuant to this Section 8.1(c).

(d) PSXP will prepare and timely file all Tax Returns with respect to the Mountrail Interests and PSXP Assets (i) for Non-Income Taxes required to be filed on or before the Closing Date and (ii) for all Income Taxes for taxable periods that end on or prior to the Closing Date. Terminal LLC will prepare and timely file all Tax Returns for Non-Income Tax with respect to the Mountrail Interests and PSXP Assets required to be filed after the Closing Date and, with respect to any such Tax Return that covers any period or portion thereof prior to the Closing Date, Terminal LLC shall, at least 5 Business Days prior to filing such Tax Return, provide a copy of each such Tax Return to PSXP and Paradigm for its review and approval (which approval shall not be unreasonably withheld, conditioned or delayed). Terminal LLC shall not file or cause the filing of, or amend or cause the amendment of, any Tax Return for Income Tax with respect to the Mountrail Interests and PSXP Assets for taxable periods ending on or before the Closing Date, without the prior written consent of PSXP and Paradigm, which consent shall not be unreasonably withheld, conditioned or delayed.

8.2 Responsibility for Tax Audits and Contests.

(a) After the Closing, Pipeline LLC will notify Paradigm within ten (10) Business Days of the receipt of a notice of any proposed assessment or commencement of any Tax Proceeding and of any Tax demand or claim on Pipeline LLC or any of its Affiliates that, if determined adversely to the taxpayer or after the lapse of time, could reasonably be grounds for a claim against Paradigm pursuant to Section 8.1; provided that failure to timely provide such notice will not affect the rights

of Pipeline LLC under this Agreement, except to the extent Paradigm is materially prejudiced by such delay or omission. Such notice will contain factual information describing the asserted Tax liability in reasonable detail and will include copies of any notice or other document received from any Governmental Authority in respect of any such asserted Tax.

(b) Paradigm will control any Proceeding with respect to any Tax or Tax Returns relating to or with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets or Three Bears Joint Venture Interest to the extent relating solely to a period ending on or prior to the Closing, and Pipeline LLC and Paradigm will jointly control any Tax Proceeding for any Straddle Period. Neither Paradigm nor Pipeline LLC will settle any Tax Proceeding in a way that would adversely affect the other without the other's consent (which consent will not be unreasonably withheld, delayed or conditioned).

(c) After the Closing, Terminal LLC will notify PSXP and Paradigm within ten (10) Business Days of the receipt of a notice of any proposed assessment or commencement of any Tax Proceeding and of any Tax demand or claim on Terminal LLC or any of its Affiliates that, if determined adversely to the taxpayer or after the lapse of time, could reasonably be grounds for a claim against PSXP pursuant to Section 8.1; provided that failure to timely provide such notice will not affect the rights of Terminal LLC under this Agreement, except to the extent PSXP is materially prejudiced by such delay or omission. Such notice will contain factual information describing the asserted Tax liability in reasonable detail and will include copies of any notice or other document received from any Governmental Authority in respect of any such asserted Tax.

(d) PSXP will control any Proceeding with respect to any Tax or Tax Returns relating to or with respect to the Mountrail Interests or PSXP Assets to the extent relating solely to a period ending on or prior to the Closing, and Terminal LLC and PSXP will jointly control any such Tax Proceeding for any Straddle Period. Neither PSXP nor Terminal LLC will settle any Tax Proceeding in a way that would adversely affect the other without the other's consent (which consent will not be unreasonably withheld, delayed or conditioned) and any settlement or other resolution of such Tax Proceeding with respect to such Straddle Period shall be subject to the consent of Paradigm, not to be unreasonably withheld, conditioned or delayed.

8.3 Cooperation on Tax Returns and Tax Proceedings. Paradigm and Pipeline LLC will make reasonable efforts to cooperate as and to the extent reasonably requested by the other, in connection with the filing of Tax Returns and any Proceeding with respect to Tax imposed on or with respect to the Paradigm Companies, Sacagawea Interests, Three Bears Interests, Exemplary Interests, the Exemplary Assets or the Three Bears Joint Venture Interest. Such cooperation will include the retention and (upon the other's request) the provision of records and information which are reasonably relevant to any such Tax Return or Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. PSXP, Terminal LLC and Paradigm will make reasonable efforts to cooperate as and to the extent reasonably requested by the other, in connection with the filing of Tax Returns and any Proceeding with respect to Tax imposed on or with respect to the Mountrail Interests and PSXP Assets. Such cooperation will include the retention and (upon the other's request) the provision of records and information which are reasonably relevant to any such Tax Return or Proceeding and

making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement.

8.4 Tax Refunds. Paradigm will be entitled to any refund of Tax imposed on or with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets or Three Bears Joint Venture Interest and borne by Paradigm with respect to a period, or portion thereof, ending on or prior to the end of the day on the Closing Date. Pipeline LLC will be entitled to any refund of Tax imposed on or with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets or Three Bears Joint Venture Interest with respect to any Tax period, or portion thereof, beginning after the Closing Date. Refunds for a Straddle Period will be apportioned to the period through the end of the Closing Date and allocated to Paradigm and to the period beginning after the Closing Date and allocated to Pipeline LLC based on the methodology set forth in Section 8.1(a) for Straddle Periods. Each of Paradigm and Pipeline LLC will reasonably cooperate with the other in connection with obtaining any refund of Tax as provided in this Section 8.4. If either Paradigm or Pipeline LLC receives a refund to which the other is entitled, the entity receiving the refund will pay it to the other entitled to the refund within ten (10) Business Days after receipt. PSXP will be entitled to any refund of Tax imposed on or with respect to the Mountrail Interests or PSXP Assets and borne by PSXP with respect to a period, or portion thereof, ending on or prior to the end of the day on the Closing Date. Terminal LLC will be entitled to any refund of Tax imposed on or with respect to the Mountrail Interests or PSXP Assets for any Tax period, or portion thereof, beginning after the Closing Date. Refunds for a Straddle Period will be apportioned to the period through the end of the Closing Date and allocated to PSXP and to the period beginning after the Closing Date and allocated to Terminal LLC based on the methodology set forth in Section 8.1(c) for Straddle Periods. Each of PSXP and Terminal LLC will reasonably cooperate with the other in connection with obtaining any refund of Tax as provided in this Section 8.4. If either PSXP or Terminal LLC receives a refund to which the other is entitled, the entity receiving the refund will pay it to the other entitled to the refund within ten (10) Business Days after receipt.

8.5 Transaction Tax. Any Transaction Tax resulting from the Closing relating to the Paradigm Companies and Pipeline LLC will be paid 50% by Paradigm and 50% by PSXP and the transferor of the asset on which such Tax is assessed will remit such Transaction Tax to the appropriate Governmental Authority in accordance with Law. Any Transaction Tax resulting from the Closing relating to Terminal LLC will be paid by PSXP and by Paradigm, in proportion to the Percentage Interest and 100% minus the Percentage Interest, respectively, and the transferor of the asset on which such Tax is assessed will remit such Transaction Tax to the appropriate Governmental Authority in accordance with Law.

8.6 Tax Indemnification. Paradigm shall indemnify and hold Pipeline LLC and PSXP harmless from and against any loss, claim, liability, expense, and other damages attributable to or arising out of (i) Taxes of the Paradigm Companies, or with respect to the Sacagawea Interests, Three Bears Interests, Exemplary Interests, Exemplary Assets or the Three Bears Joint Venture Interests for periods ending on or prior to the end of the day on the Closing Date, (ii) 50% of the Transaction Taxes relating to the Paradigm Companies and Pipeline LLC and (iii) its share of the Transaction Taxes resulting from the Closing relating to Terminal LLC. PSXP shall indemnify and hold Terminal LLC and Paradigm harmless from and against any loss, claim, liability, expense, and other damages attributable to or arising out of (i) Taxes with respect to the Mountrail Interests and PSXP Assets for

periods ending on or prior to the end of the day on the Closing Date, (ii) 50% of the Transaction Taxes related to the Paradigm Companies and Pipeline LLC and (iii) an amount equal to the Percentage Interest multiplied by the Transaction Taxes resulting from the Closing and relating to Terminal LLC.

8.7 Valuation. PSXP and Paradigm will, within five (5) Business Days prior to the Closing, agree to the valuation of the assets contributed to each of Pipeline LLC and Terminal LLC for purposes of applying Code Section 704(c) and related provisions of the Code and Treasury Regulations. If PSXP and Paradigm cannot reach an agreement, any disputes will be resolved by the Accounting Arbitrator. PSXP and Paradigm will provide information regarding the disputed items, and such supporting material as they deem reasonably appropriate, to the Accounting Arbitrator and each shall provide a contemporaneous copy to the other of the disputed items (and supporting material, if any) submitted to the Accounting Arbitrator. The Accounting Arbitrator will then, within ten (10) Business Days of receipt of the relevant information regarding a disputed item, prepare and deliver to Paradigm and PSXP a written determination (such determination to include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Accounting Arbitrator by PSXP and Paradigm) with respect to the disputed valuation. All fees and expenses incurred by the Accounting Arbitrator will be paid 50% by Paradigm and 50% by PSXP. Such valuation will be updated, as necessary after the Closing, using the methodology set forth in this Section 8.7.

ARTICLE 9

TERMINATION

9.1 Events of Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of the Parties;

(b) by any Party, in writing delivered to other Party after December 31, 2014 (the " Termination Date"), if the Closing has not occurred by such date, *provided* that as of such date the terminating Party is not in default in any material respect of its covenants and obligations under this Agreement;

(c) by any Party, in writing delivered to the other Party, without prejudice to other rights and remedies that the terminating Party or its Affiliates may have (provided the terminating Party and its Affiliates are not otherwise in material default or breach of this Agreement, and have not failed or refused to close without justification hereunder), if with respect to the other Party (i) there shall be a breach of any representation or warranty of such other Party that would cause a failure of the condition set forth in Section 7.1(a) or 7.2(a), as applicable, or (ii) there shall be a breach by such other Party of any of its covenants or agreements that would cause a failure of the condition set forth in Section 7.1 (a) or 7.2(a), as applicable; *provided* , *however* , that in the case of clauses (i) or (ii), the defaulting Party shall have a period of 30 days following written notice from the non-defaulting Party to cure any breach of this Agreement, if such breach is curable;

(d) by any Party, in writing delivered to the other Party, without liability, if there shall be any order, writ, injunction or decree of any Governmental Authority binding on the non-terminating Party, which prohibits or restrains such party from consummating the transactions contemplated hereby, *provided* that the Parties shall have used their reasonable best efforts to have any such order, writ, injunction or decree lifted and the same shall not have been lifted within 30 days after entry by any such Governmental Authority;

(e) by PSXP, in writing delivered to Paradigm, if any of the conditions set forth in Section 7.1 have become incapable of fulfillment prior to the Termination Date, and have not been waived in writing by PSXP; or

(f) by Paradigm, in writing delivered to PSXP, if any of the conditions set forth in Section 7.2 have become incapable of fulfillment prior to the Termination Date, and have not been waived in writing by Paradigm.

9.2 Effect of Termination.

(a) If the obligation to close the transactions contemplated by this Agreement is terminated pursuant to any provision of Section 9.1, then, except for the provisions of Sections 1.1, 1.2, 4.14, 4.19, 4.22, 5.14, 5.19, 5.22 6.3 (b) , this Section 9.2, 9.3, and ARTICLE 11, this Agreement shall forthwith become void and the Parties shall have no liability or obligation hereunder; *provided however* , that, in the event of a willful or intentional breach, the non-breaching Party or Parties shall be entitled to exercise all remedies available at Law or in equity. If PSXP terminates this Agreement pursuant to Section 9.1(e) due to the failure of the condition in Section 7.1(e), then Paradigm shall cause Sacagawea to terminate all transportation services agreements submitted as a result of the Sacagawea Open Season.

(b) As consideration for the substantial time, efforts and expenses that have been and will be undertaken and incurred by PSXP in connection with the transactions contemplated hereby, Paradigm agrees that, if Closing fails to occur due to the failure to satisfy the conditions set forth in Section 7.2(e), then, for a period commencing on the date of termination of this Agreement and ending on September 30, 2016, Paradigm shall not, and shall cause each of the Paradigm Indemnified Parties to not, directly or indirectly (whether through financial advisors, legal counsel, investment bankers, or other agents, consultants, or representatives acting on behalf of the Paradigm Indemnified Parties or otherwise), without the prior written consent of PSXP (which consent may be withheld, delayed, or conditioned in PSXP's sole discretion): (a) design, construct, acquire rights in respect of, or otherwise pursue, cause to be pursued, or cooperate in the pursuit of, the development of all or any portion of the Sacagawea Project or any other project designed to move crude oil from origination points around the area commonly referred to as "Johnson's Corner" and Keene, in McKenzie County, North Dakota, to destinations around Palermo or Stanley, North Dakota; (b) enter into any agreement, discussion, transaction or series of transactions or otherwise provide information to any Person with respect to any direct or indirect sale or other disposition (whether by sale of assets, Equity Interests, merger, or other business combination) of all or any portion of the Sacagawea Project or the Sacagawea Interests; or (c) solicit, initiate, encourage, entertain or consider any inquiries or proposals from, or engage in any negotiations with any Person relating to any matter described in the immediately preceding clauses (a) and (b).

9.3 Return of Documentation and Confidentiality. Upon termination of this Agreement, the receiving Party shall destroy or return to the other Party all title, financial, engineering, geological and geophysical data, environmental assessments and/or reports, maps and other information furnished to the receiving Party, its Affiliates or their respective representatives, by the other Party, its Affiliates or its respective representatives or prepared by or on behalf of the receiving Party, its Affiliates or their respective representatives in connection with its due diligence investigation of the Assets, as applicable, and an officer of the receiving Party shall certify as to the return or destruction of such material to the other Party in writing, *provided* that such receiving Party and its legal counsel shall be entitled to retain in its corporate records a copy of board papers, reports to management and other documentation prepared in connection with its decision to enter into the transaction, the conduct thereof, and the termination thereof and its pursuit of claims in the event of a breach of this Agreement, so long as it maintains the confidentiality thereof in accordance with the applicable Confidentiality Agreement.

ARTICLE 10

INDEMNIFICATION

10.1 Indemnification of PSXP. Subject to the limitations set forth in this Agreement, Paradigm, from and after the Closing Date, shall indemnify, defend and hold PSXP and its Affiliates and their respective securityholders, directors, managers, officers, and employees (excluding, after the Closing, Pipeline LLC, Terminal LLC, the Paradigm Companies and Mountrail) (collectively the " PSXP Indemnified Parties") harmless from and against any and all Liabilities suffered or incurred by any PSXP Indemnified Party as a result of or arising out of (i) any inaccuracy or breach of a representation or warranty of Paradigm in this Agreement or (ii) any breach or nonperformance of any agreement or covenant on the part of Paradigm made under this Agreement and which is required to be performed by Paradigm prior to or after the Closing.

10.2 Indemnification of Paradigm . Subject to the limitations set forth in this Agreement, PSXP, from and after the Closing Date, shall indemnify, defend and hold Paradigm and its Affiliates and their respective securityholders, directors, managers, officers, and employees (excluding, after the Closing, Pipeline LLC, Terminal LLC, the Paradigm Companies and Mountrail) (collectively the " Paradigm Indemnified Parties") harmless from and against any and all Liabilities suffered or incurred by any Paradigm Indemnified Party as a result of or arising out of (i) any inaccuracy or breach of a representation or warranty of PSXP in this Agreement or (ii) any breach or nonperformance of any agreement or covenant on the part of the PSXP made under this Agreement and which is required to be performed by PSXP prior to or after the Closing.

10.3 Survival. All the provisions of this Agreement shall survive the Closing, notwithstanding any investigation at any time made by or on behalf of any Party; *provided* that,
(a) the representations and warranties set forth in ARTICLE 4 and ARTICLE 5 shall survive until 5:00 pm Houston time on the date on which Pipeline LLC and Terminal LLC have achieved commercial operation, at which time such representations and warranties shall terminate and expire, except (i) the representations and warranties of Paradigm set forth in Section 4.8 and PSXP set forth in Section 5.8 shall survive until 30 days after the expiration of the applicable statutes of limitations (taking all extensions thereof into account), (ii) the representations and warranties of Paradigm set forth in Sections 4.1, 4.2, and 4.14, shall survive Closing for twenty (20) years, (iii) the representations and warranties of PSXP set forth in Sections 5.1, 5.2 and 5.14 shall survive Closing for twenty (20) years and (b) the obligations of Paradigm under ARTICLE 8 and PSXP under ARTICLE 8 shall survive until 30 days after the expiration of the applicable statute of limitations (taking all extensions thereof into account). After a representation and warranty has terminated and expired, no indemnification shall or may be sought pursuant to this ARTICLE 10 on the basis of that representation and warranty by any Person who would have been entitled to indemnification pursuant to this ARTICLE 10 on the basis of that representation and warranty prior to its termination and expiration, *provided* that in the case of each representation and warranty that shall terminate and expire as provided in this Section 10.3, no claim presented in writing for indemnification pursuant to this ARTICLE 10 on the basis of that representation and warranty prior to its termination and expiration shall be affected in any way by that termination and expiration. The covenants and agreements set forth in this Agreement to be performed prior to the Closing shall terminate and expire as of the first anniversary of the Closing Date; all covenants and agreements to be performed after the Closing shall survive until fully performed.

10.4 Demands. The Parties agree that upon the discovery by an Indemnified Party hereunder of facts giving rise to a claim for indemnity under the provisions of this Agreement, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial or otherwise, by any Person (each such claim for indemnity involving Third Party claims being collectively referred to herein as an " Indemnity Claim "), with respect to any matter as to which it claims to be entitled to indemnity under the provisions of this Agreement, such Indemnified Party will give prompt notice thereof in writing to the indemnifying Party (the " Indemnifying Party"), together with a statement of such material information respecting any of the foregoing as it shall have. Such notice shall include a demand for indemnification under this Agreement. If the Indemnified Party fails to notify the Indemnifying Party thereof in accordance with the provisions of this Agreement in sufficient time to permit the Indemnifying Party or its counsel to defend against an Indemnity Claim and to make a timely response thereto, the Indemnifying Party's indemnity

obligation relating to such Indemnity Claim shall be limited to the extent that such failure has actually prejudiced or damaged the Indemnifying Party with respect to that Indemnity Claim.

10.5 Right to Contest and Defend. The Indemnifying Party shall be entitled, at its cost and expense, to contest and defend by all appropriate legal proceedings any Indemnity Claim for which it is called upon to indemnify the Indemnified Party under the provisions of this Agreement; *provided* , that notice of the intention to so contest shall be delivered by the Indemnifying Party to the Indemnified Party within twenty (20) days from the date of receipt by the Indemnifying Party of notice by the Indemnified Party of the assertion of the Indemnity Claim. Any such contest may be conducted in the name and on behalf of the Indemnifying Party or the Indemnified Party as may be appropriate. Such contest shall be conducted by reputable counsel employed by the Indemnifying Party and not reasonably objected to by the Indemnified Party, but the Indemnified Party shall have the right but not the obligation to participate in such proceedings and to be represented by counsel of its own choosing at its sole cost and expense. The Indemnifying Party shall have full authority to determine all action to be taken with respect thereto; *provided* , *however* , that the Indemnifying Party will not have the authority to subject the Indemnified Party to any obligation whatsoever, other than the performance of purely ministerial tasks or obligations not involving material expense or injunctive relief. If the Indemnifying Party does not elect to contest any such Indemnity Claim, the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party. If the Indemnifying Party assumes the defense of an Indemnity Claim, the Indemnifying Party shall not enter into any settlement or discharge of an Indemnity Claim without the consent of the Indemnified Party (which consent shall not be unreasonably withheld) unless such settlement or discharge by its terms obligates the Indemnifying Party to pay the full amount of the liability in connection with such Indemnity Claim, releases the Indemnified Party completely in connection with such Indemnity Claim. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Indemnity Claim (and shall be liable for the reasonable fees and expenses of counsel incurred by the Indemnified Party in defending such Indemnity Claim) if the Indemnity Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Party which the Indemnified Party reasonably determines, after conferring with its outside counsel, cannot be separated from any related claim for money damages; *provided* , that if such equitable relief or other relief portion of the Indemnity Claim can be so separated from that for money damages, the Indemnifying Party shall be entitled to assume the defense of the portion relating to money damages.

10.6 Cooperation. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any Indemnity Claim that the Indemnifying Party elects to contest or, if appropriate, in making any counterclaim against the person asserting the Indemnity Claim, or any cross-complaint against any person, and the Indemnifying Party will reimburse the Indemnified Party for any expenses incurred by it in so cooperating. At no cost or expense to the Indemnified Party, the Indemnifying Party shall cooperate with the Indemnified Party and its counsel in contesting any Indemnity Claim.

10.7 Right to Participate. The Indemnified Party agrees to afford the Indemnifying Party and its counsel the opportunity to be present at, and to participate in, conferences with all Persons, including Governmental Authorities, asserting any Indemnity Claim against the Indemnified Party or conferences with representatives of or counsel for such Persons.

10.8 Limitations on Indemnification.

(a) To the extent that the Indemnified Parties are entitled to indemnification for Liabilities pursuant to Section 10.1 or Section 10.2, the Indemnifying Party shall not have any Liability for any individual indemnifiable item which does not exceed $50,000.

(b) In calculating any amount to be paid by an Indemnifying Party by reason of the provisions of this Agreement, the amount shall be reduced by all insurance proceeds and any indemnification reimbursement proceeds actually received from Third Parties related to the Liabilities, in each case net of all reasonable out-of-pocket costs incurred in the recovery of such proceeds.

(c) Neither Party will be liable as an indemnitor under this Agreement for any punitive or exemplary damages suffered or incurred by the Indemnified Party or Parties, except to the extent such damages result pursuant to Indemnity Claims (excluding the Parties hereto and their Affiliates, Pipeline LLC, Terminal LLC, the Paradigm Companies and Mountrail).

10.9 Right to Rely. Without limiting the other provisions of this Agreement, all representations, warranties, covenants and agreements set forth in this Agreement or in any Schedule or Exhibit to this Agreement, and the Indemnified Parties' right to rely on them as written and the related right to indemnification as contemplated herein, will not be affected by any examination made for or on behalf of any of the Parties or the knowledge of any of their officers, directors, securityholders, employees, agents or representatives or the acceptance of any certificate or opinion.

10.10 Sole Remedy. Following the Closing, no Party shall have liability under this Agreement except (a) as is provided in ARTICLE 8 or this ARTICLE 10 or (b) claims or causes of actions arising from fraud or willful misconduct.

ARTICLE 11

MISCELLANEOUS

11.1 Expenses. Except as otherwise provided herein and regardless of whether the transactions contemplated hereby are consummated, the Parties shall each bear responsibility for their own expenses incident to this Agreement and all actions taken in preparation for carrying this Agreement into effect.

11.2 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission (with receipt confirmed), or if mailed (first class postage prepaid) or deposited with a

reputable overnight courier for next day delivery, to the Parties at the following addresses or facsimile numbers:

If to Paradigm, addressed to:

Paradigm Energy Partners, LLC
545 E. John Carpenter Freeway, Suite 800
Irving, Texas 75062
Attention: President
Facsimile: 214.373.4306

with a copy (which shall not constitute notice) to:

Gardere Wynne Sewell, LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201
Attention: Robert Sarfatis
Facsimile: 214.999.3245
Email: rsarfatis@gardere.com

If to PSXP, addressed to:

Phillips 66 Partners LP
c/o Phillips 66 Partners GP LLC
3010 Briarpark Drive
Houston, Texas 77042
Attention: General Counsel
Facsimile: 918.977.8055

with a copy (which shall not constitute notice) to:

Phillips 66 Company
3010 Briarpark Drive
Houston, Texas 77042
Attention: General Counsel
Facsimile: 918.977.8055

All such notices, requests and other communications will (x) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (y) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon confirmation of receipt, and (z) if delivered by mail or reputable overnight courier in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such

notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving notice specifying such change to the other Parties.

11.3 Entire Agreement; No Third-Party Beneficiaries. This Agreement and the Transaction Documents constitutes the entire agreement of the Parties relating to the matters contained herein, and supersede all prior contracts, agreements, representations, warranties or understandings, whether oral or written, relating to the matters contained herein. Except as provided in Article 10, this Agreement is not intended to confer upon any Person not a party hereto any rights or remedies hereunder.

11.4 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Any Party may, only by an instrument in writing, waive compliance by another Party with any term or provision of this Agreement on the part of such other Party hereto to be performed or complied with. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy.

11.5 Conflicting Provisions. This Agreement and the Transaction Documents, read as a whole, set forth the Parties' rights, responsibilities and liabilities with respect to the transactions contemplated by this Agreement. In the Agreement and the Transaction Documents, and as between them, specific provisions prevail over general provisions. In the event of a conflict between this Agreement and the Transaction Documents, this Agreement shall control.

11.6 Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns, but neither this Agreement nor any of the rights, benefits or obligations hereunder shall be assigned or transferred, by operation of law or otherwise, by any Party without the prior written consent of each other Party. Except as set forth in ARTICLE 8, Sections 10.1 and 10.2, nothing in this Agreement, express or implied, is intended to confer upon any person or entity other than the Parties and their respective permitted successors and assigns, any rights, benefits or obligations hereunder.

11.7 Governing Law. This Agreement shall be governed and construed in accordance with the substantive laws of the State of Delaware without reference to principles of conflicts of law.

11.8 Jurisdiction and Venue. Each Party hereby irrevocably submits to the jurisdiction of the courts of the State of Delaware and the federal courts of the United States of America located in the State of Delaware over any dispute or Proceeding arising out of or relating to this Agreement or any Transaction Document or any of the transactions contemplated hereby or thereby, and each Party irrevocably agrees that all claims in respect of such dispute or Proceeding shall be heard and determined in such courts. Each Party hereby irrevocably waives, to the fullest extent permitted by applicable Law, any objection which it may now or hereafter have to the venue of any dispute arising out of or relating to this Agreement or any Transaction Document or any of the transactions

contemplated hereby or thereby brought in such court or any defense of inconvenient forum for the maintenance of such dispute or Proceeding. Each Party agrees that a judgment in any dispute heard in the venue specified by this Section may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. EACH PARTY WAIVES ITS RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY DISPUTE OR PROCEEDING RELATING TO THIS AGREEMENT. Notwithstanding the foregoing provisions of this Section 11.8, if Closing occurs, then from and after the Closing, any dispute or controversy of any and every kind or type, whether based on contract, tort, Law or otherwise, arising out of or relating to this Agreement shall be determined in accordance with the procedures set forth in Section 5.15 of the Transfer Restrictions Agreement.

11.9 Severability. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

11.10 Interpretation. It is expressly agreed by the Parties that neither this Agreement nor any of the Transaction Documents shall be construed against any party thereto, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement, any Transaction Document or any provision hereof or thereof or who supplied the form of this Agreement or any of the Transaction Documents. Each Party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transactions contemplated by this Agreement and, therefore, waives the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

11.11 Headings and Schedules. The headings appearing at the beginning of each Section are all inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision or provisions hereof, or in connection with determining the duties, obligations or liabilities of the Parties or in ascertaining intent, if any question of intent should arise. The Schedules and the Exhibits referred to herein are attached hereto and incorporated herein by this reference, and unless the context expressly requires otherwise, the Schedules and such Exhibits are incorporated in the definition of " Agreement. " Certain information contained in the Schedules is solely for informational purposes, may not be required to be disclosed pursuant to this Agreement and will not imply that such information or any other information is required to be disclosed. Inclusion of such information will not establish any level of materiality or similar threshold or be an admission that such information is material to the business, assets, liabilities, financial position, operations or results of operations of any Person or is otherwise material regarding such Person. Each matter disclosed in any Schedule in a manner that makes its relevance to one or more other Schedules readily apparent on the face of such disclosure will be deemed to have been appropriately included in each such other Schedule (notwithstanding the presence or absence of any cross reference in any Schedule or the presence or absence of a reference to a Schedule in any representation or warranty).

11.12 Multiple Counterparts. This Agreement may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

11.13 Confidentiality. The disclosure of information by the Parties (including pursuant to Section 6.3) shall be governed by the Confidentiality Agreement. If Closing occurs, then notwithstanding anything to the contrary in the Confidentiality Agreement, from and after Closing, each Party and its respective Affiliates shall keep confidential all information which is obtained by them as Parties or otherwise pursuant to this Agreement, in each case, upon and subject to the terms set forth in Section 5.14 of the Transfer Restrictions Agreement.

* * * * *

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PHILLIPS 66 PARTNERS LP

By: Phillips 66 Partners GP LLC, its general partner

By: *J. T. Liberti*

Name: J.T. Liberti

Title: Vice President and Chief Operating Officer

PARADIGM ENERGY PARTNERS, LLC

By: *Troy J. Andrews*

Name: Troy J. Andrews

Title: CEO

Exhibit A-1

Exemplary Personal Property

Exhibit A-1

Exemplary Personal Property

None.

Exhibit A-2

Exemplary Real Property Interests

Exhibit A-2

Exemplary Real Property Interests

Real property conveyed by that certain Warrant Deed, dated as of May 8, 2014, by A. Anderson a/k/a Ronald Anderson and Myra J. Anderson a/k/a Myra Anderson, as grantors, and Paradigm ND, as grantee.

Exhibit A-3

Exemplary Rights-of-Way

Exhibit A-3

Exemplary Rights-of-Way

None.

Exhibit A-4

Exemplary Surface Rights Agreements

Exhibit A-4

Exemplary Surface Rights Agreements

None.

Exhibit B-1

Sacagawea Personal Property

Exhibit B-1

Sacagawea Personal Property

None.

Exhibit B-2

Sacagawea Real Property Interests

Exhibit B-2

Sacagawea Real Property Interests

None.

Exhibit B-3

Sacagawea Rights-of-Way

Exhibit B-3

Sacagawea Rights-of-Way

None.

Exhibit B-4

Sacagawea Surface Rights Agreements

None.

Exhibit B-4

Sacagawea Surface Rights Agreements

Exhibit C-1

Three Bears Personal Property

Exhibit C-1

Three Bears Personal Property

None.

Exhibit C-2

Three Bears Real Property Interests

Exhibit C-2

Three Bears Real Property Interests

None.

Exhibit C-3

Three Bears Rights-of-Way

Exhibit C-3

Three Bears Rights-of-Way

None.

Exhibit C-4

Three Bears Surface Rights Agreements

Exhibit C-4

Three Bears Surface Rights Agreements

None.

Exhibit D-1

Mountrail Personal Property

Exhibit D-1

MOUNTRAIL PERSONAL PROPERTY

None.

Exhibit D-2

PSXP Real Property Interests

Exhibit D-2

MOUNTRAIL REAL PROPERTY INTERESTS

Carino Tracts

Outlot 1 of the S 1/2 and Outlot 2 of the SE ¼ Section 17, Township 156 North, Range 90 West of the 5 th P.M., Mountrail County, North Dakota.

Nichols Tracts

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, Block 1; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, Block 2; Lots 1, 2, 3, and 4, Block 3; and Lots 1 and 2, Block 4, Palermo Industrial Park, Mountrail County, North Dakota.

Exhibit D-3

Mountrail Rights-of-Way

Exhibit D- 3

MOUNTRAIL RIGHTS OF WAY

None.

Exhibit D-4

Mountrail Surface Rights Agreements

Exhibit D- 4

MOUNTRAIL SURFACE RIGHTS AGREEMENTS

Woodrock Mining Lease

Lease agreements for mining in Mountrail County, North Dakota dated September 7, 2011, by and between Krystal Bolles and Woodrock Ventures, Inc. (successor in interest to Woodrock, LLC).

Gravel Pit Sub-Lease

Sub-lease agreement in Mountrail County, North Dakota dated May 15, 2013, by and between White Star Sand & Gravel, LLC and Woodrock, Inc. (successor in interest to Woodrock, LLC).

Exhibit E

Form of Pipeline Certificate of Formation

Exhibit E

Form of Certificate of Formation

CERTIFICATE OF FORMATION

OF

NAME OF LLC

This Certificate of Formation of [*Name of LLC*] (the "Company") is being duly executed and filed by [*Name of Signor*], as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.).

FIRST: The name of the limited liability company is [*Name of LLC*].

SECOND: The address of the registered office of the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808.

THIRD: The name and address of the registered agent for service of process on the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

IN WITNESS WHEREOF, the undersigned executed this Certificate of Formation on this ___day of November 2014.

By: _____

[Name of Signor]

Authorized Person

Exhibit F

[RESERVED]

Exhibit G

Form of Pipeline LLC Agreement

LIMITED LIABILITY COMPANY AGREEMENT OF

[JV 1 LLC]

by and between

PARADIGM ENERGY PARTNERS, LLC

and

PHILLIPS 66 PARTNERS LP

Dated as of [ ]

Table of Contents

This LIMITED LIABILITY COMPANY AGREEMENT (this " ***Agreement*** ") of **[JV 1 LLC]** , a Delaware limited liability company (the " ***Company*** "), is adopted, executed and entered into as of [*date*] (the " ***Effective Date*** "), by and between Paradigm Energy Partners, LLC, a Delaware limited liability company (the " ***Paradigm Member*** ") and Phillips 66 Partners LP, a Delaware limited partnership (the " ***Phillips Member*** ") . Paradigm Member and Phillips Member may be referred to herein, collectively, as the " ***Members*** " or each, individually, as a " ***Member*** ".

RECITALS:

WHEREAS , the Company was formed as a Delaware limited liability company on [*date*] (the " ***Formation Date*** ") under and pursuant to the Act by the filing of a Certificate of Formation (as amended, supplemented or otherwise modified from time to time, the " ***Certificate*** ") with the Secretary of State of Delaware; and

WHEREAS , the Members desire to enter into this Agreement to set forth their respective rights and obligations with respect to the Company.

NOW, THEREFORE , for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

Section 1.1 Definitions. Each capitalized term used herein has the meaning given such term set forth below:

" ***Act*** " means the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

" ***Action*** " means any action, suit, arbitration, inquiry, proceeding, investigation, condemnation, or audit by or before any court or other Governmental Entity or arbitrator or arbitral body.

" ***Adjusted Capital Account Deficit*** " means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, or any portion of a Fiscal Year for which the Company is required to allocate Profits, Losses, and other items of Company income, gain, loss or deduction, after giving effect to the following adjustments:

(a) such Capital Account shall be deemed to be increased by any amounts that such Member is obligated to restore to the Company (pursuant to this Agreement or otherwise) or is deemed to be obligated to restore pursuant to (i) the penultimate sentence of Regulation Section 1.704 - 2(g)(1), or (ii) the penultimate sentence of Regulation Section 1.704 - 2(i)(5); and

(b) such Capital Account shall be deemed to be decreased by the items described in Regulation Sections 1.704 - 1(b)(2)(ii)(*d*)(4), (5), and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulation Section 1.704 - 1(b)(2)(ii)(*d*) and shall be interpreted consistently therewith.

" ***Affiliate*** " means, with respect to any Person, a Person directly or indirectly Controlling, Controlled by or under common Control with such Person. For the avoidance of doubt, neither the Company nor any of its Subsidiaries shall be considered an " ***Affiliate*** " of any Member for any purpose hereunder.

" ***Affiliate Contract*** " means any contract between any member of the Company Group, on the one hand, and any Member or any of its Affiliates, on the other hand (including the Construction Management Agreement and the Operating Agreement, but excluding this Agreement).

" ***Agreement*** " has the meaning set forth in the preamble.

" ***Alternate Representative*** " has the meaning set forth in Section 3.3(a).

" ***Annual Financial Statements*** " has the meaning set forth in Section 4.2(c)(i).

" ***Approved Annual Budget*** " has the meaning set forth in Section 3.1(d)(xviii).

" ***Auditor*** " has the meaning set forth in Section 4.2(a).

" ***Available Cash*** " means: (a) the sum of all cash and cash equivalents of the Company on hand, less (b) the amount of any cash reserves established by the Management Committee to (i) provide for the proper conduct of the business of the Company and its Subsidiaries (including reserves for any future capital expenditures and anticipated future credit needs of the Company and its Subsidiaries, approved by the Management Committee) or (ii) comply with applicable Law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company or any of its Subsidiaries is a party or by which any of them is bound or its assets are subject; it being understood, that disbursements made by the Company or its Subsidiaries or cash reserves established, increased or reduced after the end of a Calendar Quarter but on or before the date of determination of Available Cash with respect to such Calendar Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Calendar Quarter if the Management Committee so determines; *provided, however,* that " ***Available Cash*** " with respect to the Calendar Quarter in which the liquidation of the Company occurs and any subsequent Calendar Quarter shall equal zero.

" ***Book Value*** " means (a) with respect to any asset of the Company contributed by any Member, the asset's fair market value at the time of such contribution as determined by the Management Committee (the fair market value of any cash contribution being the actual dollar value thereof); and (b) with respect to any other asset of the Company, the adjusted tax basis of such asset as of the relevant date for U.S. federal income tax purposes, except as follows:

(1) the Book Values of all Company assets (including intangible assets such as goodwill) shall be adjusted to equal their respective fair market values

as determined by the Management Committee (taking Code Section 7701(g) into account) as of the following times:

(A) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a *de minimis* Capital Contribution if such adjustment is necessary to reflect the relative economic interests of the interest holders in the Company;

(B) the distribution by the Company to a Member of more than a *de minimis* amount of money or Company property as consideration for an interest in the Company if such adjustment is necessary to reflect the relative economic interests of the interest holders in the Company;

(C) the liquidation of the Company within the meaning of Regulation Section 1.704 - 1(b)(2)(ii)(*g*) (other than pursuant to Code Section 708(b)(1)(B));

(D) the grant of an interest in the Company (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in its capacity as a Member or by a new Member acting in its capacity as a Member or in anticipation of becoming a Member; and

(E) any other event to the extent determined by the Tax Matters Partner to be necessary to properly reflect Book Values in accordance with the standards set forth in Treasury Regulation Section 1.704-1(b)(2)(iv)(q).

(2) the Book Value of any Company asset distributed in kind to any Member shall be the gross fair market value of such asset (taking Code Section 7701(g) into account) on the date of such distribution as determined by the Management Committee; and

(3) the Book Value of Company assets shall be increased or decreased, as appropriate, to reflect any adjustments to the adjusted tax bases of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation Section 1.704-1(b)(2)(iv)(m) and subparagraph (f) of the definition of "Profits" and "Losses" herein; provided, however, that Book Values shall not be adjusted pursuant to this clause (3) to the extent that an adjustment pursuant to clause (1) hereof is required in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (3) .

The Book Value of an asset shall be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses and other items allocated pursuant to Article VII hereof. The foregoing definition of Book Value is intended to comply with the provisions of Regulation Section 1.704 - 1(b)(2)(iv) and shall be interpreted and applied consistently therewith.

" ***Business*** " means (a) the direct or indirect ownership, development, construction, expansion, financing, management, operation and maintenance of the Midstream Assets (including through the Company's ownership of Equity Interests in Sacagawea LLC and CDP LLC or any successors

thereto) and (b) all such other business opportunities that the Company may pursue in accordance with Section 2.2(a) of the Business Opportunity Agreement (during the term of the Business Opportunity Agreement).

" ***Business Day*** " means any day (other than a Saturday or Sunday) on which banks are generally open to conduct business in the State of New York.

" ***Business Opportunity Agreement*** " means that certain Business Opportunity Agreement, dated as of the Effective Date, among Phillips 66 Company, a Delaware corporation, the Phillips Member, the Paradigm Member, and Troy Andrews.

" ***Calendar Month*** " means any of the months of the Gregorian calendar.

" ***Calendar Quarter*** " means a period of three consecutive Calendar Months commencing on January 1, April 1, July 1, and October 1, in any Calendar Year.

" ***Calendar Year*** " means a period of 12 consecutive Calendar Months commencing on January 1 and ending on the following December 31, according to the Gregorian calendar

" ***Call Notice*** " means a written notice issued to request additional contributions pursuant to Section 6.1(c).

" ***Call Option*** " has the meaning set forth in Section 6.6(c)(iii).

" ***Capital Account*** " means the capital account maintained for each Member pursuant to Section 6.3.

" ***Capital Commitment*** " means, with respect to each Member $ ___and shall include their respective transferees.

" ***Capital Contribution*** " means, with respect to any Member, the amount of any money and the Book Value of any property (other than money) contributed to the Company with respect to the interest in the Company held or purchased by such Member and credited to each such Member's Capital Accounts pursuant to Article VI hereof.

[" ***CDP LLC*** "] means ___, a Delaware limited liability company. [1]

" ***Certificate*** " has the meaning set forth in the recitals.

" ***Chairman*** " has the meaning set forth in Section 3.3(f).

" ***Change Event*** " has the meaning set forth in Section 5.2(a).

" ***Claim*** " means any and all debts, losses, liabilities, duties, claims, damages, obligations, payments (including those arising out of any demand, assessment, settlement, judgment or compromise relating to any actual or threatened Action), costs and reasonable expenses,

[1] This will be the entity newly formed by Paradigm that holds the "Paradigm Keene Terminal," the "Watford Express" pipeline and the "Little Missouri Explorer" pipeline. Parties to discuss the 3 Bears joint venture.

including any reasonable attorneys' fees and any and all reasonable expenses whatsoever and howsoever incurred in investigating, preparing, or defending any Action, in all cases, whether matured or unmatured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, known or unknown.

" ***Code*** " means the United States Internal Revenue Code of 1986, as amended.

" ***Company*** " has the meaning set forth in the preamble.

" ***Company Group*** " means the Company and its wholly-owned Subsidiaries.

" ***Company Interest*** " means, with respect to any Member, such Member's respective membership interest in the Company.

" ***Company Minimum Gain*** " has the same meaning as "partnership minimum gain" in Regulation Section 1.704-2(b)(2) and 1.704-2(d).

" ***Conflict Activity*** " means (a) the execution by any member of the Company Group of any Affiliate Contract or any amendment to or termination of any Affiliate Contract, (b) the waiver of any member of the Company Group's rights, or the granting of any consent or approval by any member of the Company Group, under any Affiliate Contract; (c) the enforcement of any rights of any member of the Company Group under any Affiliate Contract, including enforcing any rights of any member of the Company Group under any Affiliate Contract in connection with any breach or default (or alleged breach or default) thereunder by the Conflicted Member (or its Affiliates) or for making or enforcing any claims by any member of the Company Group or for indemnification under any Affiliate Contract or in connection with any dispute with a Conflicted Member (or any of its Affiliates) under any Affiliate Contract, (d) the enforcement of any rights of any member of the Company Group under any Affiliate Contract in connection with any bankruptcy, reorganization, liquidation or dissolution of the Conflicted Member, and (e) the exercise of discretionary rights by any member of the Company Group under any Affiliate Contract.

" ***Conflicted Member*** " means a Member that is (or has an Affiliate that is): (i) the counterparty to any member of the Company Group under an Affiliate Contract; or (ii) the adversary or counterparty opposite any member of the Company Group on any other transaction or dispute giving rise to a Conflict Activity.

" ***Construction Budget*** " shall have the meaning given such term in the Construction Management Agreement.

" ***Construction Management Agreement*** " means that certain Construction Management Agreement, dated as of the Effective Date, between the Company and the Construction Manager thereunder, covering the construction and commissioning of the System, as the same may be amended from time to time in accordance with the terms thereof.

" ***Construction Manager*** " means the Person (including a Member or any Affiliate thereof) serving as "Construction Manager" under the Construction Management Agreement.

" ***Construction Phase*** " means the period of time from and after the Effective Date up to the date on which Final Completion has occurred with respect to all Subject Facilities.

" ***Construction Schedule*** " shall have the meaning given such term in the Construction Management Agreement.

" ***Contribution Agreement*** " means that certain Formation and Contribution Agreement, by and between the Paradigm Member and the Phillips Member, dated as of November [ ], 2014.

" ***Control*** " means the possession, directly or indirectly, through one or more intermediaries, by any Person or group (within the meaning of Section 13(d)(3) under the Securities Exchange Act of 1934, as amended) of at least one of the following (and " ***Controlled*** " or " ***Controlling*** " shall have their correlative meanings):

(a) ownership of more than fifty percent (50%) of the voting ownership interests of the Person; or

(b) the power or authority, through ownership of voting securities, by contract or otherwise, to control or direct, or cause the direction of, the management and policies of the Person (which, in the case of a publicly traded master limited partnership, means such power and authority with respect to the general partner thereof).

" ***Covered Person*** " means, in each case, whether or not a Person continues to have the applicable status referred to in the following list: a Member or any Affiliate of a Member, a Representative, an Alternate Representative, any officer of any member of the Company Group, any officer, director, member, manager, stockholder, partner, employee, representative or agent of any Member or of any of their respective Affiliates, and any Tax Matters Partner (in each case, acting or serving on behalf of any member of the Company Group in accordance with the authority granted to such Person pursuant to the terms of this Agreement or a delegation of authority issued in accordance with this Agreement); provided, however, a " ***Covered Person*** " shall not include any of the foregoing Persons to the extent of any actions or any failure to act while such Person is acting as, or on behalf of, a Construction Manager or the Operator.

" ***Cross-Default*** " means, with respect to a Member, the material breach by, or material default of, such Member under any Transaction Document to which such Member is a party, other than this Agreement.

" ***Cross-Default Period*** " means, with respect to any Cross-Default, the period beginning on the 15 th Business Day after the Member in Cross-Default has received written notice of such Cross-Default and ending when such Member has fully cured such Cross-Default in accordance with the terms of the applicable Transaction Document.

" ***Default*** " has the meaning set forth in Section 6.5(a).

" ***Default Notice*** " has the meaning set forth in Section 6.5(a).

" ***Default Period*** " has the meaning set forth in Section 6.5(a).

" ***Defaulting Member*** " means a Member in Default or in Cross-Default, as the context may require.

" ***Depreciation*** " means, for each Fiscal Year or part thereof, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for U.S. federal income tax purposes with respect to an asset for such Fiscal Year or part thereof, except that if the Book Value of an asset differs from its adjusted tax basis for U.S. federal income tax purposes at the beginning of such period, the depreciation, amortization, or other cost recovery deduction for such Fiscal Year or part thereof shall be an amount that bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deduction allowable for the period bears to such beginning adjusted tax basis, provided, however, that if the adjusted basis for federal income tax purposes is zero, Depreciation shall be determined with reference to such Book Value using any reasonable method determined by the Management Committee.

" ***Direct Bill Budget*** " has the meaning given such term in the Operating Agreement.

" ***Dispute*** " has the meaning set forth in Section 10.3(a).

" ***Dissolution Event*** " has the meaning set forth in Section 9.1.

" ***Distribution*** " means, with respect to any Member, the amount of money and the Book Value of any property (other than money) distributed to such Member pursuant to Section 7.6 hereof with respect to such Member's Company Interest.

" ***Due Date*** " has the meaning set forth in Section 6.5(a).

" ***Effective Date*** " has the meaning set forth in the preamble.

" ***Equity Interest*** " means, with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting or certificated or noncertificated), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, excluding debt securities convertible or exchangeable into such equity.

" ***Exclusive Opportunity*** " means any Exclusive Sourcing Opportunity or Exclusive Receiving Opportunity that involves the ownership, operation or use of any assets or group of related assets that directly or indirectly connect to, originate from, or terminate in any Midstream Assets.

" ***Exclusive Receiving Opportunity*** " has the meaning given such term in the Business Opportunity Agreement.

" ***Exclusive Sourcing Opportunity*** " has the meaning given such term in the Business Opportunity Agreement.

“ ***Final Completion*** ” has the meaning set forth in the Construction Management Agreement.

“ ***Final Resolution*** ” means, as to any Dispute, the final resolution of such dispute in accordance with Section 10.3.

“ ***Fiscal Year*** ” means the taxable year of the Company, which shall be a fiscal year ending on December 31 st that otherwise coincides with the Calendar Year.

“ ***Fixed Operating Fee*** ” has the meaning set forth in the Operating Agreement.

“ ***Flow Through Subsidiaries*** ” has the meaning set forth in Section 8.2(a).

“ ***Formation Date*** ” has the meaning set forth in the recitals.

“ ***GAAP*** ” means generally accepted accounting principles in the United States.

“ ***Granting Member*** ” has the meaning set forth in Section 10.13(a).

“ ***Governmental Entity*** ” means any (a) national, state, county, municipal or local government and any political subdivision thereof, (b) court or administrative tribunal, (c) other governmental, quasi - governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity of competent jurisdiction (including any zoning authority, state public utility commission or comparable authority, or any entity with the authority to levy or collect taxes), (d) non - governmental agency, tribunal or entity that is properly vested by a governmental authority with applicable jurisdiction, and (e) any applicable governing body of the Three Affiliated Tribes of the Fort Berthold Indian Reservation, organized pursuant to the Indian Reorganization Act of June 18, 1934 (48 Stat. 984; 25 U.S.C. § 476).

“ ***Indebtedness for Borrowed Money*** ” means, with respect to any Person, indebtedness, liabilities or obligations of such Person to another Person (a) for borrowed money, (b) evidenced by bonds, debentures, notes or other debt securities, (c) that are obligations of any account party in respect of letters of credit, bankers’ acceptances or similar credit transactions, in each case outside of the ordinary course of the conduct of the Company’s business, (d) that is indebtedness in respect of any sale-leaseback transaction, (e) for amounts owed under a currency, commodity or interest rate swap, hedge or similar device, or (f) in the nature of guarantees of, or pledges or grants of security interests with respect to, the obligations described in clauses (a) through (e) above of any other Person.

“ ***Initial Paradigm Contribution*** ” means the initial Capital Contribution made by the Paradigm Member to the Company pursuant to the Contribution Agreement.

“ ***Insurance Program*** ” has the meaning set forth in Section 3.12.

“ ***Interest Rate*** ” means 20% per annum (or if such rate is contrary to applicable usury Law, the maximum rate permitted by such applicable Law).

" ***Interest Reduction Amount*** " means the product of (x) the sum of any outstanding Non- Defaulting Member Advances (including all outstanding interest accrued thereon) as of the Interest Reduction Notice Delivery Date (expressed in dollars), multiplied by (y) 1.5.

" ***Interest Reduction Notice*** " has the meaning set forth in Section 6.6(c)(i).

" ***Interest Reduction Notice Delivery Date*** " has the meaning set forth in Section 6.6(c)(i).

" ***Law*** " means any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration or interpretative or advisory opinion or letter of a Governmental Entity.

" ***Liabilities*** " means any and all claims, causes of actions, payments, charges, judgments, assessments, liabilities, losses, damages, penalties, fines or costs and expenses, including any reasonable fees of attorneys, experts, consultants, accountants, and other professional representatives and legal or other expenses incurred in connection therewith and including liabilities, costs, losses and damages for personal injury, illness or death, property damage, Contract claims, torts or otherwise.

" ***Lien*** " means, with respect to any property or asset, any mortgage, deed of trust, lien, pledge, charge, claim, security interest, restrictive covenant or easement or encumbrance of any kind in respect of such property or asset, whether or not filed, recorded or otherwise perfected under applicable Law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset; excluding, however, the terms and conditions (other than any purchase money lien) in the instrument creating such property or asset.

" ***Management Committee*** " has the meaning set forth in Section 3.1(a).

" ***Member(s)*** " has the meaning set forth in the preamble.

" ***Member Indemnitors*** " has the meaning set forth in Section 3.11(e).

" ***Member Loan*** " means a loan by a Member to the Company or another member of the Company Group pursuant to Section 6.2(b), which shall (i) bear interest at the Interest Rate from the date of such Member Loan until repaid in full; (ii) to the fullest extent possible under applicable Law and existing contracts to which members of the Company Group are party, be secured by all assets of the borrower and the other members of the Company Group; and (iii) otherwise be on repayment terms customary for loans of a similar size and nature.

" ***Member Nonrecourse Debt*** " shall have the same meaning as the term "partner nonrecourse debt" set forth in Regulation Section 1.704-2(b)(4).

" ***Member Nonrecourse Debt Minimum Gain*** " means the aggregate amount, determined for each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability determined in accordance with Regulation Sections 1.704 - 2(i)(3)).

" ***Member Nonrecourse Deductions*** " has the same meaning as "partner nonrecourse deductions" determined in accordance with Regulation Sections 1.704-2(i)(1) and 1.704-2(i)(2).

" ***Midstream Assets*** " means those assets described in Exhibit C hereto.

" ***Monthly Financial Reports*** " has the meaning set forth in Section 4.2(c)(iii).

" ***Nonrecourse Deductions*** " has the meaning set forth in Regulation Section 1.704- 2(b)(1). The amount of Nonrecourse Deductions for any Fiscal Year or other period equals the excess, if any, of (a) the net increase in the amount of Company Minimum Gain during such Fiscal Year or other period over (b) the aggregate amount of any distributions during such Fiscal Year or other period of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain, determined in accordance with Regulation Section 1.704-2(c).

" ***Nonrecourse Liability*** " has the meaning set forth in Regulation Section 1.704-2(b)(3).

" ***Non-Conflicted Member*** " means, in the context of a Conflict Activity, a Member that is not the Conflicted Member.

" ***Non-Defaulting Member*** " means any Member that is not a Defaulting Member at the time in question.

" ***Non-Defaulting Member Advance*** " has the meaning set forth in Section 6.6(b).

" ***Officers*** " has the meaning set forth in Section 3.8(a).

" ***Operations Phase*** " means the period of time from and after Final Completion of any of the Subject Facilities until the termination of this Agreement.

" ***Operating Agreement*** " means that certain Operating Agreement, dated as of the Effective Date, between the Company and the Operator thereunder, covering the operation, maintenance and decommissioning of the System, as the same may be amended from time to time in accordance with the terms thereof.

" ***Operator*** " means the Person (including any Member or any Affiliate thereof) serving as "Operator" under the Operating Agreement.

" ***Paradigm Member*** " has the meaning set forth in the preamble.

" ***Parent*** " means, with respect to a particular Person, the Person that Controls such particular Person and is not itself Controlled by any other Person.

" ***Parties*** " means collectively, all of the Members, and, " ***Party*** " means any of them.

" ***Percentage Interest(s)*** " means, with respect to a Member, such Member's respective Company Interest, expressed as a percentage of the total Company Interests, as set forth on Exhibit A hereto, as such exhibit may be amended from time to time by the Company to reflect

the admission of a new Member or the Transfer of all or a part of a Member's Company Interest pursuant to Article V or Section 6.5.

" ***Person*** " means any individual or entity, including any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, incorporated organization or Governmental Entity.

" ***Phillips Member*** " has the meaning set forth in the preamble.

" ***POA Grantees*** " has the meaning set forth in Section 10.13(a).

" ***Principal Office*** " has the meaning set forth in Section 2.3.

" ***Profits*** " and " ***Losses*** " means, for each Fiscal Year or part thereof, the taxable income or loss of the Company for such Fiscal Year or part thereof determined, solely for U.S. federal income tax purposes, in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(c) any income of the Company that is exempt from U.S. federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(d) any expenditure of the Company that is (i) not deductible in computing U.S. taxable income and not properly chargeable to the Members' Capital Accounts as described in Code Section 705(a)(2)(B) or treated as such pursuant to Regulation Section 1.704-1(b)(2)(iv)(i), and (ii) not otherwise taken into account in computing Profits and Losses pursuant to this definition, shall be subtracted from such taxable income or loss;

(e) any Depreciation for such Fiscal Year or part thereof shall be taken into account in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss;

(f) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed with reference to the Book Value of the property disposed of, notwithstanding that the adjusted tax basis of such property for U.S. federal income tax purposes differs from its Book Value;

(g) in the event the Book Value of any Company asset is adjusted pursuant to subparagraphs (1) and (2) of the definition of Book Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Book Value of the asset) or an item of loss (if the adjustment decreases the Book Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits and Losses;

(h) to the extent an adjustment to the adjusted tax basis of any

Company asset under Code Section 734(b) is required, pursuant to Regulation Section 1.704- 1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Company Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the adjusted tax basis of the asset) or an item of loss (if the adjustment decreases the adjusted tax basis of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits and Losses; and

(i) notwithstanding any other provision of this definition, such taxable income or loss shall be deemed not to include any income, gain, loss, deduction or other item thereof specially allocated pursuant to Sections 7.2(b), (c), (d), (e), (f) or (h).

The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Sections 7.2(b), (c), (d), (e), (f) and (h) shall be determined by applying rules analogous to those set forth in subparagraphs (a) through (f) above.

" ***Purchase Notice*** " has the meaning set forth in Section 6.6(f).

" ***Purchase Price*** " has the meaning set forth in Section 6.6(f).

" ***Quarterly Financial Statements*** " has the meaning set forth in Section 4.2(c)(ii).

" ***Quarterly Forecasts*** " has the meaning set forth in Section 4.2(c)(v).

" ***Regulation*** " means the income tax regulations promulgated under the Code by the U.S. Department of the Treasury (whether final or temporary).

" ***Regulatory Allocations*** " has the meaning set forth in Section 7.2(g).

" ***Representative*** " has the meaning set forth in Section 3.3(a).

" ***Required Contribution*** " means Capital Contributions required under Section 6.1.

" ***Sacagawea LLC*** " means Sacagawea Pipeline Company, LLC, a Delaware limited liability company.

" ***Securities Act*** " means the Securities Act of 1933, as amended.

" ***Subject Facilities*** " has the meaning set forth in the Construction Management Agreement.

" ***Subject Interests*** " has the meaning set forth in Section 6.6(c)(iii).

" ***Subsidiary*** " means, when used with respect to any Person, any association, corporation, limited liability company, partnership or other entity which is Controlled by such Person.

" ***System*** " means the approximately 69.3 mile crude oil pipeline system, constructed primarily of a minimum of 16 inch diameter pipe, and related facilities, extending from

McKenzie County, North Dakota to Mountrail County, North Dakota, as depicted in Exhibit B, as the same may be extended or expanded from time to time by the Company or its Subsidiaries.

" ***Tax Estimate Report*** " has the meaning set forth in Section 4.2(c)(vi).

" ***Tax Matters Partner*** " has the meaning set forth in Section 8.3(a).

" ***Tax Termination*** " shall have the meaning set forth in Section 5.2(a).

" ***Terminating Member*** " has the meaning set forth in Section 5.2(b).

" ***Total Amount in Default*** " means, as of any time, and with respect to any Defaulting Member, the following amounts: (a) the amounts that the Defaulting Member has failed to pay under Section 6.5 of this Agreement; and (b) any interest at the Interest Rate accrued on the amount under (a) from the applicable Due Date until paid in full.

" ***Transaction Documents*** " means this Agreement, the Construction Management Agreement, the Contribution Agreement, the Operating Agreement, the Transfer Restrictions Agreement, the Business Opportunity Agreement, and the Transportation Services Agreement – Pipeline.

" ***Transfer*** " means any sale, assignment or other transfer, whether by operation of law or otherwise (and any deemed transfer pursuant to Section 338 of the Code of the assets of a Member in connection with the purchase of the stock of such Member and any other transfer for
U.S. federal income tax purposes of the assets held by a Member if such deemed transfer or transfer would result in a termination of the Company pursuant to Section 708(b)(1)(B) of the Code). " ***Transferred*** " and " ***Transferring*** " shall have correlative meanings.

" ***Transfer Restrictions Agreement*** " means that certain Transfer Restrictions Agreement, dated as of the Effective Date, by and among the Phillips Member, the Paradigm Member, and Stonepeak Paradigm Holdings, LLC.

" ***Transportation Services Agreement – Pipeline*** " means that certain [___].

" ***Unfunded Capital Commitment*** " means, with respect to any Member as of any date of determination, such Member's Capital Commitment less the aggregate amount of all Capital Contributions made by such Member as of such date of determination; *provided, however* , that, at such time as a Member has made all of the Capital Contributions it is obligated to make hereunder, its Unfunded Capital Commitment shall thereafter be zero.

" ***Unreturned Capital Contributions*** " means, with respect to each Member, the Capital Contributions of such Member less the amount of Distributions received by such Member pursuant to Section 7.6(a)(i)(A).

" ***Voting Interests*** " means the Percentage Interests of all Members, excluding the Percentage Interests owned by any Member that, at the applicable time of determination, is prohibited from voting such Percentage Interests pursuant to Section 6.6(a).

Section 1.2 Construction. Unless the context requires otherwise: (a) the gender (or lack thereof) of all words used in this Agreement includes the masculine, feminine and neuter, (b) references to this Agreement, herein, hereby, hereunder and hereof, and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited, (c) references to Articles, Sections, and Exhibits refer to Articles, Sections, and Exhibits of this Agreement, (d) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law, (e) references to money refer to legal currency of the United States of America, (f) the word "including" (in its various forms) means "including, without limitation," (g) all capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms, (h) each accounting term not defined herein will have the meaning given it under GAAP, (i) headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement, (j) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and (k) if any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action shall be deferred until the next Business Day.

ARTICLE II
ORGANIZATION

Section 2.1 Formation; Term .

(a) The Company has been organized as a Delaware limited liability company by the filing of the Certificate with the Secretary of State of Delaware under and pursuant to the Act. The Members agree that during the term of the Company, the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and provisions of this Agreement and, except where the Delaware Act provides that such rights and obligations specified in the Delaware Act shall apply "unless otherwise provided in a limited liability company agreement" or words of similar effect and such rights and obligations are set forth in this Agreement, the Delaware Act.

(b) The Company commenced on the Formation Date and its existence shall be perpetual, unless and until it is dissolved in accordance with Article IX.

Section 2.2 Name . The name of the Company is " **[JV 1 LLC]** ", and all Company business must be conducted in that name or such other names that comply with applicable Law as the Management Committee may approve.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other. The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the office of the registered agent for service of process named in the Certificate or such other office (which need not be a place of business of the Company) as the Management Committee may designate in the manner provided by Law. The registered agent for service of process of the Company in the State of Delaware shall be the registered agent for service of process named in the Certificate or such other Person or Persons as the Management Committee may designate in the manner provided by Law. The principal office of the Company in the

United States shall be (i) for so long as the Paradigm Member is a Member of the Company and Controlled by Stonepeak Infrastructure Fund (Orion AIV) LP, a Delaware limited partnership, 545 E. John Carpenter Freeway, Suite 800, Irving, Texas 75062 and (ii) otherwise, 3010 Briarpark Drive, Houston, Texas 77042 (the " ***Principal Office*** ") [2]. Notwithstanding the foregoing, the Management Committee may from time to time designate another place as the Principal Office, which need not be in the State of Delaware. The Company shall maintain records at the Principal Office and shall keep the street address of such Principal Office at the registered office of the Company in the State of Delaware. The Company may have such other offices as the Management Committee may designate.

Section 2.4 Purpose; Powers.

(a) The Company has been formed for the purpose of engaging in the Business. The Company has the power to do any and all acts necessary, appropriate, proper, advisable, incidental or convenient to, or in furtherance of, the Business. Subject to the terms of the Business Opportunity Agreement (during the term of the Business Opportunity Agreement), the Company may also pursue other business purposes beyond those described in the immediately preceding sentence; *provided* that the Company's pursuit of such other business purposes (i) is not forbidden by the Act or by applicable Law and (ii) is previously approved by the Management Committee.

(b) The Company has the power to do any and all acts necessary, appropriate, proper, advisable, incidental or convenient to or in furtherance of the purposes of the Company set forth in Section 2.4(a) and has, without limitation, any and all powers that may be exercised on behalf of the Company by the Management Committee and the Officers pursuant to Article III hereof.

Section 2.5 Foreign Qualification. Prior to the Company (or any other member of the Company Group) conducting business in any jurisdiction other than Delaware, the Management Committee or the Officers shall cause the Company (or the applicable member of the Company Group) to comply, to the extent procedures are available and those matters are reasonably within the control of the Management Committee or such Officers, with all requirements necessary to qualify the Company (or the applicable member of the Company Group) in that jurisdiction. At the request of the Management Committee or any Officer, each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue and terminate the Company (or the applicable member of the Company Group) in all such jurisdictions in which such Person may conduct business.

Section 2.6 No State - Law Partnership. The Members intend that (a) the Company shall be a limited liability company and, except as provided in Section 8.2 with respect to U.S. federal income tax treatment (and other tax treatment consistent therewith), the Company shall not be a state Law partnership (including a limited partnership) or joint venture, (b) no Member shall be a state Law partner or joint venturer of any other Member, for any purposes, and (c) the Company not create any agency or other relationship creating fiduciary or quasi-fiduciary duties

[2] Principal office of Terminal LLC to be PSX office.

of any Member to the Company, any other member of the Company Group or to any other Member, and this Agreement may not be construed to suggest otherwise. This Agreement shall not subject the Members to joint and several or vicarious liability or impose any duty, obligation or liability that would arise therefrom with respect to any or all of the Members or the Company.

Section 2.7 Title to Company Assets. Title to Company assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, Representative or Officer, individually or collectively, shall have any ownership interest in such Company assets or all or any portion thereof. Title to any or all of the Company assets may be held in the name of the Company or one or more of its Affiliates or one or more nominees, as the Management Committee may determine. All Company assets shall be recorded as the property of the Company in its books and records, irrespective of the name in which record title to such Company assets is held. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be Transferred or encumbered for, or in payment of any individual obligation of, any Member, Representative or Officer.

Section 2.8 No Power to Bind Company or Other Members. Except as expressly provided in this Agreement (and subject to the terms of (a) the Construction Management Agreement and (b) the Operating Agreement), the management and control of the Company is exclusively reserved to the Members, acting through the Management Committee and no Member or Affiliate of a Member may take any action purporting to bind the Company, any other Member or its or their respective Affiliates. All actions undertaken by a Member and its Affiliates, or any of them, are at their sole risk and expense except to the extent, if any, that the Company with the approval of the Management Committee assumes those obligations by executing appropriate documentation in accordance with this Agreement. None of the Members is an agent, employee, contractor, vendor, representative or (except for tax purposes) partner of any other Member or its Affiliates by virtue of its execution of this Agreement, and a Member may not hold itself out as such; *provided, however* , that Members and their Affiliates may, subject to any applicable terms hereof, be parties to agreements with the Company with the approval of the Management Committee.

Section 2.9 No Member Liability to Third Parties. No Member shall be liable for the debts, obligations or liabilities of the Company solely by reason of being a Member. The Company shall defend, indemnify and hold each Member and each Member's owners, up to and including such Member's Parent harmless from and against any Claims brought against that Member, its Parent, or any intermediary parent companies of such Member, solely as a result of the Member's ownership in the Company.

Section 2.10 Representations and Warranties. Each Member hereby represents and warrants to the Company and each other Member that (a) it is duly formed, validly existing and in good standing under the Laws of the state of its formation, and, if required by Law, is duly qualified to do business and is in good standing in each jurisdiction in which it conducts any of its business, (b) it has full corporate, limited liability company, partnership (limited or general), trust, or other applicable power and authority to execute and deliver this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons necessary for

the due authorization, execution, delivery and performance of this Agreement by such Member have been duly taken or received, as applicable, (c) it has duly executed and delivered this Agreement, and this Agreement is enforceable against such Member in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency and other applicable Laws generally affecting creditors' rights and general principles of equity (whether applied in an Action in a court of law or equity), (d) its authorization, execution, delivery, and performance of this Agreement do not conflict with any material obligation under any material agreement or arrangement to which such Member is a party or by which it is (or any of its assets are) bound, and (e) it (i) has been furnished with such information about the Company and the Company Interests as such Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and the Company Interests, and (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of an investment in the Company (and the Company Interests) and has a sufficient net worth to sustain a loss of its entire investment in the Company (and the Company Interests).

ARTICLE III
MANAGEMENT

Section 3.1 Management of the Company's Affairs.

(a) All power and authority to manage and control the business and affairs of the Company (which, for all purposes of this Article III, shall include all members of the Company Group) shall be exclusively vested in the Members. The Members shall exercise such power and authority collectively, as provided in this Agreement, through a management committee (the " ***Management Committee*** ") and each Member hereby delegates any and all management powers to the Management Committee.

(b) The Company shall not have "managers" (and the Members do not constitute "managers") within the meaning of the Act. Decisions or actions taken by the Management Committee in accordance with the provisions of this Agreement shall constitute decisions or actions by the Company and shall be binding on the Company.

(c) The Management Committee shall have full and complete authority, power, and discretion to manage and control the business, affairs, and properties of the Company (and, indirectly through the Company, any Subsidiary of the Company to the extent the Company has such authority, power, and discretion) and to make all decisions regarding those matters and to perform any and all other acts or activities customary or incidental to the management of the Company (and, indirectly through the Company, any Subsidiary of the Company to the extent the Company has the right to manage such Subsidiary) and the Business, including, for the avoidance of doubt, the appointment of those managers to the board of managers of Sacagawea LLC that the Company is entitled to appoint under the applicable governing documents of such Person. Without limiting the generality of the foregoing and subject to the provisions of Section 3.1(d) and Section 3.1(e), Management Committee approval shall be required for all matters not expressly delegated by the Management Committee to the Officers. All actions of a Member with respect to the Management Committee shall be taken through its Representatives.

(d) Each of the following matters to be taken by the Company or any other member of the Company Group shall require the affirmative vote or written consent of Representatives representing at least 80% of the Voting Interests:

(i) making any distributions (other than those required by Section 7.6(a)) ;

(ii) appointing or dismissing the Auditor;

(iii) entering into or investing in any line of business (other than the Business);

(iv) incurring any Indebtedness for Borrowed Money;

(v) approving any decision to dispose of or lease any portion of the Midstream Assets that have a value equal to or greater than $1,500,000 in the aggregate, or that otherwise are necessary for the continued operation of the Business consistent with past practice, in any transaction or series of related transactions;

(vi) forming or acquiring any interest in, or contributing any property to, any entity that is not a direct or indirect wholly owned Subsidiary of the Company;

(vii) selling or otherwise transferring any Equity Interests in any other Person;

(viii) amending or modifying the Certificate (or any of the governing documents of any member of the Company Group or any other Person in which the Company owns Equity Interests);

(ix) removing or replacing any Construction Manager or Operator, as applicable, under the Construction Management Agreement and Operating Agreement;

(x) voluntarily granting any Lien on any assets of any member of the Company Group other than in the ordinary course of business;

(xi) compromising or settling Actions at law or in equity in an amount in excess of $1,000,000;

(xii) directing the voting or other actions of those members of the board of managers of Sacagawea LLC appointed by the Company;

(xiii) amending in any material respect, or entering into, any transportation service agreement, tariff, or other contract involving the expenditure or receipt by the Company of an amount in excess of $5,000,000 [3] over the term of such

[3] In the Terminal LLC Agreement, this amount will be $15,000,000 if PSXP has a 70% equity interest,

contract;

(xiv) redeeming any Equity Interests of any Member, other than a redemption of Equity Interests from all Members pro rata;

(xv) changing any election, or electing, to cause any member of the Company Group to be classified as other than a partnership or a disregarded entity for Tax purposes;

(xvi) converting any member of the Company Group to another form of legal entity;

(xvii) changing the method of accounting or outside auditors of the Company Group;

(xviii) approving the annual budget or long term plan for the Company (an "***Approved Annual Budget***") or any amendment thereto, it being understood that cost overruns that are deemed approved pursuant to Section 3.9(a) shall not constitute an "amendment" for purposes of this Section 3.1(d)(xviii);

(xix) except with respect to the Initial Paradigm Contribution, allowing any contribution to the capital of the Company by any Member or any other Person in any form other than cash;

(xx) issuing any guarantee by any member of the Company Group for the obligation of any other Person (other than any other member of the Company Group);

(xxi) except as may be required by Law, approving, altering, terminating, amending or waiving the Insurance Program;

(xxii) appointing or terminating any Officer;

(xxiii) removing or appointing the Tax Matters Partner;

(xxiv) establishing, closing or designating or modifying the designation of any officers or agents of any member of the Company Group with signatory authority or power over any accounts established by or for the use of any member of the Company Group; and

(xxv) entering into any contract providing for (or committing to provide for), or delegating authority to any Person (including any subcommittee of the Management Committee) for decisions on, any of the foregoing transactions or matters, or the delegation of authority to any Person to approve any of the foregoing transactions or matters.

$10,000,000 if PSXP has a 60% equity interest, and $5,000,000 if PSXP has a 50% equity interest.

(e) All matters identified in Section 3.1(e) shall require the affirmative vote or written consent of Representatives representing 100% of the Voting Interests:

(i) Liquidating or dissolving any member of the Company Group;

(ii) (A) the filing of a voluntary petition in bankruptcy or any petition or answer seeking, consenting to or acquiescing in any reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any law; (B) the making of any assignment for the benefit of creditors; or (C) the taking of any action seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for any substantial part of the properties and assets of, in each case, any member of the Company Group;

(iii) permitting any reorganization, consolidation, sale, merger or other similar transaction involving any member of the Company Group;

(iv) approving any decision to dispose of or lease the System;

and

(v) issuing any Equity Interests or any other form of equity or debt securities of any member of the Company Group or any options, warrants, bonds, debentures, indebtedness, or other rights or securities exercisable for or convertible or exchangeable into such Equity Interests or securities.

(f) The Company may not, either directly or indirectly through any member of the Company Group, exercise any vote it or any other member of the Company Group may have to cause any Subsidiary of the Company (other than any member of the Company Group) to (i) without the affirmative vote or written consent of Representatives representing at least 80% of the Voting Interests, take any action described in Section 3.1(d) (as applied to such Subsidiary), or (ii) without the affirmative vote or written consent of the Representatives representing 100% of the Voting Interests, take any action described in Section 3.1(e) (as applied to such Subsidiary).

(g) All decisions taken by the Management Committee pursuant to this Section 3.1 shall be conclusive and binding on all Members and the Company Group.

(h) Except as otherwise provided in Section 3.1(i), any Conflict Activity shall be conducted by and under the direction of, and subject to the sole approval by, the Representatives that have been designated by the Non-Conflicted Member and neither the Conflicted Member nor the Representative (or Alternate Representative) designated by the Conflicted Member shall have the right to vote or participate in any meeting of the Management Committee regarding such Conflict Activity or any approval in connection with any action by the Management Committee in respect of such Conflict Activity and the presence of any Representative appointed by the Conflicted Member shall not be required for purposes of determining the presence of a quorum in connection with any such action. No Officer that is also a present officer, director, member, manager, stockholder, partner or employee of a Conflicted Member (or one of its Affiliates) shall have any obligation to take or refrain from taking any

action on behalf of the Company Group with respect to such Conflict Activity except to provide information, documents and other related items reasonably requested by the Company or the Management Committee in connection with such Conflict Activity (provided that such Person shall not be required to provide such information, documents or other items if doing so would require such Person to violate any applicable confidentiality restrictions (following a request of the waiver thereof) or waive or violate any legal professional privilege or similar duty of confidentiality). Except with respect to such Person's failure to provide information, documents or other related items requested by the Company in connection with such Conflict Activity in violation of the foregoing, any such Person's failure or refusal to take or refrain from taking any such action shall not constitute (i) a breach of any duty, fiduciary or otherwise, if any, owed by such Person to any member of the Company Group or (ii) gross negligence or willful misconduct on the part of such Person. Notwithstanding anything to the contrary in this Agreement, (i) this Section 3.1(h) shall not apply for the benefit of any Non-Conflicted Member at any time that such Member is a Defaulting Member, and the Representatives that have been appointed by such Defaulting Member shall have no rights under this Section 3.1(h), with respect to any Conflict Activity under the Construction Management Agreement or Operating Agreement, and the Representatives appointed by such other Member shall have authority to act on behalf of the Company Group with respect to such Conflict Activity during the Default Period or Cross- Default Period, as applicable, and (ii) the execution by a member of the Company Group of (A) the Transaction Documents to which it is a party or (B) any Affiliate Contract that is (x) contemplated by the Construction Management Agreement or Operating Agreement, as applicable, and (y) on terms and conditions consistent with the requirements therefor specified in the Construction Management Agreement or Operating Agreement, as applicable, shall not be considered to be a Conflict Activity and, in each case, are hereby deemed approved by the Management Committee and the Members for all purposes.

(i) Notwithstanding anything herein to the contrary, during the term of the Business Opportunity Agreement, where a Member or one or more of such Member's Affiliates is pursuing an Exclusive Opportunity in accordance with the Business Opportunity Agreement, (A) the execution by the Company or any other member of the Company Group of an Affiliate Contract governing (solely) the interconnection of the subject assets to the Midstream Assets shall not be deemed a Conflict Activity and (B) the Management Committee may not unreasonably delay or withhold its affirmative vote or consent approving the execution of any such Affiliate Contract; provided, in each case, that such Affiliate Contract is on terms and conditions substantially similar, subject to adjustment for reasonable operational differences, to interconnection agreements entered into by the applicable member of the Company Group as of such time with Persons other than the Members and their respective Affiliates.

Section 3.2 Member Obligations.

(a) No Member, in its capacity as a Member, shall have any fiduciary or other duty to the Company, any other Member, any Representative or any other Person that is a party to or is otherwise bound by this Agreement other than the implied contractual covenant of good faith and fair dealing and, to the extent that, at law or in equity, any Member has any such fiduciary or other duty pursuant to this Agreement, such duty is hereby eliminated to the maximum extent permitted pursuant to Section 18-1101(c) of the Act.

(b) Without limiting the foregoing, but subject to the Business Opportunity Agreement, each Member and its Affiliates may engage, directly or indirectly, without the consent or approval of any other Member or any member of the Company Group, in the business conducted by such Member and its Affiliates as of the Formation Date and/or the Effective Date and in any other business, business opportunities, transactions, ventures or other arrangements of any nature or description independently or with others, including business of a nature that may be competitive with or the same as or similar to the Business, regardless of the geographic location of such business, all without any duty or obligation to account to any other Member or any member of the Company Group in connection therewith. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi-fiduciary duties or similar duties and obligations or subject the Members to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any or all of the Members or any member of the Company Group. Notwithstanding anything to the contrary in this Agreement, (a) a Member shall be permitted to vote its Company Interest in its own self-interest and (b)(i) the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to any Member, (ii) except as otherwise provided in the Business Opportunity Agreement, no Member that (directly or through an Affiliate) acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for any member of the Company Group shall have any duty to communicate or offer such opportunity to the Company, any other member of the Company Group or any other Member, and such Member shall not be liable to any member of the Company Group, to any other Member or to any other Person for breach of any fiduciary or other duty by reason of the fact that such Member pursues or acquires such opportunity or information and (iii) except as otherwise provided in the Business Opportunity Agreement, neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other businesses, investments or activities of a Member or to the income or proceeds derived therefrom. Each Member (in its own name and in the name and on behalf of the Company Group) expressly (x) waives any conflicts of interest or potential conflicts of interests as described in this Section 3.2, and (y) agrees that (i) the terms of this Section 3.2, to the extent that they modify or limit any fiduciary duty (including any duty of loyalty) or other obligation that any Person may have under the Act, are reasonable in form, scope and content and (ii) the terms of this Section 3.2 shall control to the fullest extent possible if it is in conflict with any fiduciary duty, including any duty of loyalty, or similar obligation, if any, that a Member or any of its Affiliates may have to any member of the Company Group or another Member, under the Act or any other applicable Law.

(c) In the event of any conflict between the foregoing provisions of this Section 3.2(a) and the provisions of the Business Opportunity Agreement, the provisions of the Business Opportunity Agreement shall control.

Section 3.3 Management Committee; Removal of Representatives.

(a) The Management Committee shall be comprised of four Representatives. Each Member shall have the right to designate two individuals to serve as its representatives on the Management Committee (each, a " ***Representative*** ") and one individual (an " ***Alternate Representative*** ") to act as such Member's Representative in the absence of any Representative appointed by such Member. Each Alternate Representative may also attend

Management Committee meetings at the direction of the Member who appointed such Alternate Representative. Further, each Representative may, subject to Section 4.3, bring to any Management Committee meetings such advisors as he/she may deem appropriate. All actions of a Member with respect to the Management Committee shall be taken through its Representatives. The initial Representatives, and Alternate Representative, for each Member are designated on Exhibit D. Each Member shall notify the other Members, from time to time, of the identity of such individuals.

(b) Each Member shall have the right, at any time and for any reason (or for no reason), to remove any Representative or Alternate Representative it has appointed. Should any Representative or Alternate Representative be unwilling or unable to continue to serve on the Management Committee, or otherwise cease to so serve (including by reason of his or her involuntary removal), then the Member that appointed such Representative or Alternate Representative shall fill the resulting vacancy with a new Representative or Alternate Representative appointed by that Member.

(c) No Representative or Alternate Representative need be a resident of the State of Delaware. Each Representative and Alternate Representative shall serve as such until the earlier of (i) the appointment of such Representative's or Alternate Representative's, as applicable, successor, and (ii) his or her earlier withdrawal, death, removal or resignation.

(d) Any individual that serves as a Representative or Alternate Representative shall not be required to be a Representative or Alternate Representative, as applicable, as his or her sole and exclusive occupation, and Representatives and Alternate Representatives may have other business interests and may engage in other investments, occupations and activities in addition to those relating to the Company.

(e) A Member's Representatives shall collectively vote the entire Voting Interest of such Member and, if any of a Member's Representatives or Alternate Representatives is absent or unavailable, then such Member's other Representatives that are present shall have the entire Voting Interest of all of such Member's Representatives or, if such Member provides notice to the other Member, such Member's Alternate Representative may be authorized to act as its "Representative" for all purposes hereunder for the duration of such Member's appointed Representative's absence.

(f) The chairman of the Management Committee (the " ***Chairman*** ") shall initially be one of the Representatives selected by Paradigm Member. Thereafter, the right to appoint the Chairman shall be rotated on an annual basis, with the Member whose Representative was not the prior Chairman being the Member electing the next Chairman. For the avoidance of doubt, the Chairman shall have no special casting or deciding vote on any matter presented to the Management Committee. The Chairman shall appoint a secretary at each Management Committee meeting who shall make a record of each proposal voted on and the results of such voting at such Management Committee meeting. Each Representative present at such meeting shall sign and be provided a copy of such record at the end of such meeting and such record shall be considered the final record of the decisions of such Management Committee. The Chairman shall provide each Member with a copy of the record of the voting on

each proposal voted on by the Management Committee within 15 Business Days after the end of such meeting.

(g) Each Representative shall have the full authority to act on behalf of the Member that appointed such Representative on all matters considered or acted upon by the Management Committee under this Agreement. Whenever a Representative of any Member so acts, that action (whether at a meeting or through a written consent of the Management Committee) shall bind such Member that appointed that Representative; and the other Members shall be entitled to rely upon such action without further inquiry or investigation as to the actual authority (or lack thereof) of that Representative. A Representative (in such Person's capacity as a Representative) shall have no fiduciary or other duty to the Company, any Member, any other Representative or any other Person that is a party to or is otherwise bound by this Agreement other than the implied contractual covenant of good faith and fair dealing. To the maximum extent permitted by applicable Law, no Representative (in such Person's capacity as a Representative) shall be liable to the Company or to any Member for losses sustained or liabilities incurred as a result of any act or omission (in relation to the Company, any transaction, any investment or any business decision or action, including for breach of duties including fiduciary duties) taken or omitted by such Representative (in such Person's capacity as a Representative), unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such act or omission, and taking into account the acknowledgments and agreements set forth in this Agreement, such Representative (in such Person's capacity as a Representative) engaged in bad faith, fraud or willful misconduct or criminal wrongdoing. EACH REPRESENTATIVE SHALL REPRESENT, AND OWE DUTIES TO, ONLY THE MEMBER THAT APPOINTED SUCH REPRESENTATIVE (THE NATURE AND EXTENT OF SUCH DUTIES BEING AN INTERNAL AFFAIR OF SUCH MEMBER), AND NOT TO THE COMPANY, ANY OTHER MEMBER, ANY OTHER REPRESENTATIVE, OR ANY OFFICER OR EMPLOYEE OF THE COMPANY.

Section 3.4 Meetings of the Management Committee.

(a) Regular meetings of the Management Committee shall be held quarterly.

(b) A quorum for meetings of the Management Committee shall be Representatives collectively representing, in person, by telephone or by proxy, Voting Interests equal to or greater than the Voting Interests required to approve the action required or permitted to be taken at the applicable meeting.

(c) Representatives may participate in and hold a meeting of the Management Committee by means of conference telephone, videoconference or similar communications equipment by which all Representatives participating in the meeting can hear each other, and participation in such manner in any such meeting constitutes presence in person at the meeting.

(d) The Chairman of the Management Committee, if present and acting, shall preside at all meetings of the Management Committee and of Members. Otherwise, any other Representative chosen by the Management Committee shall preside.

Section 3.5 Notice of Management Committee Meetings. Written notice of all regular meetings of the Management Committee must be given to all Representatives at least 15 days prior to any regular meeting of the Management Committee and five Business Days prior to any special meeting of the Management Committee. Any such notice, or waiver thereof, need not state the purpose of such meeting except as may otherwise be required by Law. Attendance of a Representative at a meeting (including pursuant to Section 3.4(c)) shall constitute a waiver of notice of such meeting, except where such Representative attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called.

Section 3.6 Actions by the Management Committee. Except as otherwise expressly provided in this Agreement, all decisions of the Management Committee shall require affirmative vote or written consent of Representatives representing greater than 50% of the Voting Interests. The Representatives appointed by a Member shall hold in the aggregate a voting right equal to the Percentage Interest of the Member that appointed such Representative. The Management Committee may establish committees, as needed, from time to time.

Section 3.7 Action by Written Consent. To the extent permitted by applicable Law, the Management Committee may act without a meeting, without prior notice and without a vote so long as Representatives representing Voting Interests equal to or greater than the Voting Interests required to approve such action shall have executed a written consent or consents with respect to any such Management Committee action taken in lieu of a meeting.

Section 3.8 Officers.

(a) The Management Committee shall have the power to elect, delegate authority to and remove such officers of the members of the Company Group as the Management Committee may from time to time deem appropriate (such officers, collectively, the " ***Officers*** "). Each Officer shall serve in such capacity until the earliest of his or her death, resignation, or removal or replacement by the Management Committee and shall have the authority delegated to them by the Management Committee. Any delegation of authority to an Officer to take any action must be approved in the same manner as would be required for the Management Committee to approve such action directly. Each Member shall be responsible for all out-of-pocket costs and expenses incurred by its employees that are Officers in their capacity as Officers.

(b) None of the Officers shall be "managers" of any member of the Company Group under Section 18-401 of the Act.

(c) No Member shall be liable in damages to any member of the Company Group or the other Member for any action taken or not taken by an employee of such Member who is also an Officer that is taken (or not taken) in such Person's capacity as an Officer.

Section 3.9 Failure to Approve Budgets; Initial Approvals.

(a) The Members shall, as promptly as practicable after the execution of this Agreement, cooperate to create (or cause to be created) and approve an initial Approved

Annual Budget which shall be the Construction Budget as required by the Construction Management Agreement. Approval of an Approved Annual Budget hereunder shall constitute deemed approval for the Company to expend up to ten percent (10%) in excess of the authorized amount for any category of expense set forth in such Approved Annual Budget, not to exceed in the aggregate ten percent (10%) of the aggregate amount set forth in such Approved Annual Budget. With respect to any budget other than the Construction Budget, if the Management Committee fails to timely approve any budget for the Company for any period, the latest Approved Annual Budget shall be used, and deemed approved by the Management Committee, for any subsequent period until the new budget for that period is so approved by the Management Committee, except that (i) each Direct Bill Budget item in such latest Approved Annual Budget (excluding extraordinary items completed in the prior period) shall be increased to an amount equal to one hundred three percent (103%) of the amount set forth for such item in the latest Approved Annual Budget and (ii) the Fixed Operating Fee included in such latest Approved Annual Budget shall be increased in accordance with Section 4.2 of the Operating Agreement.

(b) The Company is hereby authorized to enter into the Construction Management Agreement and the Operating Agreement.

Section 3.10 Compensation. No individual shall receive separate compensation or reimbursement of expenses for serving as an Officer.

Section 3.11 Indemnification.

(a) No Liability of Members for Company Group Obligations.

(i) Except as otherwise provided by the Act, no Covered Person shall be obligated personally for Liabilities of any member of the Company Group solely by reason of being a Covered Person.

(ii) Except as otherwise expressly required by Law, a Member, in its capacity as a Member (but, for the avoidance of doubt, not in its capacity as an Operator under the Operating Agreement, or in its capacity as Construction Manager under the Construction Management Agreement), shall have no liability in excess of the sum of: (i) the amount of its Capital Contributions; (ii) its share of any undistributed assets and undistributed profits of the Company; and (iii) the amount of any distributions wrongfully distributed to such Member. No Member shall have any responsibility to contribute to or in respect of the liabilities or obligations of any member of the Company Group or to return distributions made by any member of the Company Group, except as expressly provided herein or required by any non-waivable provision of the Act. The agreement set forth in the immediately preceding sentence shall be deemed to be a compromise with the consent of all of the Members for purposes of §18-502(b) of the Act. However, if any court of competent jurisdiction or properly constituted (in accordance with Section 10.3) arbitration panel orders, holds or determines that, notwithstanding the provisions of this Agreement, any Member is obligated make any such contribution or make any such return, such obligation shall be the obligation of such Member and not of any other Person.

(b) Exculpation.

(i) No Covered Person shall be liable to any member of the Company Group or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person on behalf of any member of the Company Group and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement or a delegation of authority in accordance with this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's fraud, bad faith, or willful misconduct.

(ii) A Covered Person shall be fully protected in relying in good faith upon the records of the Company Group and upon such information, opinions, reports or statements presented to the Company Group by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company Group.

(iii) Any amendment, modification or repeal of this Section 3.11(b) or any provision in this Section 3.11(b) shall be prospective only and shall not in any way affect the rights of any Covered Person under this Section 3.11(b) as in effect immediately prior to such amendment, modification or repeal with respect to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

(c) Indemnification. To the fullest extent permitted by applicable Law, the Company shall indemnify and hold harmless each Covered Person from and against all Liabilities arising from or related to any act or omission performed or omitted by such Covered Person on behalf of any member of the Company Group and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement or a delegation of authority in accordance with this Agreement, except that: (i) no Covered Person shall be entitled to be indemnified in respect of any Liabilities by reason of such Covered Person's fraud, bad faith, or willful misconduct; and (ii) no Covered Person that is an Officer shall be entitled to be indemnified in respect of any Liability by reason of such Covered Person's breach of his or her duty of loyalty to the member of the Company Group of which such Covered Person is an Officer; in each case, as established by a non-appealable court order, judgment, decree or decision or pursuant to a final and binding decision of an arbitration panel pursuant to Section 10.3. Any indemnity under this Section 3.11(c) shall be provided out of and to the extent of the Company's assets only (including the proceeds of any insurance policy purchased by the Company pursuant to Section 3.11(g)) , and no Covered Person shall have any personal liability on account thereof. Any amendment, modification or repeal of this Section 3.11(c) or any provision in this Section 3.11(c) shall be prospective only and shall not in any way affect the rights of any Covered Person under this Section 3.11(c) as in effect immediately prior to such amendment, modification or repeal with respect to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

(d) Expenses Payable in Advance. To the fullest extent permitted by applicable Law, expenses (including reasonable attorneys' fees) incurred by a Covered Person in defending any civil, criminal, administrative or investigative Action, against such Covered Person for which such Covered Person may be entitled to indemnification pursuant to Section 3.11(c) shall be paid by the Company in advance of the final disposition of such Action upon receipt by the Company of an undertaking by or on behalf of such Covered Person to repay such amount if it shall ultimately be determined that such Covered Person is not entitled to be indemnified by the Company as authorized in Section 3.11(c). Such expenses (including attorneys' fees) incurred by former Covered Persons may be so paid upon such terms and conditions, if any, as the Company deems appropriate.

(e) Primary Obligation. Each Member hereby acknowledges, on behalf of itself and the Company, that the Covered Persons may have certain rights to indemnification, advancement of expenses and/or insurance provided by a Member and certain of their Affiliates (collectively, the " ***Member Indemnitors*** "). Each Member hereby agrees, on behalf of itself and the Company, (a) that the Company is the indemnitor of first resort (i.e., its obligations to the Covered Persons under Section 3.11(c) and Section 3.11(d) are primary and any obligation of the Member Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by the Covered Persons are secondary), (b) that the Company shall be required to advance the full amount of expenses incurred by the Covered Persons and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of Section 3.11(c) and Section 3.11(d) of this Agreement (or any other agreement between the Company and the Covered Person), without regard to any rights the Covered Person may have against the Member Indemnitors, and (c) that the Company irrevocably waives, relinquishes and releases the Member Indemnitors from any and all claims against the Member Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. Each Member hereby agrees, on behalf of itself and the Company, that no advancement or payment by the Member Indemnitors on behalf of a Covered Person with respect to any claim for which the Covered Person has sought indemnification from the Company pursuant to 3.11 (c) shall affect the foregoing and the Member Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of the Covered Person against the Company. Each Member hereby agrees, on behalf of itself and the Company, that the Member Indemnitors who are not Members are express third party beneficiaries of the terms of this Section 3.11(e).

(f) Non-exclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 3.11 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled, it being the policy of the Company that indemnification of the Covered Persons shall be made to the fullest extent permitted by Law. The provisions of this Section 3.11 shall not be deemed to preclude the indemnification of any Person who is not a Covered Person but whom the Company has the power or obligation to indemnify under the provisions of the Act, or otherwise.

(g) Insurance. The Company may purchase and maintain insurance on behalf of any Covered Person against any liability asserted against such Covered Person and

incurred by such Covered Person in any such capacity, or arising out of such Covered Person's status as such, whether or not the Company would have the power or the obligation to indemnify such Covered Person against such liability under the provisions of this Section 3.11.

(h) Certain Definitions. For purposes of this Section 3.11, references to "the Company" shall include, in addition to the resulting enterprise, any constituent enterprise (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any Covered Person who is or was a director or officer of such constituent enterprise, or is or was a director or officer of such constituent enterprise serving at the request of such constituent enterprise as a director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 3.11 with respect to the resulting or surviving enterprise as such Covered Person would have with respect to such constituent enterprise if its separate existence had continued. The term "another enterprise" as used in this Section 3.11 means any other limited liability company or any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which such Covered Person is or was serving at the request of the Company as a director, officer, employee or agent. For purposes of this Section 3.11, references to "fines" shall include any excise taxes assessed on a Covered Person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries.

(i) Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 3.11 shall, unless otherwise provided when authorized or ratified, continue as to a Covered Person who has ceased to be an Officer or Representative and shall inure to the benefit of the heirs, executors and administrators of such a Covered Person.

Section 3.12 Insurance. The Management Committee shall determine on an annual basis or more often, as necessary, coverage limits, deductibles and policy forms for the Company Group's insurance coverage, including any coverage to be required by the Operator and Construction Manager for the benefit of the Company (collectively, the "***Insurance Program***"). If it is determined that any portion of the Insurance Program is unenforceable in any respect under applicable Law, the Insurance Program shall automatically be amended to conform to the maximum limits and other provisions required by applicable Law for so long as such Law is in effect. If any insurance coverage required by the Insurance Program becomes unavailable or, in the opinion of a Member, prohibitively expensive, the Members agree to negotiate in good faith a resolution so as to permit the Company Group to obtain alternate coverage at a reasonable cost.

ARTICLE IV
BOOKS AND RECORDS; REPORTS AND INFORMATION AND ACCOUNTS

Section 4.1 Maintenance of Books and Records.

(a) The Company shall keep or cause to be kept true and complete books of account for each member of the Company Group and any other books of account that are required to be maintained by applicable Laws pursuant to the terms of the Construction Management Agreement and the Operating Agreement. Such books shall reflect all transactions of the members of the Company Group in accordance with GAAP or in accordance with any applicable Law if the Law requires a particular set of books of account to reflect a different methodology; provided that the Capital Accounts of the Members shall be maintained in accordance with Section 6.3.

(b) All of the books of account referred to in Section 4.1(a), together with an executed copy of this Agreement and the Certificate, and any amendments thereto (and all such other books and records as may be required by the Act), shall at all times be maintained at the principal office of the Company, except as is otherwise agreed to by the Company (directly or indirectly through its Subsidiaries) pursuant to the Construction Management Agreement or the Operating Agreement. Such books and records, and any other books and records maintained (or caused to be maintained) by any member of the Company Group, upon reasonable notice to the Management Committee and the Construction Manager or Operator, shall be open to the inspection and examination of, and copying by at such Member's expense, the Members or their representatives during normal business hours at the principal office (or other applicable office) of the Company, the Construction Manager or Operator, as applicable. Any information obtained by a Member in connection with any review of the books and records of the Company Group shall be subject to the confidentiality provisions of this Agreement.

Section 4.2 Auditor; Corporate Reports; Annual Financial Statements.

(a) Auditor. The auditor of the Company shall be Ernst & Young or such other auditor as may be selected by the Management Committee from time to time (the " ***Auditor*** ").

(b) Access to Records. Each Member and its respective representatives shall be entitled to reasonable access, during regular business hours and upon reasonable advance notice, to the corporate books and records and properties, and the executive Officers and representatives, of the Company Group, for any reasonable purpose, including in order to conduct any investigation or audit of the business, financial position and financial statements of any such entity; provided that nothing herein shall authorize access to classified or controlled unclassified information, except as authorized by applicable Law.

(c) Reports. The Company shall prepare (or cause to be prepared) and supply (or cause to be supplied) to each Member the following:

(i) Audited annual consolidated financial statements of the Company Group with respect to the prior Fiscal Year consisting of a profit and loss statement, a balance sheet, changes in Members' capital and a statement of cash flows shall be prepared in accordance with GAAP (except for any normal year-end adjustments and the absence of footnotes) by the Company's Auditor (collectively the " ***Annual***

Financial Statements "). The Annual Financial Statements for a Fiscal Year shall be delivered to each Member within 120 days after the end of such Fiscal Year.

(ii) Unaudited quarterly consolidated financial statements of the Company Group with respect to the prior Calendar Quarter consisting of a profit and loss statement, a balance sheet, changes in Members' capital and a statement of cash flows shall be prepared in accordance with GAAP, except for any normal year-end adjustments and the absence of footnotes (the " ***Quarterly Financial Statements*** "), and shall be delivered to each Member within 45 days after the end of such Calendar Quarter.

(iii) Monthly consolidated financial reports with respect to the prior Calendar Month and the applicable year-to-date periods consisting of (i) a profit and loss statement, a balance sheet, changes in Members' capital, a statement of cash flows and (ii) if during the Operations Phase, a comparison to the respective amounts in the then-current Operating Budget or Default Budget, as applicable. The monthly financial reports shall be prepared in accordance with GAAP except for normal year-end adjustments and the absence of footnotes and, if during the Operations Phase, shall contain a brief narrative describing material variances to the then-current Operating Budget or Default Budget, as applicable (the " ***Monthly Financial Reports*** "). The Monthly Financial Reports for a Calendar Month shall be delivered within 45 days after the end of such Calendar Month.

(iv) During the Operations Phase, monthly operating reports with respect to the prior Calendar Month consisting of a description of the Company Group's business, including the throughput on the System, a monthly and year-to-date gain/loss volume and percentage summary, maintenance costs and any environmental, health or safety incidents, including any product releases or notices of violations, and such reports for a Calendar Month shall be delivered within 45 days after the end of such Calendar Month.

(v) During the Operations Phase, a forecast of the Profits and cash distributions to the Members for the remainder of the Fiscal Year and, with respect to the fourth Calendar Quarter of the then current Fiscal Year, a forecast of the Net Profits and cash distributions to be made to the Members in the first Calendar Quarter of the following Fiscal Year (the " ***Quarterly Forecasts*** "). The Quarterly Forecasts shall be delivered within 45 days after the end of each Calendar Quarter.

(vi) An estimate of taxable income for the Company Group and the amounts allocable to each Member for each Fiscal Year (the " ***Tax Estimate Report*** "). The Tax Estimate Report shall be delivered within 45 days after the end of the Fiscal Year.

(vii) During the (i) Construction Phase, any amended Construction Budget or Construction Schedule, within 10 days of the amendment of such Construction Budget or Construction Schedule, and (ii) the Operations Phase, copies of (A) the then-current Direct Bill Budget or Default Direct Bill Budget, as applicable, in effect from time to time, within 10 days after the approval (or deemed approval) thereof; and (B) any amended Direct Bill Budget within 10 days of the amendment of such Direct Bill Budget.

(viii) Copies of all material filings, disclosures, or reports submitted to any Governmental Entity affecting any member of the Company Group.

(ix) A quarterly report summarizing all outstanding claims related to any litigation, arbitration, administrative proceeding or other dispute and any settlement or result of any litigation, arbitration, administrative proceeding or other dispute entered into or relating to any member of the Company Group that occurred during the prior Calendar Quarter affecting any member of the Company Group.

(x) Copies of all material information related to any pending or material threatened litigation or insurance claim affecting any member of the Company Group.

(xi) A notice describing any circumstance, event, occurrence or condition known to any Construction Manager or the Operator constituting (or which reasonably could be expected to constitute) a material breach or violation of any material, contractual, statutory or other obligation of any member of the Company Group, promptly following such Person obtaining knowledge of such circumstance, event, occurrence or condition.

(xii) A notice describing any significant circumstance, event, occurrence or condition (whether then existing or, in the Construction Manager's or the Operator's opinion, as applicable, expected to exist in the near future) affecting the Construction and/or the performance of the services under the Construction Management Agreement or the Operating Agreement (as applicable), promptly following such Person obtaining knowledge of such circumstance, event, occurrence or condition.

(xiii) During a Construction Phase, a quarterly report containing estimates of the schedule pursuant to which the budgeted Construction Costs under the Construction Management Agreement for the remainder of the then-current Calendar Year are anticipated to be incurred by any member of Company Group.

(xiv) Such other information as a Member may reasonably request regarding the Company Group to the extent such information is in the possession of any member of the Company Group or is obtainable by any member of the Company Group pursuant to the Construction Management Agreement or the Operating Agreement, as applicable.

Section 4.3 Confidentiality.

Each Member and its respective Affiliates shall keep confidential all information which is obtained by them as Members or otherwise pursuant to this Agreement, and shall refrain from making any public statements with respect to this Agreement or any other Transaction Document, in each case, upon and subject to the terms set form in Section 5.14 of the Transfer Restrictions Agreement.

ARTICLE V
LIQUIDITY AND TRANSFER RESTRICTIONS

Section 5.1 Transfer of Company Interest.

(a) Except as provided by Section 6.6(f), Section 10.4 or Article II of the Transfer Restrictions Agreement, and in accordance with this Section 5.1 and the Transfer Restrictions Agreement, no Member may Transfer (or grant a Lien on) all or any portion of its Company Interest to any Person.

(b) Any purported Transfer of (or grant of a Lien on) all or any portion of a Member's Company Interest in breach of the terms of this Agreement shall be null and void *ab initio* , and the Company shall not recognize any such prohibited Transfer (or such grant of a Lien).

(c) No Transfer of all or any portion of a Member's Company Interest shall be permitted unless and until all of the following conditions are satisfied:

(i) such Transfer shall not violate the terms of or constitute a breach of or a default under, or result in the breach of or a default under, with the giving of notice, the passage of time, or both, any material agreement, document, contract or instrument to which the Company or any Subsidiary thereof is a party or by which the Company, any of its Subsidiaries, or their respective assets are bound;

(ii) such Transfer will be exempt from all applicable registration requirements and will not violate any Laws regulating the transfer of securities, and, except in the case of a Transfer of Company Interests to another Member, if requested by the Management Committee, the transferor shall provide an opinion of counsel to such effect reasonably satisfactory to the Management Committee;

(iii) such Transfer will not cause the Company to be deemed to be an "investment company" under the Investment Company Act of 1940, as amended, and if requested by the Management Committee, the transferor shall provide an opinion of counsel to such effect reasonably satisfactory to the Management Committee; and

(iv) the transferor and the transferee shall pay, or reimburse the Company for, all reasonable costs incurred by the Company in connection with such Transfer on or before the 10th day after the receipt by that Person of the Company's invoice for the amount due. If payment is not made by the date due, the Person owing that amount shall pay interest on the unpaid amount from the date due until paid at a rate equal to the Interest Rate.

(d) Upon any Transfer of all or part of a Member's Company Interest in accordance with this Agreement, such transferee shall be admitted as a Member upon such transferee (i) becoming a party to this Agreement by executing an assumption and adoption agreement in a form reasonably acceptable to all of the other Members and (ii) delivering to the Company such documents and instruments of conveyance as may be necessary or appropriate, in

the opinion of counsel to the Company, to effect such Transfer, free and clear of all Liens, other than those created or permitted hereunder.

Section 5.2 Tax Termination Make-Whole Payments.

(a) In connection with any Transfer of a Company Interest, Transfer of any Equity Interest in a Member, or a Change of Control with respect to a Member (a " ***Change Event*** "), the Members desire to address the possibility of a constructive termination of the Company under §708(b)(1)(B) of the Code (a " ***Tax Termination*** ") and to allocate responsibility for any damages resulting therefrom.

(b) The Member whose Change Event causes a Tax Termination Event (a " ***Terminating Member*** ") will pay to all of the other Members an amount of damages calculated in accordance with Section 5.2(c). Notwithstanding the foregoing in this clause (b), no payments under this Section 5.2 (b) shall be due from a Terminating Member (i) for any Change Event pursuant to exercise of a preferential purchase right (including the right of first offer described in the Transfer Restrictions Agreement), (ii) for any Change Event in connection with a transaction, or a series of related transactions, where all of the selling Members are Affiliates of each other and all of the buying Members are already Members at the time of the sale and not Affiliates of any of the selling Members, or (iii) for any Change Event where such Change Event is in connection with a transaction, or a series of related transactions, where all of the selling Members collectively are selling 100% of the Company Interests in the Company and all of the buying parties are not already Members at the time of the sale and not Affiliates of any of the selling Members.

(c) If a Tax Termination Event occurs, the Terminating Member shall pay to the other Members at the date of the Tax Termination Event with respect to the Tax Termination given rise to by such Tax Termination Event, an amount equal to one hundred percent (100%) of the sum of (a) a damage amount calculated as the product of (i) the difference between (A) the net present value as of the date of such Tax Termination, using a discount rate of 7%, of the amount of tax depreciation allocable to a Member from the Company for each future taxable period calculated as if such Tax Termination had not occurred but with all other facts unchanged, minus (B) the net present value as of the date of such Tax Termination, using a discount rate of 7%, of the amount of tax depreciation allocable to such Member from the Company for each future taxable period calculated taking into account such Tax Termination, multiplied by (ii) the sum of the highest marginal federal income tax rate as a percentage of taxable income applicable to a U.S. corporation for the taxable year in which the Tax Termination occurs, and four percent (4%) (as a proxy for applicable state income taxes). Attached hereto as Schedule 5.2(c) is an example (for illustrative purposes only, it being understood by the Members that the amounts to be used in connection with a payment pursuant to this Section 5.2(c) may be different from the amounts set forth in Schedule 5.2(c)) showing how the Parties intend to calculate any payment required pursuant to this Section 5.2(c) on a Tax Termination Event.

(d) A Terminating Member shall make any payment required under this Section 5.2 to the other Members upon the earlier of (i) five (5) days prior to the date any estimated tax payment is required to be paid by the other Members under Internal Revenue Code

§6655 as a result of a Tax Termination, or (ii) within forty-five (45) days after the end of the month in which the relevant Tax Termination occurs.

ARTICLE VI
CAPITAL CONTRIBUTIONS AND CAPITAL ACCOUNTS

Section 6.1 Initial Capital Contributions; Required Capital Contributions.

(a) Initial Contributions. On the Effective Date, each Member has made Capital Contributions that are required to be made by such Member on the Effective Date pursuant to the Contribution Agreement. The Members agree that the Book Value of the Initial Paradigm Contribution is $ _____. As a result of these initial Capital Contributions, each Member shall have the Percentage Interest in the Company set forth opposite such Member's name on Exhibit A.

(b) Required Contributions. The Members agree that each Member is required to fund its Percentage Interest of any capital call, until the Unfunded Capital Commitment of such Member is zero, that is (i) for the Design, Procurement or Construction of the Subject Facilities, or the Management thereof, by the Construction Manager, in each case, pursuant to the Construction Management Agreement and (ii) consistent with the then-effective Approved Annual Budget (each of the foregoing, a " ***Required Contribution*** ").

(c) Additional Contribution Procedures.

(i) The Company shall issue, or shall cause to be issued, Call Notices as and to the extent necessary for the Company to meet its funding obligations under each of the Construction Management Agreement and Operating Agreement. Each Member shall, until such Member's Unfunded Capital Commitment is zero, not later than 15 Business Days after its receipt of any such Call Notice, contribute its Percentage Interest share of the amount specified in such Call Notice to the Company.

(ii) All Call Notices shall be expressed in dollars and shall state the date on which payment is due and the bank(s) and account(s) to which payment is to be made. Each Call Notice shall specify in reasonable detail the purpose(s) for which such additional contribution(s) are required, and the amount of the contribution(s) to be made by each Member pursuant to such Call Notice.

Section 6.2 Additional Capital Contributions; Loans by Members.

(a) No Member shall make, or be required to make, any Capital Contributions to the Company other than (i) Required Contributions; (ii) as provided in Section 6.1(c)(i); or (iii) Capital Contributions unanimously approved by the Management Committee.

(b) If additional funds are necessary to avoid (i) bankruptcy by any member of the Company Group or (ii) any default by any member of the Company Group under any contract to which such member of the Company Group is a party, but the approval for such additional Capital Contribution pursuant to Section 6.2(a) cannot be obtained, any Member(s) may elect to provide a Member Loan to the Company (or directly to the Subsidiary of the

Company requiring such funds) in a principal amount equal to the amount determined by the Management Committee to be reasonably necessary to avoid such bankruptcy or default. A Member Loan is not a Capital Contribution and shall not result in any change to the Percentage Interests of the Members.

Section 6.3 Capital Accounts. The Company shall establish and maintain a separate capital account for each Member on the books of the Company in accordance with Code Section 704(b) and the Regulations thereunder. The Capital Accounts of the Members as of the Effective Date equal (i) in the case of Phillips Member $[___] and (ii) in the case of Paradigm Member $[___]. Each Member's Capital Account shall be increased by (i) the Capital Contributions of such Member, (ii) Profits and items of income or gain allocated to such Member as set forth in Article VII hereof, and (iii) the amount of Company liabilities assumed by such Member or which are secured by any property distributed to such Member. Each Member's Capital Account shall be decreased by (i) the amount of any cash and the Book Value of any property distributed to such Member, (ii) Losses, Nonrecourse Deductions, Partner Nonrecourse Deductions, and items of loss or deduction allocated to such Member as set forth in Article VII hereof, and (iii) the amount of any liabilities of such Member assumed by the Company or which are secured by property contributed by such Member to the Company. In determining the amount of any liability for purposes of the preceding two sentences, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulation Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Management Committee shall determine that it is prudent to modify the manner in which Capital Accounts, or any credits or debits thereto, are maintained, the Management Committee may make such modification. The Management Committee also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Regulation Section 1.704-1(b)(2)(iv)(q) and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

Section 6.4 Return of Contributions . Although a Member has the right to receive Distributions in accordance with the terms of this Agreement, a Member is not entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. No Member will be required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions.

Section 6.5 Failure to Fund Required Contributions.

(a) If any Member fails to pay in full when due (any such date, a " ***Due Date*** ") any amount owed to the Company pursuant to the terms of Section 6.1(b) or Section 6.1(c) and such failure is not cured within 15 Business Days of such Due Date (the period beginning on such 15 th Business Day after such Due Date and ending when all of the Defaulting Member's Total Amount in Default has been satisfied in full, the " ***Default Period*** "), then such Member shall be deemed to be in default under this Agreement (a " ***Default*** ")." The Company

(or a Non-Defaulting Member) shall give prompt notice of such default (a " ***Default Notice*** ") to the Defaulting Member and each Non-Defaulting Member. A Default Notice shall include a statement of the amount the Defaulting Member has failed to pay.

(b) Any amount in Default and not paid when due under this Agreement shall bear interest at the Interest Rate from the applicable Due Date to the date of payment.

Section 6.6 Certain Consequences of Default.

(a) During the Default Period (or, except with respect to Section 6.6(a)(iv), the Cross-Default Period), a Defaulting Member shall have no right to:

(i) have its Representatives counted for purposes of determining a quorum for any vote of the Management Committee;

(ii) vote or have its Representatives vote on any matter with respect to which Member approval or Management Committee approval is required under the express terms of this Agreement (including with respect to any Conflict Activity);

(iii) request or call, or have its Representatives request or call, any meetings of the Management Committee;

(iv) receive any distribution under Section 7.6 until the expiration of the Default Period, and such distributions otherwise payable to the Defaulting Member shall instead (A) first, be paid to the Non-Defaulting Member to reimburse the Non-Defaulting Member for any outstanding Non-Defaulting Member Advances, plus interest thereon at the Interest Rate and (B) thereafter, until such Defaulting Member's Total Amount in Default has been satisfied in full, be retained by the Company and applied as a reduction to the Total Amount in Default (and amounts received towards the Total Amount in Default shall be deemed paid towards costs first, then interest and then principal, and in each case towards the oldest of each applicable type of expense (costs, interest or principal) first);

(v) Transfer its Company Interest, except for, subject to the provisions of Section 5.1, a Transfer of all of its Company Interest to a Person who simultaneously with such transfer satisfies or causes to be satisfied in full the Total Amount in Default or, where applicable, cure the Cross-Default; or

(vi) Exercise any rights under the Business Opportunity Agreement.

(b) Upon the commencement of a Default Period, any Non-Defaulting Member may, but shall not be obligated to, advance (which shall not, except as provided in Section 6.6(c), be deemed a Capital Contribution) to the Company, the amount that the Defaulting Member has failed to pay (as set forth in the Default Notice), with each Non- Defaulting Member that elects to participate in such advance making its share of such advance in proportion to its Percentage Interest (without taking into account the Percentage Interest of the

Defaulting Member) or in such other percentages as the participating Non-Defaulting Members may agree (a " ***Non-Defaulting Member Advance*** ").

(c) In addition to the other remedies available to the Non-Defaulting Member under this Section 6.6, if a Defaulting Member is in Default and has failed to satisfy in full its Total Amount in Default, then the Non-Defaulting Member may, (x) if the Defaulting Member is (1) a direct or indirect Transferee of all or any portion of the Paradigm Member's Percentage Interests and (2) not Controlled by Stonepeak Infrastructure Fund (Orion AIV) LP, a Delaware limited partnership, at any time during the Default Period, or (y) otherwise, after the 30 th day of the Default Period, elect to:

(i) Reduce the Percentage Interest of the Defaulting Member by written notice to the Company and such Defaulting Member (an " ***Interest Reduction Notice*** ," and the date of delivery of the Interest Reduction Notice, the " ***Interest Reduction Notice Delivery Date*** "), and the Defaulting Member's Percentage Interest shall be reduced in accordance with the following formula:

$$AMI_{DM} = \frac{CC_{DM}}{CC_T} \quad \text{where:}$$

AMI_{DM}	=	the adjusted Member Interest of the Defaulting Member, effective as of the Interest Reduction Notice Delivery Date (expressed as a percentage)
CC_{DM}	=	the aggregate Capital Contributions made to the Company by the Defaulting Member as of the Interest Reduction Notice Delivery Date (expressed in dollars)
CC_T	=	the aggregate Capital Contributions made to the Company by all Members plus the Interest Reduction Amount;

(ii) if such Defaulting Member or its Affiliate is the Construction Manager under the Construction Management Agreement and/or the Operator under the Operating Agreement, remove such Defaulting Member or its Affiliate as such Construction Manager and/or Operator; and/or

(iii) purchase, and the Defaulting Member shall be obligated to sell to the Non-Defaulting Member, all, and not less than all, of the Company Interest held by such Defaulting Member and its Affiliates (the " ***Subject Interests*** ") (the right of such Non-Defaulting Member described in this Section 6.6(c)(iii), a " ***Call Option*** "); provided, that a Non-Defaulting Member shall not have a Call Option where the applicable Default is the failure by the Defaulting Member to, in accordance with Section 6.1(c)(i), contribute its Percentage Interest share of the amount specified in a Call Notice issued with respect to funding under the Operating Agreement.

(d) In the event of the election by a Non-Defaulting Member of the remedy set forth in Section 6.6(c)(i) above, then (i) the Non-Defaulting Member's Percentage Interest shall be increased by the amount by which the Defaulting Member's Percentage Interest is reduced; (ii) the Non-Defaulting Member Advance shall thereupon be deemed a Capital Contribution by such Non-Defaulting Member; and (iii) the Company shall thereupon cause the Percentage Interests to be revised in its records to reflect the adjustments described in this Section 6.6 as of the Interest Reduction Notice Delivery Date.

(e) Upon any reduction of the Defaulting Member's Percentage Interest pursuant to this Section 6.6, the Defaulting Member's Total Amount in Default shall be deemed satisfied in full and consequently the Default Period shall terminate.

(f) The Non-Defaulting Member may exercise its Call Option by providing written notice (a " ***Purchase Notice*** ") to the Company and the Defaulting Member of the Non-Defaulting Member's irrevocable election to exercise its Call Option. Upon the exercise of a Call Option, the price to be paid for the Subject Interests to be repurchased in connection therewith (the " ***Purchase Price*** ") shall be equal to the greater of (i) $0 and (ii) the sum of all Unreturned Capital Contributions of the Defaulting Member multiplied by 0.90. The closing of the purchase of the Subject Interests pursuant to this Section 6.6(f) shall take place on the date designated by the Non-Defaulting Member, which date shall be not less than 5 days or, subject to the receipt of any approvals required by applicable Law, more than 60 days after the delivery of a Purchase Notice. The Non-Defaulting Member (or its designee) shall pay for the Subject Interests to be purchased pursuant to this Section 6.6(f) by a check or wire transfer of immediately available funds at such closing. Each holder of Subject Interests selling Subject Interests pursuant to this Section 6.6(f) shall not be required to make any representations or warranties in connection with such Transfer other than representations and warranties as to (a) such seller's ownership of its Subject Interests to be transferred free and clear of Liens and (b) such seller's power and authority to effect such Transfer.

ARTICLE VII
PROFITS AND LOSSES; DISTRIBUTIONS

Section 7.1 Allocation of Profits and Losses.

(a) In General. This Article VII sets forth the general rules for book allocations to the Members and shall apply to allocations with respect to the operations and liquidation of the Company, maintaining the books and records of the Company and computing the Members' Capital Accounts or share of Profits, Losses, other items or distributions pursuant to this Agreement, in each case as required for U.S. federal income tax purposes under Code Section 704(b) and the Regulations thereunder. These provisions do not apply to the requirement that the Company maintain books and records for financial reporting purposes in accordance with Section 4.1.

(b) Profits and Losses. After giving effect to the Regulatory Allocations, Profit and Loss (or, if determined by the Management Committee, items of income, gain, loss and expense comprising Profits or Losses for such taxable year), shall be allocated among the Members in a manner that will, as nearly as possible, cause the Capital Account

balance of each Member at the end of such period to equal: (a) the amount such Members would receive if all assets of the Company on hand at the end of such tax period were sold for cash equal to their Book Values, all liabilities of the Company were satisfied in cash in accordance with their terms (limited in the case of non-recourse liabilities to the Book Value of the property securing such liabilities), and all remaining or resulting were distributed to the Members under Section 7.6(a), minus (b) such Member's share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of assets, and the amount any such Member is treated as obligated to contribute to the Company, computed immediately after the hypothetical sale of assets.

Section 7.2 Limitations on Allocations. Notwithstanding the general allocation rules set forth in Section 7.1 hereof, the following special allocation rules and limitations shall apply with respect to maintaining the Company's books and records and computing the Members' Capital Accounts or share of Profits, Losses, other items or distributions pursuant to this Agreement, in each case as required for U.S. federal income tax purposes under Code Section 704(b) and the Regulations thereunder. The special allocations in Sections 7.2(b), (c), (d), (e) and (f) shall be made in such order and priority as specified in the Regulations.

(a) Limitations on Loss Allocations. The Losses allocated to any Member pursuant to Section 7.1(b) hereof with respect to any Fiscal Year shall not exceed the maximum amount of Losses that can be so allocated without causing such Member to have an Adjusted Capital Account Deficit at the end of such Fiscal Year. In the event some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 7.1(b) hereof, the limitation set forth in this Section 7.2(a) shall be applied on a Member-by-Member basis and any such Losses not allocable to a Member as a result of such limitation shall be allocated to the other Members in accordance with their positive Capital Account balances so as to allocate the maximum possible Losses to each Member under Regulation Section 1.704-1(b)(2)(ii)(d).

(b) Qualified Income Offset. If in any Fiscal Year or other allocation period a Member unexpectedly receives an adjustment, allocation or distribution described in Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), and such adjustment, allocation, or distribution causes or increases an Adjusted Capital Account Deficit for such Member, then, before any other allocations are made under this Article VII or otherwise, such Member shall be allocated items of income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain) in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible; provided that an allocation pursuant to this Section 7.2(b) shall be made only if and to the extent that the Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article VII have been made as if this Section 7.2(b) were not in this Agreement. This Section 7.2(b) is intended to constitute a "qualified income offset" as provided in Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(c) Company Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during any Fiscal Year or other allocation period, then, except as provided in Regulation Section 1.704-2(f)(2), (3), or (5), each Member shall be allocated items of income and gain for such period (and, if necessary, for subsequent periods) in proportion to,

and to the extent of, such Member's share of the net decrease in Company Minimum Gain during such period . Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto and the items to be so allocated shall be determined in accordance with Regulation Sections 1.704-2(f)(6) and 1.704-2(j)(2). To the extent that this Section 7.2(c) is inconsistent with Regulation Section 1.704- 2(f) or incomplete with respect to such Regulations, the Company Minimum Gain chargeback provided for herein shall be applied and interpreted in accordance with such Regulation.

(d) Member Nonrecourse Debt Minimum Gain Chargeback. If there is a net decrease in Member Nonrecourse Debt Minimum Gain during any Fiscal Year or other allocation period, then, except as provided in Regulation Section 1.704-2(i)(4), each Member with a share of Member Nonrecourse Debt Minimum Gain shall be allocated items of income and gain for such period (and, if necessary, for subsequent periods) in proportion to, and to the extent of, such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain during such period. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto and the items to be so allocated shall be determined in accordance with Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2). To the extent that this Section 7.2(d) is inconsistent with Regulation Section 1.704-2(i) or incomplete with respect to such Regulation, the Member Nonrecourse Debt Minimum Gain chargeback provided for herein shall be applied and interpreted in accordance with such Regulation

(e) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other allocation period shall be specially allocated to the Members in proportion to each of their respective Percentage Interests in the Company. This provision is to be interpreted in a manner consistent with Regulation Sections 1.704-2(b)(1) and 1.704-2(e).

(f) Member Nonrecourse Deductions. Member Nonrecourse Deductions shall be allocated among the Members in accordance with the ratios in which the Members share the economic risk of loss for the Member Nonrecourse Debt that gave rise to those deductions. This allocation is intended to comply with the requirements of Regulation Section 1.704-2(i) and shall be interpreted and applied consistently therewith.

(g) Limited Effect and Interpretation. The special rules set forth in Sections 7.2(a), (b), (c), (d), (e) and (f) (the "Regulatory Allocations") shall be applied only to the extent required by applicable Regulations for the resulting allocations provided for in this Section 7.2, taking into account such Regulatory Allocations, to be respected for U.S. federal income tax purposes. The Regulatory Allocations are intended to comply with the requirements of Regulation Sections 1.704-1(b), 1.704-2 and 1.752-1 through 1.752-5, inclusive, and shall be interpreted and applied consistently therewith.

(h) Offsetting Allocations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to divide Company Profits, Losses, and other similar items. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 7.2(h). Therefore, notwithstanding any other provision of this Article VII (other than the Regulatory

Allocations), the Company shall make such offsetting special allocations of Company income, gain, loss or deduction in a manner such that, after the offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to Section 7.1 hereof.

Section 7.3 Restoration of Negative Capital Accounts. At no time shall a Member with a negative balance in its Capital Account have any obligation to the Company or to any other Member to restore such negative balance.

Section 7.4 Interim Allocations Relating to Transferred Company Interests. Notwithstanding any other provision of this Agreement, in the event of a change in a Member's Percentage Interest in the Company as a result of a Transfer or deemed Transfer of a Member's Company Interest or as a result of a contribution of assets by a Member to the Company or a distribution of assets by the Company to a Member during a Fiscal Year, the allocations required under this Article VII shall be made with respect to the Members for the portions of the Fiscal Year through the date of the Transfer, contribution or distribution and after the date of the Transfer, contribution or distribution based on an interim closing of the Company's books. The effective date of any such Transfer, contribution or distribution shall be the actual date of the Transfer, contribution or distribution as recorded on the books of the Company. This Section 7.4 shall also apply for purposes of computing a Member's Capital Account.

Section 7.5 Code Section 704(c) Allocations.

(a) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company that is treated as a partnership or disregarded entity for U.S. federal income tax purposes shall, solely for U.S. federal income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted tax basis of such property to the Company for U.S. federal income tax purposes and its Book Value (computed in accordance with the definition of Book Value) using the "Remedial Method of Allocation" as defined in Regulation Section 1.704-3(d).

(b) In the event the Book Value of any asset of the Company (or any Subsidiary thereof that is treated as a partnership or disregarded entity for U.S. federal income tax purposes) is adjusted pursuant to clause (1) of the definition of Book Value or otherwise pursuant to Code Section 704(b) and the Regulations thereunder, subsequent allocations of income, gain, loss and deduction with respect to any such asset so adjusted shall take account of any variation between the adjusted tax basis of such asset for U.S. federal income tax purposes and the Book Value in the same manner as under Code Section 704(c), the Regulations thereunder and Section 7.5(a).

(c) Allocations pursuant to this Section 7.5 are solely for purposes of U.S. federal income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses or other items allocated under Section 7.1 or Section 7.2.

Section 7.6 Distributions.

(a) Distributions Other Than On the Effective Date or in Liquidation of the Company. Except as provided in this Section 7.6(a) (and taking into account deemed distributions, if any, under Section 8.1 which are not re-contributed pursuant to Section 8.1) , Distributions of cash of the Company shall be made at the end of each quarterly accounting period of the Company to each Member of the Company in the following amounts:

(i) 100% of Available Cash to the Members:

(A) first, pro rata in proportion to and to the extent of the Members' Unreturned Capital Contributions; then

(B) the balance, if any, in proportion to the Members' Percentage Interests.

(b) Distributions in Liquidation of the Company. Upon the dissolution or liquidation of the Company, the proceeds of sale of the properties and assets of the Company that have been sold in liquidation, and all other properties and assets of the Company not otherwise sold (and valued at their fair market value), shall be applied and distributed as follows, and in the following order of priority: (i) first, to the payment of all debts and liabilities of the Company and the expenses of liquidation not otherwise adequately provided for; (ii) second, to the setting up of any reserves that are reasonably necessary for any contingent unforeseen liabilities or obligations of the Company or of the Members arising out of or in connection with the Company; and (iii) third, to the Members in accordance with Section 7.6(a).

ARTICLE VIII
WITHHOLDING TAX MATTERS; TAX STATUS AND TREATMENT

Section 8.1 Withholding. The Company shall comply with all withholding requirements under U.S. federal, state, local and foreign tax Laws and shall remit amounts withheld to, and file required forms with, such applicable Governmental Entity. To the extent that the Company withholds and pays over any amounts to any Governmental Entity with respect to the distributions or allocations to any Member, the amount withheld (or credited against withholding tax otherwise due) shall be treated as a Distribution to such Member in the amount of the withholding (or credit). In the event of any claimed overwithholding by the Company, if the Company is required to take any action in order to secure a refund or credit for the benefit of a Member in respect of any amount withheld by it, it will take any such action including applying for such refund on behalf of the Member and paying it over to such Member. If any amount required to be withheld was not withheld from actual Distributions made to a Member, the Member to which the Distribution was made shall reimburse the Company for such withholding. In the event of any underwithholding by the Company to a Member, each Member agrees to indemnify and hold harmless the Company and its Subsidiaries from and against any liability, including interest and penalties, with respect to such underwithholding to such Member. Each Member agrees to furnish the Company with any representations and forms as shall reasonably be requested by the Company to assist the Company in determining the extent of, and

in fulfilling, the Company's withholding obligations, if any. The provisions of this Section 8.1 shall be applied in a manner, taking into consideration any tiered partnership structure that the Company may be part of, that reflects the relative economic interests of each Member in the Company.

Section 8.2 Tax Status.

(a) The Company is intended to be treated as a partnership for U.S. federal income tax purposes, and each of the Subsidiaries of the Company organized under the laws of the United States, a State of the United States or any political subdivision thereof (the " ***Flow Through Subsidiaries*** ") is intended to be treated as a partnership or disregarded entity for
U.S. federal income tax purposes.

(b) Each of the Members and the Company shall take no action (including any direct or indirect Transfer of a Company Interest) or position inconsistent with (or that could reasonably be expected to be viewed by the Internal Revenue Service as inconsistent with), and shall make or cause to be made all applicable elections with respect to: (i) the treatment of the Company (or any successor thereto) as a partnership for U.S. federal income tax purposes and the treatment of each of the Flow Through Subsidiaries (or any successor thereto) as a partnership or disregarded entity for U.S. federal income tax purposes; and (ii) the treatment of the Company as not being a publicly traded partnership for U.S. federal income tax purposes.

Section 8.3 Tax Matters Partner; Tax Elections.

(a) The Company hereby elects to have a "tax matters partner" as provided under Code Section 6231(a)(7)(B) (the " ***Tax Matters Partner*** "). The Tax Matters Partner must be a Member and the Phillips Member is hereby designated as the initial Tax Matters Partner. Notwithstanding anything to the contrary in this Section 8.3, (1) the Tax Matters Partner shall not bind any Member to a settlement agreement without the written consent of such Member or enter into any extension of the period of limitations for making assessments with respect to the Company or any Member without the prior consent of the Members that would be bound by such extension, and (2) each Member shall be designated a notice partner under Code Section 6231 and shall have the rights of a notice partner granted pursuant to Code Sections 6221 through 6233.

(b) The Company shall make all elections required under U.S. federal income tax Laws and Regulations and any similar state statutes and shall make the following elections:

(i) Adopt the Calendar Year as the annual accounting period;

(ii) Adopt the accrual method of accounting; and

(iii) Adopt the maximum allowable accelerated method and shortest permissible life for determining depreciation deductions.

(c) The Company shall make the election provided for in Section 754 of the Code in connection with the filing of Form 1065 (U.S. Return of Partnership Income) for

the first tax year for which it may make a valid election and shall provide each Member with a copy of such election.

(d) The Company shall provide each Member with estimates of the tax information to be included on Schedule K-1 within 90 days after the end of the applicable Calendar Year.

ARTICLE IX
DISSOLUTION, WINDING-UP AND TERMINATION

Section 9.1 Dissolution. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following events (each a " ***Dissolution Event*** "):

(a) approval by the Management Committee in accordance with Section 3.1(e); or

(b) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

Section 9.2 Winding-Up and Termination.

(a) On the occurrence of a Dissolution Event, the Management Committee shall select one or more Persons to act as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided in Section 7.6(b)and in the Act. The costs of winding up shall be borne as a Company expense. Until final distribution, the liquidator shall continue to operate the Company properties with all of the power and authority of the Management Committee.

(b) All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses and liabilities theretofore incurred or for the payment of which the Company has committed prior to the date of termination. The distribution of cash or property to a Member in accordance with the provisions of Section 7.6(b) and this Section 9.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its share of all the Company's property and constitutes a compromise to which all Members have consented within the meaning of Section 18-502(b) of the Act.

(c) On completion of such final distribution, the liquidator shall file a Certificate of Cancellation with the Secretary of State of the State of Delaware and take such other actions as may be necessary to terminate the existence of the Company.

ARTICLE X
MISCELLANEOUS

Section 10.1 Counterparts. This Agreement may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Section 10.2 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without reference to the choice of Law principles thereof.

Section 10.3 Dispute Resolution. Any dispute or controversy of any and every kind or type, whether based on contract, tort, Law or otherwise arising out of or relating to this Agreement (in each case, a " ***Dispute*** ") shall be resolved in accordance with the procedures set forth in Section 5.14 of the Transfer Restriction Agreement.

Section 10.4 Grant of Security Interest. Each Member grants to the Company and to each other Member, as security, equally and ratably, for the payment and performance of all obligations, liabilities, costs and expenses owed to the Company or any other Member, or for the enforcement of any such other Member's remedies, under this Agreement, a security interest in and a general lien on its Company Interest and other interests in the Company and the proceeds thereof, all under the Uniform Commercial Code of the State of Delaware. The Company and each Member, as applicable, shall be entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 10.4. Each Member shall execute and deliver to the Company and each other Member all financing statements and other instruments that the Management Committee or any Member, as applicable, may reasonably request to effectuate and carry out the preceding provisions of this Section 10.4. At the option of the Management Committee or any Member, this Agreement or a copy hereof may serve as a financing statement. Each Member agrees to keep its Company Interest free and clear of all Liens (other than the security interest granted pursuant to this Agreement).

Section 10.5 Entire Agreement; No Third-Party Beneficiaries. This Agreement and the other Transaction Documents constitutes the entire agreement of the Parties relating to the matters contained herein, and supersede all prior contracts, agreements, representations, warranties or understandings, whether oral or written, relating to the matters contained herein. Except for the rights of Covered Persons pursuant to Section 3.11, this Agreement is not intended to confer upon any Person not a party hereto any rights or remedies hereunder.

Section 10.6 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission (with receipt confirmed), or if mailed (first class postage prepaid) or deposited with a reputable overnight courier for next day delivery, to the Parties at the following addresses or facsimile numbers:

(a) If to Phillips Member:

Phillips 66 Partners LP
c/o Phillips 66 Partners GP LLC 3010 Briarpark Drive
Houston, Texas 77042 Attention: General Counsel

With a copy to (which shall not constitute notice):

Phillips 66 Company
3010 Briarpark Drive
Houston, Texas 77042 Attention: GeneralCounsel

(b) If to Paradigm Member: Paradigm Energy Partners,LLC

545 E. John Carpenter Freeway, Suite 800 Irving, Texas 75062
Attention: Chief Executive Officer Facsimile: (214) 373.4306
Phone: (214) 373.4300

With a copy to (which shall not constitute notice): Stonepeak Paradigm Holdings, LLC

717 Fifth Avenue, 14 th Floor New York, New York 10022
Attention: Chief Financial Officer Facsimile: (212) 907.5101
Phone: (212) 907.5100

And to:

Gardere Wynne Sewell LLP 1601 Elm Street, Suite 3000
Dallas, Texas 75201 Attention: Robert Sarfatis Facsimile: (214) 999.3245
Phone: (214) 999.4245

(c) If to the Company:

[___]

c/o Paradigm Energy Partners, LLC
545 E. John Carpenter Freeway, Suite 800 Irving, Texas 75062
Attention: Chief Executive Officer Facsimile: (214) 373.4306
Phone: (214) 373.4300

All such notices, requests and other communications will (x) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (y) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon confirmation of receipt, and (z) if delivered by mail or reputable overnight courier in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving notice specifying such change to the other Parties. With respect to any financial information communicated by the Company to the Members pursuant to Section 4.2(c), the Company shall send simultaneously or shortly thereafter an electronic copy of such information via e-mail to one or more accounting representatives designated by any Member by a notice to the Company given in accordance with this Section 10.6.

Section 10.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Members and their respective successors and permitted assigns; *provided, however* , that no Member will assign its rights or delegate any or all of its obligations under this Agreement other than in connection with a permitted Transfer pursuant to and in accordance with Article V.

Section 10.8 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Any Party may, only by an instrument in writing, waive compliance by another Party with any term or provision of this Agreement on the part of such other Party hereto to be performed or complied with. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy.

Section 10.9 Severability. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

Section 10.10 Interpretation. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if it was drafted jointly by the Members, and no presumption or burden of proof shall arise favoring or disfavoring any Member by virtue of the authorship of any provisions of this Agreement.

Section 10.11 Further Assurances. The Parties agree that, from time to time, each of them will execute and deliver, or cause to be executed and delivered, such further agreements and instruments and take such other action as may be necessary to effectuate the provisions, purposes and intents of this Agreement.

Section 10.12 Non-Compensatory Damages. None of the Parties shall be entitled to recover from any other Party, or such Party's respective Affiliates, any indirect, consequential, punitive or exemplary damages arising under or in connection with this Agreement or the

transactions contemplated hereby, except to the extent any such Party suffers such damages to a third Person, which damages (including costs of defense and reasonable attorneys' fees incurred in connection with defending against such damages) shall not be excluded by this provision as to recovery hereunder. Subject to the preceding sentence, each Party, on behalf of itself and each of its Affiliates, waives any right to recover punitive, special, exemplary or consequential damages arising in connection with or with respect to this Agreement or the transactions contemplated hereby.

Section 10.13 Appointment as Attorney-in-Fact.

(a) Each Member (a " ***Granting Member*** ") hereby irrevocably constitutes, appoints and empowers the Company and the other Member (and each of their representatives, officers, managers, partners, successors and assignees) (" ***POA Grantees*** ") with full power of substitution and resubstitution, as its true and lawful attorney-in-fact, in its name, place and stead and for its use and benefit, to during any period the Granting Member is a Defaulting Member, execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents and necessary or advisable to carrying out the implementation and consummation of any actions to be taken, or rights or remedies of the Non-Defaulting Member, pursuant to Section 6.6(c).

(b) Each Granting Member authorizes such attorney-in-fact to take any further action which such attorney-in-fact shall consider necessary or advisable in connection with the matters expressly set forth in Section 10.13(a), hereby giving such attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever necessary or advisable to be done in and about the foregoing as fully as such Granting Member might or could do if personally present, and hereby ratifying and confirming all that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The appointment by each Granting Member of the POA Grantees with full power of substitution and resubstitution, as and to the extent aforesaid, as attorneys in fact shall be deemed to be a power coupled with an interest, shall be irrevocable and shall survive and not be affected by the dissolution, bankruptcy, incapacity, disability or death of any Granting Member, in recognition of the fact that each of the Members shall be relying upon the power of the POA Grantees to act as contemplated by this Section 10.13. The foregoing limited power of attorney shall survive the Transfer by any Member of its Company Interest. Nothing contained in this Section 10.13 shall be construed as authorizing any amendment to this Agreement except as may be otherwise expressly provided for in Section 6.6.

(c) Prior to exercising any power granted to a POA Grantee pursuant to this Section 10.13, such POA Grantee shall provide the applicable Granting Member with written notice not less than 5 Business Days prior to the taking of any such action.

(d) Notwithstanding Section 10.13(a) and Section 10.13(b), if any Dispute shall have been asserted in writing as to the occurrence of a Default or any matter with respect to which such powers and authority shall have been granted, such powers and authority granted pursuant to Section 10.13(a) and Section 10.13(b) shall be tolled and ineffective, until Final Resolution of such Dispute.

[Remainder of Page Intentionally Left Blank. Signature Page Follows.]

IN WITNESS WHEREOF, each of the undersigned has executed this Limited Liability Company Agreement as of the date first set forth above.

PARADIGM ENERGY PARTNERS, LLC

By: _____

Name:
Title:

PHILLIPS 66 PARTNERS LP

By: _____

Name:
Title:

EXHIBIT A
TO LIMITED LIABILITY COMPANY AGREEMENT OF
[JV 1 LLC]
BETWEEN
PARADIGM ENERGY PARTNERS, LLC
AND
PHILLIPS 66 PARTNERS LP

Dated as of [*DATE*]

PERCENTAGE INTERESTS

MEMBER	**PERCENTAGE INTEREST** [4]
Phillips 66 Partners LP	50%
Paradigm Energy Partners, LLC	50%

[4] To be revised for Terminal LLC.

EXHIBIT B
TO LIMITED LIABILITY COMPANY AGREEMENT OF
[JV 1 LLC]
BETWEEN
PARADIGM ENERGY PARTNERS, LLC
AND
PHILLIPS 66 PARTNERS LP

Dated as of [*DATE*]

DEPICTION OF THE SACAGAWEA PIPELINE

[Attached Behind this Page]

EXHIBIT C
TO LIMITED LIABILITY COMPANY AGREEMENT OF
[JV 1 LLC]
BETWEEN
PARADIGM ENERGY PARTNERS, LLC
AND
PHILLIPS 66 PARTNERS LP

Dated as of [*DATE*]

MIDSTREAM ASSETS

1. the System
2. Paradigm CDP
3. Watford Express
4. Little Missouri Explorer

Exhibit H

Form of Paradigm Assignment and Assumption Agreement

EXHIBIT H

FORM OF ASSIGNMENT AND ASSUMPTION OF

PARADIGM INTERESTS

THIS ASSIGNMENT AND ASSUMPTION OF PARADIGM INTERESTS , dated as of _____(this " **Assignment** ") is entered into by and between Paradigm Energy Partners, LLC, a Delaware limited liability company (" **Assignor** "), and [***Pipeline LLC***], a Delaware limited liability company (" **Assignee** ").

RECITALS

A. Assignor and Phillips 66 Partners LP, a Delaware limited partnership, are parties to that certain Formation and Contribution Agreement dated November , 2014 (" **Contribution Agreement** "). Capitalized terms used in this Assignment and not otherwise defined herein will have the meaning ascribed to such terms in the Contribution Agreement.

B. In connection with the consummation of the transactions contemplated by the Contribution Agreement, Assignor desires to sell, assign, transfer, convey and deliver to Assignee all of its right, title and interest in, to and under the Paradigm Interests and Assignee desires to accept such assignment.

The parties hereto, intending to be legally bound and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

OBLIGATIONS

1. Assignor hereby irrevocably and unconditionally sells, assigns, transfers, conveys and delivers to Assignee the Paradigm Interests free and clear of all Liens, other than Permitted Liens, and the Assignee hereby accepts the Paradigm Interests.

2. This Assignment is executed pursuant to the Contribution Agreement, and is expressly made subject to the terms and provisions of the Contribution Agreement, including all disclaimers, acknowledgements and waivers contained in the Contribution Agreement, and nothing in this Assignment will be deemed to modify the Contribution Agreement or affect the rights of the Parties under the Contribution Agreement. In the event of a conflict between this Assignment and the Contribution Agreement, the Contribution Agreement will control.

3. Assignor and Assignee agree, from time to time on and after the Closing Date, upon the reasonable request of the other and without further consideration, to do, execute, acknowledge and deliver any and all documents and instruments which may be necessary or desirable to fully or more effectively vest and effectuate the transfers, assignments and conveyances contemplated hereby.

4. This Assignment may not be modified or amended except by an instrument or instruments in writing signed by Assignor and Assignee.

5. This Assignment may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

6. This Assignment shall bind and shall inure to the benefit of Assignor and Assignee and their respective successors and permitted assigns.

7. This Assignment shall be governed and construed in accordance with the substantive laws of the State of Delaware without reference to principles of conflicts of law.

IN WITNESS WHEREOF , each of the undersigned has caused this Assignment to be executed by its duly authorized officer as of the date first written above.

ASSIGNOR:

PARADIGM ENERGY PARTNERS, LLC

Name:

Title:

ASSIGNEE:

[PIPELINE LLC]

_____

Name:

Title:

Exhibit I

Form of PSXP Assignment and Assumption Agreement

EXHIBIT I

FORM OF ASSIGNMENT AND ASSUMPTION OF

MOUNTRAIL INTERESTS

THIS ASSIGNMENT AND ASSUMPTION OF MOUNTRAIL INTERESTS , dated as of ___(this " **Assignment** ") is entered into by and between Phillips 66 Partners LP, a Delaware limited partnership (" **Assignor** "), and [***Terminal LLC***], a Delaware limited liability company (" **Assignee** ").

RECITALS

A. Assignor and Paradigm Energy Partners, LLC, a Delaware limited liability company , are parties to that certain Formation and Contribution Agreement dated November , 2014 (" **Contribution Agreement** "). Capitalized terms used in this Assignment and not otherwise defined herein will have the meaning ascribed to such terms in the Contribution Agreement.

B. In connection with the consummation of the transactions contemplated by the Contribution Agreement, Assignor desires to sell, assign, transfer, convey and deliver to Assignee all of its right, title and interest in, to and under the Mountrail Interests and Assignee desires to accept such assignment.

The parties hereto, intending to be legally bound and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

OBLIGATIONS

1. Assignor hereby irrevocably and unconditionally sells, assigns, transfers, conveys and delivers to Assignee the Mountrail Interests free and clear of all Liens, other than Permitted Liens, and the Assignee hereby accepts the Mountrail Interests.

2. This Assignment is executed pursuant to the Contribution Agreement, and is expressly made subject to the terms and provisions of the Contribution Agreement, including all disclaimers, acknowledgements and waivers contained in the Contribution Agreement, and nothing in this Assignment will be deemed to modify the Contribution Agreement or affect the rights of the Parties under the Contribution Agreement. In the event of a conflict between this Assignment and the Contribution Agreement, the Contribution Agreement will control.

3. Assignor and Assignee agree, from time to time on and after the Closing Date, upon the reasonable request of the other and without further consideration, to do, execute, acknowledge and deliver any and all documents and instruments which may be necessary or desirable to fully or more effectively vest and effectuate the transfers, assignments and conveyances contemplated hereby.

4. This Assignment may not be modified or amended except by an instrument or instruments in writing signed by Assignor and Assignee.

5. This Assignment may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

6. This Assignment shall bind and shall inure to the benefit of Assignor and Assignee and their respective successors and permitted assigns.

7. This Assignment shall be governed and construed in accordance with the substantive laws of the State of Delaware without reference to principles of conflicts of law.

IN WITNESS WHEREOF , each of the undersigned has caused this Assignment to be executed by its duly authorized officer as of the date first written above.

ASSIGNOR:

PHILLIPS 66 PARTNERS LP

Name:

Title:

ASSIGNEE:

[TERMINAL LLC]

_____

Name:

Title:

Exhibit J

Form of Affidavit of Non-Foreign Status

EXHIBIT J

FORM OF AFFIDAVIT OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code of 1986, as amended, provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by [___] (" **Transferor** "), the undersigned hereby certifies the following on behalf of Transferor:

A. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

B. Transferor is not a disregarded entity as defined in Treasury Regulation Section 1.1445- 2(b)(2)(iii);

C. Transferor's U.S. employer identification numbers is [_____]; and

D. Transferor's office address is [_____].

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

[TRANSFEROR]

By:_____
Name:
Title:

Exhibit K

Form of Business Opportunity Agreement

Exhibit L

Form of Construction Management Agreement – Pipeline

CONSTRUCTION MANAGEMENT AGREEMENT

BETWEEN

[PIPELINE LLC]

AND

[PARADIGM CM ENTITY]

Dated [ ], 2014

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CONSTRUCTION MANAGEMENT AGREEMENT [1]

This CONSTRUCTION MANAGEMENT AGREEMENT (as the same may be amended from time to time in accordance herewith, this " ***Agreement*** ") by and between [PIPELINE LLC], a Delaware limited liability company (" ***Owner*** "), and [PARADIGM CM ENTITY], a Delaware limited liability company, is made and entered into as of [●], 2014 (" ***Effective Date*** "). Owner and Construction Manager (as hereinafter defined) may be referred to herein collectively as the " ***Parties*** " or each, individually, as a " ***Party.*** "

RECITALS

WHEREAS, Owner is owned 50% by Phillips 66 Partners LP, a Delaware limited partnership (" ***PSXP*** "), and 50% by Paradigm Energy Partners, LLC, a Delaware limited liability company (" ***Paradigm*** ");

WHEREAS, PSXP and Paradigm have entered into that certain Limited Liability Company Agreement of Owner, dated effective as of the Effective Date (as such agreement may be amended, modified or supplemented from time to time, the " ***LLC Agreement*** "), to govern the management, ownership and operation of Owner and its assets;

WHEREAS, Owner intends, pursuant to this Agreement, to retain the services of Construction Manager to Manage the Design, Procurement and Construction of the Subject Facilities on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing, the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties hereby agree as follows:

AGREEMENT

Article I

Definitions; Construction.

Section 1.1 Definitions . The following terms, as used in this Agreement, shall have the meanings given such terms as set forth below:

" ***Acceptance Certificate*** " has the meaning set forth in Section 2.6(b).

" ***Affiliate*** " means, with respect to any Person, a Person directly or indirectly Controlling, Controlled by or under common Control with such Person. For the avoidance of doubt, neither the Owner nor any of its subsidiaries shall be considered an "Affiliate" of Construction Manager for any purpose hereunder.

" ***Agreement*** " has the meaning set forth in the preamble.

---

[1] Construction Management Agreement for Terminal LLC to be based upon this form, with conforming changes (to account for, among other things, the appropriate parties and the nature of the Terminal LLC assets).

“ ***Audit Period*** ” has the meaning set forth in Section 7.3(b).

“ ***Authorized Officer*** ” means the President or any other officer of Owner expressly authorized by Owner to act on its behalf in the performance of this Agreement.“ ***Available Cash*** ” has the meaning set forth in the LLC Agreement.

“ ***Bankrupt*** ” means, with respect to any Person, (a) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under the U.S. Bankruptcy Code (or corresponding provisions of future Laws) or any other insolvency Law, or a Person’s filing an answer consenting to or acquiescing in any such petition, (b) the making by such Person of any assignment for the benefit of its creditors or the admission by a Person of its inability to pay its debts as they mature or (c) the expiration of 60 days after the filing of an involuntary petition under the U.S. Bankruptcy Code (or corresponding provisions of future Laws) seeking an application for the appointment of a receiver for the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other insolvency Law, unless the same shall have been vacated, set aside or stayed within such 60 day period.

“ ***Budget Amendment*** ” has the meaning set forth in Section 5.3.

“ ***Business Day*** ” has the meaning set forth in the LLC Agreement.

“ ***Calendar Month*** ” has the meaning set forth in the LLC Agreement.

“ ***Calendar Quarter*** ” has the meaning set forth in the LLC Agreement.

“ ***Calendar Year*** ” has the meaning set forth in the LLC Agreement.

“ ***Call Notice*** ” has the meaning set forth in the LLC Agreement.

“ ***Capital Account*** ” has the meaning set forth in the LLC Agreement.

“ ***Claim*** ” has the meaning set forth in the LLC Agreement.

“ ***CM Group*** ” means, collectively, Construction Manager, Stonepeak Infrastructure Fund (Orion AIV) LP, and any of such Persons’ respective Affiliates.

“ ***CM Indemnitees*** ” has the meaning set forth in Section 10.2(a)(i).

“ ***Company Interest*** ” has the meaning set forth in the LLC Agreement.

“ ***Construction*** ” and its derivatives mean, with respect to each of the Subject Facilities, all activities and services relating to the construction, testing, Final Acceptance and Final Completion of such Subject Facility, including contracting with and supervision of Contractors, the acquisition of Land Rights and required Permits and any environmental remediation required due to the construction of such Subject Facility but excluding Design and Procurement activities.

“ ***Construction Account*** ” has the meaning set forth in Section 7.2.

" ***Construction Budget*** " means, with respect to each of the Subject Facilities, a budget covering all Construction Costs that (a) Construction Manager and Owner deem advisable to make in connection with the Design, Procurement and Construction of such Subject Facility, and (b) is approved by Owner in accordance with the terms and provisions of this Agreement, as such Construction Budget may be amended pursuant to a Budget Amendment or otherwise in accordance with this Agreement.

" ***Construction Costs*** " means, with respect to each of the Subject Facilities, those costs made or incurred by or on behalf of Owner in connection with the Design, Procurement and Construction of such Subject Facility.

" ***Construction Direct Bill Items*** " has the meaning set forth in Exhibit B-2.

" ***Construction Manager*** " means [Paradigm CM Entity], a Delaware limited liability company, or any successor " ***Construction Manager*** " appointed pursuant to Section 2.4(c).

" ***Construction Manager Suggested Activity*** " has the meaning set forth in Section 10.2(d).

" ***Construction Non-Billable Items*** " has the meaning set forth in Exhibit B-3.

" ***Construction Period*** " means, with respect to any of the Subject Facilities, the time period from and after the Effective Date until the Final Completion of the entirety of such Subject Facility.

" ***Construction Reports*** " has the meaning set forth in Section 7.4(b).

" ***Construction Schedule*** " means with respect to any Subject Facility, the schedule attached hereto as Exhibit C, which contains the initial estimated timeline for the Design, Procurement and Construction of such Subject Facility based on the then-current Project Scope as the same may be revised pursuant to Section 5.1(a).

" ***Contract*** " means any written or oral contract or agreement, including any such agreement regarding indebtedness, any lease, mortgage, license agreement, purchase order, commitment, letter of credit and any other legally binding arrangement.

" ***Contractor*** " means any Person engaged by Owner with Construction Manager's assistance pursuant to this Agreement to provide services or materials with respect to the Design, Procurement and Construction of any of the Subject Facilities and the Management thereof. For purposes of clarity, no employee of Construction Manager or its Affiliates shall be considered a Contractor for purposes of this Agreement.

" ***Control*** " has the meaning set forth in the LLC Agreement. " ***Data*** " has the meaning set forth in Section 3.12.

" ***Design*** " and its derivatives mean, with respect to each of the Subject Facilities, all activities relating to the engineering and design of such Subject Facility.

" ***Designated Category*** " means any of the following categories: (a) Design, (b) Procurement, (c) Construction (other than the acquisition of Land Rights or services relating thereto) or (d) the acquisition of Land Rights." ***DOT*** " means the United States Department of Transportation.

" ***Effective Date*** " has the meaning set forth in the preamble.

" ***EH&S Laws*** " has the meaning set forth in Section 6.2(a).

" ***Emergency*** " has the meaning set forth in Section 5.5.

" ***Emergency Expenditure*** " means expenditures that are reasonably necessary to be expended in order to mitigate or remedy an Emergency.

" ***Excessive Cost Overruns*** " means Construction Manager incurring costs and expenses in excess of the Construction Budget for the System (as the same may be amended by any Budget Amendment) by more than 35% in connection with the Design, Procurement and Construction of the System; *provided* , that in determining whether any such excess has occurred, all costs and expenses that are incurred in connection with any Emergency shall be disregarded.

" ***Facilities*** " has the meaning set forth in the Operating Agreement.

" ***FERC*** " means the U.S. Federal Energy Regulatory Commission.

" ***Final Acceptance*** " has the meaning set forth in Section 2.6(b).

" ***Final Completion*** " means, with respect to any of the Subject Facilities, the date upon which all of the following has occurred: (a) Mechanical Completion has been achieved with respect to the entirety of such Subject Facility, (b) Final Acceptance has occurred with respect to the entirety of such Subject Facility, (c) all aspects of the Design, Procurement and Construction of the entirety of such Subject Facility have been completed, (d) Construction Manager or Owner has received affidavits from each Contractor with respect to such Subject Facility that all bills relating to the Design, Procurement and/or Construction activities performed by such Contractor have been paid, (e) all required work to commission and place in-service the entirety of such Subject Facility has been completed, and (f) no material defect or uncompleted portion of the Subject Facility exists.

" ***Force Majeure*** " has the meaning set forth in Section 8.2.

" ***GAAP*** " has the meaning set forth in the LLC Agreement.

" ***Governmental Entity*** " has the meaning set forth in the LLC Agreement.

" ***Initial Subject Facilities Construction Budget*** " has the meaning set forth in Section 5.2.

" ***Land Rights*** " has the meaning set forth in Section 3.10.

" ***Law*** " has the meaning set forth in the LLC Agreement.

" ***Liabilities*** " has the meaning set forth in the LLC Agreement.

" ***Liability Claim*** " has the meaning set forth in Section 10.1(a).

" ***Lien*** " has the meaning set forth in the LLC Agreement.

" ***LLC Agreement*** " has the meaning set forth in the recitals.

" ***Manage*** " or " ***Management*** " and their respective derivatives mean, with respect to each of the Subject Facilities, assisting Owner in the day-to-day management and administration of the Design, Procurement and Construction of such Subject Facility through its Final Acceptance, including assisting Owner in (a) the selection and management of Contractors, (b) the acquisition by Owner of Land Rights, (c) the acquisition by Owner of required Permits, (d) the management of Construction Costs, and (e) the conduct by Owner of any environmental remediation required in connection with the Construction of such Subject Facility." ***Management Committee*** " has the meaning set forth in the LLC Agreement.

" ***Mechanical Completion*** " means, with respect to any Subject Facility, the date upon

which the Construction Manager and/or Owner, as applicable, has received notices from the Contractors performing the Design and Construction of such Subject Facility that (a) such Subject Facility is capable of receiving hydrocarbons, and (b) such Subject Facility is capable of providing the intended service with respect thereto.

" ***Member*** " has the meaning set forth in the LLC Agreement.

" ***Midstream Assets*** " has the meaning set forth in the LLC Agreement.

" ***Monthly Estimate*** " has the meaning set forth in Section 5.4(a).

" ***Operate*** " and its derivatives have the meanings set forth in the Operating Agreement.

" ***Operating Agreement*** " means that certain Operating Agreement covering the Facilities, dated effective as of the Effective Date, between Owner and Phillips 66 Pipeline LLC, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and of the LLC Agreement.

" ***Operator*** " means the Person serving as " ***Operator*** " under the Operating Agreement and any successor " ***Operator*** " that is appointed pursuant to the terms of thereof.

" ***Owner*** " has the meaning set forth in the preamble.

" ***Owner Indemnitees*** " means Owner and its members, directors, officers, managers and employees.

" ***Paradigm*** " has the meaning set forth in the recitals.

" ***Paradigm Change of Control*** " has the meaning set forth in the Transfer Restriction Agreement.

" ***Parties*** " and " ***Party*** " have the meaning set forth in the preamble. " ***Permits*** " has the meaning set forth in Section 6.4.

" ***Person*** " has the meaning set forth in the LLC Agreement.

" ***President*** " means the President of Owner, as appointed by the Management Committee in accordance with the LLC Agreement.

" ***Procurement*** " and its derivatives mean all activities relating to the procurement of services (other than services relating to the acquisition of Land Rights), materials, equipment and construction equipment necessary for the Design and/or Construction of any of the Subject Facilities.

" ***Project Scope*** " means, as of any date of determination and with respect to each of the Subject Facilities, the set of service, capacity and other objective(s), including any acceptance criteria, to be achieved by the Design, Procurement and Construction of such Subject Facility, based upon the descriptions of the Subject Facilities contained herein.

" ***Prudent Industry Practice*** " means those practices, methods, techniques, standards, codes, specifications and acts generally followed or used by reasonably prudent design or construction managers, as applicable, in the oil and gas industry in the United States of America regularly involved in projects similar to the construction of the Subject Facilities which, in the exercise of reasonable judgment, in light of the facts known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent in all material respects with applicable Laws and applicable Permits; *provided , however* , " ***Prudent Industry Practice*** " is not intended to be limited to the optimum practices, methods, techniques, standards, codes, specifications and acts to the exclusion of all others, but rather to be acceptable practices, methods, techniques, standards, codes, specifications and acts as applied having due regard for, among other things, the requirements of applicable Laws.

" ***PSXP*** " has the meaning set forth in the recitals.

" ***Records*** " means as-built specifications and complete drawings, Global Positioning System data via electronic transmission based on final as-built drawings, files, maps, alignment sheets, drawings, documents, reports, correspondence, records required to comply with applicable regulations under DOT, 49 CFR Part 195 and other instruments and records (including accounting and financial records), in each case, to the extent the foregoing are (a) provided to Construction Manager by a Contractor and (b) related to the Design, Procurement and Construction of the Subject Facilities and/or any other obligations of Construction Manager hereunder.

" ***Recovery Claim*** " has the meaning set forth in Section 10.1(b).

" ***Representative*** " has the meaning set forth in the LLC Agreement.

" ***Shortfall Estimate*** " has the meaning set forth in Section 5.4(b).

“ ***Subject Facilities*** ” means those projects and facilities described on Exhibit A.

“ ***Successor Construction Manager Effective Date*** ” means (a) in connection with any resignation by Construction Manager, (i) under Section 2.4(a)(i), the date that is the earlier of (A) the date that is nine months after the date of Construction Manager’s resignation notice to Owner, and (B) the stated effective date of a successor construction manager appointed pursuant to Section 2.4(c), and (ii) under Section 2.4(a)(ii) or Section 2.4(a)(iii), the date that is the earlier of (A) the date that is six months after the date of Construction Manager’s resignation notice to Owner, and (B) the stated effective date of a successor construction manager appointed pursuant to Section 2.4(b), and (b) in connection with any removal of Construction Manager under Section 2.4(c), the date that is the earlier of (i) the date that is nine months after the date of Owner’s removal notice to Construction Manager, and (ii) the stated effective date of a successor construction manager has been appointed pursuant to Section 2.4(c).

“ ***System*** ” has the meaning given in the LLC Agreement.

“ ***Third Party*** ” means any Person that is not a Party or a Member or an Affiliate of a Party or a Member.

“ ***Transaction Documents*** ” has the meaning set forth in the LLC Agreement.

“ ***Transfer Restriction Agreement*** ” has the meaning set forth in the LLC Agreement.

“ ***TRIR*** ” has the meaning set forth in the Section 6.2(f).

Section 1.2 References and Rules of Construction . Unless the context requires otherwise: (a) the gender (or lack thereof) of all words used in this Agreement includes the masculine, feminine and neuter, (b) references to this Agreement, herein, hereby, hereunder and hereof, and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited, (c) references to Articles, Sections, and Exhibits refer to Articles, Sections, and Exhibits of this Agreement, (d) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law, (e) references to money refer to legal currency of the United States of America, (f) the word “ ***including*** ” (in its various forms) means “ ***including, without limitation,*** ” (g) all capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms, (h) each accounting term not defined herein will have the meaning given it under GAAP, (i) headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement, (j) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and (k) if any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action shall be deferred until the next Business Day.

Article II

Construction Manager.

Section 2.1 Construction Manager Identified . Subject to the terms of this Agreement, Owner hereby engages [Paradigm CM Entity], and [Paradigm CM Entity] hereby

accepts such engagement, as Construction Manager to (a) Manage the Design, Procurement and Construction of each of the Subject Facilities, during the Construction Period therefor, and (b) perform, or cause to be performed, the other services of Construction Manager expressly specified in this Agreement.

Section 2.2 Term . This Agreement shall commence on the Effective Date and may be terminated as follows, and in no other manner:

(a) by Owner after Construction Manager has been removed as such if this Agreement has not been assigned to a successor construction manager by the date that is nine months after the date of Owner's removal notice to Construction Manager;

(b) by Owner in the event of a Paradigm Change of Control;

(c) automatically upon the termination of the LLC Agreement in accordance with its terms; or

(d) by the mutual written agreement of the Parties.

Section 2.3 Survival . Subject to the terms hereof, the termination of this Agreement shall not relieve either Party of any liability or obligation of such Party accruing, or that accrued, prior to such termination. In addition, Article XI and Article XII and Section 1.1, Section 1.2, Section 3.1, Section 3.13, Section 7.3, Section 10.2, and this Section 2.3 shall survive in full force and effect any termination of this Agreement.

Section 2.4 Resignation or Removal of Construction Manager .

(a) **Resignation of Construction Manager** . Construction Manager may resign by delivering written notice to Owner (i) at any time, (ii) if Owner breaches any payment provision of this Agreement and, after receipt of notice of such alleged breach by Owner from Construction Manager (which notice shall provide with particularity details of such alleged breach), Owner fails to correct such breach within five days after receipt of such notice from Construction Manager, or (iii) if Owner breaches any material provision of this Agreement (other than a payment provision) in any material respect and, after receipt of notice of such alleged breach by Owner from Construction Manager (which notice shall provide with particularity details of such alleged breach), Owner fails to correct or to diligently pursue correction of such breach in a manner reasonably acceptable to Construction Manager within 30 days after receipt of such notice from Construction Manager; *provided* that if Owner disputes the material breach claimed by Construction Manager pursuant to subsection (iii) above, then such dispute shall be settled by an independent expert pursuant to the terms of Section 12.3 prior to Construction Manager's resignation notice becoming effective. Following the settlement of such dispute which results in a determination that such material breach did in fact occur, if such breach is not corrected by Owner or corrective action reasonably acceptable to Construction Manager is not commenced by Owner, in each case, within ten days after such determination, then Construction Manager's resignation notice delivered pursuant to subsection (iii) above shall be deemed to be effective as of the day such notice was originally delivered. Notwithstanding any such resignation by Construction Manager, Construction Manager shall not be relieved of its duties as Construction Manager under this Agreement and shall continue to perform all of the duties,

responsibilities and obligations of Construction Manager hereunder, in each case, until the applicable Successor Construction Manager Effective Date.

(b) **Removal of Construction Manager** . Construction Manager may be removed by Owner by written notice from Owner to Construction Manager (i) if Construction Manager becomes Bankrupt, (ii) if the CM Group in the aggregate owns less than 50% of the Owner, (iii) if Construction Manager breaches any material provision of this Agreement in any material respect and, after receipt of notice of such alleged breach by Construction Manager from Owner (which notice shall provide with particularity details of such alleged breach), Construction Manager fails to correct or to diligently pursue correction of such breach in a manner reasonably acceptable to Owner within 30 days after receipt of such notice from Owner, (iv) as contemplated pursuant to Section 6.6(c) of the LLC Agreement or (v) there are Excessive Cost Overruns; *provided* that if Construction Manager disputes the material breach claimed by Owner pursuant to subsection (iii) above, then such dispute shall be settled pursuant to the terms of Section 12.3 prior to Owner's removal notice becoming effective. Following the settlement of such dispute which results in a determination that the material breach described in clause (iii) above did in fact occur, if such breach is not corrected by Construction Manager or corrective action reasonably acceptable to Owner is not commenced by Construction Manager, in each case, within ten days after such determination, then Owner's removal notice delivered pursuant to subsection (iii) above shall be deemed to be effective as of the day such notice was originally delivered. Notwithstanding any such removal of Construction Manager, Construction Manager shall not be relieved of its duties as Construction Manager under this Agreement and shall continue to perform all of the duties, responsibilities and obligations of Construction Manager hereunder, in each case, until the applicable Successor Construction Manager Effective Date.

(c) **Appointment of Successor Construction Manager** . Upon the resignation or removal of Construction Manager, a successor construction manager shall be appointed by Owner as soon as practicable and Owner shall promptly notify Construction Manager of any such appointment and the effective date of such appointment. Construction Manager shall reasonably cooperate in the transition to the successor construction manager prior to the applicable Successor Construction Manager Effective Date. Upon such effectiveness of the appointment of the successor construction manager, Construction Manager shall (i) assign its rights and obligations under this Agreement to such successor construction manager at the request of Owner and (ii) promptly deliver all Records in Construction Manager's possession to such successor construction manager. From and after the appointment of any successor construction manager, the successor construction manager shall be deemed to be the " ***Construction Manager*** " hereunder for all purposes.

Section 2.5 Effect of Removal or Resignation . Any removal of or resignation by Construction Manager pursuant to Section 2.4 shall release Construction Manager from any Liability for any obligation and duties of " ***Construction Manager*** " hereunder accruing on or after the applicable Successor Construction Manager Effective Date, including Liabilities for which a successor construction manager is responsible on and after the Successor Construction Manager Effective Date. Any removal of or resignation by Construction Manager pursuant to Section 2.4 shall not relieve Construction Manager from (a) any Liability that it would otherwise have under this Agreement for acts or omissions that occurred prior to the applicable Successor Construction Manager Effective Date, or (b) its obligations accruing prior to the applicable

Successor Construction Manager Effective Date to properly account for any remaining funds in the Construction Account and to make all books and records relating to such account and Construction Manager's performance under this Agreement available to Owner and any successor construction manager. Except in the case where (i) Construction Manager resigns pursuant to Section 2.4(a)(ii) or Section 2.4(a)(iii), or (ii) Construction Manager is removed pursuant to Section 2.4(b)(i) or Section 2.4(b)(ii), Construction Manager shall bear all transition costs associated with the transition to a successor construction manager due to the removal or resignation of Construction Manager.

Section 2.6 Final Acceptance and Acceptance Certificates .

(a) Construction Manager shall give notice to Owner once the applicable Contractors have notified Construction Manager that Mechanical Completion of any Subject Facility has occurred.

(b) Within 30 days of any notification by Construction Manager pursuant to Section 2.6(a), an Authorized Officer, with the assistance of Construction Manager, shall inspect and evaluate the state of completion of the applicable Subject Facilities and, if during such time period such Authorized Officer, on behalf of Owner, determines, in its reasonable opinion, that Mechanical Completion has occurred with respect to such Subject Facility, then, Owner shall so certify through issuance to Construction Manager by an Authorized Officer, on behalf of Owner, of a certificate of completion (an "Acceptance Certificate") with respect to such Subject Facility. The date that an Acceptance Certificate is so issued with respect to any Subject Facility shall be the date of "Final Acceptance" of such Subject Facility.

(c) In the event that an Authorized Officer fails to issue an Acceptance Certificate on behalf of Owner with respect to any Subject Facility within the time period set forth in Section 2.6(b), then Owner and Construction Manager shall in good faith confer and make commercially reasonable efforts to resolve any dispute with respect to the delivery of such Acceptance Certificate. If such dispute cannot be resolved within 45 days of the delivery by Construction Manager of the notification pursuant to Section 2.6(a), then such dispute shall be determined by an independent expert pursuant to the provisions of Section 12.3.

(d) Upon Final Completion of any Subject Facility, this Agreement shall terminate with respect to such Subject Facility (except as provided in Section 3.5(b), Section 7.5(c), Article X, Article XI and this Section 2.6(d)).

Article III

Duties of Construction Manager.

Section 3.1 Independent Contractor . In the performance of any work or services by Construction Manager for Owner pursuant to this Agreement, Construction Manager conclusively shall be deemed an independent contractor, with the right and authority to (a) direct and control all services and other work being performed by the employees of Construction Manager and its Affiliates and (b) Manage all services and other work to be performed by all Contractors; *provided* that all such services and other work shall be subject to Owner's general right of inspection. Owner shall have no right or authority to supervise or give instructions to

any such Persons, and such Persons at all times shall (i) if employees of Construction Manager or its Affiliates, be under the direct and sole supervision and control of Construction Manager and (ii) if employees of any Contractor, be under the direct and sole supervision and control of such Contractor. Any suggestions that may be given by Owner shall be given only to the supervisor or to the other Person in charge of such Person's employees and it is the understanding and intention of the Parties that no relationship of master and servant or principal and agent shall exist between Owner and the employees, agents or representatives of Construction Manager or its Affiliates or any Contractors. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a partnership, joint venture, association or trust. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries, except that Construction Manager shall be a fiduciary with respect to funds or assets of Owner entrusted to Construction Manager and over which Construction Manager exercises authority (but only to the extent that Construction Manager exercises such authority). Without limiting the foregoing, it is the intent of each of the Parties that nothing herein shall be deemed to create a co-employment relationship as between the Parties, it being understood and agreed that compliance with all Laws applicable to the employment by Construction Manager of its employees that are employed in the performance by Construction Manager of its obligations hereunder shall be the sole responsibility of Construction Manager.

Section 3.2 No Agency . Nothing in this Agreement shall be deemed or construed to authorize Construction Manager to act as an agent, principal, servant or employee for Owner for any purpose whatsoever and Construction Manager shall not hold itself out as an agent, principal, servant or employee of Owner to any Person.

Section 3.3 Administrative Duties of Construction Manager . Prior to Final Completion of any Subject Facility, Construction Manager shall be responsible for administering the accounting and regulatory affairs of Owner with respect to such Subject Facility, including maintaining the Records with respect thereto. Prior to Final Completion of any Subject Facility, Construction Manager also shall be responsible for preparing and distributing information, notices and reports (including reports to Governmental Entities) required in connection with such Subject Facility pursuant to Section 2.6, Section 3.4(b), Section 3.4(c), Section 5.4, Section 5.6, Section 6.1, Section 7.4 and Section 7.5 (b).

Section 3.4 Design, Procure and Construct the Subject Facilities .

(a) Construction Manager shall Manage the Design, Procurement and Construction of each of the Subject Facilities in accordance with the terms and provisions of this Agreement and in accordance with all valid and applicable Laws and other requirements of Governmental Entities.

(b) Subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3, Owner hereby authorizes Construction Manager to cause to be done and performed any and all acts and things reasonably necessary for the Design, Procurement and Construction of each of the Subject Facilities (and the Management thereof) from the Effective Date through the Final Completion of each such Subject Facility, including (i) incurring (or causing an Authorized Officer, on behalf of Owner, to incur) any expense authorized in an approved Construction Budget or as otherwise permitted hereunder (including Emergency Expenditures) and

(ii) entering into (or causing an Authorized Officer, on behalf of Owner, to enter into) Contracts, in each case, in order to accomplish such Design, Procurement and Construction of such Subject Facility.

(c) Construction Manager shall Manage the (i) development and maintenance of reasonable safety, health and environmental management systems, policies, procedures and practices to ensure the safety and health of Persons working in connection with the Design, Procurement and Construction of each of the Subject Facilities and the Management thereof, (ii) compliance with applicable environmental and safety Laws, (iii) collection of data relating to the foregoing, (iv) reporting findings (if applicable) to the appropriate Governmental Entities and (v) maintenance of all records relating thereto.

(d) From and after the Effective Date, Construction Manager shall meet with the Management Committee at least once per Calendar Quarter (or more or less frequently as the Parties may mutually agree) during the term of this Agreement to review Construction Manager's performance under this Agreement.

(e) Notwithstanding anything herein to the contrary, in no event shall Construction Manager be required to directly enter into any Contract for the Design, Procurement or Construction of any of the Subject Facilities. Owner may delegate to an Authorized Officer, on behalf of Owner, the right to execute any Contracts for the Design, Procurement or Construction of any of the Subject Facilities as requested by Construction Manager, subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3.

Section 3.5 Additional Post-Final Acceptance Duties of Construction Manager .

(a) From and after Final Acceptance of each Subject Facility, until Final Completion has occurred with respect to such Subject Facility, Construction Manager shall: (i) Manage the pursuit and enforcement of any and all post-construction Claims (including in respect of Contractor insurance), warranties, indemnities and other rights, and the payment or retention of any retainage or other contingent payments (which shall be deemed Claims), in each case, on behalf of Owner arising under or related to any Contract with any Contractor engaged in the Design, Procurement or Construction of such Subject Facility; and (ii) Manage the completion by Contractors of any punch list items reasonably identified by an Authorized Officer, on behalf of Owner, and agreed to by Construction Manager in connection with Final Completion of such Subject Facility.

(b) Once Final Completion has occurred with respect to any Subject Facility, Construction Manager shall (i) assign to Operator, on behalf of Owner, any and all outstanding post-construction Claims (including in respect of Contractor insurance), warranties, indemnities and other rights, and the payment or retention of any retainage or other contingent payments (which shall be deemed Claims), to permit Operator to, subject to the applicable limitations contained in the Operating Agreement, manage the pursuit and enforcement of any and all such outstanding post-construction Claims, in each case, on behalf of Owner arising under or related to any Contract with any Contractor engaged in the Design, Procurement or Construction of such Subject Facility, (ii) furnish to Owner a copy of the final Construction Cost statements for such Subject Facility as soon as possible after all bills relating to Design, Procurement and

Construction of such Subject Facility have been received by Construction Manager, but in any event no later than 150 days after Final Completion of such Subject Facility, and (iii) provide Operator with the applicable Records as prescribed by Section 7.5(c).

Section 3.6 Procurement; Entry into Contracts .

(a) Subject to the limitations set forth in this Section 3.6, Section 3.9 and Section 5.3, Construction Manager shall Manage the Procurement of necessary materials and supplies in connection with the Design, Procurement and Construction of each of the Subject Facilities. Such actions shall include requesting that an Authorized Officer, on behalf of Owner, enter into: (i) Contracts for the Design, Procurement and Construction of each of the Subject Facilities and (ii) Contracts for power, fuel, other utilities and communication facilities related to the Design and Construction of each of the Subject Facilities. Subject to the limitations set forth in Section 3.9, Construction Manager may, on behalf of Owner, sell or dispose of materials and equipment that are no longer required for the Design and Construction of, or future operation of, any Subject Facility to any non-Affiliate of the Operator in an arm's length transaction. Construction Manager shall use its reasonable efforts to ensure that all Contracts pursuant to which materials are purchased by Owner as contemplated hereby contemplate that such materials shall be in new condition and give Owner (and not Construction Manager or its Affiliates) all discounts, rebates, warranties or credits given with respect to such purchases.

(b) Notwithstanding anything to the contrary set forth in this Agreement, Construction Manager agrees that any Contracts with any Affiliates of Construction Manager or other Contracts that Construction Manager requests that an Authorized Officer, on behalf of Owner, enter into with any such Affiliate or other Contractor for the provision (by such Affiliate or other Contractor) of services and/or materials for the Design, Procurement or Construction of any of the Subject Facilities or with respect to any other service that Construction Manager is obligated to provide pursuant to this Agreement shall, in each case, (i) be at an arm's length basis, (ii) contain insurance provisions that are, in Construction Manager's reasonable opinion, either customary in the industry in connection with the services or materials to be provided under such Contract or consistent with the insurance provisions set forth herein (or that are otherwise approved in writing by Owner, such approval not to be unreasonably withheld, conditioned or delayed), (iii) contain indemnity provisions that are, in Construction Manager's reasonable opinion, customary in the industry with respect to the services or materials to be provided under such Contract, (iv) contain warranty provisions that are, in Construction Manager's reasonable opinion, customary in the industry with respect to the services or materials to be provided under such Contract, and (v) if applicable, contain audit rights that are enforceable by Owner.

Section 3.7 Personnel . Subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3, Construction Manager (and/or its Affiliate(s)) may (a) utilize its or any of its Affiliates' employees for services in connection with Construction Direct Bill Items; *provided* , *however* , that records of time spent by employees for the Design, Procurement and Construction of each of the Subject Facilities, and the Management thereof, with respect to Construction Direct Bill Items shall be maintained by Construction Manager or its Affiliates, as applicable, so that proper charges may be made in accordance with Section 4.1, and (b) request that an Authorized Officer, on behalf of Owner, enter into Contracts to engage the services of Contractors in the performance of such services and otherwise in accordance with the provisions

of Section 3.6(b) in order for each of the Subject Facilities to be Designed and Constructed in a safe and efficient manner. Notwithstanding the above, Construction Manager shall not charge Owner for any services provided by such employees or by Contractors that are Construction Non-Billable Items.

Section 3.8 Payment of Expenses . Subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3, to the extent of available funds in the Construction Account, Construction Manager shall pay and discharge all Construction Costs on a timely basis (including any such Construction Costs incurred by Owner), including Construction Costs with respect to (a) Contractors for the Design, Procurement and Construction of each of the Subject Facilities, (b) the Procurement of necessary materials and services for such Design, Procurement and Construction, (c) the acquisition of Land Rights with respect to each of the Subject Facilities and (d) the Procurement and/or enforcement of insurance pursuant to Article IX with respect to each of the Subject Facilities. Notwithstanding anything herein to the contrary, in no event shall Construction Manager be liable in connection with the performance of its services hereunder or otherwise in breach of this Agreement if Construction Manager fails, or is otherwise unable, to perform any of such services or its other obligations hereunder, including any obligations to pay or cause to be paid any such Construction Costs due to (a) the failure of Owner to pay when due any amounts payable hereunder by Owner into the Construction Account, whether pursuant to Section 5.4, Section 5.5 or otherwise, or (b) the lack of available funds in the Construction Account. Notwithstanding anything herein to the contrary, in no event shall Construction Manager charge Owner for any services, functions or cost categories that constitute Construction Non-Billable Items.

Section 3.9 Limitation of Authority . Except in the case of Emergencies, notwithstanding anything in this Agreement to the contrary, Construction Manager shall obtain the prior written consent of Owner (such approval not to be unreasonably delayed, but which approval may otherwise be provided or withheld in Owner's sole and absolute discretion), prior to (i) taking any of the following actions with respect to Owner, any of the Subject Facilities or any other Midstream Assets, or (ii) requesting that an Authorized Officer execute a Contract on behalf of Owner in respect of any of the following:

(a) the taking of any action that would require the prior affirmative vote, consent or approval of the Representatives or the Management Committee under Section 3.1(d) or Section 3.1(e) of the LLC Agreement;

(b) the possession of, or in any manner the dealing with, any of the Midstream Assets or the transfer of the rights of Owner in such Midstream Assets other than for the sole benefit of Owner; or

(c) except with respect to powers of attorney granted for the Procurement of Land Rights relating to any of the Subject Facilities, the granting of powers of attorney with respect to the Design, Procurement or Construction of any of the Subject Facilities or the Management thereof.

Section 3.10 Land Rights . Subject to Section 3.6, Section 3.9 and Section 5.3, Construction Manager shall, on behalf of Owner, cause (and request that an Authorized Officer,

on behalf of Owner, enter into Contracts to cause) each of the Subject Facilities to be surveyed to the extent no survey has been completed with respect to such Subject Facility as of the Effective Date. In addition, subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3, Construction Manager shall acquire on behalf of Owner (and request that an Authorized Officer, on behalf of Owner, enter into Contracts, including powers of attorney, to acquire) all necessary rights of way, easements, leases, fee titles, land permits and licenses and other interests in land required for the Construction, operation and maintenance of each of the Subject Facilities (" ***Land Rights*** ").

(a) Owner shall, and shall cause each Member to, use its commercially reasonable efforts to provide Construction Manager with any information in Owner's or the Members' possession that would be useful to Construction Manager in connection with assisting Owner in surveying of the route for any of the Subject Facilities or assisting Owner in the acquisition of Land Rights relating thereto.

(b) In assisting Owner with the acquisition of Land Rights, Construction Manager shall assist Owner in entering into good faith negotiations with each applicable property owner. Condemnation shall be used by Owner to acquire Land Rights whenever, in Construction Manager's good faith opinion, the necessary Land Rights cannot reasonably and economically be obtained voluntarily by Owner, and Construction Manager shall assist Owner in Owner's initiation of condemnation proceedings with the appropriate Governmental Entity and the prosecution of the same to conclusion to the fullest extent allowed by applicable Law.

(c) Owner shall bear the entire cost of obtaining or enforcing all such Land Rights, whether by voluntary conveyance, condemnation or other civil proceedings (and whether by judgment or settlement).

Section 3.11 Cooperation with Operator . Prior to Final Completion of any Subject Facility, Construction Manager shall use commercially reasonable efforts to cooperate and coordinate with Operator in a manner that permits Operator to be prepared to perform all of its obligations under the Operating Agreement with respect to such Subject Facility. For the avoidance of doubt, Construction Manager is only responsible for the construction of the Subject Facilities and Operator is responsible for all work required in order to incorporate the Subject Facilities into the Operator's existing SCADA and measurement systems and for the development and implementation of any needed operation manuals or procedures.

Section 3.12 Ownership and Custody of and Access to Data . Notwithstanding anything in this Agreement to the contrary, Owner shall be the sole and exclusive owner of all reports, filings, agreements, instruments and other documents, whether prepared by Owner, Construction Manager or any Contractor, related to the ownership or the operation of the Subject Facilities or Construction Manager's services hereunder, the books and records maintained by Construction Manager on behalf of Owner, all reports generated by Construction Manager pursuant to this Agreement (collectively, the " **Data** "), and any Data shall be made available to Owner during normal business hours upon reasonable advance written notice; provided, that in accessing any such Data, Owner shall exercise its commercially reasonable efforts to minimize disruption to the businesses of Construction Manager and its Affiliates. Following the termination of this Agreement, Construction Manager shall, not later than 15 Business Days after

its receipt of a written request from Owner, deliver originals of all Data (or copies where applicable) to Owner, at Owner's expense, to the location designated by Owner in such written request.

Section 3.13 Standard of Performance . Construction Manager will perform its obligations under this Agreement in a good and workmanlike manner, consistent with Prudent Industry Practices.

Section 3.14 Employees . Construction Manager shall (or shall cause its Affiliates to, as applicable) pay all expenses in connection with employing, retaining and supervising its and its Affiliates' employees necessary or appropriate for the performance of its management of the services as specified in this Agreement, including compensation, salaries, wages, overhead and administrative expenses incurred by Construction Manager or its Affiliates, and as applicable, FICA and Medicare taxes, workers' compensation insurance, retirement and insurance benefits and other such expenses.

Article IV
Schedule of Charges.

Section 4.1 Construction Costs . In the course of Managing the Design, Procurement and Construction of each of the Subject Facilities, and subject to the then-current Construction Budget therefor and the provisions of Section 5.3, Construction Manager may incur, or cause Owner to incur, Construction Costs constituting Construction Direct Bill Items. Subject to (a) the limitations set forth in Section 3.9, (b) the provisions of Section 5.3, and (c) the then-current Construction Budget for such Subject Facility, Owner shall be responsible for contributing to the Construction Account, pursuant to Section 5.4, Section 5.6 or otherwise, all Construction Costs that constitute Construction Direct Bill Items (including any Emergency Expenditures) incurred by Construction Manager (without markup), Owner or any Contractor with respect to such Subject Facility.

Section 4.2 Taxes . Construction Manager shall use commercially reasonable efforts to take such actions as are necessary to obtain available exemptions from, reductions in, or rebates or refunds of, applicable state and local taxes, including sales and use taxes and property taxes, and Owner shall cooperate with Construction Manager to the extent such cooperation is required to obtain such exemptions, reductions, rebates or refunds.

Article V

Construction Schedule; Construction Budget; and Authority for Expenditures.

Section 5.1 Construction Schedule .

(a) The initial Construction Schedule for each of the Subject Facilities is attached hereto as Exhibit C. As the Project Scope, Construction Budget and/or description of any Subject Facility are revised by the Construction Manager and/or the Parties, as applicable, from time to time during the term of this Agreement in accordance herewith, the Construction Manager will deliver to Owner a proposed revised Construction Schedule with respect to such Subject Facility which will, after taking into account any modifications agreed upon by the

Parties, be deemed to be the " ***Construction Schedule*** " with respect to such Subject Facility for all purposes hereunder.

(b) Construction Manager shall meet with the Management Committee at least once per Calendar Quarter (or more or less frequently as the Parties shall so mutually agree) during the term of this Agreement to review any Project Scope then-in effect, any Construction Schedule then-in effect and the Design, Procurement and Construction of the Subject Facilities.

Section 5.2 Construction Budget; Construction Budget Amendments . Attached hereto as Exhibit B-1 is the initial Construction Budget for each of the Subject Facilities (the " ***Initial Subject Facilities Construction Budget*** "). Each Construction Budget for any Subject Facility shall (a) set forth the anticipated expenditures under the terms of any Contracts that the Construction Manager anticipates to be entered into by Owner relating to the Design, Procurement and Construction of such Subject Facility and the Management thereof, (b) set forth all other expenditures necessary for the Design, Procurement and Construction of such Subject Facility (including a budget for the acquisition by Owner of the Land Rights relating thereto), in each case, based on the then-current Project Scope for such Subject Facility, and (c) allocate anticipated Construction Costs for such Subject Facility into the applicable Designated Categories and identify the Designated Category to which each such expense relates.

Section 5.3 Extra-Budget Expenditures . From time to time, Construction Manager shall have the right and authority with respect to any then-current Construction Budget for any Subject Facility, to make (or cause Owner to make) expenditures in excess of such Construction Budget; *provided* that (a) Construction Manager shall give written notice to Owner if Construction Manager reasonably believes that an expenditure to be incurred with respect to a Designated Category of the Construction Budget would cause the aggregate Construction Costs attributable to such Subject Facility and such Designated Category and set forth in such then- current Construction Budget to be exceeded, and (b) prior to making any expenditure with respect to any Designated Category of the then-current Construction Budget that would cause the aggregate Construction Costs actually incurred and attributable to such Subject Facility and such Designated Category to (i) exceed 10% of the authorized amount for any line item of expense attributable to such Subject Facility and such Designated Category as set forth in the then-current Construction Budget for such Subject Facility or (ii) equal more than 110% of the aggregate Construction Costs attributable to such Subject Facility and such Designated Category as set forth in the then-current Construction Budget for such Subject Facility, Construction Manager shall deliver to Owner an amendment to the Construction Budget for such Subject Facility (each, a " ***Budget Amendment*** "), which Budget Amendment shall comply with the provisions of Section 5.2 concerning specific allocation of expenses to the Designated Categories to which such expenses relate and include information regarding the nature of the excess expenditures and the reasons therefor. Within 15 days following the delivery to Owner of any such Budget Amendment, the Construction Manager shall meet with the Management Committee to review the Budget Amendment and the facts and circumstances relating thereto. Following such meeting, the Budget Amendment (including any amendments thereto that may have been made as a result of such meeting) shall become effective and the then-current Construction Budget for such Subject Facility shall be amended accordingly to reflect such Budget Amendment.

Section 5.4 Payment of Construction Costs .

(a) **Monthly Estimates** . On or before 15 days prior to each applicable Calendar Month beginning after the Effective Date, Construction Manager shall prepare and deliver to Owner and the President a Call Notice for the estimated amount of expenditures projected to be incurred for such Calendar Month pursuant to each then-current Construction Budget plus a reasonable contingency amount (the entirety of such projected amounts, " ***Monthly Estimate*** "). Owner shall cause the amount set forth in each such Call Notice to be deposited in the Construction Account as promptly as practicable but, in any event, not later than the 18th Business Day after its receipt of such Call Notice. As of the Effective Date, Owner has deposited in the Construction Account the Monthly Estimate for the remaining portion of the Calendar Month in which the Effective Date occurs. Each Call Notice delivered by Construction Manager pursuant to this Section 5.4(a) shall comply with the requirements of Section 6.1(c)(ii) of the LLC Agreement.

(b) **Shortfall Estimates** . If Construction Manager reasonably believes that the payments made pursuant to Section 5.4(a) with respect to such current Calendar Month are reasonably projected to be insufficient, or are insufficient, as applicable, to satisfy the projected Construction Costs to be expended during such current Calendar Month with respect to any Subject Facility (i) under any then-current Construction Budget for such Subject Facility, (ii) in connection with any Emergency Expenditure for such Subject Facility or (iii) otherwise in accordance with this Agreement and relating to such Subject Facility, including Construction Manager's right and authority to make (or cause Owner to make) expenditures in excess of any then-current Construction Budget for such Subject Facility pursuant to Section 5.3, then Construction Manager shall prepare and deliver to Owner and the President a Call Notice of the estimated amount of the shortfall for such Calendar Month plus a reasonable contingency amount (the entirety of such amounts, " ***Shortfall Estimate*** "). Owner shall cause each such Shortfall Estimate to be deposited in the Construction Account as promptly as practicable but, in any event, not later than the 18th Business Day after its receipt of such Call Notice.

(c) **Objections to Estimates** . With respect to the initial Monthly Estimate deposited by Owner in the Construction Account and any other Monthly Estimate or any Shortfall Estimate submitted by Construction Manager hereunder, Owner may notify Construction Manager in writing of any objections to all or any portion of such amounts on or before the expiration of the applicable Audit Period with respect to such amounts. Owner shall be responsible for causing the amounts set forth in the notices from Construction Manager pursuant to Section 5.4(a) and Section 5.4(b) to be deposited in the Construction Account in full, but such payment shall not be construed as a waiver by Owner of any of its rights under this Section 5.4(c) or Section 7.3(b).

(d) **Return of Unused Amounts in the Construction Account** . Following the Final Completion of the entirety of any Subject Facility, if any amounts deposited by Owner in the Construction Account with respect thereto are then remaining, then Construction Manager shall notify Owner thereof and, as directed by Owner in writing, Construction Manager shall return such amounts to Owner.

Section 5.5 Emergencies . In the event of an Emergency during the Construction Period for any Subject Facility, Construction Manager shall promptly (a) make, or cause to be made, all notifications required under applicable Law to appropriate Governmental Entities, (b) implement, or cause to be implemented, all Emergency response and mitigation measures as are either required by applicable Law or as deemed advisable by Construction Manager for a prudent operator to respond to or mitigate the Emergency, including to protect human health and the environment, (c) commence, or cause to be commenced, any required remediation, maintenance or repair work necessary to keep the applicable Subject Facility in compliance with all applicable Law or otherwise to minimize damage and (d) as soon as practicable after the occurrence of the event, notify Owner of (i) such Emergency, (ii) all mitigation, repair, restoration or remedial plans to be undertaken by Owner with Construction Manager's assistance, (iii) all material correspondence with Governmental Entities and (iv) any permits or approvals required in connection with Owner's Emergency response, repair, remedial or restoration activities. Construction Manager's notification of Owner may be made by any method deemed appropriate by Construction Manager under the circumstances and does not have to comply with Section 12.1. To the fullest extent possible, Construction Manager may cause an Authorized Officer, on behalf of Owner, to enter into Contracts in connection with any required remediation, maintenance or repair work necessary to keep the applicable Subject Facility in compliance with all applicable Laws or otherwise to minimize damage and may cause all Contractors to directly bill Owner for expenses incurred in an Emergency. To the extent funds are not available in the Construction Account to pay for any costs incurred by Construction Manager or Owner in connection with an Emergency, then Construction Manager shall submit invoices for such costs incurred by Construction Manager or Owner during such Emergency to Owner and Owner shall deposit such amounts in the Construction Account within 15 Business Days of receipt of such invoices. For purposes of this Agreement, an " ***Emergency*** " shall be defined as a sudden or unexpected event which causes, or risks causing, (A) substantial damage to any of the Subject Facilities or the property of a Third Party, (B) death of or injury to any Person, (C) damage or substantial risk of damage to natural resources (including wildlife) or the environment, or (D) non-compliance with any applicable Law, in each case, which event is of such a nature that a response cannot, in the discretion of Construction Manager reasonably exercised, await the decision of Owner. For purposes of clarity, an " ***Emergency*** " shall include any release or threatened release of hazardous substances into the environment that requires notification to any Governmental Entity under applicable Law.

Section 5.6 No Waiver by Payment . No payment by Construction Manager out of the Construction Account or payment by Owner pursuant to Section 5.5 shall preclude Owner from (a) questioning the accuracy of the statement or the justification of any charge related to such payment; *provided* , any such protest with respect to charges and credits made during the period covered by an audit must be made within the Audit Period specified in Section 7.3(b), or (b) any of its rights under the indemnity set forth in Section 10.2(b).

Section 5.7 Payment of Funds from Construction Account . Subject to Section 3.8, Construction Manager shall only use the funds in the Construction Account to pay expenses owed by Owner or Construction Manager for the Design, Procurement and Construction of the Subject Facilities, including the Management thereof, pursuant to this Agreement or that are otherwise chargeable to Owner or due to Construction Manager hereunder.

Article VI

Construction Procedures.

Section 6.1 Environmental, Health and Safety Reporting . Prior to Final Completion of any Subject Facility, Construction Manager shall prepare and furnish (or cause a Contractor to prepare and furnish) to Owner a report describing any material accidents and environmental incidents experienced with respect to such Subject Facility and known to Construction Manager, in each case, as soon as reasonably practical but no later than 30 days of such occurrence.

Section 6.2 EH&S Audit Rights .

(a) Upon not less than 30 days' prior written notice to Construction Manager, but not more than once during any Calendar Year (unless more frequent audits are required by applicable Law and then, in such case, as frequently as required by applicable Law), Owner may audit all records, procedures and performance of Construction Manager relating to the Management of the Design, Procurement and Construction of each of the Subject Facilities and compliance with applicable Laws enacted to protect the environment and the health and safety of employees, customers, Contractors and the public (" ***EH&S Laws*** ").

(b) The cost of each such audit shall be borne by Owner. Any such audit shall be conducted during normal business hours at the principal office of Construction Manager and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Construction Manager.

(c) For purposes of clarity, any Confidential Information obtained by Owner or its representatives in connection with the conduct of an audit (whether related solely to Construction Manager or otherwise) shall be subject to the confidentiality provisions of Article XI.

(d) Within 90 days following completion of any such audit, Owner must provide Construction Manager with a copy of the written audit report and a written notice of any alleged instances of non-compliances with applicable EH&S Laws and any alleged deficiencies in Construction Manager's environmental, health and safety policies or procedures related to the applicable EH&S audit period disclosed in such report. Construction Manager shall make a reasonable effort to reply to such instances of non-compliance and alleged deficiencies in writing as soon as possible and in any event no later than 30 days after its receipt of such report and notice.

(e) Upon agreement by Owner and Construction Manager of necessary corrective action, if any, Construction Manager shall then prepare a written action plan and shall provide a copy to Owner. In addition, Construction Manager shall track and document close-out of all audit findings agreed to by Construction Manager and Owner, the status of which shall be reported to Owner at each meeting of the Management Committee. If any dispute shall arise in connection with an audit and/or the results thereof, the Parties shall use their reasonable efforts to resolve such disputes within 30 days after delivery of Construction Manager's reply to such report and notice delivered by Owner pursuant to Section 6.2(d).

(f) During the Construction Period for each of the Subject Facilities, Construction Manager will provide quarterly safety reports that will provide the safety performance of the Construction related progress performance for such Subject Facility. In the event of an OSHA defined recordable incident, the Construction Manager will promptly provide an incident report to Owner. The information provided in the quarterly safety report or any incident report shall consist of a direct reporting of the relevant Subject Facility's overall OSHA Total Recordable Incident Rate (" ***TRIR*** ") and each major construction-related contractor's TRIR, together with a general summary of the recordable incidents relating to such Construction of such Subject Facility and mitigation measures taken to protect the safety and welfare of the construction workforce with respect to such Construction of such Subject Facility. Construction Manager shall perform an incident investigation including a root cause analysis of all OSHA defined recordable incidents relating to the construction of the Subject Facilities. The incident investigation report will include mitigation measures to be taken to improve the safety performance of the Contractor involved in the incident and any recommendations to improve the overall safety performance of the construction of such Subject Facility. Within 15 days of the submittal of any incident report to the Owner, Construction Manager shall meet with the Management Committee to review all recordable incidents and the facts and circumstances relating thereto.

Section 6.3 Ownership of Subject Facilities, Land Rights and Materials . Each of the Subject Facilities (including all Land Rights and materials acquired with respect thereto) shall, at all times, be owned by Owner.

Section 6.4 Permits . Subject to the limitations set forth in Section 3.6, Section 3.9 and Section 5.3, Construction Manager shall assist Owner in acquiring (and request that an Authorized Officer, on behalf of Owner, enter into Contracts to acquire) all necessary permits and licenses (other than permits or licenses incorporating party of the Land Rights) required for the Design, Procurement and Construction of each of the Subject Facilities (" ***Permits*** ").

Article VII

Accounting; Reports; Records.

Section 7.1 Maintenance of Accounts; Statements . Construction Manager shall maintain true and accurate accounts of (a) all expenses, disbursements and costs chargeable to Owner pursuant to this Agreement, and (b) all revenue of Owner received by Construction Manager in connection with the Design, Procurement and Construction of each of the Subject Facilities and the Management thereof, all of which shall be charged or credited to Owner and maintained in accordance with GAAP and the Uniform System of Accounts (including any subsequent modifications or revisions thereof) prescribed for oil pipeline companies by the FERC, its successors or by any other Governmental Entity having regulatory jurisdiction over Owner or the Subject Facilities, consistently applied. Construction Manager shall maintain such books of account at its principal place of business and such books of account shall be open to inspection and examination in accordance with Section 7.5. During the term of this Agreement, Construction Manager shall provide copies of such books of accounts to Operator at Owner's or Operator's request.

Section 7.2 Banking . Owner shall establish, in Owner's name and under Owner's control, a bank account or accounts (the " **Construction Account** "). Owner shall designate only Construction Manager, and such Persons as are reasonably requested by Construction Manager, as authorized signatories to the Construction Account, and all withdrawals by Construction Manager from the Construction Account shall be made only by Construction Manager or such designated Persons. All revenues attributable to the Subject Facilities received by Construction Manager shall be deposited by Construction Manager into the Construction Account. All funds of Owner in the Construction Account shall be used by Construction Manager solely for the Design, Procurement and Construction of the Subject Facilities and the Management thereof in accordance with Section 3.8 and Section 5.7. All interest and other benefits pertaining to the Construction Account belong to Owner. At no time may Construction Manager commingle the funds in the Construction Account with Construction Manager's funds or the funds of any other Person, and such funds may not be subject to Liens or Claims of any kind in favor of Construction Manager or its creditors.

Section 7.3 Audits .

(a) In accordance with this Section 7.3 , Owner shall have the right to audit costs charged to Owner's accounts and other accounting records maintained for Owner by Construction Manager under this Agreement no more than twice during any Calendar Year.

(b) Subject to the restrictions contained in Section 7.3(a), upon not less than 30 days' prior written notice to Construction Manager, Owner may audit Construction Manager's books and records for any Calendar Year within the 24 Calendar Month period immediately preceding the date of such notice (such 24 Calendar Month period, the "Audit Period"). The cost of each such audit shall be borne by Owner; provided, however, that Construction Manager shall reimburse Owner for the reasonable costs of any such audit if (i) the amounts charged by Construction Manager exceeded the amounts that should have been charged under the terms of this Agreement by at least 5% in the aggregate and (ii) such discrepancy is reasonably apparent from a review of supporting invoices and other applicable, written documentation. Any such audit shall be conducted during normal business hours at the principal office of Construction Manager and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Construction Manager.

(c) In conducting any such audit, Owner may request access to information relating to such audit prior to the commencement of such audit, and, if such information is in the possession of Construction Manager or its Affiliates, Construction Manager shall, provide access to such information requested as soon as practical (but in any event, not later than 10 days after Owner's request therefor) in order to facilitate the forthcoming audit.

(d) For purposes of clarity, any Confidential Information obtained by Owner or its representatives in connection with the conduct of such audit (whether related solely to Construction Manager or otherwise) shall be subject to the provisions of Article XI.

(e) Within 90 days following completion of such audit, Owner must provide Construction Manager with a copy of the written audit report and a written notice of any claims of Owner arising from such audit report. Construction Manager shall make a reasonable effort to

reply to such claims in writing as soon as possible and in any event no later than 90 days after delivery of such report and notice.

(f) All adjustments agreed to between Owner and Construction Manager resulting from such audit shall be reflected promptly in Construction Manager's books and records and reported to Owner. If any dispute shall arise in connection with an audit, the Parties shall use their reasonable efforts to resolve such disputes within 60 days after delivery of Construction Manager's reply to such report and notice delivered by Owner.

Section 7.4 Reports .

(a) **Government Reports** . Prior to the Final Completion of any Subject Facility, other than with respect to any tariff-related filings or reports, Construction Manager shall Manage the preparation and filing of any reports required by any Governmental Entity having jurisdiction over such Subject Facility for which Final Completion has not occurred, including any such reports required in connection with the Management of the Design, Procurement and Construction of such Subject Facility.

(b) **Construction Reports** . During the Construction Period for each of the Subject Facilities, each Calendar Quarter Construction Manager shall provide reports to Owner as to the then-current status of the Design, Procurement and Construction of such Subject Facility and all then-known Construction Costs incurred with respect thereto (the " **Construction Reports** "). The Construction Reports for each Subject Facility and for a given Calendar Quarter shall (x) be delivered to Owner no later than the 20th day of the first Calendar Month of each Calendar Quarter following the Calendar Quarter to which the Construction Reports relate and (y) include the following reports and information which shall, in each case, be prepared on an Subject Facility by Subject Facility basis:

(i) a project spend profile which shall include a comparison of the initial Construction Budget for such Subject Facility against the then-current Construction Budget for such Subject Facility;

(ii) a report on (A) the cumulative (on a net basis) calculation of all Construction Cost variances to date for such Subject Facility, and (B) any Construction Budget overages for such Subject Facility described in Section 5.3, in each case, calculated by Designated Category;

(iii) an updated Construction Schedule for such Subject Facility reflecting Construction Manager's current estimate of the timeline for the Design, Procurement and Construction of such Subject Facility;

(iv) a summary of each of the Permits (other than permits and licenses included in the Land Rights) then-known by Construction Manager to be required for the Design, Procurement and Construction of such Subject Facility, including (if applicable) the dates such Permits were (or will be, as applicable) applied for and the expected receipt dates of such Permits; provided, that this report shall only be provided to the extent that outstanding Permits are pending;

(v) a summary of the acquisition status by Owner of all Land Rights necessary for the Design, Procurement and Construction of such Subject Facility, including the following elements: (A) the total number (as applicable) and status of all such Land Rights; (B) the total number (as applicable) of such Land Rights acquired by Owner to date; (C) those Land Rights that Construction Manager believes will need to be acquired by Owner pursuant to condemnation proceedings (including the jurisdictions applicable to each such Land Right); and (D) a summary of condemnation or similar proceedings commenced by Owner that are pending or have been resolved in such Calendar Quarter; and

(vi) a summary of all civil proceedings (other than condemnation or similar proceedings) commenced by or against Owner or against Construction Manager (in its capacity as Construction Manager hereunder), in each case, that are pending or that have been resolved in such Calendar Quarter.

(c) **Notice of Breach or Violation** . Construction Manager agrees to promptly notify Owner of any circumstance, event, occurrence or condition known to Construction Manager to the extent necessary to permit Owner to comply with its obligations under Section 4.2(c)(xi) of the LLC Agreement.

Section 7.5 Records . Except as otherwise provided herein, until Final Completion with respect to a Subject Facility, Construction Manager shall keep, or cause to be kept, true and complete Records with respect to such Subject Facility in accordance with the provisions of this Agreement and Section 4.1 of the LLC Agreement. Construction Manager shall maintain the Records at its principal place of business.

(a) Construction Manager shall give access to each Member to inspect any of the Records maintained by Construction Manager pursuant to this Agreement for any purpose reasonably related to the Member's Company Interest. Any such inspection shall occur during normal business hours at the principal office of Construction Manager upon reasonable advance notice to Construction Manager and the other Members and shall be conducted in a manner designed to result in a minimum of inconvenience and disruption to the operations of Construction Manager. In addition, if any Member is engaged in bona fide negotiations with a Third Party or Member's Affiliate related to a proposed disposition of its Company Interest and requests Records for disclosure to such Third Party or Member's Affiliate in accordance with the LLC Agreement, Construction Manager agrees to reasonably cooperate with such Member and, upon reasonable notice, provide access to such Records as may be reasonably required by such Member. Any such review by any Member shall be conducted during normal business hours, at the principal office of Construction Manager and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Construction Manager.

(b) Construction Manager agrees to provide Operator within five days of the end of each month, and additionally upon Owner's or Operator's reasonable request, with all necessary Records and other information, including expenses and payables for each account, in order that Operator can properly (i) maintain the Capital Accounts for each Member pursuant to the terms of the LLC Agreement, (ii) maintain the complete books of account for Owner in accordance with Section 4.1 of the LLC Agreement, (iii) submit to Owner the statements, reports

and notices specified in Section 4.2 of the LLC Agreement within the periods established in Section 4.2 of the LLC Agreement, (iv) deliver to Owner and the Management Committee Operator's determination of Available Cash as required by the Operating Agreement, and (v) Operate the Subject Facilities and otherwise timely perform its obligations under the Operating Agreement.

(c) As soon as possible after Final Completion of any Subject Facility, but no later than 120 days after such date, Construction Manager shall provide the Records in Construction Manager's possession relating to such Subject Facility to Operator; provided, however, that Construction Manager shall be permitted to retain copies of such Records.

Article VIII

Force Majeure.

Section 8.1 Procedure . If either Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, other than to make payments then or thereafter due hereunder, upon such Party giving notice and full particulars of such Force Majeure to the other Party as soon as possible after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such Force Majeure, will be suspended during the continuance of any inability so caused but for no longer period, and such cause must as far as possible be remedied with all reasonable and diligent dispatch by the Party claiming such in order to put itself in a position to carry out its obligations under this Agreement.

Section 8.2 Definition . The term " **Force Majeure** " means any event not within the control of the Party (or any of its Affiliates) claiming suspension and which by the exercise of due diligence, such Party is unable to prevent or overcome, including (to the extent such event satisfies the foregoing) events of nature or the elements, strikes, lockouts or other labor disturbances, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, storm warnings, floods and washouts, restraints of Governmental Entities, civil disturbances, environmental accidents affecting the land, air or water, explosions, breakage or accident to or freezing of equipment, machinery or lines of pipe, or other casualty occurrences, in each case, materially affecting the Design, Procurement or Construction of any of the Subject Facilities, or the Management thereof, terrorist acts or the threat thereof, inability to obtain pipe, materials, equipment, rights of way, Permits or labor and any actions by Governmental Entities that are resisted in good faith.

Section 8.3 Strikes, etc . Notwithstanding anything to the contrary contained herein, it is understood and agreed that the settlement of strikes, lockouts or other labor disturbances is entirely within the discretion of the Party having the difficulty, and that the above requirement that any Force Majeure must be remedied with all reasonable and diligent dispatch shall not require the settlement of any such strike, lockout or other labor disturbance by acceding to the demands of opposing Persons when such course is inadvisable in the discretion of the Party having the difficulty.

Section 8.4 Notice of Force Majeure Termination . The Party claiming a Force Majeure must provide notice to the other Party of the date of termination of such Force Majeure event.a

Article IX

Insurance.

Section 9.1 Construction Insurance . Construction Manager shall obtain on Owner's behalf and, on behalf of Owner, Construction Manager shall maintain in force with insurance companies acceptable to Owner, the kinds of insurance and amounts of coverage as reasonably directed by Owner.

Section 9.2 Premiums, Deductibles, etc . All guaranteed cost insurance premiums, expenses, deductibles (reasonably acceptable to Owner), or similar programs applicable to the insurance required hereunder shall be included in the Construction Budget as Construction Direct Bill Items and updated annually as reasonably directed by Owner.

Section 9.3 Cooperation . Should any Member desire to obtain, for itself, any additional insurance in excess of the insurance coverage mandated by this Agreement and Section 3.12 of the LLC Agreement, Construction Manager agrees to cooperate with such Member to provide such information as may be reasonably requested by such Member in furtherance of obtaining such additional insurance.

Section 9.4 Insurance Limits . In the event that the damages resulting from any Claim or Liability exceed the coverage limits under an insurance policy covering such Claim or Liability, such coverage limits shall not affect either Party's obligations under Section 10.2 for any such damages in excess of the limits associated with any such insurance policy covering any such Claim or Liability.

Article X

Claims.

Section 10.1 Claims . Liabilities and Claims involving Owner and Construction Manager shall be handled in the following manner:

(a) **Liability Claims** . Subject to the limitations set forth in Section 3.9, Construction Manager shall manage and process any Claim by a Third Party against Construction Manager or Owner, that arises out of the Design, Procurement and/or Construction of any of the Subject Facilities (including the Management thereof), or arises out of or is incidental to the activities carried on pursuant to, or work performed, required or contemplated by, this Agreement (each such Claim, a " ***Liability Claim*** ") in accordance with Section 10.1(c).

(b) **Recovery Claims** . Subject to the limitations set forth in Section 3.5(b) and Section 3.9, Construction Manager shall manage the prosecution and/or settling of any Claim that Owner has against a Third Party (each such Claim, a " ***Recovery Claim*** "). Construction Manager may not name a Member as party plaintiff on a Recovery Claim unless Construction Manager has obtained that Member's consent to do so. If any Member so desires,

in addition to counsel employed by Construction Manager on behalf of Owner, a Member may be represented in any such lawsuit at its expense by counsel selected by such Member.

(c) **Notice of Claim** . In the event that Construction Manager receives a Liability Claim in writing that exceeds $1,000,000, Construction Manager shall provide Owner, within 30 days of receipt of such Liability Claim, a notice that includes a brief written summary of the facts then known to Construction Manager regarding such Liability Claim and a copy of the demand letter, petition, or similar documentation relating thereto.

Section 10.2 Release and Indemnification .

(a) **Owner Release and Indemnity** .

(i) Notwithstanding anything to the contrary herein, Owner shall be responsible for, shall pay on a current basis and hereby releases, defends, indemnifies and holds harmless Construction Manager and its Affiliates (other than Paradigm and its subsidiaries) and their respective directors, officers, managers and employees (such Persons, excluding, for purposes of clarity, any Contractors, the " ***CM Indemnitees*** ") from and against all Liabilities and Claims arising out of, attributable to, in connection with or incidental to (A) the Design, Procurement and/or Construction of any of the Subject Facilities, or the Management thereof, including any act or omission of any of the CM Indemnitees in connection therewith or relating thereto, or (B) any other activities carried on or work performed or required by this Agreement, in each case, EVEN IF SUCH LIABILITIES OR CLAIMS ARE AS A RESULT OF THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR ANY OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, OF ANY CM INDEMNITEE, ANY OWNER INDEMNITEE, ANY THIRD PARTY OR ANY OF THEM; *provided* , *however* , that except as provided in Section 10.2(d), Owner will not be required to release, defend, indemnify or hold harmless the CM Indemnitees from any such Liabilities or Claims to the extent such Liabilities or Claims arise out of or in connection with or are attributable or incident to (x) any fraud of any CM Indemnitee, (y) the gross negligence or willful misconduct of the Construction Manager or (z) any violation of Law by any CM Indemnitee.

(ii) Notwithstanding anything to the contrary herein, Owner shall be responsible for, shall pay on a current basis and hereby releases, defends, indemnifies and holds harmless the CM Indemnitees from and against all Liabilities and Claims arising out of, attributable to, in connection with or incidental to (A) the death or personal injury of any employee of any of the Owner Indemnitees or any Contractor of Owner and (B) any damage or destruction to any personal property of any of the Owner Indemnitees or any Contractor of Owner, in each case, in connection with or incidental to the Design, Procurement and/or Construction of any of the Subject Facilities, or the Management thereof, including any act or omission of any of the CM Indemnitees in connection therewith or relating thereto, in the case of each of subsections (A) and (B) above, EVEN IF SUCH LIABILITIES OR CLAIMS ARE AS A RESULT OF THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR ANY OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, OF ANY CM INDEMNITEE,

ANY OWNER INDEMNITEE, ANY THIRD PARTY OR ANY OF THEM; *provided* , *however* , that Owner will not be required to release or indemnify the CM Indemnitees from any such Liabilities or Claims to the extent such Liabilities or Claims arise out of or in connection with or are attributable or incident to (i) any fraud of any CM Indemnitee, (ii) the gross negligence or willful misconduct of the Construction Manager or (iii) any violation of Law by any CM Indemnitee.

(b) **Construction Manager Indemnity** . Notwithstanding anything herein to the contrary, Construction Manager shall be responsible for, shall pay on a current basis and hereby releases, defends, indemnifies and holds harmless the Owner Indemnitees from and against all Liabilities and Claims arising out of, in connection with or attributable or incidental to (i) any fraud of any CM Indemnitee, (ii) the gross negligence or willful misconduct of the Construction Manager or (iii) any violation of Law by any CM Indemnitee, and whether occurring as the sole or a concurrent cause of an act or event.

(c) **Survival of Indemnification Provisions; No Double Recovery** . The provisions of this Section 10.2 shall survive any termination of this Agreement. In calculating any amount to be paid by an indemnifying Party by reason of the provisions of this Section 10.2, the amount shall be reduced by all cash reimbursements (including insurance proceeds) actually received (directly or indirectly, including by virtue of the indemnified Party's direct or indirect ownership interest in Owner) by the indemnified Party with respect to the applicable Claim or Liability.

(d) **Construction Manager Suggested Activities** . If Construction Manager makes a recommendation to Owner regarding a specific potential issue relating to the Design, Procurement or Construction of any of the Subject Facilities, or the Management thereof, to Owner that may reasonably be expected to result in damages to Persons or property or cause a material adverse effect with respect to Owner, the Business or the Facilities, but would not otherwise constitute an Emergency, and Owner does not timely approve such recommendation or any part thereof (an " **Construction Manager Suggested Activity** "), Construction Manager shall not be liable for, and Owner hereby releases and defends, indemnifies and holds harmless CM Indemnitees from and against, all Liabilities and Claims arising out of, attributable to, in connection with or incidental to Owner's failure to approve such Construction Manager Suggested Activity, or Construction Manager's failure to undertake a Construction Manager Suggested Activity absent Owner's approval thereof (as applicable). OWNER'S AGREEMENT TO RELEASE AND INDEMNIFY THE CM INDEMNITEES PURSUANT TO THIS SECTION 10.2(d) SHALL INCLUDE ANY LIABILITIES AND CLAIMS ARISING OUT OF, ATTRIBUTABLE TO, IN CONNECTION WITH OR INCIDENTAL TO THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR ANY OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, OF ANY CM INDEMNITEE, ANY OWNER INDEMNITEE, ANY THIRD PARTY OR ANY OF THEM; provided, however, that Owner will not be required to release or indemnify the CM Indemnitees from any such Liabilities or Claims to the extent such Liabilities or Claims arise out of or in connection with or are attributable or incident to (i) any fraud of any CM Indemnitee or (ii) the gross negligence or willful misconduct of the Construction Manager.

(e) **Disclaimer of Liability** . NONE OF THE CM INDEMNITEES OR THE OWNER INDEMNITEES SHALL BE ENTITLED TO RECOVER FROM ANY PARTY, OR SUCH PARTY'S RESPECTIVE AFFILIATES, ANY INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT TO THE EXTENT ANY SUCH PARTY SUFFERS SUCH DAMAGES TO A THIRD PERSON, WHICH DAMAGES (INCLUDING COSTS OF DEFENSE AND REASONABLE ATTORNEYS' FEES INCURRED IN CONNECTION WITH DEFENDING AGAINST SUCH DAMAGES) SHALL NOT BE EXCLUDED BY THIS PROVISION AS TO RECOVERY HEREUNDER. SUBJECT TO THE PRECEDING SENTENCE, EACH PARTY, ON BEHALF OF ITSELF AND EACH OF ITS AFFILIATES, WAIVES ANY RIGHT TO RECOVER PUNITIVE, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES ARISING IN CONNECTION WITH OR WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(f) **Compliance with Laws** . The exculpation and indemnifications provisions included herein shall be effective to the maximum extent permitted by applicable Law. The Parties agree that in the event any Law, when applied to this Agreement, limits in any way the extent to which exculpation and/or indemnification may be provided to the beneficiary thereof in accordance with the terms hereof, this Agreement shall automatically be amended to provide that the exculpation and indemnification provisions included herein shall extend to the maximum extent permitted by applicable Law.

(g) **Members Not Liable** . Construction Manager acknowledges and agrees that Owner is a separate entity from any of its Members and it (and not its Members) is liable for all obligations and Liabilities of Owner under this Agreement.

Article XI
Confidential Information; Publicity.

Section 11.1 Confidential Information .

(a) Each Party and its respective Affiliates shall keep confidential all information which is obtained by them as Parties or otherwise pursuant to this Agreement, and shall refrain from making any public statements with respect to this Agreement or any other Transaction Document, in each case, upon and subject to the terms set forth in Section 5.14 of the Transfer Restrictions Agreement.

(b) Notwithstanding anything to the contrary in Section 11.1(a), in the event of any Emergency endangering property, lives or the environment, Construction Manager may issue such press releases or public announcements as it deems necessary in light of the circumstances and shall promptly provide Owner with a copy of any such press release or announcement.

Article XII

General Provisions.

Section 12.1 Notices . All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission (with receipt confirmed), or if mailed (first class postage prepaid) or deposited with a reputable overnight courier for next day delivery, to the Parties at the following addresses or facsimile numbers:

Construction Manager:

[PARADIGM CM ENTITY]
[___]
[___]
Attention: [___]
Telephone: [___]
Facsimile: [___]

Owner or President:

[PIPELINE LLC]
c/o [_____]
[___]
[___]
Attention: [___]
Telephone: [___]
Facsimile: [___]

With a copy to:

Phillips 66 Company
3010 Briarpark Drive
Houston, Texas 77042
Attention: General Counsel

All such notices, requests and other communications will (x) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (y) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon confirmation of receipt, and (z) if delivered by mail or reputable overnight courier in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving notice specifying such change to the other Parties.

Section 12.2 Governing Law . THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. IN RESPECT OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 12.3 Dispute Resolution . Any dispute or controversy of any and every kind or type, whether based on contract, tort, Law or otherwise arising out of or relating to this Agreement shall be resolved in accordance with the procedures set forth in Section 5.14 of the Transfer Restriction Agreement.

Section 12.4 Entirety of Agreement; No Third-Party Beneficiaries . This Agreement and the other Transaction Documents constitutes the entire agreement of the Parties relating to the matters contained herein, and supersede all prior contracts, agreements, representations, warranties or understandings, whether oral or written, relating to the matters contained herein. Except as provided by Section 10.2, this Agreement is not intended to confer upon any Person not a party hereto any rights or remedies hereunder.

Section 12.5 Captions or Headings . The headings appearing at the beginning of each Section are all inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision or provisions hereof, or in connection with determining the duties, obligations or liabilities of the Parties or in ascertaining intent, if any question of intent should arise.

Section 12.6 Assignment . Except as set forth in Section 2.4(c), this Agreement and its attendant rights may not be assigned, transferred, subcontracted or otherwise conveyed by either Party without the express written consent of the other Party; provided, however, a Party may assign its rights and obligations under this Agreement to (a) an Affiliate and (b) in the case of Construction Manager, to any member of the CM Group, in each case, without the prior consent of the other Party and any transition costs associated with any such assignment shall be borne by the assigning Party. Except as provided in the preceding sentence, any assignment without consent of the non-assigning Party shall be void. No assignment by any Party shall relieve such Party (or any guarantor of such Party's obligations hereunder) from any liability hereunder.

Section 12.7 Duplicate Originals . This Agreement is executed in duplicate originals, with one original to be retained by Construction Manager and one original to be retained by Owner.

Section 12.8 Severability . If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

Section 12.9 Amendments and Waivers . This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Any

Party may, only by an instrument in writing, waive compliance by another Party with any term or provision of this Agreement on the part of such other Party hereto to be performed or complied with. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy.

Section 12.10 Exhibits . In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of any Exhibit, the terms and conditions of the applicable Exhibit shall govern and control.

Section 12.11 Interpretation . In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if it was drafted jointly by the Members, and no presumption or burden of proof shall arise favoring or disfavoring any Member by virtue of the authorship of any provisions of this Agreement.

Section 12.12 Counterparts . This Agreement may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Remainder of page intentionally left blank.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement, effective as of the Effective Date.

CONSTRUCTION MANAGER :

[PARADIGM CM ENTITY]

By: _____
Name: _____
Title: _____

OWNER:

[PIPELINE LLC]

By: _____
Name: _____
Title: _____

Signature Page to

Construction Management Agreement

EXHIBIT A
SUBJECT FACILITIES

Subject Facilities:

The " ***Subject Facilities*** " means the System, the Three Bears Pipeline and the Watford Express Pipeline.

EXHIBIT B-1
INITIAL SUBJECT FACILITIES CONSTRUCTION BUDGET

[To be provided.]

EXHIBIT B-2
CONSTRUCTION DIRECT BILL ITEMS

The following are examples of the services, functions and cost categories that are intended to be included in the scope of the Construction Costs (herein collectively referred to as " ***Construction Direct Bill Items*** "). The Parties acknowledge and agree that this Exhibit B-2 is not intended to be a comprehensive and complete listing of the potential services, functions and cost categories that may be considered Construction Direct Bill Items. In the event of a conflict between whether any service, function or cost category is a Construction Non-Billable Item or a Construction Direct Bill Item, a proposal shall be made by the Construction Manager to determine the appropriate classification and any dispute with respect to such proposal shall be resolved in the manner described in Section 12.3 .

1. Regulatory Compliance Functions . All costs and expenses (e.g., outside services, equipment and materials, etc.) associated with performing regulatory compliance functions.

2. Field Office Expenses . All costs and expenses associated with the following:

   a. Office space;

   b. Field construction supervision;

   c. Office supplies;

   d. Electrical and phone services;

   e. Computer hardware (including printers) and software (including associated licenses) and other associated information technology activities if such hardware and software is specifically attributable and separately billed for the Facilities; for purposes of clarity, this excludes any costs associated with financial, operating, compliance, and communication software and hardware that is used by Construction Manager on an enterprise-wide basis; and

   f. Personnel safety equipment.

3. Operation, Maintenance and Inspection . Costs and expenses (e.g., transportation, etc.) associated with performing operations, maintenance and inspection functions including the cost of materials.

4. Insurance (other than workers' compensation insurance).

5. Property damage Claims by Third Parties.

6. Personal injury/death Claims by Third Parties.

7. All payments of taxes of every kind and nature assessed or levied upon or incurred in connection with the Facilities or on the Facilities or other property of Owner and which

taxes have been paid by the Construction Manager for the benefit of Owner (other than any payroll taxes paid with respect to any of Construction Manager's personnel).

8. State and Federal pipeline fees including state one call fees.

9. Fuel and power costs.

10. Third Party financial audits.

11. Non-routine legal services (e.g., litigation, non-routine FERC tariff issues), expert witness fees, court costs, etc. with agreement from the Owner.

12. Engineering and drafting services.

13. Environmental remediation (subject to any indemnity of Construction Manager set forth in Section 10.2 with respect thereto).

14. All third party costs and expenses directly incurred by Construction Manager (in accordance with the terms and provisions of this Agreement) in connection with the Procurement of materials and equipment necessary for the Construction of any of the Subject Facilities.

15. Unusual or contested tax or property evaluations.

16. Any additional functions or responsibilities of Construction Manager as may be specified in the LLC Agreement that are not specifically listed in Exhibit B-3 .

17. Permit and license fees, rental payments and renewal costs associated with Land Rights, other Third Party fees, penalties and fines.

EXHIBIT B-3
CONSTRUCTION NON-BILLABLE ITEMS

The following is a complete and comprehensive listing of the services, functions and cost categories that shall be referred to herein collectively as " ***Construction Non-Billable Items*** ".

All costs and expenses associated with the following:

1. Office expenses other than those office expenses related to field offices.

2. The following normal and routine product and financial accounting services:

    a. Financial reporting and general accounting;

    b. Fixed asset, property accounting and project tracking;

    c. Accountings payable;

    d. Revenue accounting, accounts receivable and billing;

    e. Tax services (but specifically excluding the payment of any taxes);

    f. Property and ad valorem taxes services (but specifically excluding the payment of any taxes); and

    g. Planning services (preparation of Construction Budget).

3. Corporate overhead costs associated with the following functions (given current regulations and operating conditions in effect as of the date of this Agreement):

    a. Commercial business administration services;

    b. Legal services relating to the ordinary course of business activities;

    c. Human resource services relating to the ordinary course of business activities;

    d. Environmental, health and safety services relating to the ordinary course of business activities;

    e. Right-of-way and real estate administrative services relating to the ordinary course of business activities;

    f. Non-field one-call services; and

    g. Procurement services.

For purposes of clarity, the costs and functions referenced above in subparts (b), (c), (d) and (e) specifically exclude any non-routine activities, including activities with respect to any litigation, rate cases, or claims.

EXHIBIT C
INITIAL SUBJECT FACILITIES CONSTRUCTION SCHEDULE

[To be provided.]

Exhibit M

Form Operating Agreement – Pipeline

OPERATING AGREEMENT

BETWEEN

[PIPELINE LLC]

AND

PHILLIPS 66 PIPELINE LLC

Dated [●], 2014

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OPERATING AGREEMENT[1]

This OPERATING AGREEMENT (as the same may be amended from time to time in accordance herewith, this " ***Agreement*** ") by and between [PIPELINE LLC,] a Delaware limited liability company (" ***Owner*** "), and PHILLIPS 66 PIPELINE LLC, a Delaware limited liability company, is made and entered into as of [●], 2014 (the " ***Effective Date*** "). Owner and Operator may be referred to herein collectively as the " ***Parties*** " or each, individually, as a " ***Party*** ".

RECITALS

WHEREAS , Owner is owned 50% by Phillips 66 Partners LP, a Delaware limited partnership (" ***PSXP*** "), and 50% by Paradigm Energy Partners, LLC, a Delaware limited liability company (" ***Paradigm*** ");

WHEREAS , PSXP and Paradigm have entered into that certain Limited Liability Company Agreement of Owner, dated effective as of the Effective Date (as such agreement may be amended, modified or supplemented from time to time, the " ***LLC Agreement*** "), to govern the management, ownership and operation of Owner and its assets;

WHEREAS , Owner intends, pursuant to the Construction Management Agreement, to Design, Procure and Construct the Subject Facilities; and

WHEREAS , Owner desires to retain the services of Operator, and Operator desires to provide services to Owner, to (a) Operate the Facilities, and (b) provide certain services related to the Facilities and the Business, in each case, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE , for and in consideration of the foregoing, the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties hereby agree as follows:

AGREEMENT

Article I Definitions; Construction.

Section 1.1. Definitions. The following terms, as used in this Agreement, shall have the meanings given such terms as set forth below:

" ***AAA*** " has the meaning set forth in the Transfer Restriction Agreement. " ***Acceptance Letter*** " has the

meaning set forth in Section 4.3.

" ***Affiliate*** " means, with respect to any Person, a Person directly or indirectly Controlling, Controlled by or under common Control with such Person. For the avoidance of doubt, neither

[1] Operating Agreement for Terminal LLC to be based upon this form, with conforming changes (to account for, among other things, the appropriate parties and the nature of the Terminal LLC assets).

the Owner nor any of its subsidiaries shall be considered an "Affiliate" of Operator for any purpose hereunder.

" ***Agreement*** " has the meaning set forth in the preamble. " ***Audit Period*** " has the meaning set forth in Section 7.4(b).

" ***Auditor*** " has the meaning set forth in the LLC Agreement.

" ***Authorized Officer*** " means the President or any other officer of Owner expressly authorized by Owner to act on its behalf in the performance of this Agreement.

" ***Available Cash*** " has the meaning set forth in the LLC Agreement.

" ***Bankrupt*** " means, with respect to any Person, (a) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under the U.S. Bankruptcy Code (or corresponding provisions of future Laws) or any other insolvency Law, or a Person's filing an answer consenting to or acquiescing in any such petition, (b) the making by such Person of any assignment for the benefit of its creditors or the admission by a Person of its inability to pay its debts as they mature or (c) the expiration of 60 days after the filing of an involuntary petition under the U.S. Bankruptcy Code (or corresponding provisions of future Laws) seeking an application for the appointment of a receiver for the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other insolvency Law, unless the same shall have been vacated, set aside or stayed within such 60 day period.

" ***Budget Amendment*** " has the meaning set forth in Section 5.2.

" ***Business*** " has the meaning set forth in the LLC Agreement. " ***Business Day*** " has the meaning set forth in the LLC Agreement. " ***Calendar Month*** " has the meaning set forth in the LLC Agreement. " ***Calendar Quarter*** "has the meaning set forth in the LLC Agreement. " ***Calendar Year*** " has the meaning set forth in the LLC Agreement. " ***Call Notice*** " has the meaning set forth in the LLC Agreement. " ***Capital Account*** " has the meaning set forth in the LLC Agreement.

" ***Capital Expenditures*** " means all expenditures, costs and expenses (including capital leases) made or incurred by or on behalf of Owner with respect to the Facilities that are capitalized on the books and records of Owner with respect to the Facilities according to GAAP, but specifically excluding Construction Costs.

" ***Claim*** " has the meaning set forth in the LLC Agreement.

" ***CMA Contractor*** " has the meaning given to the term " ***Contractor*** " in the Construction Management Agreement.

" ***Commencement Date*** " means the first date on which the Construction Period ends with respect to any Subject Facility pursuant to the Construction Management Agreement.

" ***Company Group*** " has the meaning set forth in the LLC Agreement. " ***Company Interest*** " has the meaning

set forth in the LLC Agreement.

" ***Construction*** " and its derivatives have the meaning set forth in the Construction Management Agreement.

" ***Construction Costs*** " has the meaning set forth in the Construction Management Agreement.

" ***Construction Management Agreement*** " has the meaning set forth in the LLC Agreement.

" ***Construction Manager*** " has the meaning set forth in the LLC Agreement.

" ***Contract*** " means any written or oral contract or agreement, including any such agreement regarding indebtedness, any lease, mortgage, license agreement, purchase order, commitment, letter of credit and any other legally binding arrangement.

" ***Contractor*** " means any Person engaged by Owner with Operator's assistance pursuant to this Agreement to provide services or materials related to (or in place of) the services to be provided by Operator pursuant to this Agreement. For purposes of clarity, no employee of Operator or its Affiliates shall be considered a Contractor for purposes of this Agreement.

" ***Control*** " has the meaning set forth in the LLC Agreement. " ***Data*** " has the meaning set forth in Section 3.11.

" ***Default Direct Bill Budget*** " has the meaning set forth in Section 5.1(c)(iii).

" ***Design*** " and its derivatives have the meaning set forth in the Construction Management Agreement.

" ***Direct Bill Budget*** " means a budget covering all forecasted revenues of the Facilities and expenditures (including maintenance capital expenditures) associated with Direct Bill Items, in a form consistent with the form set forth in Exhibit C, that Operator anticipates to be made or incurred by or on behalf of Owner during a Calendar Year (or longer, as applicable, with respect to the Initial Direct Bill Budget).

" ***Direct Bill Items*** " has the meaning set forth in Exhibit B.

" ***Effective Date*** " has the meaning set forth in the preamble.

" ***EH&S Audit Period*** " has the meaning set forth in Section 6.3(a).

" ***EH&S Laws*** " has the meaning set forth in Section 6.3(a).

" ***Emergency*** " has the meaning set forth in Section 5.6.

" ***Emergency Expenditure*** " means expenditures that are reasonably necessary to be expended in order to mitigate or remedy an Emergency.

" ***Excessive Cost Overruns*** " means Operator incurring costs and expenses in excess of the applicable Direct Bill Budget (as the same may be amended pursuant to Section 5.2) by more than 35% for any full Calendar Year (commencing with the second full Calendar Year occurring after the Commencement Date); provided, that in determining whether any such excess has occurred, all costs and expenses that are (i) incurred in connection with any Emergency or Required Upgrade or (ii) Subject Direct Bill Items shall be disregarded.

" ***Facilities*** " means, collectively, from and after the time that Final Acceptance has occurred with respect thereto (a) each of the Subject Facilities and (b) all Required Upgrades (if any).

" ***FERC*** " means the U.S. Federal Energy Regulatory Commission.

" ***Final Acceptance*** " (i) with respect to each of the Subject Facilities, has the meaning given to such term in the Construction Management Agreement, and (ii) with respect to any Required Upgrade, means that the design and construction of such Required Upgrade has been completed and that such Required Upgrade is otherwise capable of performing the function for which it is intended.

" ***Final Completion*** " has the meaning set forth in the Construction Management Agreement.

" ***Fixed Operating Fee*** " means the fee set out in Section 4.2, as such fee may be adjusted from time to time in accordance with the terms of this Agreement and the LLC Agreement.

" ***Force Majeure*** " has the meaning set forth in Section 8.2.

" ***Full Time Employees*** " has the meaning set forth in Exhibit B.

" ***GAAP*** " has the meaning set forth in the LLC Agreement. " ***Governmental Entity*** "has the meaning set forth

in the LLC Agreement.

" ***Initial Default Direct Bill Budget*** " has the meaning set forth in Section 5.1(c)(i).

" ***Initial Direct Bill Budget*** " has the meaning set forth in Section 5.1.

" ***Interstate Commerce Act*** " means the version of the Interstate Commerce Act under which FERC regulates oil pipelines, 49 U.S.C. app. §§ 1, *et seq.* (1988), and the regulations promulgated by the FERC thereunder.

" ***Law*** " has the meaning set forth in the LLC Agreement. " ***Liabilities*** " has the meaning set forth in the LLC Agreement. " ***Liability Claim*** " has the meaning set forth in Section 10.1(a).

" ***Lien*** " has the meaning set forth in the LLC Agreement. " ***LLC Agreement*** " has the meaning set forth in the recitals.

" ***Management Committee*** " has the meaning set forth in the LLC Agreement. " ***Member*** " has the meaning set forth in the LLC Agreement.

" ***Midstream Assets*** " has the meaning set forth in the LLC Agreement. " ***Monthly Estimate*** " has the meaning set forth in Section 5.5(a).

" ***Non-Billable Item*** " has the meaning set forth in Exhibit A.

" ***Operate*** " and " ***Operation*** " and their respective derivatives (other than "Operator") mean, with respect to the Facilities, the management, operation (including the provision of Transportation Services thereon), repair, maintenance, inspection and up-keep of the Facilities as set forth in this Agreement and the LLC Agreement.

" ***Operating Account*** " has the meaning set forth in Section 7.2.

" ***Operating Expenses*** " means all costs, expenses and expenditures made or incurred by or on behalf of Owner in connection with (a) the Operation of the Facilities and (b) the other services provided by Operator hereunder with respect to the Facilities and the Business, in each case, that are not Capital Expenditures.

" ***Operations Phase Default Direct Bill Budget*** " has the meaning set forth in Section 5.1(c)(ii).

" ***Operator*** " means Phillips 66 Pipeline LLC, a Delaware limited liability company, or any successor operator appointed pursuant to Section 2.3(c).

" ***Operator Group*** " means, collectively, Operator, PSXP, Phillips 66 Company, and any of such Persons' respective Affiliates.

" ***Operator Indemnitees*** " has the meaning set forth in Section 10.2.1.

" ***Operator Suggested Activity*** " has the meaning set forth in Section 10.2.4.

" ***Owner*** " has the meaning set forth in the preamble.

" ***Owner Indemnitees*** " means Owner and its members, directors, officers, managers and employees.

" ***Paradigm*** " has the meaning set forth in the recitals.

" ***Paradigm Change of Control*** " has the meaning set forth in the Transfer Restriction Agreement.

" ***Parties*** " and " ***Party*** " have the meaning set forth in the preamble. " ***Person*** " has the meaning set forth in the

LLC Agreement.

" ***PPI-FG*** " has the meaning set forth in Section 4.2.

" ***President*** " means the President of Owner, as appointed by the Management Committee in accordance with the LLC Agreement.

" ***Procurement*** " and its derivatives have the meaning set forth in the Construction Management Agreement.

" ***Prudent Industry Practice*** " means those practices, methods, techniques, standards, codes, specifications and acts generally followed or used by reasonably prudent operators in the oil and gas industry in the United States of America regularly involved in projects similar to the operation of the Facilities which, in the exercise of reasonable judgment, in light of the facts known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent in all material respects with applicable Laws and applicable Permits; provided, however, " ***Prudent Industry Practice*** " is not intended to be limited to the optimum practices, methods, techniques, standards, codes, specifications and acts to the exclusion of all others, but rather to be acceptable practices, methods, techniques, standards, codes, specifications and acts as applied having due regard for, among other things, the requirements of applicable Laws.

" ***PSXP*** " has the meaning set forth in the recitals.

" ***Recovery Claim*** " has the meaning set forth in Section 10.1(b).

" ***Representative*** " has the meaning set forth in the LLC Agreement.

" ***Required Upgrade*** " means any expansion, upgrade, modification or other improvement that is necessary for (a) the Facilities to comply with any applicable Laws or (b) the Owner or any other member of the Company Group to fulfill its obligations under any material Contract.

" ***Shortfall Estimate*** " has the meaning set forth in Section 5.5(b).

" ***Subject Direct Bill Items*** " means any power costs and ad valorem tax amounts constituting Capital Expenditures or Operating Expenses.

" ***Subject Facilities*** " has the meaning set forth in the Construction Management Agreement.

" ***Successor Operator Effective Date*** " means (a) in connection with any resignation by Operator, (i) under Section 2.4(a)(i), the date that is the earlier of (A) the date that is nine months after the date of Operator's resignation notice to Owner, and (B) the stated effective date of a successor operator appointed pursuant to Section 2.4(c), and (ii) under Section 2.4(a)(ii) or Section 2.4(a)(iii), the date that is the earlier of (A) the date that is six months after the date of Operator's resignation notice to Owner, and (B) the stated effective date of a successor operator appointed pursuant to Section 2.4(c), and (b) in connection with any removal of Operator under Section 2.4(b), the date that is the earlier of (i) the date that is nine months after the date of Owner's removal notice to Operator, and (ii) the stated effective date of a successor operator appointed pursuant to Section 2.4(c).

" ***Third Party*** " means any Person that is not a Party or a Member or an Affiliate of a Party or a Member.

" ***Third Party Bid*** " has the meaning set forth in Section 4.3.

" ***Transaction Documents*** " has the meaning set forth in the LLC Agreement. ***" Transfer Restriction Agreement*** " has the meaning set forth in the LLC Agreement. " ***Transition Costs*** " has the meaning set forth in Section 3.4(a).

" ***Transportation Services*** " means, with respect to the Facilities, transportation services on the applicable Facilities provided on behalf of Owner and in conformity with applicable tariffs and Laws, including the Interstate Commerce Act, applicable to crude oil pipeline common carriers.

Section 1.2. References and Rules of Construction . Unless the context requires otherwise: (a) the gender (or lack thereof) of all words used in this Agreement includes the masculine, feminine and neuter, (b) references to this Agreement, herein, hereby, hereunder and hereof, and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited, (c) references to Articles, Sections, and Exhibits refer to Articles, Sections, and Exhibits of this Agreement, (d) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law, (e) references to money refer to legal currency of the United States of America, (f) the word "including" (in its various forms) means "including, without limitation," (g) all capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms, (h) each accounting term not defined herein will have the meaning given it under GAAP, (i) headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement, (j) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and (k) if any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action shall be deferred until the next Business Day.

Article II
Operator

Section 2.1. Operator Identified . Subject to the terms of this Agreement, Owner hereby engages Phillips 66 Pipeline LLC, and Phillips 66 Pipeline LLC hereby accepts such engagement, as Operator to Operate the Facilities and to perform, or cause to be performed, the other services of Operator expressly specified in this Agreement.

Section 2.2. Term and Termination .

(a) This Agreement shall commence on the Effective Date, but the Operator's obligation to Operate the Facilities hereunder shall start as of the Commencement Date.

(b) This Agreement may be terminated as follows, and in no other manner:

(i) by Owner after Operator has been removed as such if this Agreement has not been assigned to a successor operator by the date that is nine months after the date of Owner's removal notice to Operator;

(ii) the termination of the LLC Agreement in accordance with its terms;

(iii) by the mutual written agreement of the Parties; or

(iv) by the Owner if it has accepted a Third Party Bid and Operator has not provided an Acceptance Letter in accordance with Section 4.3.

Section 2.3. Survival . Subject to the terms hereof, the termination of this Agreement shall not relieve either Party of any liability or obligation of such Party accruing, or that accrued, prior to such termination. In addition, Article XI and Article XII and Section 1.1, Section 1.2, Section 3.1, Section 3.11, Section 7.4, Section 10.2, and this Section 2.3 shall survive in full force and effect any termination of this Agreement.

Section 2.4. Resignation or Removal of Operator .

(a) **Resignation of Operator** . Operator may resign by delivering written notice to Owner (i) at any time, (ii) if Owner breaches any payment provision of this Agreement and, after receipt of notice of such alleged breach by Owner from Operator (which notice shall provide with particularity details of such alleged breach), Owner fails to correct such breach within five days after receipt of such notice from Operator, or (iii) if Owner breaches any material provision of this Agreement (other than a payment provision) in any material respect and, after receipt of notice of such alleged breach by Owner from Operator (which notice shall provide with particularity details of such alleged breach), Owner fails to correct or to diligently pursue correction of such breach in a manner reasonably acceptable to Operator within 30 days after receipt of such notice from Operator; provided that if Owner disputes the material breach claimed by Operator pursuant to subsection (iii) above, then such dispute shall be settled pursuant to the terms of Section 12.3 prior to Operator's resignation notice becoming effective. Following the settlement of such dispute which results in a determination that such material

breach did in fact occur, if such breach is not corrected by Owner or corrective action reasonably acceptable to Operator is not commenced by Owner, in each case, within ten days after such determination, then Operator's resignation notice delivered pursuant to subsection (iii) above shall be deemed to be effective as of the day such notice was originally delivered. Notwithstanding any such resignation by Operator, Operator shall not be relieved of its duties as Operator under this Agreement and shall continue to perform all of the duties, responsibilities and obligations of Operator hereunder, in each case, until the applicable Successor Operator Effective Date.

(b) **Removal of Operator** . Operator may be removed by Owner by written notice from Owner to Operator if (i) Operator becomes Bankrupt, (ii) Operator breaches any material provision of this Agreement in any material respect and, after receipt of notice of such alleged breach by Operator from Owner (which notice shall provide with particularity details of such alleged breach), Operator fails to correct or to diligently pursue correction of such breach in a manner reasonably acceptable to Owner within 30 days after receipt of such notice from Owner; provided that if Operator disputes the material breach claimed by Owner pursuant to subsection (ii) above, then such dispute shall be settled pursuant to the terms of Section 12.3 prior to Owner's removal notice becoming effective, (iii) the Operator Group in the aggregate owns less than 50% of the Owner or (iv) there are Excessive Cost Overruns. Following the settlement of such dispute which results in a determination that the material breach described in clause (ii) above did in fact occur, if such breach is not corrected by Operator or corrective action reasonably acceptable to Owner is not commenced by Operator, in each case, within ten days after such determination, then Owner's removal notice delivered pursuant to subsection (ii) above shall be deemed to be effective as of the day such notice was originally delivered. Notwithstanding any such removal of Operator, Operator shall not be relieved of its duties as Operator under this Agreement and shall continue to perform all of the duties, responsibilities and obligations of Operator hereunder, in each case, until the applicable Successor Operator Effective Date.

(c) **Appointment of Successor Operator** . Upon the resignation or removal of Operator, a successor operator shall be appointed by Owner as soon as practicable and Owner shall promptly notify Operator of any such appointment and the effective date of such appointment. Operator shall reasonably cooperate in the transition to the successor operator prior to the applicable Successor Operator Effective Date. Upon such effectiveness of the appointment of the successor operator, Operator shall (i) assign its rights and obligations under this Agreement to such successor operator at the request of Owner and (ii) promptly deliver all Records in Operator's possession to such successor operator. From and after the appointment of any successor operator, the successor operator shall be deemed to be the "Operator" hereunder for all purposes.

Section 2.5. Effect of Removal or Resignation . Any removal of or resignation by Operator pursuant to Section 2.4 shall release Operator from any Liability for any obligation and duties of "Operator" hereunder accruing on or after the applicable Successor Operator Effective Date, including Liabilities for which a successor operator is responsible on and after the Successor Operator Effective Date. Any removal of or resignation by Operator pursuant to Section 2.4 shall not relieve Operator from (a) any Liability that it would otherwise have under this Agreement for acts or omissions that occurred prior to the applicable Successor Operator

Effective Date, or (b) its obligations accruing prior to the applicable Successor Operator Effective Date to properly account for any remaining funds in the Operating Account and to make all books and records relating to such account and Operator's performance under this Agreement available to Owner and any successor operator. Except in the case where (x) Operator resigns pursuant to Section 2.4(a)(ii) or Section 2.4(a)(iii), or (y) Operator is removed pursuant to Section 2.4(b)(i) or Section 2.4(b)(iii), Operator shall bear all transition costs associated with the transition to a successor operator due to the removal or resignation of Operator.

Article III
Duties of Operator.

Section 3.1. Independent Contractor . In the performance of any work or services by Operator for Owner pursuant to this Agreement, Operator conclusively shall be deemed an independent contractor, with the right and authority to (a) direct and control all services and other work being performed by the employees of Operator and its Affiliates and (b) oversee all services and other work to be performed by all Contractors; provided that all such services and other work shall be subject to Owner's general right of inspection. Owner shall have no right or authority to supervise or give instructions to any such Persons, and such Persons at all times shall (i) if employees of Operator or its Affiliates, be under the direct and sole supervision and control of Operator and (ii) if employees of any Contractor, be under the direct and sole supervision and control of such Contractor. Any suggestions that may be given by Owner shall be given only to the supervisor or to the other Person in charge of such Person's employees and it is the understanding and intention of the Parties that no relationship of master and servant or principal and agent shall exist between Owner and the employees, agents or representatives of Operator or its Affiliates or any Contractors. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a partnership, joint venture, association or trust. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries, except that Operator shall be a fiduciary with respect to funds or assets of Owner entrusted to Operator and over which Operator exercises authority (but only to the extent that Operator exercises such authority). Without limiting the foregoing, it is the intent of each of the Parties that nothing herein shall be deemed to create a co-employment relationship as between the Parties, it being understood and agreed that compliance with all Laws applicable to the employment by Operator of its employees that are employed in the performance by Operator of its obligations hereunder shall be the sole responsibility of Operator.

Section 3.2. No Agency . Nothing in this Agreement shall be deemed or construed to authorize Operator to act as an agent, principal, servant or employee for Owner for any purpose whatsoever and Operator shall not hold itself out as an agent, principal, servant or employee of Owner to any Person.

Section 3.3. Administrative Duties of Operator . Except to the extent any of the following are included in the services to be provided by the Construction Manager under the Construction Management Agreement, (a) from and after the Commencement Date, Operator shall be responsible for administering the accounting and regulatory affairs of Owner with respect to each Facility, including maintaining the accounting and regulatory records with respect thereto, and (b) from and after the Effective Date, Operator shall be responsible for

administering the financial and tax affairs of Owner and the Business, including maintaining the financial and tax records with respect thereto. Operator also shall be responsible for preparing and distributing financial statements, information, notices and reports (including reports to Governmental Entities) required in connection with the Facilities pursuant to Section 3.4, Section 6.2, Section 7.1, Section 7.2, Section 7.3, Section 7.5 and Section 7.6.

Section 3.4. Operate and Maintain the Facilities .

(a) Prior to the expected Commencement Date, Operator shall (i) coordinate with the Construction Manager under the Construction Management Agreement and take all necessary actions for Operator to be prepared to perform all of its obligations under this Agreement and (ii) perform any other obligations contemplated by this Agreement to be performed by Operator prior to the Commencement Date. At least 6 months prior to the expected Commencement Date, Operator shall prepare and submit for approval of the Owner a transition plan that includes a (i) budget of the costs estimated to be incurred by Operator prior to the Commencement Date in order to ensure a smooth transition of primary oversight of the Facilities from the Construction Manager to the Operator, including all anticipated costs to add the Facilities to Owner's operations, SCADA modifications, pipeline markers, state one-call notifications, and the like, (ii) proposed organizational chart relating to employees and Contractors that will perform obligations under this Agreement as of the Commencement Date and (iii) schedule of the material activities to be performed by Operator prior to the Commencement Date. Promptly following Owner's receipt of the transition plan, the Parties shall negotiate in good faith to determine the appropriate costs (" ***Transition Costs*** ") to be reimbursed or otherwise paid to the Operator in respect of the services to be performed by Operator in accordance with such transition plan. If the Parties cannot agree on the Transition Costs, Operator shall not be entitled to any separate fee for the activities to be performed by Operator prior to the Commencement Date and shall instead be reimbursed by Owner for all Direct Bill Items during such period at Operator's cost plus 5%. The Parties further agree and acknowledge that (x) changes may be required to such transition plan in order to address unforeseen circumstances and other matters inherent in such a transition, and (y) to the extent any such changes to the transition plan are required, the Parties will negotiate in good faith any equitable adjustments to the Transition Costs.

(b) Operator shall Operate the Facilities for the sole benefit (and on behalf) of Owner and (at all times) in accordance with the terms and provisions of this Agreement.

(i) Subject to the limitations set forth in Section 3.5, Section 3.8 and Section 5.3, Owner hereby authorizes Operator to cause to be done and performed any and all acts and things reasonably necessary for the efficient and safe Operation of the Facilities, including (A) incurring (or causing an Authorized Officer, on behalf of Owner, to incur) any expense authorized in an approved Direct Bill Budget or as otherwise permitted hereunder (including Emergency Expenditures), and (B) entering into (or causing an Authorized Officer, on behalf of Owner, to enter into) Contracts, in each case, in order to accomplish the efficient and safe Operation of the Facilities, including Operations for the receiving, transporting, delivering, terminalling and storing of crude petroleum on the Facilities.

(ii) Operator shall manage and direct the Operation of the Facilities in accordance with the terms and provisions of this Agreement and in accordance with all valid and applicable Laws and other requirements of Governmental Entities.

(iii) Operator shall be responsible for assisting Owner in the (A) development and maintenance of reasonable safety, health and environmental management systems, policies, procedures and practices to ensure the safety and health of Persons working in connection with the Operation of the Facilities, (B) compliance with applicable environmental and safety Laws, (C) collection of data relating to the foregoing, (D) reporting findings (if applicable) to the appropriate Governmental Entities and (E) maintenance of all records relating thereto.

(c) From and after the Commencement Date, Operator shall meet with the Management Committee at least once per Calendar Quarter (or more or less frequently as the Parties may mutually agree) during the term of this Agreement to review Operator's Operation of the Facilities in accordance with this Agreement.

(d) Notwithstanding anything herein to the contrary, in no event shall Operator be required to directly enter into any Contract with respect to the services to be provided by Operator hereunder, including the Operation of the Facilities. Owner may delegate to an Authorized Officer, on behalf of Owner, the right to execute any such Contracts as requested by Operator, subject to the limitations set forth in Section 3.5, Section 3.8 and Section 5.3.

Section 3.5. Purchase and Sale of Materials and Supplies; Entry into Contracts .

(a) Subject to the limitations set forth in Section 3.4(d), this Section 3.5, Section 3.8 and Section 5.3, Operator shall assist Owner in procuring all services, materials, supplies and equipment necessary in connection with the Operation of the Facilities. Such actions shall include requesting that an Authorized Officer, on behalf of Owner, enter into: (i) Contracts for the Operation of the Facilities, including any adjustments, repairs, additions and replacements thereto (e.g., pipeline lowering or relocations as required by Governmental Entities), and (ii) Contracts for power, fuel, other utilities and communication facilities related to the Operation of the Facilities. Subject to the limitations set forth in Section 3.8, Operator may, on behalf of Owner, sell or dispose of materials and equipment that are no longer required for the Operation of the Facilities to any non-Affiliate of the Operator in an arm's length transaction. Operator shall use its reasonable efforts to ensure that all Contracts pursuant to which materials are purchased by Owner as contemplated hereby contemplate that such materials shall be in new condition and give Owner (and not Operator or its Affiliates) all discounts, rebates, warranties or credits given with respect to such purchases.

(b) Notwithstanding anything to the contrary set forth in this Agreement, Operator agrees that any Contracts with any Affiliates of Operator or other Contracts that Operator requests that an Authorized Officer, on behalf of Owner, enter into with any such Affiliate or other Contractor for the provision (by such Affiliate or other Contractor) of services and/or materials for the Operation of the Facilities or with respect to any other service that Operator is obligated to provide pursuant to this Agreement shall, in each case (i) be at an arm's

length basis, (ii) contain insurance provisions that are, in Operator's reasonable opinion, either customary in the industry in connection with the services or materials to be provided under such Contract or consistent with the insurance provisions set forth herein (or that are otherwise approved in writing by Owner, such approval not to be unreasonably withheld, conditioned or delayed), (iii) contain indemnity provisions that are, in Operator's reasonable opinion, customary in the industry with respect to the services or materials to be provided under such Contract, (iv)contain warranty provisions that are, in Operator's reasonable opinion, customary in the industry with respect to the services or materials to be provided under such Contract and (v) if applicable, contain audit rights that are enforceable by Owner.

Section 3.6. Personnel . Subject to the limitations set forth in Section 3.4(d) Section 3.5, Section 3.8 and Section 5.3, from and after the Effective Date, Operator (and/or its Affiliate(s)) may (a) utilize its or any of its Affiliates' employees for services in connection with the Operation of the Facilities and/or the other services provided by Operator hereunder, in each case, with respect to Direct Bill Items; *provided, however* , that records of time spent by employees for Direct Bill Items shall be maintained by Operator or its Affiliates, as applicable, so that proper charges may be made in accordance with Section 4.2, and (b) request that an Authorized Officer, on behalf of Owner, enter into Contracts to engage the services of Contractors in the performance of such services and otherwise in accordance with the provisions of Section 3.5(b) in order for the Facilities to be Operated in a safe and efficient manner. Notwithstanding the above, Operator shall not charge Owner for any services provided by such employees or by Contractors that are Non-Billable Items.

Section 3.7. Payment of Expenses . Subject to the limitations set forth in Section 3.5, Section 3.8 and Section 5.3, to the extent of available funds in the Operating Account, Operator shall pay and discharge all Operating Expenses and Capital Expenditures on a timely basis (including any such Operating Expenses or Capital Expenditures incurred by Owner). Notwithstanding anything herein to the contrary, in no event shall Operator be liable in connection with the performance of its services hereunder or otherwise in breach of this Agreement if Operator fails, or is otherwise unable, to perform any of such services or its other obligations hereunder, including any obligations to pay or cause to be paid any such Operating Expenses or Capital Expenditures, due to (a) the failure of Owner to pay when due any amounts payable hereunder by Owner into the Operating Account, whether pursuant to Section 5.5, Section 5.6 or otherwise, or (b) the lack of available funds in the Operating Account. Notwithstanding anything herein to the contrary, in no event shall Operator charge Owner for any services, functions or cost categories that constitute Non-Billable Items, it being understood that compensation for such Non-Billable Items is included within the Transition Costs or Fixed Fee, as applicable.

Section 3.8. Limitation of Authority . Except in the case of Emergencies, notwithstanding anything in this Agreement to the contrary, Operator shall obtain the prior written consent of Owner (such approval not to be unreasonably delayed, but which approval may otherwise be provided or withheld in Owner's sole and absolute discretion), prior to (i) taking any of the following actions with respect to Owner, the Facilities or any other Midstream Assets, or (ii) requesting that an Authorized Officer execute a Contract on behalf of Owner in respect of any of the following:

(a) the taking of any action that would require the prior affirmative vote, consent or approval of the Representatives or the Management Committee under Section 3.1(d) or Section 3.1(e) of the LLC Agreement;

(b) the possession of, or in any manner the dealing with, any of the Midstream Assets or the transfer of the rights of Owner in such Midstream Assets other than for the sole benefit of Owner; or

(c) except with respect to powers of attorney granted for the procurement of easements and rights of way relating to the Operation of the Facilities, the granting of powers of attorney with respect to the Facilities.

Section 3.9. Post-Final Completion Cooperation with the Construction Manager . From and after the Final Completion of any of the Facilities, Owner shall cause the Construction Manager to assign to Operator, and, Operator, subject to Section 3.8 and Section 10.1, shall manage the pursuit and enforcement of, any and all outstanding post-construction Claims (including in respect of CMA Contractor insurance), warranties, indemnities and other rights, and the payment or retention of any retainage or other contingent payments (which shall be deemed Claims), in each case, arising under or related to any Contract with any CMA Contractor engaged in the Design, Procurement and/or Construction of such portion of the Facilities, as applicable, pursuant to the Construction Management Agreement.

Section 3.10. Required Upgrades . From and after the Effective Date, if Operator reasonably believes that a Required Upgrade is needed with respect to all or any portion of the Facilities, then Operator shall provide written notice to Owner of such circumstance. Such written notice shall contain the following: (a) a description of the Midstream Asset (s) requiring such Required Upgrade, (b) the type of upgrade, modification, expansion or other similar improvement needed with respect to such Required Upgrade, (c) a description of the applicable Law or material Contract containing the requirements or obligations, as applicable, that such Required Upgrade is needed to satisfy, and (d) a good faith estimate of the costs and expenses of the design, construction, development, operation and maintenance of such Required Upgrade (including the incremental increase to the Fixed Operating Fee payable to the Operator attributable to such Required Upgrade, if any), including an estimated schedule of such costs and expenses.

Section 3.11. Ownership and Custody of and Access to Data . Notwithstanding anything in this Agreement to the contrary, Owner shall be the sole and exclusive owner of all reports, filings, agreements, instruments and other documents, whether prepared by Owner, Operator or any Contractor, related to the ownership or the operation of the Facilities or Operator's services hereunder, the books and records maintained by Operator on behalf of Owner, all reports generated by Operator pursuant to this Agreement (collectively, the " **Data** "), and any Data shall be made available to Owner during normal business hours upon reasonable advance written notice; provided, that in accessing any such Data, Owner shall exercise its commercially reasonable efforts to minimize disruption to the businesses of Operator and its Affiliates. Following the termination of this Agreement, Operator shall, not later than 15 Business Days after its receipt of a written request from Owner, deliver originals of all Data (or

copies where applicable) to Owner, at Owner's expense, to the location designated by Owner in such written request.

Section 3.12. Standard of Performance . Operator will perform its obligations under this Agreement in a manner consistent with Prudent Industry Practices.

Article IV
Schedule of Charges.

Section 4.1. Direct Bill Items . In connection with performing the services described in this Agreement, including the Operation of the Facilities, and subject to the then-current Direct Bill Budget and the provisions of Section 5.3, Operator may incur, or cause Owner to incur, Operating Expenses and Capital Expenditures constituting Direct Bill Items. Subject to

(a) the limitations set forth in Section 3.8, (b) the provisions of Section 5.3, and (c) the then- current Direct Bill Budget, Owner shall be responsible for contributing to the Operating Account, pursuant to Section 5.5, Section 5.6 or otherwise, all Operating Expenses and Capital Expenditures constituting Direct Bill Items (including any Emergency Expenditures) incurred by Operator (without markup), Owner or any Contractor.

Section 4.2. Fixed Operating Fee . As compensation for performing the Non-Billable Items with respect to the Facilities, commencing on the Commencement Date and continuing thereafter during the term of this Agreement, Owner shall pay Operator an annual fee (the " ***Fixed Operating Fee*** ") of $[●], as the same may be adjusted pursuant to this Agreement (including this Section 4.2) . The Fixed Operating Fee will be prorated for the Calendar Year in which the Commencement Date occurs and (a) increased (annually, effective on the first day of each applicable Calendar Year after the Calendar Year in which the Commencement Date occurs) by an amount equal to a percentage equal to the greater of zero and the positive change in the Producer Price Index for Finished Goods (Series ID WPUSOP3000) (such Index, the "PPI-FG") **,** as reported during the October immediately before the effective date of the adjustment **,** with respect to the 12-Calendar Month period ending at the end of the September immediately preceding such publication, provided that if, with respect to any such 12-Calendar Month period or periods, the PPI-FG has decreased, the Fixed Operating Fee may subsequently increase only to the extent that the percentage change in the PPI-FG since the most recent previous increase in such fees is greater than the aggregate amount of the cumulative decreases in the PPI-FG during the intervening period or periods, and (b) adjusted by the agreement of Owner and Operator relating to expansions or reductions of any of the Facilities and/or the decommissioning of any of the Facilities. The Parties hereby acknowledge and agree that the Fixed Operating Fee will be increased to reflect services required on account of the Final Acceptance of any of the Subject Facilities following the previous determination of the Fixed Operating Fee, and on account of any Required Upgrade (once Final Acceptance has occurred with respect thereto) and decreased to reflect the decommissioning of any of the Facilities by an amount mutually agreed upon by Owner and Operator. From and after the Commencement Date, Owner will pay Operator the applicable annual Fixed Operating Fee on a monthly basis, in equal installments, by depositing each installment in the Operating Account by the fifth day of each Calendar Month; provided that with respect to the first payment of the Fixed Operating Fee, such fee shall be deposited into the Operating Account by Owner no later than five days following the Commencement Date.

Section 4.3. Fee Adjustment . Not sooner than the sixth anniversary of the Effective Date and not later than the seventh anniversary of the Effective Date, the Parties shall review the material pricing terms of this Agreement to determine, in good faith, if the costs charged to the Owner hereunder for Direct Bill Items are materially consistent with prevailing market prices as charged by other service providers for similar services provided to assets and facilities similar to the Facilities and on terms and conditions substantially similar to this Agreement and, if the Owner reasonably determines in good faith that such material pricing terms are not materially consistent, (i) the Owner shall provide notice thereof to the Operator, along with reasonable documentation supporting such determination and (ii) the Parties shall enter into good faith negotiations regarding any proposed changes in the costs for Direct Bill Items charged to the Owner hereunder. If the Parties are unable to reach agreement regarding any proposed changes for Direct Bill Items charged to Owner hereunder, Owner may seek bids from Third Parties for the performance of the services under this Agreement which will include any transition costs in order for such Third Party to take over such operations and if Owner desires to use any Third Party providing a bid to perform the services required under this Agreement, Owner shall deliver written notice to Operator of such desire and the terms and provisions of such bid (the " ***Third Party Bid*** ") and Operator shall have the right, exercisable by giving Owner written notice within 30 days after receipt of Owner's notice that it will match the pricing and other terms and provisions of such Third Party Bid (an " ***Acceptance Letter*** ") and this Agreement shall be modified to reflect the pricing and other terms of such Third Party Bid. If Operator does not provide an Acceptance Letter within such 30 day period, the Owner may terminate this Agreement. Either Party may, by written request to the other Party, initiate a review of costs provided pursuant to this Agreement, provided, that such reviews may not, without the consent of the other Party, be initiated more frequently than once in any rolling five Calendar Year- period.

Section 4.4. Taxes . Operator shall use commercially reasonable efforts to take such actions as are necessary to obtain available exemptions from, reductions in, or rebates or refunds of, applicable state and local taxes, including sales and use taxes and property taxes, and Owner shall cooperate with Operator to the extent such cooperation is required to obtain such exemptions, reductions, rebates or refunds.

Article V
Budgets and Authority for Expenditures.

Section 5.1. Preparation and Approval of the Direct Bill Budget . From and after the Commencement Date and subject to the remainder of this Section 5.1, Operator shall prepare, in reasonably concise form, and shall present to Owner (x) on or before each September 1 st a draft of, and (y) on or before each November 15 th a final version of, in each case, the Direct Bill Budget for the next succeeding Calendar Year, which Direct Bill Budget shall include expenditures that may extend over a multi-Calendar Year period and shall be detailed on at least a quarterly basis for the next succeeding Calendar Year. Notwithstanding the foregoing, 3 months prior to the expected Commencement Date, Operator shall prepare, in reasonably concise form, and shall present to Owner, the Direct Bill Budget for the period beginning on the expected Commencement Date and ending at the end of the Calendar Year that is immediately subsequent to the Calendar Year in which the Commencement Date is expected to occur (the Direct Bill

Budget covering such time period, the " ***Initial Direct Bill Budget*** "). Operator shall confer with Owner during the preparation of such Direct Bill Budgets.

(a) **Direct Bill Budget** . Each Direct Bill Budget for the Facilities shall include (i) itemized anticipated costs related to Direct Bill Items, and (ii) itemized expenses that are chargeable to specific asset groups and expensed in accordance with GAAP, and shall identify the asset groups to which such expenses relate. Each Direct Bill Budget will include only those cost estimates associated with Direct Bill Items.

(b) **Approval of Direct Bill Budget** . Owner shall have 30 days from the date Operator submits a Direct Bill Budget to approve or reject such Direct Bill Budget, in whole or in part. With respect to any part of any Direct Bill Budget that is rejected, Operator shall then have 15 days to resubmit such Direct Bill Budget, or portion thereof, for approval by Owner in accordance with this Section 5.1(b), and, if Operator elects to resubmit such Direct Bill Budget, or portion thereof, Owner shall have 15 days to approve or reject such resubmitted Direct Bill Budget, or portion thereof.

(c) **Default Direct Bill Budgets** .

(i) If the Parties are unable to reach agreement with respect to the Initial Direct Bill Budget pursuant to Section 5.1(a), then the Direct Bill Budget to be used for the periods of time covered by the Initial Direct Bill Budget shall be those portions of the Initial Direct Bill Budget proposed by Operator pursuant to Section 5.1 (A) that are undisputed between the Parties or (B) for which the Parties are able to mutually agree upon revisions (collectively, an " ***Initial Default Direct Bill Budget*** ").

(ii) If the Parties are unable to reach agreement with respect to any Direct Bill Budget pursuant to Section 5.1(b) other than the Initial Direct Bill Budget, the Direct Bill Budget to be used by Operator and deemed approved by Owner shall include the (A) Direct Bill Budget for the preceding Calendar Year, excluding extraordinary items completed in such previous Calendar Year (if any), *multiplied by* (B) 103% (such amounts, collectively the " ***Operations Phase Default Direct Bill Budget*** ").

(iii) As used herein, the term " ***Default Direct Bill Budget*** " means either the Initial Default Direct Bill Budget or an Operations Phase Default Direct Bill Budget, as the context requires. Any Default Direct Bill Budget shall be in effect only until such time as a new Direct Bill Budget is approved by Owner.

Section 5.2. Preparation and Approval of Direct Bill Budget Amendments . At any time from and after the Effective Date, Operator may propose amendments to the then-current Direct Bill Budget by presenting a written budget amendment for approval by Owner (each, a " ***Budget Amendment*** "). Each Budget Amendment shall comply with the provisions of Section 5.1(a) and Section 5.1(b) concerning specific itemization of expenses and the identification of particular asset groups to which such expenses relate. Owner shall have 30 days from the date Operator submits a Budget Amendment to approve or reject such Budget Amendment, in whole or in part. Should Owner fail to respond with its election within such 30 day time period, Owner shall be deemed to have approved such Budget Amendment. Any part of any Budget

Amendment that is rejected shall either be deleted or, at Operator's option, be resubmitted to Owner for approval. Operator shall have 15 days after receipt of notice of Owner's rejection to resubmit any such rejected Budget Amendment or portion thereof for approval by Owner in accordance with this Section 5.2. If Owner agrees with any such proposed Budget Amendment or the Parties agree with respect to any revisions to any such proposed Budget Amendment, then the then-current Direct Bill Budget shall be amended accordingly to reflect such agreed upon Budget Amendment.

Section 5.3. Authority for Extra-Budget Expenditures . From time to time from and after the Effective Date, Operator shall have the right and authority with respect to the then- current Direct Bill Budget, to make expenditures up to 10% in excess of the authorized amount for any category of expense set forth in the Direct Bill Budget, not to exceed in the aggregate 10% of the aggregate amount set forth in such Direct Bill Budget; provided, however, that nothing in this Section 5.3 or elsewhere in this Agreement shall restrict Operator's right and authority to make expenditures in excess of the then-current Direct Bill Budget with respect to any Subject Direct Bill Items or Emergency Expenditures. The determination as to whether expenditures exceed 10% of the authorized amount for any category of expense set forth in the Direct Bill Budget, or in the aggregate 10% of the aggregate amount set forth in such Direct Bill Budget shall, in all cases, exclude Subject Direct Bill Items.

Section 5.4. Notice of Direct Bill Budget Variances . If it appears at any time that the actual expenditures for any Calendar Year will exceed the approved Direct Bill Budget, Operator shall notify Owner of such expected excess. If Operator reasonably believes that a Direct Bill Item expenditure to be incurred would cause (a) the amount for any category of expense set forth in then-current Direct Bill Budget to be exceeded by more than 10% of the amount authorized in such Direct Bill Budget or (b) the total amount of the then-current Direct Bill Budget to be exceeded by more than 10% of the total amount of such Direct Bill Budget, then Operator shall (i) give written notice to Owner of such projected excess, including information regarding the nature of such excess expenditures and the reasons therefor, and (ii) other than with respect to any such expenditure to the extent constituting Subject Direct Bill Items, solicit the written approval of Owner with respect to the incurrence of such projected excess. If Operator has not received written approval from Owner within 15 days of the date of Owner's receipt of Operator's request, Owner shall be deemed to have rejected the incurrence of such projected excess amount and, other than with respect to any such expenditure to the extent constituting Subject Direct Bill Items, Operator shall have no (A) right to charge to Owner, or (B) obligation to perform, in each case, the functions or services related to the rejected projected excess charge.

Section 5.5. Payment of Budgeted Costs .

(a) **Operations Period** . If, during any Calendar Month commencing in the Calendar Month immediately prior to the Commencement Date, Operator believes that Owner's current cash assets and projected gross receipts are reasonably projected to be insufficient to satisfy Owner's projected expenditures to be incurred during the subsequent Calendar Month (i) pursuant to the then-current Direct Bill Budget, and/or (ii) otherwise in accordance with this Agreement, including Operator's right and authority to make (or cause Owner to make) expenditures in excess of the then-current Direct Bill Budget pursuant to Section 5.3, then Operator shall prepare and deliver to Owner and the President a Call Notice of the estimated

amount of the shortfall for such Calendar Month plus a reasonable contingency amount (the entirety of such projected amounts, the " ***Monthly Estimate*** "). Owner shall cause each Monthly Estimate to be deposited in the Operating Account as promptly as practicable but, in any event, not later than the 18 th Business Day after such Monthly Estimate is delivered.

(b) **Budget Shortfalls** . If, during any Calendar Month after the Commencement Date, Operator believes that Owner's current cash assets and projected gross receipts plus any additional payments made pursuant to Section 5.5(a) with respect to such current Calendar Month are reasonably projected to be insufficient, or are insufficient, as applicable, to satisfy Owner's actual incurred expenditures, or projected to be incurred expenditures, as applicable, during such current Calendar Month (A) under the then-current Direct Bill Budget, (B) in connection with any Emergency, or (C) otherwise in accordance with this Agreement, including Operator's right and authority to make (or cause Owner to make) expenditures in excess of the then-current Direct Bill Budget pursuant to Section 5.3, then Operator shall prepare and deliver to Owner and the President a Call Notice of the estimated amount of the shortfall for such Calendar Month plus a reasonable contingency amount (the entirety of such amounts, " ***Shortfall Estimate*** "). Owner shall cause each Shortfall Estimate to be deposited in the Operating Account as promptly as practicable but, in any event, not later than the 18 th Business Day after its receipt of such Shortfall Estimate.

(c) **Objections to Estimates** . With respect to any Monthly Estimate or Shortfall Estimate submitted by Operator hereunder, Owner may notify Operator in writing of any objections to all or any portion of such amounts on or before the expiration of the applicable Audit Period with respect to such amounts. Owner shall be responsible for causing the amounts set forth in the notices from Operator pursuant to Section 5.5(a) and Section 5.5(b) to be deposited in the Operating Account in full, but such payment shall not be construed as a waiver by Owner of any of its rights under this Section 5.5(c) or Section 7.4(b).

Section 5.6. Emergencies . From and after the Commencement Date, in the event of an Emergency, Operator shall promptly (a) make, or cause to be made, all notifications required under applicable Law to appropriate Governmental Entities, (b) implement, or cause to be implemented, Emergency response and mitigation measures as are either required by applicable Law or as deemed advisable by Operator for a prudent operator to respond to or mitigate the Emergency, including to protect human health and the environment, (c) commence, or cause to be commenced, any required remediation, maintenance or repair work necessary to keep the Facilities Operating safely (or to restore such Facilities to safe operating condition) and in compliance with all applicable Law or otherwise to minimize damage and (d) as soon as practicable after the occurrence of the event, notify Owner of (i) such Emergency, (ii) all mitigation, repair, restoration or remedial plans to be undertaken by Owner with Operator's assistance, (iii) all material correspondence with Governmental Entities and (iv) any permits or approvals required in connection with Operator's and Owner's Emergency response, repair, remedial or restoration activities. Operator's notification of Owner may be made by any method deemed appropriate by Operator under the circumstances and does not have to comply with Section 12.1. To the fullest extent possible, Operator may cause an Authorized Officer, on behalf of Owner, to enter into Contracts in connection with any required remediation, maintenance or repair work necessary to keep the Facilities in compliance with all applicable Laws or otherwise to minimize damage and may cause all Contractors to directly bill Owner for

expenses incurred in an Emergency. To the extent funds are not available in the Operating Account to pay for any costs incurred by Operator or Owner in connection with an Emergency, then Operator shall submit invoices for such costs incurred by Operator or Owner during such Emergency to Owner and Owner shall deposit such amounts in the Operating Account within 15 Business Days of receipt of such invoices. For purposes of this Agreement, an "***Emergency***" shall be defined as a sudden or unexpected event which causes, or risks causing, (A) substantial damage to any of the Facilities or the property of a Third Party, (B) death of or injury to any Person, (C) damage or substantial risk of damage to natural resources (including wildlife) or the environment, or (D) non-compliance with any applicable Law (except where complying with such Law would require a Required Upgrade that would not otherwise be immediately required under applicable Law), in each case, which event is of such a nature that a response cannot, in the discretion of Operator reasonably exercised, await the decision of Owner. For purposes of clarity, an "Emergency" shall include any release or threatened release of hazardous substances into the environment that requires notification to any Governmental Entity under applicable Law.

Section 5.7. No Waiver by Payment . No payment by Operator out of the Operating Account or payment by Owner pursuant to Section 5.6 shall preclude Owner from (a) questioning the accuracy of the statement or the justification of any charge related to such payment; provided, any such protest with respect to charges and credits made during the period covered by an audit must be made within the Audit Period specified in Section 7.4(b), or (b) any of its rights under the indemnity set forth in Section 10.2(b).

Section 5.8. Payment of Funds from Operating Account . Subject to (a) Section 3.7 and (b) the Operator's right to withdraw and/or use any funds constituting the then-payable Fixed Operating Fee at its sole discretion, Operator shall only use the funds in the Operating Account to pay expenses owed by Owner or Operator for the Operation of the Facilities and/or the other services provided by Operator pursuant to this Agreement or that are otherwise chargeable to Owner or due to Operator hereunder.

Article VI
Operating Procedure.

Section 6.1. Common Carrier Operations . From and after the Commencement Date, Operator shall provide Transportation Services on the applicable Facilities.

Section 6.2. Environmental, Health and Safety Reporting . From and after the Commencement Date, Operator shall prepare and furnish (or cause a Contractor to prepare and furnish) to Owner a report describing any material accidents and environmental incidents experienced with respect to the Facilities and known to Operator, in each case, as soon as reasonably practical but no later than 30 days of such occurrence.

Section 6.3. EH&S Audit Rights .

(a) From and after the Commencement Date, upon not less than 30 days' prior written notice to Operator, but not more than once during any Calendar Year (unless more frequent audits are required by applicable Law and then, in such case, as frequently as required by applicable Law), Owner may audit all records, procedures and performance of Operator

relating to the Operation of the Facilities and compliance with (i) applicable Laws enacted to protect the environment and the health and safety of employees, customers, Contractors and the public (" ***EH&S Laws*** ") and (ii) Operator's environmental, health and safety policies and practices, in each case, for any Calendar Year within the 24 Calendar Month period immediately preceding the date of such notice (such 24 Calendar Month period, the " ***EH&S Audit Period*** ").

(b) The cost of each such audit shall be borne by Owner. Any such audit shall be conducted during normal business hours at the principal office of Operator and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Operator.

(c) For purposes of clarity, any Confidential Information obtained by Owner or its representatives in connection with the conduct of an audit (whether related solely to Operator or otherwise) shall be subject to the confidentiality provisions of Article XI.

(d) Within 90 days following completion of any such audit, Owner must provide Operator with a copy of the written audit report and a written notice of any alleged instances of non-compliances with applicable EH&S Laws and any alleged deficiencies in Operator's environmental, health and safety policies or procedures related to the EH&S Audit Period disclosed in such report. Operator shall make a reasonable effort to reply to such instances of non-compliance and alleged deficiencies in writing as soon as possible and in any event no later than 30 days after its receipt of such report and notice.

(e) Upon agreement by Owner and Operator of necessary corrective action, if any, Operator shall then prepare a written action plan and shall provide a copy to Owner. Additionally, Operator shall track and document close-out of all audit findings agreed to by Operator and Owner, the status of which shall be reported to Owner at each meeting of the Management Committee. If any dispute shall arise in connection with an audit and/or the results thereof, the Parties shall use their reasonable efforts to resolve such disputes within 30 days after delivery of Operator's reply to such report and notice delivered by Owner pursuant to Section 6.3(d).

Article VII
Accounting; Reports.

Section 7.1. Maintenance of Accounts; Statements . From and after the Effective Date, Operator shall maintain (a) true and accurate accounts of (i) all expenses, disbursements and costs chargeable to Owner pursuant to this Agreement, and (ii) all revenue of Owner, all of which shall be charged or credited to Owner and maintained in accordance with GAAP and in accordance with the Uniform System of Accounts (including any subsequent modifications or revisions thereof) prescribed for oil pipeline companies by the FERC, its successors or by any other Governmental Entity having regulatory jurisdiction over Owner or the Facilities, consistently applied, and (b) the Capital Accounts for each Member. Operator shall maintain such books of account at its principal place of business and such books of account shall be open to inspection and examination in accordance with Section 7.4. If necessary, Operator shall request from Owner and the Construction Manager any information necessary for Operator to fulfill its duties pursuant to this Agreement (including this Section 7.1). Operator shall prepare, or cause to be prepared, and shall submit to Owner the statements, reports and notices specified

in Section 4.2 of the LLC Agreement within the periods established in Section 4.2 of the LLC Agreement. Operator shall cause the annual financial statements prepared pursuant to Section 4.2 of the LLC Agreement to be audited by the Auditor. Failure of Operator to fulfill its obligations pursuant to this Section 7.1 solely as a result of the failure of (A) the Construction Manager or (B) Owner to provide Operator with any information Operator has reasonably requested from the Construction Manager or Owner, as applicable, shall not be deemed to be a breach of Operator's duties hereunder.

Section 7.2. Banking . Owner shall establish, in Owner's name and under Owner's control, a bank account or accounts (the " **Operating Account** "). Owner shall designate only Operator, and such Persons as are reasonably requested by Operator, as authorized signatories to the Operating Account, and all withdrawals by Operator from the Operating Account shall be made only by Operator or such designated Persons. All revenues attributable to the Facilities received by Operator shall be deposited by Operator into the Operating Account. All funds of Owner in the Operating Account shall be used by Operator solely for the Operation of the Facilities, the other services provided by Operator hereunder and otherwise in accordance with Section 3.7 and Section 5.8. All interest and other benefits pertaining to the Operating Account belong to Owner. At no time may Operator commingle the funds in the Operating Account with Operator's funds or the funds of any other Person, and such funds may not be subject to Liens or Claims of any kind in favor of Operator or its creditors.

Section 7.3. Disbursements to Members . From and after the Effective Date, Operator shall, within ten days after the end of each Calendar Month, provide written notice to Owner and the Management Committee of Operator's determination of Available Cash, including information as to the cash position, anticipated cash receipts and disbursements, items as to which cash reserves should be maintained, and such other information reasonably requested by Owner. If necessary, Operator shall request from Owner and the Construction Manager (and Owner shall, and shall cause the Construction Manager to, provide) any information necessary for Operator to fulfill its duties pursuant to this Agreement (including this Section 7.3) . Failure of Operator to fulfill its obligations pursuant to this Section 7.3 solely as a result of the failure of (a) the Construction Manager or (b) Owner, in each case, to provide Operator with any information Operator has reasonably requested from the Construction Manager or Owner, as applicable, shall not be deemed to be a breach of Operator's duties hereunder.

Section 7.4. Audits .

(a) From and after the Effective Date, in accordance with this Section 7.4, Owner shall have the right to audit costs charged to Owner's accounts and other accounting records maintained for Owner by Operator under this Agreement no more than twice during any Calendar Year. Without limiting the foregoing, and subject to the other limitations set forth in this Section 7.4, following the termination of this Agreement, (i) Owner may conduct a maximum of one such audit and (ii) such final audit must be completed by the date that is six months following termination of this Agreement.

(b) Subject to the restrictions contained in Section 7.4(a), upon not less than 30 days' prior written notice to Operator, Owner may audit Operator's books and records for any Calendar Year within the 24 Calendar Month period immediately preceding the date of such

notice (such 24 Calendar Month period, the " **Audit Period** "). The cost of each such audit shall be borne by Owner; provided, however, that Operator shall reimburse Owner for the reasonable costs of any such audit if (i) the amounts charged by Operator exceeded the amounts that should have been charged under the terms of this Agreement by at least 5% in the aggregate and (ii) such discrepancy is reasonably apparent from a review of supporting invoices and other applicable, written documentation. Any such audit shall be conducted during normal business hours at the principal office of Operator and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Operator.

(c) In conducting any such audit, Owner, may request access to information relating to such audit prior to the commencement of such audit, and, if such information is in the possession of Operator or its Affiliates, Operator shall, provide access to such information requested as soon as practical (but in any event, not later than 10 days after Owner's request, therefor) in order to facilitate the forthcoming audit.

(d) For purposes of clarity, any Confidential Information obtained by Owner or its representatives in connection with the conduct of such audit (whether related solely to Operator or otherwise) shall be subject to the provisions of Article XI.

(e) Within 90 days following completion of such audit, Owner must provide Operator with a copy of any written audit report and a written notice of any claims of Owner arising from such audit report. Operator shall make a reasonable effort to reply to such claims in writing as soon as possible and in any event no later than 90 days after delivery of such report and notice.

(f) All adjustments agreed to between Owner and Operator resulting from such audit shall be reflected promptly in Operator's books and records and reported to Owner. If any dispute shall arise in connection with an audit, the Parties shall use their reasonable efforts to resolve such disputes within 60 days after delivery of Operator's reply to such report and notice delivered by Owner.

(g) Notwithstanding anything herein to the contrary, Operator shall have no liability for, and shall not be in breach of this Agreement with respect to, any outstanding matters at the conclusion of an audit that result from actions by the Construction Manager, or that are attributable to reports, statements, notices or other information provided to Operator by the Construction Manager.

Section 7.5. Government Reports . From and after the Commencement Date, Operator shall prepare and file any reports required by any Governmental Entity having jurisdiction over the Facilities, in each case, in the correct number of copies required; provided that Operator shall have no obligation under this Section 7.5 with respect to any Subject Facility or Required Upgrade until Final Acceptance with respect thereto has occurred.

Section 7.6. Maintenance of and Access to Records . From and after the Effective Date, Operator shall keep, or cause to be kept, true and complete books of account for Owner with respect to the Facilities in accordance with Section 4.1 and Section 4.2 of the LLC Agreement. Operator shall maintain such books of account at its principal place of business.

Operator shall give access to each Member to inspect any of the books, records and operations of Owner maintained by Operator for any purpose reasonably related to the Member's Company Interest. Any such inspection shall occur during normal business hours at the principal office of Operator upon reasonable advance notice to Operator and the other Members and shall be conducted in a manner designed to result in a minimum of inconvenience and disruption to the operations of Operator. In addition, if any Member is engaged in bona fide negotiations with a Third Party or Affiliate of a Member related to a proposed disposition of its Company Interest and requests books, records and other information for disclosure to such Third Party or Affiliate of a Member in accordance with the LLC Agreement, Operator agrees to reasonably cooperate with such Member and, upon reasonable notice, provide access to such books, records and other information maintained by Operator as may be reasonably required by such Member. Any such review by any Member shall be conducted during normal business hours, at the principal office of Operator and in a manner designed to result in a minimum of inconvenience and disruption to the operations of Operator.

Article VIII
Force Majeure.

Section 8.1. Procedure . If either Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, other than to make payments then or thereafter due hereunder, upon such Party giving notice and full particulars of such Force Majeure to the other Party as soon as possible after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such Force Majeure, will be suspended during the continuance of any inability so caused but for no longer period, and such cause must as far as possible be remedied with all reasonable and diligent dispatch by the Party claiming such in order to put itself in a position to carry out its obligations under this Agreement.

Section 8.2. Definition . The term " **Force Majeure** " means any event not within the control of the Party (or any of its Affiliates) claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome, including (to the extent such event satisfies the foregoing) events of nature or the elements, strikes, lockouts or other labor disturbances, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, storm warnings, floods and washouts, restraints of Governmental Entities, civil disturbances, environmental accidents affecting the land, air or water, explosions, breakage or accident to or freezing of equipment, machinery or lines of pipe, or other casualty occurrences, in each case, materially affecting the Operation of the Facilities, terrorist acts or the threat thereof, inability to obtain pipe, materials, equipment, rights of way, permits or labor and any actions by Governmental Entities that are resisted in good faith.

Section 8.3. Strikes, etc . Notwithstanding anything to the contrary contained herein, it is understood and agreed that the settlement of strikes, lockouts or other labor disturbances is entirely within the discretion of the Party having the difficulty, and that the above requirement that any Force Majeure must be remedied with all reasonable and diligent dispatch shall not require the settlement of any such strike, lockout or other labor disturbance by acceding to the demands of opposing Persons when such course is inadvisable in the discretion of the Party having the difficulty.

Section 8.4. Notice of Force Majeure Termination . The Party claiming a Force Majeure must provide notice to the other Party of the date of termination of such Force Majeure event.

Article IX
Insurance.

Section 9.1. Primary Liability Insurance . From and after the Commencement Date, Operator shall obtain on Owner's behalf and, on behalf of Owner, Operator shall maintain in force with insurance companies acceptable to Owner, the kinds of insurance and amounts of coverage as reasonably directed by Owner.

Section 9.2. Premiums, Deductibles, etc . All guaranteed cost insurance premiums, expenses, deductibles (reasonably acceptable to Owner), or similar programs applicable to the insurance required hereunder shall be included in the Direct Bill Budget as Direct Bill Items and updated annually as reasonably directed by Owner.

Section 9.3. Cooperation . Should any Member desire to obtain, for itself, any additional insurance in excess of the insurance coverage mandated by this Agreement and Section 3.12 of the LLC Agreement, Operator agrees to cooperate with such Member to provide such information as may be reasonably requested by such Member in furtherance of obtaining such additional insurance.

Section 9.4. Insurance Limits . In the event that the damages resulting from any Claim or Liability exceed the coverage limits under an insurance policy covering such Claim or Liability, such coverage limits shall not affect either Party's obligations under Section 10.2 for any such damages in excess of the limits associated with any such insurance policy covering any such Claim or Liability.

Article X
Claims.

Section 10.1. Claims . Liabilities and Claims involving Owner and Operator shall be handled in the following manner:

(a) **Liability Claims** . Subject to the limitations set forth in Section 3.8 and Section 3.9, Operator shall manage and process any Claim by a Third Party against Operator or Owner that arises out of the Operation of the Facilities, or arises out of or is incidental to the activities carried on pursuant to, or work performed, required or contemplated by, this Agreement (each such Claim, a " ***Liability Claim*** ") in accordance with Section 10.1(c).

(b) **Recovery Claims** . Subject to the limitations set forth in Section 3.8 and Section 3.9, Operator shall assist Owner with prosecuting and/or settling any Claim that Owner has against a Third Party (each such Claim, a " ***Recovery Claim*** "). Operator may not name a Member as party plaintiff on a Recovery Claim unless Operator has obtained that Member's consent to do so. If any Member so desires, in addition to counsel employed by Operator on behalf of Owner, a Member may be represented in any such lawsuit at its expense by counsel selected by such Member.

(c) **Notice of Claim** . In the event that Operator receives a Liability Claim in writing that exceeds $1,000,000, Operator shall provide Owner, within 30 days of receipt of such Liability Claim, a notice that includes a brief written summary of the facts then known to Operator regarding such Liability Claim and a copy of the demand letter, petition, or similar documentation relating thereto.

Section 10.2. Release and Indemnification .

(a) **Indemnification by Owner** . Notwithstanding anything to the contrary herein (including any breach by Operator of the provisions of Section 3.4(b)) , Owner shall be responsible for, shall pay on a current basis and hereby releases, defends, indemnifies and holds harmless Operator and its Affiliates (other than PSXP and its subsidiaries) and their respective directors, officers, managers and employees (such Persons, excluding, for purposes of clarity, any Contractors, the " ***Operator Indemnitees*** ") from and against all Liabilities and Claims arising out of, attributable to, in connection with or incidental to (a) the Operation of any of the Facilities, including any act or omission of any of the Operator Indemnitees in connection therewith or relating thereto, or (b) any other activities carried on or work performed or required by this Agreement, in each case, EVEN IF SUCH LIABILITIES OR CLAIMS ARE AS A RESULT OF THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR ANY OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, OF ANY OPERATOR INDEMNITEE, ANY OWNER INDEMNITEE, ANY THIRD PARTY OR ANY OF THEM; provided, however, that except as provided in Section 10.2 (d), Owner will not be required to release, defend, indemnify or hold harmless the Operator Indemnitees from any such Liabilities or Claims to the extent such Liabilities or Claims arise out of or in connection with or are attributable or incident to (i) any fraud of any Operator Indemnitee, (ii) the gross negligence or willful misconduct of the Operator or (iii) any violation of Law by any Operator Indemnitee.

(b) **Indemnification by Operator** . Notwithstanding anything herein to the contrary, Operator shall be responsible for, shall pay on a current basis and hereby releases, defends, indemnifies and holds harmless the Owner Indemnitees from and against all Liabilities and Claims arising out of or in connection with or attributable or incidental to (i) any fraud of any Operator Indemnitee or (ii) the gross negligence or willful misconduct of the Operator or (iii) except with respect to any Operator Suggested Activity, any violation of Law by any Operator Indemnitee, and whether occurring as the sole or a concurrent cause of an act or event.

(c) **Survival of Indemnification Provisions; No Double Recovery** . The provisions of this Section 10.2 shall survive any termination of this Agreement. In calculating any amount to be paid by an indemnifying Party by reason of the provisions of this Section 10.2, the amount shall be reduced by all cash reimbursements (including insurance proceeds) actually received (directly or indirectly, including by virtue of the indemnified Party's direct or indirect ownership interest in Owner) by the indemnified Party with respect to the applicable Claim or Liability.

(d) **Operator Suggested Activities** . If Operator makes a recommendation to Owner regarding a specific potential operational issue to Owner that may reasonably be expected to result in damages to Persons or property or cause a material adverse effect with respect to Owner, the Business or the Facilities, but would not otherwise constitute an Emergency or a

Required Upgrade, and Owner does not timely approve such recommendation or any part thereof (an " ***Operator Suggested Activity*** "), Operator shall not be liable for, and Owner hereby releases and defends, indemnifies and holds harmless Operator Indemnitees from and against, all Liabilities and Claims arising out of, attributable to, in connection with or incidental to Owner's failure to approve such Operator Suggested Activity, or Operator's failure to undertake an Operator Suggested Activity absent Owner's approval thereof (as applicable). OWNER'S AGREEMENT TO RELEASE AND INDEMNIFY THE OPERATOR INDEMNITEES PURSUANT TO THIS SECTION 10.2(d) SHALL INCLUDE ANY LIABILITIES AND CLAIMS ARISING OUT OF, ATTRIBUTABLE TO, IN CONNECTION WITH OR INCIDENTAL TO THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR ANY OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, OF ANY OPERATOR INDEMNITEE, ANY OWNER INDEMNITEE, ANY THIRD PARTY OR ANY OF THEM; provided, however, that Owner will not be required to release or indemnify the Operator Indemnitees from any such Liabilities or Claims to the extent such Liabilities or Claims arise out of or in connection with or are attributable or incident to (i) any fraud of any Operator Indemnitee or (ii) the gross negligence or willful misconduct of the Operator.

(e) **Disclaimer of Liability** . NONE OF THE OPERATOR INDEMNITEES OR THE OWNER INDEMNITEES SHALL BE ENTITLED TO RECOVER FROM ANY PARTY, OR SUCH PARTY'S RESPECTIVE AFFILIATES, ANY INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT TO THE EXTENT ANY SUCH PARTY SUFFERS SUCH DAMAGES TO A THIRD PERSON, WHICH DAMAGES (INCLUDING COSTS OF DEFENSE AND REASONABLE ATTORNEYS' FEES INCURRED IN CONNECTION WITH DEFENDING AGAINST SUCH DAMAGES) SHALL NOT BE EXCLUDED BY THIS PROVISION AS TO RECOVERY HEREUNDER. SUBJECT TO THE PRECEDING SENTENCE, EACH PARTY, ON BEHALF OF ITSELF AND EACH OF ITS AFFILIATES, WAIVES ANY RIGHT TO RECOVER PUNITIVE, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES ARISING IN CONNECTION WITH OR WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(f) **Compliance with Laws** . The exculpation and indemnifications provisions included herein shall be effective to the maximum extent permitted by applicable Law. The Parties agree that in the event any Law, when applied to this Agreement, limits in any way the extent to which exculpation and/or indemnification may be provided to the beneficiary thereof in accordance with the terms hereof, this Agreement shall automatically be amended to provide that the exculpation and indemnification provisions included herein shall extend to the maximum extent permitted by applicable Law.

(g) **Members Not Liable** . Operator acknowledges and agrees that Owner is a separate entity from any of its Members and it (and not its Members) is liable for all obligations and Liabilities of Owner under this Agreement.

Article XI
Confidential Information; Publicity.

Section 11.1. Confidential Information .

(a) Each Party and its respective Affiliates shall keep confidential all information which is obtained by them as Parties or otherwise pursuant to this Agreement, and shall refrain from making any public statements with respect to this Agreement or any other Transaction Document, in each case, upon and subject to the terms set forth in Section 5.14 of the Transfer Restrictions Agreement.

(b) Notwithstanding anything to the contrary in Section 11.1(a) , in the event of any Emergency endangering property, lives or the environment, Operator may issue such press releases or public announcements as it deems necessary in light of the circumstances and shall promptly provide Owner with a copy of any such press release or announcement.

Article XII
General Provisions.

Section 12.1. Notices . All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission (with receipt confirmed), or if mailed (first class postage prepaid) or deposited with a reputable overnight courier for next day delivery, to the Parties at the following addresses or facsimile numbers:

If to Operator :

Phillips 66 Pipeline LLC 3010 Briarpark Drive

Houston, Texas 77042 Attention: President

With a copy to (which shall not constitute notice):

Phillips 66 Company
3010 Briarpark Drive

Houston, Texas 77042 Attention: General Counsel

If to Owner:
[___]
c/o Paradigm Energy Partners, LLC
545 E. John Carpenter Freeway, Suite 800 Irving, Texas 75062
Attention: Chief Executive Officer

Facsimile:
Phone: 214.373.4300

With a copy to (which shall not constitute notice): Phillips 66 Company

3010 Briarpark Drive
Houston, Texas 77042

Attention: General Counsel

All such notices, requests and other communications will (x) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (y) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon confirmation of receipt, and (z) if delivered by mail or reputable overnight courier in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving notice specifying such change to the other Parties.

Section 12.2. Governing Law . THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. IN RESPECT OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 12.3. Dispute Resolution . Any dispute or controversy of any and every kind or type, whether based on contract, tort, Law or otherwise arising out of or relating to this Agreement shall be resolved in accordance with the procedures set forth in Section 5.14 of the Transfer Restriction Agreement.

Section 12.4. Entire Agreement; No Third-Party Beneficiaries . This Agreement and the other Transaction Documents constitutes the entire agreement of the Parties relating to the matters contained herein, and supersede all prior contracts, agreements, representations, warranties or understandings, whether oral or written, relating to the matters contained herein. Except as provided by Section 10.2 , this Agreement is not intended to confer upon any Person not a party hereto any rights or remedies hereunder.

Section 12.5. Captions or Headings . The headings appearing at the beginning of each Section are all inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision or provisions hereof, or in connection with determining the duties, obligations or liabilities of the Parties or in ascertaining intent, if any question of intent should arise.

Section 12.6. Assignment . Except as set forth in Section 2.3(c) , this Agreement and its attendant rights may not be assigned, transferred, subcontracted or otherwise conveyed by either Party without the express written consent of the other Party; provided, however, a Party may assign its rights and obligations under this Agreement to (a) an Affiliate and (b) in the case of Operator, to any member of the Operator Group, in each case, without the prior consent of the other Party and any transition costs associated with any such assignment shall be borne by the assigning Party. Except as provided in the preceding sentence, any assignment without consent of the non-assigning Party shall be void. No assignment by any Party shall relieve such Party (or any guarantor of such Party's obligations hereunder) from any liability hereunder.

Section 12.7. Duplicate Originals . This Agreement is executed in duplicate originals, with one original to be retained by Operator and one original to be retained by Owner.

Section 12.8. Severability . If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

Section 12.9. Amendments and Waivers . This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Any Party may, only by an instrument in writing, waive compliance by another Party with any term or provision of this Agreement on the part of such other Party hereto to be performed or complied with. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy.

Section 12.10. Exhibits . In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of any Exhibit, the terms and conditions of the applicable Exhibit shall govern and control.

Section 12.11. Interpretation . In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if it was drafted jointly by the Members, and no presumption or burden of proof shall arise favoring or disfavoring any Member by virtue of the authorship of any provisions of this Agreement.

Section 12.12. Counterparts . This Agreement may be executed in any number of counterparts, any of which may be delivered via facsimile or PDF, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Remainder of page intentionally left blank.

IN WITNESS WHEREOF , the undersigned have duly executed this Agreement as of the Effective Date.

OPERATOR:

PHILLIPS 66 PIPELINE LLC

By: _____
Name: _____
Title: _____

OWNER:

[PIPELINE LLC]

By: _____
Name: _____
Title: _____

EXHIBIT A
NON-BILLABLE ITEMS

The following is a complete and comprehensive listing of the services, functions and cost categories that are intended to be included in the scope of the Fixed Operating Fee (herein collectively referred to as " ***Non-Billable Items*** ").

1. General and Administrative Expenses. All costs and expenses associated with the following:

   a. Office expenses other than those office expenses related to field offices.

   b. The following normal and routine product and financial accounting services:

      i. Monthly product reconciliation;

      ii. Financial reporting and general accounting;

      iii. Fixed asset, property accounting and project tracking;

      iv. Accounts payable;

      v. Revenue accounting, accounts receivable and billing;

      vi. Tax services (but specifically excluding the payment of any taxes);

      vii. Property and ad valorem taxes services (but specifically excluding the payment of any taxes, which shall be paid by Owner); and

      viii. Planning services (preparation of Direct Bill Budget and any budgets and reports required of Operator under the LLC Agreement).

      Nominations, Scheduling, confirmations and customer services

   c. Corporate overhead costs associated with the following functions:

      i. FERC tariff administration;

      ii. Commercial business administration and business development services;

      iii. Legal services relating to the ordinary course of business activities, including securing any permits necessary for the operation of the Facilities;

      iv. Human resource services relating to the ordinary course of business activities;

      v. Environmental, health and safety services relating to the ordinary course of business activities;

vi. Right-of-way and real estate administrative services relating to the ordinary course of business activities;

vii. Non-field one-call services;

viii. Procurement services;

ix. Contract administration services; and

x. Information management services including all systems, software and hardware that is not specifically required for operation of the facilities.

For purposes of clarity, the costs and functions referenced above in subparts (iii), (iv), (v) and (vi) specifically exclude any non-routine activities, including activities with respect to any litigation, rate cases, or claims.

d. Direct or indirect costs associated with: executive management, management and supervisory oversight of key functions including, but not limited to: control center, pipeline and facility integrity, engineering and projects, Pipeline Compliance and Regulatory oversight and administration, and any other costs associated with activities that are provided through a central group where services are provided to assets and facilities outside the scope of this agreement that cannot be billed and supported via direct time-writing pursuant to Section 3.6.

EXHIBIT B
DIRECT BILL ITEMS

The following are examples of the services, functions and cost categories that are intended to be included in the scope of the Operating Expenses and Capital Expenditures not covered by the Fixed Operating Fee (herein collectively referred to as " ***Direct Bill Items*** "). The Parties acknowledge and agree that this Exhibit B is not intended to be a comprehensive and complete listing of the potential services, functions and cost categories that may be considered Direct Bill Items. In the event of a conflict between whether any service, function or cost category is a Non- Billable Item or a Direct Bill Item, a proposal shall be made by the Operator to determine the appropriate classification and any dispute with respect to such proposal shall be resolved in the manner described in Section 12.3. For purposes of clarity, to the extent Operator direct bills for a service that is provided for the Facilities as well as un-affiliated assets or facilities (for example, a field office that supports multiple assets), the parties agree to document and follow agreed upon allocation methodologies to account for the portion associated with the Facilities. All other such items shall be deemed to be a Non-Billable Item.

1. Regulatory Compliance Functions. All costs and expenses (e.g., outside services, equipment and materials, etc.) associated with performing the following regulatory compliance functions:

    a. Pipeline patrols;

    b. Regulatory required cathodic protection inspections;

    c. DOT valve inspections;

    d. Overpressure safety device inspections;

    e. Damage prevention program;

    f. Field one-call activities and line locates;

    g. Regulatory audits (limited to direct field costs only for the Facilities and specifically excluding any costs associated with oversight or support of such audits); and

    h. Regulatory compliance issues (to the extent not covered in (a) – (g) above).

2. Field Office Expenses. All costs and expenses associated with the following:

    a. Office space;

    b. Field Operations supervision;

    c. Office supplies;

    d. Electrical and phone services;

e. Computer hardware (including printers) and software (including associated licenses) and other associated information technology activities if such hardware and software is specifically attributable and separately billed for the Facilities; for purposes of clarity, this excludes any costs associated with financial, operating, compliance, and communication software and hardware that is used by Operator on an enterprise-wide basis; and

f. Personnel safety equipment.

3. Routine Operation, Maintenance and Inspection: Costs and expenses (e.g., labor, transportation, etc.) associated with performing the following routine Operation functions including the cost of materials such as pipeline pigs, filters, pump seals, line markers, etc.:

a. Filter changing;

b. Right-of-way mowing and maintenance;

c. Painting and sign replacement;

d. Station maintenance to comply with regulatory and published industry standards;

e. Routine station repairs (e.g., seal changes, typical electrical/electronic repairs, etc.)

f. Pump and motor vibration and analyses;

g. Refilling of nitrogen-powered valve operators; and

h. Control technician's test equipment.

4. Operations Control Services. All costs and expenses (e.g., labor, equipment maintenance, communication costs) associated with Operating a pipeline control center and communications assuming 24 hours/day.

5. Insurance (other than workers' compensation insurance).

6. Property damage Claims by Third Parties.

7. Personal injury/death Claims by Third Parties.

8. All payments of taxes of every kind and nature assessed or levied upon or incurred in connection with the Operation of the Facilities or on the Facilities or other property of Owner and which taxes have been paid by the Operator for the benefit of Owner (other than the portion of payroll taxes applicable to any non-Full Time Employees).

9. State and Federal pipeline fees including state one call fees.

10. Fuel and power costs.

11. Third Party financial audits.

12. Non-routine legal services (e.g., litigation, non-routine FERC tariff issues), expert witness fees, court costs, etc., with agreement from the Owner.

13. Engineering and drafting services.

14. Unscheduled or unpredictable major maintenance expenses (for example, washout, pipeline relocates, leak repairs, motor rewinds and pump overhauls).

15. Pipeline integrity expenses, including expenses for:

    a. Hydrostatic testing;

    b. Smart pigging;

    c. Cathodic protection;

    d. Close interval surveys;

    e. Painting and coating;

    f. Depth surveys;

    g. Line lowering; and

    h. Markers (e.g., aerial, right-of-way, etc.).

16. Environmental remediation (subject to any indemnity of Operator set forth in Section 10.2 with respect thereto).

17. Non-reimbursable costs of reroute projects.

18. All Capital Expenditures.

19. Unusual or contested tax or property evaluations.

20. Permit and license fees, rental payments and renewal costs associated with rights-of-way.

21. Waste disposal costs.

22. All costs associated with the following measurement services (e.g., meter provings, product analyses, etc.):

    a. Meter proving;

    b. Lab services; and

c. Meter, densitometer and sample calibration.

23. Travel and Expenses for field employees excluding any travel and expenses associated to Operator activities that are not required for routine operations, maintenance, regulatory or compliance purposes.

24. Vehicle expense.

EXHIBIT C

FORM OF DIRECT BILL BUDGET

Exhibit N

Exemplary Project

Exhibit N

Exemplary Project

Paradigm CDP Detail:

- 272 Acres
- Located approximately 5 miles north of Johnson's Corner on highway 23 in Section 22, Township 151 North, Range 96 West, McKenzie County, ND
- Permitted for 24 Truck Bays
- Permitted for 1.2mm barrels of storage

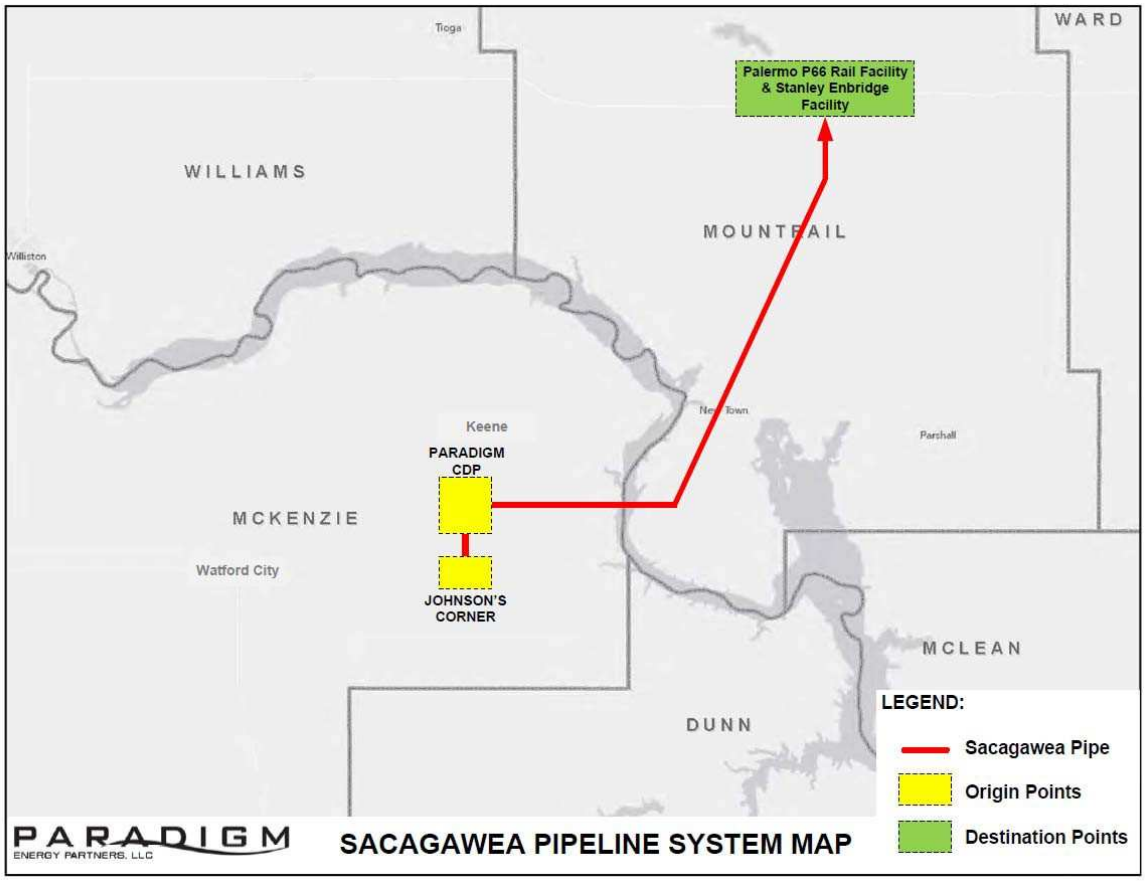
Note: Except for those Real Property Assets listed on Exhibit A-2, Paradigm ND/Exemplary does not own or have a valid interest in any Real Property Assets necessary to develop, own, or operate the Exemplary Project.

Exhibit O

Sacagawea Project

Exhibit O

Sacagawea Project



Sacagawea Project:

The Sacagawea Pipeline project is being developed to deliver crude oil from origination points south of Lake Sacagawea in and around the area commonly referred to as "Johnson's Corner" and Keene, in McKenzie County, North Dakota (" ND"), to destinations with takeaway options for rail and pipe in Palermo and Stanley, ND. The Sacagawea Pipeline will transport crude oil from Paradigm's Central Delivery Point (" CDP") and Johnson's Corner to areas approximately 76 miles northeast, including a rail terminal currently under development by PSXP located near Palermo, ND (" Palermo Rail Terminal"), and to the North Dakota Pipeline Company LLC (" NDPL") Terminal located in Stanley, ND.

Sacagawea Pipeline Specifications:

- Minimum 16” diameter
- Minimum Capacity 120-140 thousand barrels of crude per day
- Length approximately 76 miles, pending final ROW and route determination

Origination Points:

- Paradigm CDP located on 272 acres approximately 5 miles north of Johnson’s Corner on highway 23 in Section 22, Township 151 North, Range 96 West, McKenzie County, ND
- Johnson’s Corner located 5 miles south of Paradigm CDP on highway 23 in McKenzie County, ND

Destination Points:

- Palermo Rail Terminal - Located directly off State Highway 2 near the township of Palermo in Mountrail County, approximately 6 miles east of Stanley, ND. The 710 Acre Terminal is located on 2.5 miles of the BNSF North Main Line
- NDPL Stanley Terminal

Note: The Sacagawea Project, including origination and destination points, routes, pipeline size and capacities is dependent on information received during the Open Season.

Note: As of the date of the Agreement to which this Exhibit is attached, Sacagawea does not own or have a valid interest in any Real Property Assets necessary to develop, own, or operate the Sacagawea Project.

Exhibit P

Three Bears Project

Exhibit P

Three Bears Project

The Three Bears Project is being developed as a joint venture with Dakota Bear, LLC (“ Dakota Bear”) for transportation of crude oil from Dunn County, ND to Paradigm’s CDP. Three Bear will construct the Little Missouri Explorer, approximately a 24 mile, 12” trunk line from Dakota Bear’s Dunn County CDP the Paradigm CDP. Dakota Bear will construct the gathering system in Dunn County, which will send volumes to the trunk line. Under the joint venture agreement, Three Bear has the option to purchase up to 50% of the gathering system and Dakota Bear has the option to purchase up to 50% of the trunkline.

Little Missouri Explorer Specifications:

- 12” diameter
- Approx. 120 MBbl/d capacity
- Length approximately 24 miles, pending final ROW and route determination

Note: As of the date of the Agreement to which this Exhibit is attached, Three Bears does not own or have a valid interest in any Real Property Assets necessary to develop, own, or operate the Three Bears Project.

Exhibit Q

PSXP Project

EXHIBIT Q

PSXP Project

The engineering, design, construction and implementation of a Unit-Train Terminal located in Palermo, ND (the "Rail Terminal"). The Rail Terminal is located directly off State Highway 2 near the township of Palermo in Mountrail County, approximately 6 miles east of Stanley, ND. The 710 Acre Terminal is located on 2.5 miles of the BNSF North Main Line and includes 2 mainline switches allowing for convenient east and west bound rail traffic. The Palermo Rail Terminal is anticipated to include an open access triple loop track design with an initial capacity that could load up to 100,000 barrels/day ("Bbl/d") initially with 14 high speed load arms. The facility is designed to be expandable to add incremental future loading capacity of up to 200,000 Bbl/d by adding up to an additional 18 high speed load arms on a second track. Constructed to accommodate 112-118 car unit trains, the facility will also include adequate track space for bad order cars, truck unloading facilities, approximately 300,000 barrels of operational storage and is permitted to include up to 2.4 Million barrels of total storage capacity.

Note: Except for those Real Property Assets listed on Exhibit D-2 or Exhibit D-4, neither PSXP nor Mountrail owns or has a valid interest in any Real Property Assets necessary to develop, own, or operate the PSXP Project.

Exhibit R

Transportation Services Agreement – Pipeline

Exhibit S

[RESERVED]

Exhibit T

Form of Transfer Restrictions Agreement

Exhibit U

Paradigm Draft Budget

Exhibit V

PSXP Draft Budget

Exhibit W Deed

AFTER RECORDING
RETURN TO:

(Save for Recorder's Information)

SPECIAL WARRANTY DEED

STATE OF NORTH DAKOTA §
COUNTY OF MOUNTRAIL §

§ KNOW ALL MEN BY THESE PRESENTS:

THAT, **PHILLIPS 66 MOUNTRAIL TERMINAL LLC** , a Delaware limited liability company, having an address at 3010 Briarpark Drive, Houston, TX 77042, **f/k/a MOUNTRAIL RAIL INC.** , a Minnesota corporation ("Grantor"), as a contribution to the capital of Grantee and other good and valuable consideration of, the receipt and sufficiency of which is hereby acknowledged, as of the 1 st day of December, 2014 ("Effective Date"), does grant, bargain, sell and convey unto **PHILLIPS 66 PARTNERS, LP** , a Delaware limited partnership, having an address at 3010 Briarpark Drive, Houston, TX 77042 ("Grantee"), the following described real property and premises, situated in the County of Mountrail, State of North Dakota, to wit:

SEE EXHIBIT A

together with all improvements thereon and the rights and appurtenances thereunto belonging, and warrants the title thereto only against the claim of every person whomsoever claiming by, through or under Grantor, but not otherwise.

This conveyance is made by Grantor and accepted by Grantee subject to the matters set forth in **Exhibit B** attached hereto and incorporated herein by this reference (collectively, the " Permitted Exceptions ").

EXCEPT AS EXPRESSLY SET FORTH IN THAT CERTAIN FORMATION AND CONTRIBUTION AGREEMENT, DATED NOVEMBER , 2014, BY AND AMONG PHILLIPS 66 PARTNERS LP, A DELAWARE LIMITED PARTNERSHIP , AND PARADIGM ENERGY PARTNERS LLC, A DELAWARE LIMITED LIABILITY COMPANY, GRANTOR DOES NOT WARRANT, EITHER EXPRESSLY OR IMPLIEDLY, THE QUALITY, MARKETABILITY, MERCHANTABILITY, HABITABILITY, VALUE, PHYSICAL ASPECTS OR CONDITIONS OF THE REAL PROPERTY, ANY DIMENSIONS OR SPECIFICATIONS OF THE REAL PROPERTY, THE FITNESS, FEASIBILITY, DESIRABILITY OR CONVERTIBILITY OF THE REAL PROPERTY FOR OR INTO ANY PARTICULAR PURPOSE OR USE, THE CURRENT OR PROJECTED INCOME OR EXPENSES OF THE REAL PROPERTY, OR ANY OTHER MATTER WITH RESPECT TO THE REAL PROPERTY, ANY SUCH WARRANTY BEING HEREBY EXPRESSLY DISCLAIMED AND NEGATED. GRANTEE BY ACCEPTANCE HEREOF ACKNOWLEDGES THAT GRANTEE HAS MADE A COMPLETE INSPECTION OF THE REAL PROPERTY AND ANY IMPROVEMENTS AND FIXTURES LOCATED THEREON, AND IS IN ALL RESPECTS SATISFIED THEREWITH AND ACCEPTS THE SAME "AS IS", "WHERE IS", AND WITH ALL FAULTS.

TO HAVE AND TO HOLD said described premises unto the said Grantee, its successors, heirs and assigns forever.

[THIS SPACE INTENTIONALLY LEFT BLANK]

SIGNED AND DELIVERED this __day of ____, 2014 but effective as of the date first written above.

GRANTOR:
Phillips 66 Mountrail Terminal LLC,
a Delaware limited liability company

By:_____

Name:_____

Title:_____

STATE OF TEXAS)
) SS
COUNTY OF HARRIS)

On the __day of __in the year 2014 before me, the undersigned, personally appeared , as __for Phillips 66 Mountrail Terminal LLC, a Delaware limited liability company, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the entity upon behalf of which the individual acted, executed the instrument.

GIVEN under my hand and seal of office, this __day of, 2014.

_____
Notary Public in and for the State of Texas

EXHIBIT A

LEGAL DESCRIPTIONS

Carino Tracts

Outlot 1 of the S 1/2 and Outlot 2 of the SE ¼ Section 17, Township 156 North, Range 90 West of the 5 th P.M., Mountrail County, North Dakota.

Nichols Tracts

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, Block 1; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, Block 2; Lots 1, 2, 3, and 4, Block 3; and Lots 1 and 2, Block 4, Palermo Industrial Park, Mountrail County, North Dakota.

EXHIBIT B
PERMITTED EXCEPTIONS

Subject to the following:

1. The lien of taxes and assessments for the current year and subsequent years;

2. Taxes or special assessments that are not shown as existing liens by the public records;

3. Matters that would be shown by an accurate survey and inspection of the property; and

4. All covenants, restrictions, conditions, easements, reservations, rights-of-way, and other matters of record, to the extent valid, subsisting and enforceable.

5. All covenants, restrictions, conditions, easements, reservations, and rights-of-way, records of which are in Grantee's custody or control, to the extent valid, subsisting and enforceable.

Exhibit 12

PHILLIPS 66 PARTNERS LP

Computation of Ratio of Earnings to Fixed Charges

	Millions of Dollars			
	Year Ended December 31			
	2014	2013*	2012*	2011*
Earnings Available for Fixed Charges				
Income before income tax	**$ 125.2**	97.2	59.4	63.5
Fixed charges	**5.3**	0.3	—	—
	$ 130.5	97.5	59.4	63.5
Fixed Charges				
Interest and expense on indebtedness	**$ 5.3**	0.3	—	—
	$ 5.3	0.3	—	—
Ratio of Earnings to Fixed Charges	**24.6**	325.0	N/A	N/A

**Prior-period financial information has been retrospectively adjusted for the acquisition of the Bayway and Ferndale rail racks.*

Exhibit 21

SUBSIDIARY LISTING OF PHILLIPS 66 PARTNERS LP

At December 31, 2014

Company Name	Incorporation Location
Phillips 66 Carrier LLC	Delaware
Phillips 66 Mountrail Terminal LLC	Delaware
Phillips 66 Partners Finance Corporation	Delaware
Phillips 66 Partners Holdings LLC	Delaware

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our reports dated February 13, 2015 , with respect to the consolidated financial statements of Phillips 66 Partners LP and the effectiveness of internal control over financial reporting of Phillips 66 Partners LP included in this Annual Report (Form 10-K) of Phillips 66 Partners LP for the year ended December 31, 2014, in the following Registration Statements.

Phillips 66 Partners LP	Form S-8	File No. 333-190195
Phillips 66 Partners LP	Form S-3	File No. 333-197797

/s/ Ernst & Young LLP

Houston, Texas
February 13, 2015

Exhibit 31.1

CERTIFICATION

I, Greg C. Garland, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips 66 Partners LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 13, 2015

/s/ Greg C. Garland

Greg C. Garland

Chairman of the Board of Directors and
Chief Executive Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

Exhibit 31.2

CERTIFICATION

I, Greg G. Maxwell, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips 66 Partners LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 13, 2015

/s/ Greg G. Maxwell

Greg G. Maxwell

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

Exhibit 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Phillips 66 Partners LP (the Partnership) on Form 10-K for the period ended December 31, 2014 , as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

February 13, 2015

/s/ Greg C. Garland

Greg C. Garland

Chairman of the Board of Directors and
Chief Executive Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

/s/ Greg G. Maxwell

Greg G. Maxwell

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)