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2015

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, 2015**

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. [ ]

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, 2015, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of $72.00, was $1,720 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 and its subsidiaries.

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, and references to "Phillips 66" include 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."

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. On August 1, 2015, Phillips 66 Company transferred all of its limited partner interest in us and its 100 percent interest in Phillips 66 Partners GP LLC to its wholly owned subsidiary, Phillips 66 Project Development Inc. (PDI). As of December 31, 2015, Phillips 66, through PDI, owned 58,349,042 common units, representing an aggregate 69.3 percent limited partner interest, as well as a 100 percent interest in our General Partner, which owned 1,683,425 general partner units, representing a 2 percent general partner interest.

We are a growth-oriented master limited partnership formed 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.

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. In addition, our equity affiliates generate revenue primarily from transporting NGL and refined petroleum products. Since we do not own any of the crude oil, refined petroleum products and NGL we handle, and do not engage in the trading of these commodities, 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.

We have multiple commercial agreements with Phillips 66, including transportation services agreements, terminal services agreements, storage services agreements and rail terminal services agreements. Under these long-term, fee-based agreements, we provide transportation, terminaling, storage and rail terminal services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products or minimum monthly capacity or service fees. We believe these agreements promote stable and predictable cash flows and they are the source of a substantial portion of our revenue. We also have several other agreements with Phillips 66, including an amended omnibus agreement and an operational services agreement. See Note 20—Related Party Transactions , in the Notes to Consolidated Financial Statements, for a summary of all related party agreements.

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.

2015 DEVELOPMENTS

Bayou Bridge Joint Venture Acquisition
In December 2015, we acquired Phillips 66's 40 percent interest in Bayou Bridge Pipeline, LLC (Bayou Bridge Pipeline) for total consideration of $69.6 million, consisting of the assumption of a $34.8 million note payable to Phillips 66 that was immediately paid in full and the issuance of common units to PDI and general partner units to our General Partner. The transaction closed on December 1, 2015.

Cross-Channel Connector Products System Project
In October 2015, the Cross-Channel Connector Products System began providing shippers with a connection from our Pasadena terminal to third-party systems with water access on the Houston Ship Channel.

Eagle Ford Gathering System Project
In September 2015, full operations commenced at our crude oil gathering system connecting Eagle Ford production to third-party pipelines.

Sand Hills/Southern Hills/Explorer Equity Investment Acquisition
In March 2015, we acquired Phillips 66's one-third equity interests in DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills), as well as Phillips 66's 19.46 percent equity interest in Explorer Pipeline Company (Explorer). On February 23, 2015, we closed on a public offering of unsecured senior notes in an aggregate principal amount of $1.1 billion. On February 23, 2015, we closed on a public offering of 5,250,000 common units for total proceeds (net of underwriting discounts) of $384.5 million. These offerings were used to fund the acquisition of Sand Hills, Southern Hills and Explorer and for general partnership purposes.

Formation of Bakken Joint Ventures
In January 2015, we closed on the formation of two joint ventures with Paradigm Energy Partners LLC (Paradigm), to which we contributed cash and a North Dakota crude oil rail terminal growth project previously acquired from Phillips 66.

SUMMARY OF ASSETS AND OPERATIONS

At December 31, 2015, 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 the Explorer pipeline system and third-party pipeline and terminal systems.

- *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 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. 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. The rail rack unloads crude oil and delivers it to storage tanks at the Ferndale Refinery.

- *Cross-Channel Connector Products System.* 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, where it connects to Magellan's Galena Park terminal and South System Pipeline. This system provides shippers with a connection from our Pasadena terminal to third-party systems with water access on the Houston Ship Channel. A third-party origination location and connection is anticipated to be completed and begin operations in the first half of 2016, which would provide additional product connectivity to our Cross-Channel Connector Products System.

- *Eagle Ford Gathering System.* In September 2015, full operations commenced on this crude oil gathering system that consists of two pipelines and a storage facility near Helena and Tilden, Texas. The gathering system connects Eagle Ford production to third-party pipelines.

- *Sand Hills/Southern Hills/Explorer Pipeline Joint Ventures.* We own one-third equity interests in Sand Hills and Southern Hills and a 19.46 percent equity interest in Explorer. The Sand Hills Pipeline transports NGL from plants in the Permian and Eagle Ford basins to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu, Texas, market hub. The Southern Hills Pipeline transports NGL from the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub. The Explorer Pipeline is a refined petroleum product pipeline extending from the Texas Gulf Coast to Indiana, transporting refined petroleum products to more than 70 major cities in 16 U.S. states.

- *Bakken Joint Ventures* . We participate in two joint ventures with Paradigm to develop midstream logistics infrastructure in North Dakota. We have a 70 percent ownership interest in Phillips 66 Partners Terminal LLC (Phillips 66 Partners Terminal) and a 50 percent ownership interest in Paradigm Pipeline LLC (Paradigm Pipeline). The joint ventures are developing the Palermo Rail Terminal and the Sacagawea Pipeline. The terminal began rail-car loading from truck deliveries at the end of 2015. The pipeline is expected to start up in 2016.

- *Bayou Bridge Joint Venture.* A 40 percent interest in Bayou Bridge Pipeline, LLC, a joint venture that is constructing a pipeline system to deliver crude oil from the Beaumont, Texas, area to Lake Charles, Louisiana, which is expected to begin commercial operations by the end of first-quarter 2016. Further service from Lake Charles to St. James, Louisiana, is scheduled to commence operations in the second half of 2017.

Pipeline Assets

The following table sets forth certain information regarding our wholly owned pipeline assets as of December 31, 2015 . Each system listed below 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
Clifton Ridge Crude System					
Clifton Ridge to Lake Charles Refinery	20”	10	260	Crude Oil	Lake Charles
Pecan Grove to Clifton Ridge	12”	0.6	56	Crude Oil	Lake Charles
Shell to Clifton Ridge	20”	0.6	312	Crude Oil	Lake Charles
Sweeny to Pasadena Products System					
Sweeny Refinery to Pasadena, Texas	12”	60	130	Refined Petroleum Products	Sweeny
Sweeny Refinery to Pasadena, Texas	18”	60	164	Refined Petroleum Products	Sweeny
Hartford Connector Products System					
Wood River Refinery to Hartford, Illinois	12”	3	80	Refined Petroleum Products	Wood River
Hartford, Illinois to Explorer Pipeline	24”	1	430	Refined Petroleum Products	Wood River
Gold Line Products System					
Borger Refinery to Wichita, Kansas	16”	273	120	Refined Petroleum Products	Borger
Wichita, Kansas to Paola, Kansas	16”	143	132	Refined Petroleum Products	Borger/ Ponca City
Paola, Kansas to East St. Louis, Illinois	8”-12”	265	53	Refined Petroleum Products	Borger/ Ponca City
Paola, Kansas to Kansas City, Kansas	8”	53	24	Refined Petroleum Products	Borger/ Ponca City
Paola, Kansas to Kansas City, Kansas	10”	53	72	Refined Petroleum Products	Borger/ Ponca City
Cross-Channel Connector Products System					
Pasadena, Texas to Galena Park, Texas	20”	5.2	180	Refined Petroleum Products	Sweeny
Eagle Ford Gathering System					
Helena, Texas	6’’	6	20	Crude Oil	—
Tilden, Texas to Whitsett, Texas	6”, 10”	22	34	Crude Oil	—

The following table sets forth certain information regarding our equity investment pipeline assets as of December 31, 2015 .

System Name	Ownership Interest	Diameter	Length (Miles)	Active Throughput Capacity (Thousands of Barrels Daily)	Commodity Handled
Explorer	19.46%	24”, 28”	1,830	660	Refined Petroleum Products
Sand Hills	33.34%	20”	1,190	250	NGL
Southern Hills	33.34%	20”	940	175	NGL

Terminal, Rail Rack and Storage Assets

The following table sets forth certain information regarding our wholly owned terminal, rail rack and storage assets as of December 31, 2015 , 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
Clifton Ridge Crude System				
Clifton Ridge Terminal	3,410	12	Crude Oil	Lake Charles
Pecan Grove Storage	142	N/A	Crude Oil	Lake Charles
Sweeny to Pasadena Products System				
Pasadena Terminal	3,210	65	Refined Petroleum Products	Sweeny
Hartford Connector Products System				
Hartford Terminal	1,075	25	Refined Petroleum Products	Wood River
Gold Line Products System				
East St. Louis Terminal	2,085	78	Refined Petroleum Products	Borger/ Ponca City
Jefferson City Terminal	110	16	Refined Petroleum Products	Borger/ Ponca City
Kansas City Terminal	1,294	66	Refined Petroleum Products	Borger/ Ponca City
Wichita North Terminal	679	19	Refined Petroleum Products	Borger/ Ponca City
Medford Spheres	70	N/A	Refined Petroleum Products	Ponca City
Bayway Rail Rack	N/A	75	Crude Oil	Bayway
Ferndale Rail Rack	N/A	30	Crude Oil	Ferndale

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

The following table sets forth certain information regarding our equity investment terminal, rail rack and storage assets as of December 31, 2015 .

System Name	Ownership Interest	Tank Shell Storage Capacity (Thousands of Barrels)	Active Terminaling Capacity* (Thousands of Barrels Daily)	Commodity Handled
Palermo Terminal	70%	206	100	Crude Oil

**Active terminaling capacity represents the amount of rail car loading 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, 2015 , 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

COMMERCIAL AND OTHER AGREEMENTS WITH PHILLIPS 66

Many of 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. We have entered into multiple commercial agreements 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 or minimum monthly capacity or service fees.

The following table sets forth minimum commitment information regarding certain commercial agreements with Phillips 66 as of December 31, 2015 .

Agreement	Phillips 66 Minimum Volume Commitment (Thousands of Barrels Daily) [1]
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]	55
Hartford to Explorer pipeline [2]	55
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
Eagle Ford Gathering Throughput and Deficiency Agreement	
Helena pipeline	3.5
Tilden pipeline	16
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
Hartford Terminal Dock Services Throughput and Deficiency Agreement	
Hartford terminal dock	4.5
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 reservation and 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 20—Related Party Transactions , in the Notes to Consolidated Financial Statements, for summaries of the terms of these and other agreements with Phillips 66.

COMPETITION

Many of our assets are subject to contractual relationships with Phillips 66 under our commercial agreements and are directly connected to Phillips 66's owned or operated refineries. As a result, we believe that our crude oil and refined petroleum product pipelines, terminals, storage facilities and rail racks 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, 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. The Sand Hills, Southern Hills and Explorer pipelines compete with other interstate and intrastate pipelines, rail and truck fleet operations, including those affiliated with major integrated petroleum and petrochemical companies, in terms of transportation fees, reliability and quality of customer service. Competition in any particular geographic area is affected significantly by the volume of products produced by refineries in that area, the volume of crude oil and natural gas liquids gathered and transported, and by the availability of products and the cost of transportation to that area from distant locations.

RATES AND SAFETY 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. In December 2015, FERC issued a Final Order concluding its five-year review of the indexing methodology. FERC established an index level permitting annual adjustment of the indexed ceiling by PPI for finished goods plus 1.23 percent for the five-year

period commencing July 1, 2016, and ending June 30, 2021. A pipeline is not required to raise its rates up to the indexed 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 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, 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 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, 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 2015, PHMSA issued an advance notice of proposed rulemaking, entitled Pipeline Safety: Safety on Hazardous Liquids Pipelines, 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 addresses effective procedures that hazardous liquid pipeline operators can use to improve the protection of HCAs and other vulnerable areas along their hazardous liquid onshore pipelines. PHMSA will be considering whether changes are needed to the regulations covering hazardous liquid onshore pipelines, whether other areas should be included as HCAs for integrity management protection, what the repair time frames should be for areas outside of HCAs that are assessed as part of the integrity management program, whether leak detection standards are necessary, whether valve spacing requirements are needed on new construction or existing pipelines and if PHMSA should extend regulation to certain pipelines currently exempt from federal safety regulations. We do not anticipate that we would be impacted by these regulatory initiatives to any greater degree than other similarly situated competitors if they are implemented. 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 regulatory 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, 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 $6.7 million in 2015 and are expected to be approximately $2.8 million in 2016 and $0.7 million in 2017. The majority of the environmental expenses forecasted for 2016 and 2017 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 $2.1 million in 2015 and are expected to be approximately $2.2 million in 2016 and 2017. 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 Federal 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 the majority 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 years 2014, 2015 and 2016, the U.S. Environmental Protection Agency (EPA) reduced the statutory volumes of advanced and total renewable fuels using authority granted to it under the EISA. The EPA's recently enacted regulations pertaining to these compliance years are the subject of a recently filed legal challenge.

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, some of which may directly impact Phillips 66's domestic refinery operations, while others, such as the EPA's Clean Power Plan (CO_2 emission rules for existing fossil fuel-fired electric generating units), may indirectly affect such operations. Both types of impacts may affect our business. 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 some 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 prevent or mitigate 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 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 entity 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 our 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 initial assets contributed by Phillips 66 in connection with the Offering (the Initial Assets) and which arose prior to their contribution to us (Effective Date). Indemnification for any unknown environmental liabilities is limited to liabilities due to occurrences prior to the Effective Date and that are identified before the fifth anniversary of the Effective Date, 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 Effective Date, 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 Effective Date and for certain environmental liabilities related to the Initial Assets to the extent Phillips 66 is not required to indemnify us. For Acquired Assets (defined below), Phillips 66 indemnifies us for certain environmental liabilities, tax liabilities, and litigation and other matters attributable to the Acquired Assets. This indemnity is subject to a deductible of 1 percent of the purchase price and an aggregate cap of 10 to 15 percent of the purchase price.

Excluded Liabilities of the Acquired Assets
Pursuant to the terms of the various agreements under which we acquired assets from Phillips 66 since the Effective Date (Acquired Assets), 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 96 percent , 95 percent and 94 percent of our total transportation and terminaling services revenues in the years ended December 31, 2015, 2014 and 2013, respectively. Through our wholly owned and joint venture operations, we provide crude oil, refined petroleum products and NGL pipeline transportation, terminaling and storage, and crude oil gathering and rail-unloading services to Phillips 66 and other related and third parties.

Seasonality

The volumes of crude oil, refined petroleum products and NGL transported in our wholly owned and joint venture pipelines and stored in our terminals, rail racks and storage facilities are directly affected by the level of supply and demand for crude oil, refined petroleum products and NGL in the markets served directly or indirectly by our assets. The 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 wholly owned 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 Phillips 66. As of December 31, 2015, Phillips 66 employed approximately 180 people who provided direct support for our operations. We believe that Phillips 66 has 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 a substantial portion 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 a substantial portion 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, marketing 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 from ConocoPhillips 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.

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 could 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.

Our investments in joint ventures involve numerous risks that may affect the ability of these joint ventures to make distributions to us.

We conduct some of our operations through joint ventures in which we share control with our joint venture participants. Our joint venture participants may have economic, business or legal interests or goals that are inconsistent with those of the joint venture or us, or our joint venture participants may be unable to meet their economic or other obligations, and we may be required to fulfill those obligations alone. Failure by us, or an entity in which we have a joint-venture interest, to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on the financial condition or results of operations of our joint ventures and, in turn, our business and operations. In

addition, should any of these risks materialize, it could have a material adverse effect on the ability of the venture to make future distributions to us.

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 therefore, we are 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 are 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 any 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 laws and 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. Similar potential physical effects, impacts and disruptions could affect facilities and operations of Phillips 66, with which our facilities and operations are connected.

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 also has adopted regulations requiring "green completions" of hydraulically fractured wells and is moving forward with, among other things, various regulations relating to 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, 2015, Phillips 66 owned, through PDI, a 2.0 percent general partner interest and a 69.3 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. For example, Phillips 66 could decide to increase or decrease refinery production, shut down or reconfigure a refinery, pursue and grow particular markets, or undertake acquisition opportunities, all without regard for the decisions' impact on us. 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 and the amount of adjusted operating surplus generated in any given period.

- 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 incentive distributions.

- 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 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 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 voting together as a single class is required to remove our General Partner. Our General Partner and its affiliates own approximately 71 percent of our total outstanding common units on an aggregate basis.

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.
- 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, 2015, Phillips 66 held 58,349,042 common units. 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 71 percent of our common units at December 31, 2015.

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 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.

Our significant indebtedness and the restrictions in our debt agreements may adversely affect our future financial and operating flexibility.

We have significant indebtedness and may incur substantial additional indebtedness in the future. Our indebtedness may impose various restrictions and covenants on us that could have material adverse consequences, including:

- limiting our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes;
- reducing our funds available for operations, business opportunities and distributions to unitholders because of the amount of our cash flow required to make interest payments on our debt;
- making us more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- limiting our flexibility to respond to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, investments or capital expenditures, selling assets or issuing equity, which could materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders, as well as the trading price of our common units. We may not be able to affect any of these actions on satisfactory terms or at all.

A deterioration of our credit profile could limit our access to the capital markets, which could materially and adversely affect our business.

A decrease in our debt or commercial credit capacity, including a deterioration of our credit profile, could increase our costs of borrowing money and/or limit our access to the capital markets and commercial credit, which could materially and adversely affect our business, financial condition, results of operations and cash flows. The terms of our debt arrangements may 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 such terms could result in an event of default that would enable our lenders to 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. 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.

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.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our general partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so under all circumstances. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced.

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 business day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge aspects of our proration method, and, if successful, we would be required to 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 business day of each month, instead of on the basis of the date a particular unit is transferred. The U.S. Department of Treasury and the IRS recently issued Treasury Regulations that permit publicly traded partnerships to use a monthly simplifying convention that is similar to ours, but they do not specifically authorize all aspects of the proration method we have adopted. If the IRS were to successfully challenge this method, we could be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, and such a challenge could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, in certain circumstances, including when we issue additional units, we must determine the fair market value of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the amount, character and timing of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the 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 reportable litigation or governmental or other proceeding, including those involving governmental authorities under federal, state and local laws regulating the discharge of materials into the environment, that we believe will have a material adverse impact on our consolidated financial position. In addition, as discussed in Note 13—Contingencies , under our amended omnibus agreement, Phillips 66 indemnifies us or assumes responsibility for certain liabilities relating to litigation and environmental matters attributable to the ownership or operation of our assets prior to their contribution to us from Phillips 66.

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 presented:

	Common Unit Price		Quarterly Cash Distribution Per Unit*
	High	Low	
2015			
First Quarter	**$ 81.63**	**61.50**	**.3700**
Second Quarter	**76.95**	**67.46**	**.4000**
Third Quarter	**72.25**	**40.00**	**.4280**
Fourth Quarter	**66.75**	**46.20**	**.4580**
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

**Represents cash distribution attributable to the quarter and declared and paid within 45 days of quarter end pursuant to our partnership agreement.*

Closing Common Unit Price at December 31, 2015	$ 61.40
Closing Common Unit Price at January 29, 2016	$ 56.68
Number of Unitholders of Record at January 30, 2016*	7

**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, 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 and future credit needs).
- Comply with applicable law or any of our 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 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 1,683,425 general partner units at December 31, 2015. 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 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	$0.212500		98%	2%
First Target Distribution	Above $0.212500	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 Unit Conversion

Following the May 12, 2015, payment of the cash distribution attributable to the first quarter of 2015, the requirements under the partnership agreement for the conversion of all subordinated units into common units were satisfied. As a result, in the second quarter of 2015, the 35,217,112 subordinated units held by Phillips 66 converted into common units on a one-for-one basis and thereafter participate on terms equal with all other common units in distributions of available cash. The conversion of the subordinated units does not impact the amount of cash distributions paid by us or the total number of outstanding units.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data as of and for each of the five years in the period ended December 31, 2015.

Acquisitions from Phillips 66 are considered common control transactions. When businesses are acquired from Phillips 66 that will be consolidated by us, the financial information contained in the table below for periods prior to the acquisition date has been retrospectively adjusted to include the historical financial results of the businesses acquired (referred to as the results of our "Predecessors").

When an asset or an investment accounted for by the equity method is acquired from Phillips 66, the financial information in the table below includes the results of those investments or assets prospectively from the date of acquisition. The most significant investment acquisition affecting the comparability of the periods in the table was the March 2, 2015, acquisition of one-third equity interests in Sand Hills and Southern Hills and a 19.46 percent interest in Explorer.

See Note 4—Acquisitions and Note 5—Equity Investments , in the Notes to Consolidated Financial Statements, for additional information on our acquisitions that affect the comparability of the information below.

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				
	2015	2014	2013	2012	2011
Transportation and terminaling services revenue—related parties	**$ 260.6**	222.9	181.9	141.8	134.6
Transportation and terminaling services revenue—third parties	**5.0**	6.1	5.1	3.5	5.2
Equity in earnings of affiliates	**77.1**	—	—	—	—
Net income	**194.2**	124.4	96.7	59.1	63.2
Net income attributable to the Partnership	**194.2**	116.0	28.9	**	**
Limited partners' interest in net income attributable to the Partnership	**153.2**	107.7	28.3	**	**
Net income attributable to the Partnership per limited partner unit (basic and diluted)					
Common units	**2.02**	1.48	0.40	**	**
Subordinated units—Phillips 66	**1.24**	1.45	0.40	**	**
Total assets	**1,523.5**	539.5	775.3	262.3	240.5
Long term debt	**1,090.7**	18.0	—	—	—
Note payable—related parties	**—**	411.6	—	—	—
Cash distributions declared per limited partner unit	**1.5380**	1.1176	0.1548	**	**

***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."

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. On August 1, 2015, Phillips 66 Company transferred all of its limited partner interest in us and its 100 percent interest in Phillips 66 Partners GP LLC to its wholly owned subsidiary, Phillips 66 Project Development Inc. We are a growth-oriented master limited partnership formed to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum products and natural gas liquids (NGL) pipelines 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.

2015 developments included:

- *Bayou Bridge Joint Venture Acquisition.* On December 1, 2015, we acquired Phillips 66's 40 percent interest in Bayou Bridge Pipeline, LLC (Bayou Bridge Pipeline) for total consideration of approximately $69.6 million, consisting of the assumption of a $34.8 million note payable to Phillips 66 that was immediately paid in full and the issuance of common and general partner units to Phillips 66.

- *Cross-Channel Connector Products System Project.* In October 2015, the Cross-Channel Connector Products System began providing shippers with a connection from our Pasadena terminal to third-party systems with water access on the Houston Ship Channel .

- *Eagle Ford Gathering System Project.* In September 2015, full operations commenced at our crude oil gathering system connecting Eagle Ford production to third-party pipelines.

- *Sand Hills/Southern Hills/Explorer Equity Investment Acquisition.* On March 2, 2015, we acquired Phillips 66's one-third equity interests in DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills), as well as Phillips 66's 19.46 percent equity interest in Explorer Pipeline Company (Explorer).

- *Issuance of Senior Notes.* On February 23, 2015, we closed on a public offering of unsecured senior notes in an aggregate principal amount of $1.1 billion (Notes Offering).

- *Issuance of Common Units.* On February 23, 2015, we closed on a public offering of 5,250,000 common units for total proceeds (net of underwriting discounts) of $384.5 million (Units Offering).

- *Formation of Bakken Joint Ventures.* On January 16, 2015, we closed on the formation of two joint ventures with Paradigm Energy Partners LLC (Paradigm). We contributed cash and a North Dakota crude oil rail terminal growth project previously acquired from Phillips 66.

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. In addition, our equity affiliates generate revenue primarily from transporting NGL and refined petroleum products. Since we do not own any of the crude oil, refined petroleum products and NGL we handle, and do not engage in the trading of these commodities, 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.

We have multiple commercial agreements with Phillips 66, including transportation services agreements, terminal services agreements, storage services agreements and rail terminal services agreements. Under these long-term, fee-based agreements, we provide transportation, terminaling, storage and rail terminal services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products or minimum monthly capacity or service fees. We believe these agreements promote stable and predictable cash flows and they are the source of a substantial portion of our revenue. We also have several other agreements with Phillips 66, including an amended omnibus agreement and an operational services agreement. See Note 20—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
Net income and net income attributable to the Partnership was $194.2 million in 2015. We generated cash from operations of $229.8 million , and we raised $1,474 million from the Notes and Unit Offerings. This cash was primarily used to fund strategic acquisitions of businesses and assets, pay off notes to affiliates, fund capital expenditures, and make quarterly cash distributions to our unitholders and General Partner. As of December 31, 2015, we had cash and cash equivalents of $48.0 million , total debt of $1,090.7 million , and unused capacity under our revolving credit facility of $500.0 million .

Our 2015 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 currently owns or that it may acquire or develop in the future. 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. In addition, our equity affiliates generate revenue from transporting NGL and refined petroleum products. 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 many of 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 repair 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 plus net interest expense, income taxes, depreciation and amortization, attributable to both the Partnership and our Predecessors.

Adjusted EBITDA is the EBITDA directly attributable to the Partnership after deducting the EBITDA attributable to our Predecessors, adjusted for:

- The difference between cash distributions received and equity earnings from our affiliates.
- Transaction costs associated with acquisitions.
- Certain other noncash items, including expenses indemnified by Phillips 66.

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 prefunded maintenance capital expenditures.

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 performance measure most directly comparable to EBITDA, adjusted EBITDA and distributable cash flow is net income. The GAAP liquidity measure most directly comparable to EBITDA and distributable cash flow is net cash provided by operating activities. These non-GAAP financial measures should not be considered alternatives to GAAP net income or net cash provided by operating activities. They have important limitations as analytical tools because they exclude some 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 these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Business Environment
We generate revenue primarily from 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. In addition, our equity affiliates generate revenue primarily from transporting NGL and refined petroleum products. Although there has been a sustained decline in commodity prices, because we do not take ownership of the crude oil, refined petroleum products and NGL 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 and other customers. We also have indirect exposure to commodity price fluctuations to the extent such fluctuations affect the shipping and terminaling 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 owned or 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. Our equity investment throughput volumes depend primarily on upstream drilling activities, market performance and product supply and demand.

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 in our areas of operation will depend, in part, on the availability of attractively 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 the general demand for midstream services, including NGL transportation.

RESULTS OF OPERATIONS

	Millions of Dollars		
	Year Ended December 31		
	2015	2014	2013
Revenues			
Transportation and terminaling services—related parties	**$ 260.6**	222.9	181.9
Transportation and terminaling services—third parties	**5.0**	6.1	5.1
Equity in earnings of affiliates	**77.1**	—	—
Other income	**5.4**	0.1	0.2
Total revenues and other income	**348.1**	229.1	187.2
Costs and Expenses			
Operating and maintenance expenses	**62.2**	52.5	52.2
Depreciation	**21.8**	16.2	14.3
General and administrative expenses	**26.6**	25.6	18.4
Taxes other than income taxes	**9.0**	4.2	4.8
Interest and debt expense	**33.9**	5.3	0.3
Other expenses	**0.1**	0.1	—
Total costs and expenses	**153.6**	103.9	90.0
Income before income taxes	**194.5**	125.2	97.2
Provision for income taxes	**0.3**	0.8	0.5
Net Income	**194.2**	124.4	96.7
Less: Net income attributable to Predecessors	**—**	8.4	67.8
Net income attributable to the Partnership	**194.2**	116.0	28.9
Less: General Partner's interest in net income attributable to the Partnership	**41.0**	8.3	0.6
Limited partners' interest in net income attributable to the Partnership	**$ 153.2**	107.7	28.3
Adjusted EBITDA	**$ 266.5**	141.0	32.5
Distributable cash flow	**$ 228.2**	128.2	30.4
Net cash provided by operating activities	**$ 229.8**	142.4	97.6

	Year Ended December 31		
	2015	2014	2013
	Thousands of Barrels Daily		
Pipeline, Terminal and Storage Volumes			
Pipelines (1)			
Pipeline throughput volumes			
Wholly Owned Pipelines			
Crude oil	**289**	286	272
Refined products	**467**	420	400
Total	**756**	706	672
Selected Joint Venture Pipelines (2)			
Natural gas liquids	**236**	—	—
Terminals			
Terminaling throughput and storage volumes			
Crude oil (3)	**519**	477	383
Refined products	**435**	430	391
Total	**954**	907	774
Revenue Per Barrel *(dollars)*			
Average pipeline revenue per barrel (4)	**$ 0.46**	0.50	0.52
Average terminaling and storage revenue per barrel	**0.40**	0.30	0.22

(1) Represents the sum of volumes transported through each separately tariffed pipeline segment.
(2) Total post-acquisition pipeline system throughput volumes for the Sand Hills and Southern Hills pipelines (100 percent basis) per day for each period presented.
(3) Crude oil terminals include Bayway and Ferndale rail rack volumes.
(4) Excludes average pipeline revenue per barrel from equity affiliates.

The following tables present reconciliations of EBITDA, adjusted EBITDA and distributable cash flow to net income and EBITDA and distributable cash flow to 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		
	2015	2014	2013
Reconciliation to Net Income			
Net income	**$ 194.2**	124.4	96.7
Plus:			
Depreciation	**21.8**	16.2	14.3
Net interest expense	**33.6**	5.2	0.1
Amortization of deferred rentals	**0.4**	0.4	0.2
Provision for income taxes	**0.3**	0.8	0.5
EBITDA	**250.3**	147.0	111.8
Distributions in excess of equity earnings	**12.1**	—	—
Expenses indemnified or prefunded by Phillips 66	**1.9**	1.6	0.1
Transaction costs associated with acquisitions	**2.2**	2.7	0.4
EBITDA attributable to Predecessors	**—**	(10.3)	(79.8)
Adjusted EBITDA	**266.5**	141.0	32.5
Plus:			
Adjustments related to minimum volume commitments	**4.0**	0.6	—
Phillips 66 prefunded maintenance capital expenditures	**—**	1.9	0.7
Less:			
Net interest	**34.3**	3.2	0.1
Income taxes paid	**0.3**	0.2	—
Maintenance capital expenditures	**7.7**	11.9	2.7
Distributable Cash Flow	**$ 228.2**	128.2	30.4

	Millions of Dollars		
	Year Ended December 31		
	2015	2014	2013
Reconciliation to Net Cash Provided by Operating Activities			
Net cash provided by operating activities	**$ 229.8**	142.4	97.6
Plus:			
Net interest expense	**33.6**	5.2	0.1
Provision for income taxes	**0.3**	0.8	0.5
Changes in working capital	**(10.3)**	(0.3)	12.3
Undistributed equity earnings	**0.1**	—	—
Accrued environmental costs	**(0.8)**	—	1.1
Other	**(2.4)**	(1.1)	0.2
EBITDA	**250.3**	147.0	111.8
Distributions in excess of equity earnings	**12.1**	—	—
Expenses indemnified or prefunded by Phillips 66	**1.9**	1.6	0.1
Transaction costs associated with acquisitions	**2.2**	2.7	0.4
EBITDA attributable to Predecessors	**—**	(10.3)	(79.8)
Adjusted EBITDA	**266.5**	141.0	32.5
Plus:			
Adjustments related to minimum volume commitments	**4.0**	0.6	—
Phillips 66 prefunded maintenance capital expenditures	**—**	1.9	0.7
Less:			
Net interest	**34.3**	3.2	0.1
Income taxes paid	**0.3**	0.2	—
Maintenance capital expenditures	**7.7**	11.9	2.7
Distributable Cash Flow	**$ 228.2**	128.2	30.4

Minimum Volume Commitments
Under certain of our transportation services agreements, if Phillips 66 fails to transport a minimum throughput volume during any quarter, then Phillips 66 will pay us a deficiency payment based on the calculation described in the agreement. Billings to Phillips 66 for these shortfall volumes are recorded as "Deferred revenues—related parties" on our consolidated balance sheet, as Phillips 66 generally has the right to make up the shortfall volumes in the following four quarters. The deferred revenue is recognized at the earlier of the quarter in which Phillips 66 makes up the shortfall volumes or the expiration of the period in which Phillips 66 is contractually allowed to make up the shortfall volumes.

Detail on these deferred revenues follows.

	Millions of Dollars		
	Years Ended December 31		
	2015	2014	2013
Deferred revenues—beginning of period	**$ 0.6**	—	—
Quarterly deficiency payments (1)	**9.2**	6.4	—
Quarterly deficiency make-up/expirations (2)	**(5.4)**	(5.8)	—
Deferred revenues—end of period	**$ 4.4**	0.6	—

(1) Cash received with deferred revenue recognition.
(2) Revenue recognized on cash previously received.

Statement of Income Analysis

2015 vs. 2014

Transportation and terminaling services revenues increased $36.6 million , or 16 percent , in 2015. The increase was primarily attributable to additional terminaling revenues from the Bayway and Ferndale rail racks, which we acquired in December 2014, and additional pipeline volumes from the Cross-Channel Connector Products System, which was also acquired in December 2014. There were also additional pipeline volumes from the Eagle Ford Gathering System, which began phase one of operations in January 2015. There was also a benefit from increased storage revenues attributable to the Medford Spheres, which began operations in March 2014.

Equity in earnings of affiliates increased $77.1 million due to the acquisition of the equity interests in Sand Hills, Southern Hills and Explorer in March 2015.

Other income increased $5.3 million primarily due to receiving contractual make-whole payments associated with the transfer of a co-venturer's interests in Sand Hills and Southern Hills to DCP Midstream, LLC.

Operating expense and maintenance expenses increased $9.7 million , or 18 percent , in 2015. The increase was primarily due to additional costs associated with the assets acquired in the fourth quarter of 2014 and cleanup costs associated with a diesel fuel release in April 2015 on our pipeline that transports products from the Hartford Terminal to a dock on the Mississippi River. The increase was partially offset by lower maintenance costs.

Depreciation increased $5.6 million , or 35 percent , in 2015, primarily due to depreciation associated with the Bayway and Ferndale rail racks, which commenced operations in the second half of 2014.

Taxes other than income taxes increased $4.8 million in 2015, resulting from higher property taxes assessed on assets acquired in 2014.

Interest and debt expense increased $28.6 million in 2015, primarily due to the issuance of $1.1 billion in aggregate principal amount of senior notes in February 2015. See Note 11—Debt , in the Notes to Consolidated Financial Statements, for additional information.

2014 vs. 2013

Transportation and terminaling services revenues increased $42.0 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 2014 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 11 —Debt , in the Notes to Consolidated Financial Statements, for additional information.

CAPITAL RESOURCES AND LIQUIDITY

Significant Sources of Capital

Our sources of liquidity 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 make our quarterly cash distributions.

Operating Activities

During 2015 , cash of $229.8 million was provided by operating activities, a 61 percent improvement over cash from operations of $142.4 million in 2014 . The improvement was mainly driven by distributions from our equity affiliates that were acquired in March 2015 and higher revenues primarily from assets that commenced operations in the second half of 2014. These increases were partially offset by interest and debt expense and increased operating and maintenance expenses.

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.

Senior Notes
In February 2015, we issued, through a public offering, $1.1 billion of debt consisting of:

- $300 million of 2.646% Senior Notes due February 15, 2020.
- $500 million of 3.605% Senior Notes due February 15, 2025.
- $300 million of 4.680% Senior Notes due February 15, 2045.

Total proceeds (net of underwriting discounts) received from the Notes Offering were $1,092.0 million. We utilized a portion of the net proceeds to partially fund the acquisition of the Sand Hills, Southern Hills and Explorer equity investments. In addition, we used a portion of the proceeds to repay three notes payable to a subsidiary of Phillips 66. Interest on each series of senior notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2015. Our senior unsecured long-term debt has been rated investment grade by Standard & Poor's Rating Services (BBB) and Moody's Investor Services (Baa3).

Common Units
In February 2015, we issued an aggregate of 5,250,000 common units representing limited partner interests to the public at a price of $75.50 per common unit. We received proceeds (net of underwriting discounts) from the Units Offering of $384.5 million. We utilized a portion of the net proceeds from the Units Offering to partially fund the acquisition of the Sand Hills, Southern Hills and Explorer equity investments and to repay amounts outstanding under our revolving credit facility. We used the remaining proceeds to fund expansion capital expenditures and for general partnership purposes.

Revolving Credit Facility
In November 2014, we entered into a first amendment (the Amendment) to our revolving credit agreement (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 reference 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). With an investment grade credit rating, the pricing levels are 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). With 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. During the first quarter of 2015, we repaid all amounts borrowed under our revolving credit facility. No amounts were outstanding at December 31, 2015.

Notes Payable
In March 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the acquisition of the Gold Line Pipeline and Medford Spheres pursuant to which we assumed a 5-year, $160 million note payable, due February 28, 2019, to a subsidiary of Phillips 66. Interest on the note payable was at a fixed rate of 3.0 percent per annum.

In December 2014, we entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the acquisition of the Bayway, Ferndale and Cross-Channel Connector assets pursuant to which we assumed a 5-year, $244 million note payable, due December 1, 2019, to a subsidiary of Phillips 66. Interest on the note payable was at a fixed rate of 3.1 percent per annum. We also entered into an agreement with certain subsidiaries of Phillips 66 as part of the consideration for the acquisition of Phillips 66's interests in the Palermo Rail Terminal project pursuant to which we assumed a 5-year, $7.6 million note payable to a subsidiary of Phillips 66. Interest on the note payable was at a fixed rate of 2.9 percent per annum.

During the first quarter of 2015, we repaid all amounts borrowed under these notes to Phillips 66's subsidiaries.

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 2015 and 2014 we completed several major acquisitions, including:

- The December 2015 acquisition of Phillips 66's 40 percent interest in Bayou Bridge Pipeline.
- The March 2015 acquisition of Phillips 66's one-third equity interests in Sand Hills and Southern Hills and its 19.46 percent equity interest in Explorer.
- The December 2014 acquisition of Phillips 66's Bayway and Ferndale rail racks.
- The March 2014 acquisition of Phillips 66's Gold Line and Medford assets.

See Note 4—Acquisitions , Note 5—Equity Investments and Note 18—Cash Flow Information , in the Notes to Consolidated Financial Statements, for additional information on our acquisitions, including consideration paid and the cash and noncash elements of the transactions.

Capital Expenditures and Investments
Our operations can be capital intensive, requiring investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational requirements of our wholly owned and equity affiliated entities. Our capital requirements consist of maintenance capital expenditures and expansion capital expenditures, including contributions to our joint ventures. 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, including contributions to joint ventures that are using the contributed funds for such purposes.

Our capital expenditures and investments for the years ended December 31, 2015 , 2014 and 2013 were:

		Millions of Dollars		
		2015	2014	2013
Capital Expenditures and Investments Attributable to our Predecessors	**$**	**—**	90.8	84.1
Capital expenditures and investments attributable to the Partnership				
Expansion		**197.3**	54.2	1.2
Maintenance		**7.7**	11.9	2.7
Total		**205.0**	66.1	3.9
Total capital expenditures and investments	**$**	**205.0**	156.9	88.0

Our capital expenditures and investments for the year ended December 31, 2015 , were $205.0 million , primarily associated with the following activities:

- Acquisition of Phillips 66's interest in Bayou Bridge Pipeline.
- 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.
- Construction, completion and start up of the Eagle Ford Gathering System.
- Contributions to our Sand Hills joint venture.
- Reactivation and expansion of the Cross-Channel Connector Products System.

Our capital expenditures and investments 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 and investments 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.

We have forecasted capital expenditures and investments to be approximately $314 million for the year ending December 31, 2016. Of that amount, $300 million is allocated to growth projects and $14 million is targeted for maintenance capital spending. The forecasted capital expenditures and investments are primarily directed toward spending on:

- Shared construction costs of the Sacagawea Pipeline, a crude oil storage terminal and a central delivery facility in North Dakota within our Bakken joint ventures.
- Construction of the first segment of the pipeline to Lake Charles and continued funding of the St. James segment within our Bayou Bridge Pipeline joint venture.
- Contributions to our Sand Hills joint venture.
- Various upgrades and replacements on our assets.

We anticipate the forecasted maintenance capital expenditures will be funded primarily with cash from operations. We expect to rely primarily upon financing sources, including borrowings under the Amended Credit Agreement, borrowings from related parties and the issuance of debt and equity securities, to fund any significant future expansion capital expenditures.

Cash Distributions

On January 21, 2016 , the Board of Directors of our General Partner declared a quarterly cash distribution of $0.458 per limited partner unit which, combined with distributions to our General Partner, will result in total distributions of $51.4 million attributable to the fourth quarter of 2015. This distribution was paid February 12, 2016 , to unitholders of record as of February 3, 2016 .

Cash distributions will be made to our General Partner in respect of its 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, 2016 , our General Partner received approximately 27 percent of the total cash distributions attributable to the fourth quarter of 2015.

The following table summarizes our announced quarterly cash distributions for 2015 and 2014:

Quarter Ended	Quarterly Cash Distribution Per Limited Partner Unit* (Dollars)	Total Quarterly Cash Distribution (Millions of Dollars)	Date of Distribution
December 31, 2015	$ 0.4580	$ 51.4	February 12, 2016
September 30, 2015	0.4280	46.2	November 12, 2015
June 30, 2015	0.4000	41.5	August 12, 2015
March 31, 2015	0.3700	36.7	May 12, 2015
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

**Cash distributions declared attributable to the indicated periods.*

Subordination Unit Conversion

Following the May 12, 2015, payment of the cash distribution attributable to the first quarter of 2015, the requirements under the partnership agreement for the conversion of all subordinated units into common units were satisfied. As a result, in the second quarter of 2015 the 35,217,112 subordinated units held by Phillips 66 converted into common units on a one-for-one basis, and thereafter participate on terms equal with all other common units in distributions of available cash. The conversion of the subordinated units does not impact the amount of cash distributions paid by us or the total number of outstanding units.

Contractual Obligations

The following table summarizes our aggregate contractual obligations as of December 31, 2015 :

	Millions of Dollars				
	Payments Due by Period				
	Total	Up to 1 Year	Years 2-3	Years 4-5	After 5 Years
Debt obligations (a)	$ 1,090.7	—	—	300.0	790.7
Interest on debt	621.1	40.0	80.0	76.0	425.1
Operating lease obligations	73.6	1.9	3.8	3.8	64.1
Purchase obligations (b)	23.5	14.1	2.6	2.6	4.2
Other short-term and long-term liabilities:					
Asset retirement obligations	3.4	—	—	—	3.4
Accrued environmental costs	1.6	0.8	—	—	0.8
Total	$ 1,813.9	56.8	86.4	382.4	1,288.3

(a) See Note 11—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, 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 $29.7 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, 2015 , and December 31, 2014, 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 17—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 requirements, 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.

In April 2015, our pipeline that transports products from the Hartford Terminal to a dock on the Mississippi River experienced a diesel fuel release of approximately 800 barrels. The release was halted on the same day, and cleanup and remediation efforts followed. Costs recognized during 2015 associated with cleanup and remediation of the release were $5.0 million . We continue to work with the appropriate authorities and costs are subject to change if additional information on the environmental impact of the release becomes known. We carry property and third-party liability insurance, each in excess of $5.0 million self-insured retentions.

At December 31, 2015, we had $1.6 million of environmental accruals. In the future, we may be involved in additional environmental assessments, cleanups and proceedings. See Items 1 and 2. Business and Properties—Environmental Regulations, for additional information regarding environmental regulations.

Indemnifications and Excluded Liabilities

See Note 13—Contingencies , in the Notes to Consolidated Financial Statements, for information on indemnifications provided to us by Phillips 66 on certain assets we acquired from Phillips 66, as well as assumed responsibility for liabilities on certain assets acquired from Phillips 66, in each case related to the ownership of those assets by Phillips 66 prior to their contribution to us.

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 properties, plants and equipment (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.

Investments in nonconsolidated entities accounted for under the equity method are reviewed for impairment when there is evidence of a loss in value. Such evidence of a loss in value might include our inability to recover the carrying amount, the lack of sustained earnings capacity which would justify the current investment amount, or a current fair value less than the investment's carrying amount. When it is determined such a loss in value is other than temporary, an impairment charge is recognized for the difference between the investment's carrying value and its estimated fair value. When determining whether a decline in value is other than temporary, management considers factors such as the length of time and extent of the decline, the investee's financial condition and near-term prospects, and our ability and intention to retain our investment for a period that will be sufficient to allow for any anticipated recovery in the market value of the investment. When quoted market prices are not available, the fair value is usually based on the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants and a market analysis of comparable assets, if appropriate. Differing assumptions could affect the timing and the amount of an impairment of an investment in any period.

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.

NEW ACCOUNTING STANDARDS

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10)," to meet its objective of providing more decision-useful information about financial instruments. The majority of this ASU's provisions amend only the presentation or disclosures of financial instruments; however, one provision will also affect net income. Equity investments carried under the cost method or lower of cost or fair value method of accounting, in accordance with current generally accepted accounting principles, will have to be carried at fair value upon adoption of ASU 2016-01, with changes in fair value recorded in net income. For equity investments that do not have readily determinable fair values, a company may elect to carry such investments at cost less impairments, if any, adjusted up or down for price changes in similar financial instruments issued by the investee, when and if observed. Public business entities should apply the guidance in ASU 2016-01 for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption prohibited. We are currently evaluating the provisions of ASU 2016-01 and assessing the impact, if any, it may have on our financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes - Balance Sheet Classification of Deferred Taxes." The new update will simplify the presentation of deferred income taxes and will require deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The classification shall be made at the tax-paying component level of an entity, after reflecting any offset of deferred tax liabilities, deferred tax assets and any related valuation allowances. Public business entities should apply the guidance in ASU 2015-17 for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application for public entities is permitted. The amendments can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We are currently evaluating the provisions of ASU 2015-17, but do not expect it to have a material impact on our financial statements.

In June 2014, the FASB issued ASU 2014-10, "Development Stage Entities (Topic 915)." The new standard removes the definition of a development stage entity from the Master Glossary of Accounting Standard Codification and the related financial reporting requirements specific to development stage entities. This ASU is intended to reduce cost and complexity of financial reporting for entities that have not commenced planned principal operations. For financial reporting requirements other than the variable interest entity (VIE) guidance in ASC Topic 810, "Consolidation," ASU 2014-10 was effective for annual and quarterly reporting periods of public entities beginning after December 15, 2014. For the financial reporting requirements related to VIEs in ASC Topic 810, "Consolidation," ASU 2014-10 is effective for annual and quarterly reporting periods of public entities beginning after December 15, 2015. Early application for public entities is permitted. We are currently evaluating the provisions of ASU 2014-10. Our preliminary assessment indicates that additional disclosures related to VIEs may be required for our joint ventures if the planned principal operations have not commenced.

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. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." The amendment in this ASU defers the effective date of ASU 2014-09 for all entities for one year. Public business entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods within that reporting period. Retrospective or modified retrospective application of the accounting standard is required. 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. As part of our assessment work to-date, we have formed an implementation work team, completed training of the new ASU's revenue recognition model and begun contract review and documentation.

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, refined petroleum products or NGLs 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 5 percent , 10 percent and 13 percent of our total transportation and terminaling services revenues in 2015 , 2014 and 2013, 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
During the first quarter of 2015, we repaid our $411.6 million of notes payable to Phillips 66, as well as the then outstanding balance on our revolving credit facility. In February 2015, we issued $1.1 billion in aggregate principal amount of senior notes with varying maturity dates. Because the senior notes have fixed rates, their fair value is sensitive to changes in U.S. interest rates. The following table presents the principal cash flow and associated interest rates of these notes by their expected maturity dates, as of December 31, 2015. The fair value of the fixed-rate financial instruments is estimated based on quoted market prices of comparable notes.

	Millions of Dollars Except as Indicated			
Expected Maturity Date	Fixed-Rate Maturity	Average Interest Rate	Floating Rate Maturity	Average Interest Rate
Year-End 2015				
2016	$ —		$ —	
2017	—		—	
2018	—		—	
2019	—		—	
2020	300.0	2.6%	—	
Remaining years	800.0	4.0%	—	
Total	$ 1,100.0		—	
Fair value	$ 939.1		$ —	

Expected Maturity Date	Millions of Dollars Except as Indicated			
	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, NGL 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, NGL 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, NGL 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.
- The operation, financing and distribution decisions of our joint ventures.
- 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, NGL and refined petroleum products.
- Direct or indirect effects on our business resulting from actual or threatened terrorist incidents or acts of war.
- 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 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, 2015. 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). Based on this assessment, management concluded the Partnership's internal control over financial reporting was effective as of December 31, 2015 .

Ernst & Young LLP has issued an audit report on the Partnership's internal control over financial reporting as of December 31, 2015 , 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/ Kevin J. Mitchell

Kevin J. Mitchell
Director, Vice President and Chief Financial Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

February 12, 2016

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, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the management of the Partnership's general partner, Phillips 66 Partners GP LLC. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC (the "Pipelines"). The Partnership accounts for its 33.34% interest in each of the Pipelines using the equity method of accounting. In the consolidated financial statements, the Partnership's total investment in the Pipelines is stated at $643.4 million as of December 31, 2015, and the Partnership's total equity in net income of the Pipelines is stated at $62.3 million for the year ended December 31, 2015. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pipelines, is based solely on the reports of the other auditors.

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 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips 66 Partners LP at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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 12, 2016 expressed an unqualified opinion thereon **.**

/s/ Ernst & Young LLP

Houston, Texas
February 12, 2016

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 Phillips 66 Partners LP's internal control over financial reporting as of December 31, 2015, 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, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2015 consolidated financial statements of Phillips 66 Partners LP and our report dated February 12, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 12, 2016

Report of Independent Registered Public Accounting Firm

To the Members of
DCP Sand Hills Pipeline, LLC
Denver, Colorado

We have audited the consolidated balance sheet of DCP Sand Hills Pipeline, LLC and subsidiaries (the "Company") as of December 31, 2015, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 12, 2016

Report of Independent Registered Public Accounting Firm

To the Members of
DCP Southern Hills Pipeline, LLC
Denver, Colorado

We have audited the consolidated balance sheet of DCP Southern Hills Pipeline, LLC and subsidiaries (the "Company") as of December 31, 2015, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 12, 2016

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

Years Ended December 31		Millions of Dollars 2015	2014	2013
Revenues and Other Income				
Transportation and terminaling services—related parties	$	**260.6**	222.9	181.9
Transportation and terminaling services—third parties		**5.0**	6.1	5.1
Equity in earnings of affiliates		**77.1**	—	—
Other income		**5.4**	0.1	0.2
Total revenues and other income		**348.1**	229.1	187.2
Costs and Expenses				
Operating and maintenance expenses		**62.2**	52.5	52.2
Depreciation		**21.8**	16.2	14.3
General and administrative expenses		**26.6**	25.6	18.4
Taxes other than income taxes		**9.0**	4.2	4.8
Interest and debt expense		**33.9**	5.3	0.3
Other expenses		**0.1**	0.1	—
Total costs and expenses		**153.6**	103.9	90.0
Income before income taxes		**194.5**	125.2	97.2
Provision for income taxes		**0.3**	0.8	0.5
Net Income		**194.2**	124.4	96.7
Less: Net income attributable to Predecessors		**—**	8.4	67.8
Net income attributable to the Partnership		**194.2**	116.0	28.9
Less: General partner's interest in net income attributable to the Partnership		**41.0**	8.3	0.6
Limited partners' interest in net income attributable to the Partnership	$	**153.2**	107.7	28.3
Net Income Attributable to the Partnership Per Limited Partner Unit—Basic and Diluted (dollars)				
Common units	$	**2.02**	1.48	0.40
Subordinated units—Phillips 66		**1.24**	1.45	0.40
Cash Distributions Paid Per Limited Partner Unit *(dollars)*	$	**1.5380**	1.1176	0.1548
Average Limited Partner Units Outstanding—Basic and Diluted				
Common units—public		**23,376,421**	18,888,750	18,888,750
Common units—Phillips 66		**44,797,469**	19,379,621	16,328,362
Subordinated units—Phillips 66		**12,736,051**	35,217,112	35,217,112

See Notes to Consolidated Financial Statements.

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

	Millions of Dollars		
	2015	2014	2013
Net Income	**$ 194.2**	124.4	96.7
Other comprehensive income	**—**	—	—
Comprehensive Income	**$ 194.2**	124.4	96.7

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet **Phillips 66 Partners LP**

At December 31	Millions of Dollars 2015	2014
Assets		
Cash and cash equivalents	**$ 48.0**	8.3
Accounts receivable—related parties	**21.4**	21.5
Accounts receivable—third parties	**3.3**	1.5
Materials and supplies	**2.5**	2.2
Other current assets	**2.2**	2.7
Total Current Assets	**77.4**	36.2
Equity investments	**944.9**	—
Net properties, plants and equipment	**492.4**	485.1
Goodwill	**2.5**	2.5
Intangibles	**—**	8.4
Deferred rentals—related parties	**5.6**	5.9
Deferred tax assets	**—**	0.5
Other assets	**0.7**	0.9
Total Assets	**$ 1,523.5**	539.5
Liabilities		
Accounts payable—related parties	**$ 3.9**	18.0
Accounts payable—third parties	**8.3**	10.2
Accrued property and other taxes	**5.1**	2.7
Accrued interest	**15.1**	1.9
Current portion of accrued environmental costs	**0.8**	—
Deferred revenues—related parties	**4.4**	0.6
Other current liabilities	**0.1**	0.3
Total Current Liabilities	**37.7**	33.7
Notes payable—related parties	**—**	411.6
Long-term debt	**1,090.7**	18.0
Asset retirement obligations	**3.4**	3.5
Accrued environmental costs	**0.8**	—
Deferred income taxes	**0.3**	—
Other liabilities	**0.5**	0.5
Total Liabilities	**1,133.4**	467.3
Equity		
Common unitholders—public (2015—24,138,750 units issued and outstanding; 2014—18,888,750 units issued and outstanding)	**808.9**	415.3
Common unitholder—Phillips 66 (2015—58,349,042 units issued and outstanding; 2014—20,938,498 units issued and outstanding)	**233.0**	57.1
Subordinated unitholder—Phillips 66 (2015—0 units issued and outstanding; 2014—35,217,112 units issued and outstanding)	**—**	116.8
General partner—Phillips 66 (2015—1,683,425 units issued and outstanding; 2014—1,531,518 units issued and outstanding)	**(650.3)**	(517.0)
Accumulated other comprehensive loss	**(1.5)**	—
Total Equity	**390.1**	72.2
Total Liabilities and Equity	**$ 1,523.5**	539.5

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows	**Phillips 66 Partners LP**		
	Millions of Dollars		
Years Ended December 31	**2015**	2014	2013
Cash Flows From Operating Activities			
Net income	**$ 194.2**	124.4	96.7
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	**21.8**	16.2	14.3
Deferred rentals—related parties	**0.4**	0.4	(0.3)
Accrued environmental costs	**0.8**	—	(1.1)
Undistributed Equity Earnings	**(0.1)**	—	—
Deferred taxes	**0.1**	0.2	—
Other	**2.3**	0.9	0.3
Working capital adjustments			
Decrease (increase) in accounts receivable	**(1.7)**	(11.3)	(11.0)
Decrease (increase) in materials and supplies	**(0.2)**	(0.2)	(0.3)
Decrease (increase) in other current assets	**0.4**	(0.3)	(2.2)
Increase (decrease) in accounts payable	**(8.4)**	9.4	6.6
Increase (decrease) in accrued interest	**13.2**	1.9	—
Increase (decrease) in deferred revenues	**3.8**	0.5	—
Increase (decrease) in environmental accruals	**0.8**	—	(6.0)
Increase (decrease) in other accruals	**2.4**	0.3	0.6
Net Cash Provided by Operating Activities	**229.8**	142.4	97.6
Cash Flows From Investing Activities			
Sand Hills/Southern Hills/Explorer equity investment acquisition*	**(734.3)**	—	—
Gold Line/Medford acquisition*	**—**	(138.0)	—
Bayway/Ferndale/Cross-Channel acquisition*	**—**	(28.0)	—
Capital expenditures and investments*	**(205.0)**	(156.9)	(88.0)
Return of investment from equity affiliates	**12.1**	—	—
Other	**(7.7)**	7.6	10.8
Net Cash Used in Investing Activities	**(934.9)**	(315.3)	(77.2)
Cash Flows From Financing Activities			
Net contributions from Phillips 66 to Predecessors	**—**	81.5	8.5
Project prefunding from Phillips 66	**—**	2.2	3.0
Issuance of debt	**1,168.7**	28.0	—
Repayment of debt	**(498.6)**	(10.0)	—
Issuance of common units	**396.4**	—	434.4
Offering costs	**(12.5)**	—	(30.0)
Debt issuance costs	**(9.9)**	(0.7)	(0.1)
Distributions to General Partner associated with acquisitions*	**(145.7)**	(262.0)	—
Quarterly distributions to common unitholders—public	**(35.3)**	(21.2)	(2.9)
Quarterly distributions to common unitholder—Phillips 66	**(63.3)**	(21.4)	(2.5)
Quarterly distributions to subordinated unitholder—Phillips 66	**(25.0)**	(39.3)	(5.5)
Quarterly distributions to General Partner—Phillips 66	**(29.9)**	(4.6)	(0.2)
Other cash contributions from (to) Phillips 66	**(0.1)**	3.6	—
Net Cash Provided by (Used in) Financing Activities	**744.8**	(243.9)	404.7
Net Change in Cash and Cash Equivalents	**39.7**	(416.8)	425.1
Cash and cash equivalents at beginning of period	**8.3**	425.1	—

Cash and Cash Equivalents at End of Period	**$**	**48.0**	8.3	425.1

** See Note 18—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	Accum. Other Comprehensive Loss	Net Investment	Total
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 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 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
Issuance of common units	**383.9**	**—**	**—**	**—**	**—**	**—**	**383.9**
Conversion of subordinated units	**—**	**107.6**	**(107.6)**	**—**	**—**	**—**	**—**
Deemed net distributions to General Partner associated with acquisitions	**—**	**5.1**	**—**	**(150.1)**	**—**	**—**	**(145.0)**
Issuance of units associated with acquisitions	**—**	**34.1**	**—**	**0.7**	**—**	**—**	**34.8**
Net income attributable to the Partnership	**45.0**	**92.4**	**15.8**	**41.0**	**—**	**—**	**194.2**
Accumulated other comprehensive loss	**—**	**—**	**—**	**—**	**(1.5)**	**—**	**(1.5)**
Quarterly cash distributions to unitholders and General Partner	**(35.3)**	**(63.3)**	**(25.0)**	**(29.9)**	**—**	**—**	**(153.5)**
Other contributions from Phillips 66	**—**	**—**	**—**	**5.0**	**—**	**—**	**5.0**
December 31, 2015	**$ 808.9**	**233.0**	**—**	**(650.3)**	**(1.5)**	**—**	**390.1**

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

	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 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
Units issued associated with the public equity offering	**5,250,000**	—	—	—	**5,250,000**
Units issued associated with acquisitions	—	**2,193,432**	—	**151,907**	**2,345,339**
Subordinated unit conversion	—	**35,217,112**	**(35,217,112)**	—	—
December 31, 2015	**24,138,750**	**58,349,042**	—	**1,683,425**	**84,171,217**

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. References to Phillips 66 may refer to Phillips 66 and/or its subsidiaries, depending on the context.

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. On August 1, 2015, Phillips 66 Company transferred all of its limited partner interest in us and its 100 percent interest in Phillips 66 Partners GP LLC to its wholly owned subsidiary, Phillips 66 Project Development Inc. We are a growth-oriented master limited partnership formed to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum products and natural gas liquids (NGL) pipelines, 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.

In the first quarter of 2015, we formed two joint ventures with Paradigm Energy Partners LLC (Paradigm) to develop midstream logistics infrastructure in North Dakota and we acquired Phillips 66's one-third equity interests in DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills), as well as Phillips 66's 19.46 percent equity interest in Explorer Pipeline Company (Explorer). In December 2015, we acquired Phillips 66's 40 percent interest in Bayou Bridge Pipeline, LLC (Bayou Bridge Pipeline).

As of December 31, 2015, our assets consisted of one crude oil pipeline, terminal and storage system; four refined petroleum products pipeline, terminal and storage systems; two crude oil rail racks; two refinery-grade propylene storage spheres; one crude oil gathering system; and six equity investments. The majority of 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 for terminaling and storing crude oil and refined petroleum products at our terminals, rail racks and storage facilities. In addition, our equity affiliates generate revenue primarily from transporting NGL and refined petroleum products. Since we do not own any of the crude oil, NGL and refined petroleum products we handle and do not engage in the trading of crude oil, NGL 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
Acquisitions from Phillips 66 are considered common control transactions. When businesses are acquired from Phillips 66 that will be consolidated by us, they are accounted for as if the transfer had occurred at the beginning of the period of transfer, with prior periods retrospectively adjusted to furnish comparative information. We refer to the historical results of these businesses prior to the effective date of our acquisition of them as the results of our "Predecessors." Also included in Predecessor results are the historical results of our initial assets prior to our initial public offering on July 26, 2013.

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.

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 carrying value. Any difference between carrying value and recognized consideration is treated as a capital transaction. 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, for periods presented prior to the acquisition date in common control transactions, the contractual rates with Phillips 66 do not necessarily reflect market rates.

  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.

  Certain transportation services agreements and terminal services agreements with Phillips 66 are considered operating leases under GAAP. 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. See Note 14—Leases for additional information on these operating leases and Note 20—Related Party Transactions for additional information on our agreements with Phillips 66.

  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 when shortfall volumes are made up or when the make-up rights contractually expire.

- **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 contractual loss allowances, which are received from the shipper irrespective of, and calculated independently from, actual volumetric gains or losses, are recorded as revenue. Any actual 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: Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs.
  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.

- **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.

- **Impairment of Investments in Nonconsolidated Entities** —Investments in nonconsolidated entities are assessed for impairment whenever changes in the facts and circumstances indicate a loss in value has occurred. When indicators exist, the fair value is estimated and compared to the investment carrying value. If any impairment is judgmentally determined to be other than temporary, the carrying value of the investment is written down to fair value. The fair value of the impaired investment is based on quoted market prices, if available, or upon the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants and a market analysis of comparable assets, if appropriate.

- **Capitalized Interest** —Interest from external borrowings is capitalized on major projects with an expected construction period of six months or longer. Capitalized interest is added to the cost of the underlying asset's properties, plants and equipment and is amortized over the useful life of the assets.

- **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.

- **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. 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.

- **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

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-06, "Earnings Per Share (Topic 260) - Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions." This ASU specifies that for purposes of calculating historical earnings per unit under the two-class method, the earnings of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner and, therefore, the previously reported earnings per unit of the limited partners would not change as a result of the dropdown transaction. ASU 2015-06 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, and shall be applied retrospectively to each period presented. We have historically calculated earnings per unit after a dropdown transaction consistent with the approach required by ASU 2015-06. We adopted ASU 2015-06 effective in the third quarter of 2015. The adoption did not impact our consolidated financial statements.

Effective December 1, 2015, we early adopted the FASB ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs" and ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing these costs when they relate to a line-of-credit arrangement. Upon adoption, we reclassified $9.2 million as a reduction of debt on our 2015 consolidated balance sheet.

Note 4— Acquisitions

2015 Acquisitions
During 2015, we entered into agreements to acquire Phillips 66's equity interests in Sand Hills, Southern Hills, Explorer and Bayou Bridge Pipeline. See Note 5—Equity Investments for information regarding our equity investments.

2014 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 in 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, 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 2014 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 20—Related Party Transactions , for a summary of the terms of these agreements.

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.

Note 5— Equity Investments

Bakken Joint Ventures
In January 2015, we closed on agreements with Paradigm to form 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 (Phillips 66 Partners Terminal), and $4.9 million in cash for a 50 percent ownership interest in Paradigm Pipeline LLC (Paradigm Pipeline). We account for both joint ventures under the equity method of accounting due to governance provisions that require supermajority voting on all decisions that significantly impact the governance, management and economic performance of the joint ventures.

Sand Hills/Southern Hills/Explorer Pipeline Joint Ventures
In February 2015, we entered into a CCAA with subsidiaries of Phillips 66 to acquire 100 percent of Phillips 66's one-third equity interests in Sand Hills and Southern Hills and its 19.46 percent equity interest in Explorer. The Sand Hills Pipeline is a 1,190 -mile (including laterals), fee-based pipeline that transports NGL from plants in the Permian and Eagle Ford basins to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu, Texas, market hub. The Southern Hills Pipeline is a 940 -mile (including laterals), fee-based pipeline that transports NGL from the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub. The Explorer Pipeline is an approximately 1,830 -mile, refined petroleum product pipeline extending from the Texas Gulf Coast to Indiana, transporting refined petroleum products to more than 70 major cities in 16 U.S. states. The transaction closed on March 2, 2015. Total consideration for the transaction was $1.01 billion consisting of $880 million in cash, funded by a portion of the proceeds from a public offering of unsecured senior notes (Notes Offering) and a public offering of common units (Units Offering); in addition, we issued 1,587,376 common units to Phillips 66 and 139,538 general partner units to our General Partner to maintain its 2 percent general partner interest. Total transaction costs of $0.9 million were expensed as incurred in general and administrative expenses.

Bayou Bridge Joint Venture Acquisition
On October 29, 2015, we entered into a CCAA with Phillips 66 to acquire its 40 percent interest in Bayou Bridge Pipeline, a joint venture in which Energy Transfer Partners and Sunoco Logistics Partners each hold a 30 percent interest, with Sunoco Logistics serving as the operator.

Bayou Bridge Pipeline is developing the Bayou Bridge pipeline, which will deliver crude oil from the Phillips 66 and Sunoco Logistics Partners terminals in Nederland, Texas, to Lake Charles, Louisiana, and onward to St. James, Louisiana. Construction is underway on the 30 -inch Nederland to Lake Charles segment of the pipeline. The joint venture launched a binding expansion open season on October 1, 2015, to assess additional interest in transportation to refining markets in, and around, the St. James area. The results were used to determine the need for a 24 -inch diameter pipeline segment extending to St. James.

The transaction closed on December 1, 2015. Total consideration for the transaction was approximately $69.6 million , consisting of the assumption of a $34.8 million note payable to Phillips 66 that was immediately paid in full; the issuance of 606,056 common units to Phillips 66; and the issuance of 12,369 general partner units of the Partnership to the General Partner to maintain its 2 percent general partner interest in the Partnership.

The acquisitions of interests in the Sand Hills, Southern Hills, Explorer and Bayou Bridge Pipeline joint ventures represented transfers of investments between entities under common control. Accordingly, these equity investments were transferred at historical carrying value, but are included in the financial statements prospectively from the effective date of each acquisition.

The following table summarizes our equity investments at December 31, 2015 and 2014:

	Percentage Ownership	Millions of Dollars Carrying Value	
		2015	2014
Sand Hills	33.34%	**$ 430.5**	—
Southern Hills	33.34	**212.9**	—
Explorer	19.46	**102.4**	—
Phillips 66 Partners Terminal	70.00	**77.0**	—
Paradigm Pipeline LLC	50.00	**52.5**	—
Bayou Bridge Pipeline	40.00	**69.6**	—
Total equity investments		**$ 944.9**	—

Southern Hills has a negative basis difference of $98.4 million , which originated when the pipeline, formerly known as Seaway Products, was sold to a related party. The negative basis difference represents a deferred gain and will be amortized over 46 years. Explorer has a positive basis difference of $ 82.3 million , which represents fair value adjustments attributable to ownership increases in the pipeline. The positive basis difference will be amortized over periods of 12 and 18 years.

We use the equity method of accounting for our 70 percent interest in Phillips 66 Partners Terminal due to the requirement for supermajority (80 percent) or unanimous consent of the owners in key governance issues pertaining to the joint venture. We use the equity method of accounting for our 19.46 percent interest in Explorer due to our ability to exert significant influence through our representation on Explorer's board of directors.

Earnings from our equity investments for the years ended December 31, 2015 and 2014 were as follows:

	Millions of Dollars	
	2015	2014
Sand Hills	**$ 48.3**	—
Southern Hills	**14.0**	—
Explorer	**15.1**	—
Phillips 66 Partners Terminal	**(0.2)**	—
Paradigm Pipeline	**(0.1)**	—
Bayou Bridge Pipeline	**—**	—
Total equity in earnings of affiliates	**$ 77.1**	—

Summarized 100 percent financial information for all equity investments, combined, was as follows. Although the acquisition of Sand Hills, Southern Hills and Explorer closed on March 2, 2015, and the acquisition of Bayou Bridge Pipeline closed on December 1, 2015, the entire twelve-month periods ended December 31, 2015 and 2014, are presented in the table below for enhanced comparability.

	Millions of Dollars	
	2015	2014
Revenues	**$ 713.7**	564.3
Income before income taxes	**385.7**	257.0
Net income	**383.9**	210.0
Current assets	**268.9**	205.3
Noncurrent assets	**3,106.1**	2,688.1
Current liabilities	**179.6**	180.0
Noncurrent liabilities	**446.1**	400.9

Our share of income taxes incurred directly by equity investment companies is included in equity earnings of affiliates, and as such is not included in the provision for income taxes in our consolidated financial statements.

Distributions received from these affiliates were $89.1 million in 2015.

Note 6— Major Customer and Concentration of Credit Risk

Phillips 66 accounted for 96 percent , 95 percent and 94 percent of our total transportation and terminaling services revenues for the years ended December 31, 2015 , 2014 and 2013 , respectively. Through our wholly owned and joint venture operations, we provide crude oil, refined petroleum products and NGL pipeline transportation, terminaling and storage and crude oil gathering and rail-unloading 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 Phillips 66.

Note 7— Properties, Plants and Equipment

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

	Estimated Useful Lives	Millions of Dollars	
		2015	2014
Land		**$ 6.0**	17.4
Buildings and improvements	3 to 30 years	**30.0**	27.3
Pipelines and related assets*	10 to 45 years	**229.5**	165.0
Terminals and related assets*	25 to 45 years	**345.9**	334.7
Rail racks and related assets*	33 years	**136.3**	133.5
Construction-in-progress		**12.7**	54.5
Gross PP&E		**760.4**	732.4
Less: Accumulated depreciation		**(268.0)**	(247.3)
Net PP&E		**$ 492.4**	485.1

**Assets for which we are the lessor. See Note 14—Leases .*

Note 8— 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, 2015 , 2014 and 2013 . Goodwill was $2.5 million as of December 31, 2015 and 2014 .

Intangible Asset
In connection with the 2014 Palermo Rail Terminal Project Acquisition, we acquired an indefinite-lived intangible asset pertaining to a construction permit. During 2015, the intangible asset was contributed to our Bakken joint ventures and is now accounted for as an equity investment. As a result, there was no intangible asset balance at December 31, 2015 , and a balance of $8.4 million at December 31, 2014 .

Note 9— Asset Retirement Obligations and Accrued Environmental Costs

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

	Millions of Dollars	
	2015	2014
Asset retirement obligations	**$ 3.4**	3.5
Accrued environmental costs	**1.6**	—
Total asset retirement obligations and accrued environmental costs	**5.0**	3.5
Asset retirement obligations and accrued environmental costs due within one year	**(0.8)**	—
Long-term asset retirement obligations and accrued environmental costs	**$ 4.2**	3.5

Asset Retirement Obligations
We have asset removal obligations 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 2015 and 2014 , our overall asset retirement obligations changed as follows:

	Millions of Dollars	
	2015	2014
Balance at January 1	**$ 3.5**	2.4
Accretion of discount	**0.1**	0.1
New obligations	**0.1**	1.0
Changes in estimates of existing obligations	**(0.3)**	—
Balance at December 31	**$ 3.4**	3.5

We do not expect any short-term spending on asset retirement obligations and, as a result, there were no such current liabilities reported on the consolidated balance sheet at December 31, 2015 and 2014 .

Accrued Environmental Costs
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 environmental liabilities associated with the acquired assets arising prior to the effective date of each acquisition.

In April 2015, our pipeline that transports products from the Hartford Terminal to a dock on the Mississippi River experienced a diesel fuel release of approximately 800 barrels. The release was halted on the same day, and cleanup and remediation efforts followed. Costs recognized during 2015 associated with cleanup and remediation of the release were $5.0 million . We continue to work with the appropriate authorities and costs are subject to change if additional information regarding the extent of the environmental impact of the release becomes known. We carry property and third-party liability insurance, each in excess of $5.0 million self-insured retentions.

At December 31, 2015, we had $1.6 million of environmental accruals. In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

Note 10— Net Income Per Limited Partner Unit

Net income per unit applicable to common and subordinated units is computed by dividing the 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 the limited partners. The classes of participating securities as of December 31, 2015, included common units, general partner units and incentive distribution rights (IDRs). Basic and diluted net income per unit are the same because we do not have potentially dilutive instruments outstanding for the periods presented.

Net income earned by the Partnership is allocated between the limited partners and the General Partner (including the General Partner's IDRs) in accordance with our partnership agreement. First, earnings are allocated based on actual cash distributions made to our unitholders, including those attributable to the General Partner's IDRs. To the extent net income attributable to the Partnership exceeds or is less than cash distributions, this difference is allocated based on the unitholders' respective ownership percentages, after consideration of any priority allocations of earnings.

When our financial statements are retrospectively adjusted after a dropdown transaction, the earnings of the acquired business or asset, prior to the closing of the transaction, are allocated entirely to our General Partner, while the earnings per unit of our limited partners prior to the close of the transaction do not change as a result of the dropdown. After the closing of a dropdown transaction, the earnings of the acquired business are allocated in accordance with our partnership agreement as previously described.

	Millions of Dollars		
	2015	2014	2013
Net income attributable to the Partnership	**$ 194.2**	116.0	28.9
Less: General partner's distributions declared (including IDRs)*	**39.9**	7.9	0.5
Limited partners' distributions declared on common units*	**122.9**	48.1	13.4
Limited partner's distributions declared on subordinated units*	**13.0**	43.4	13.4
Distributions less than net income attributable to the Partnership	**$ 18.4**	16.6	1.6

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

	2015			
	General Partner (including IDRs)	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Net income attributable to the Partnership *(millions):*				
Distributions declared	**$ 39.9**	**122.9**	**13.0**	**175.8**
Distributions less than net income attributable to the Partnership	**1.1**	**14.5**	**2.8**	**18.4**
Net income attributable to the Partnership	**$ 41.0**	**137.4**	**15.8**	**194.2**
Weighted average units outstanding:				
Basic	**1,649,169**	**68,173,891**	**12,736,051**	**82,559,111**
Diluted	**1,649,169**	**68,173,891**	**12,736,051**	**82,559,111**
Net income per limited partner unit *(dollars):*				
Basic		**$ 2.02**	**1.24**	
Diluted		**2.02**	**1.24**	

	2014			
	General Partner (including IDRs)	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Net income attributable to the Partnership *(millions):*				
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):*				
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, 2016 , the Board of Directors of our General Partner declared a quarterly cash distribution of $0.4580 per limited partner unit which, combined with distributions to our General Partner, will result in total distributions of $51.4 million attributable to the fourth quarter of 2015. This distribution was paid February 12, 2016 , to unitholders of record as of February 3, 2016 .

Subordinated Unit Conversion

Following the May 12, 2015, payment of the cash distribution attributable to the first quarter of 2015, the requirements under the partnership agreement for the conversion of all subordinated units into common units were satisfied. As a result, in the second quarter of 2015, the 35,217,112 subordinated units held by Phillips 66 converted into common units on a one-for-one basis, and thereafter participate on terms equal with all other common units in distributions of available cash. The conversion of the subordinated units does not impact the amount of cash distributions paid by us or the total number of outstanding units.

Note 11— Debt

Long-term debt at December 31, 2015 and 2014 was:

	Millions of Dollars	
	2015	2014
2.646% Senior Notes due 2020	**$ 300.0**	—
3.605% Senior Notes due 2025	**500.0**	—
4.680% Senior Notes due 2045	**300.0**	—
Revolving credit facility	**—**	18.0
Note payable to Phillips 66 due 2019 at 3.0%	**—**	160.0
Note payable to Phillips 66 due 2019 at 3.1%	**—**	244.0
Note payable to Phillips 66 due 2019 at 2.9%	**—**	7.6
Debt at face value	**1,100.0**	429.6
Unamortized discounts and debt issuance costs	**(9.3)**	—
Total debt	**1,090.7**	429.6
Short-term debt	**—**	—
Long-term debt	**$ 1,090.7**	429.6

Senior Notes
On February 23, 2015, we closed on the Notes Offering of $1.1 billion aggregate principal amount of unsecured senior notes consisting of:

- $300 million of 2.646% Senior Notes due February 15, 2020.
- $500 million of 3.605% Senior Notes due February 15, 2025.
- $300 million of 4.680% Senior Notes due February 15, 2045.

Total proceeds (net of underwriting discounts) received from the Notes Offering were $1,092.0 million . We utilized a portion of the net proceeds to partially fund the acquisition of the Sand Hills, Southern Hills and Explorer equity investments. In addition, the Partnership used a portion of the proceeds to repay the three notes payable to a subsidiary of Phillips 66. Interest on each series of senior notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2015.

As of December 31, 2015, the aggregate fair value of the senior notes was $939.1 million , which we estimated using quoted market prices of comparable notes. The fair value was determined using Level 2 inputs.

Revolving Credit Facility
On November 21, 2014, we entered into a first amendment (the Amendment) to our revolving credit agreement (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. During the first quarter of 2015, we repaid all amounts borrowed under our revolving credit facility. No amounts were outstanding at December 31, 2015.

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 bore interest at a fixed rate of 3 percent per annum. Interest on the note was payable quarterly, and all principal and accrued interest was 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 bore interest at a fixed rate of 3.1 percent per annum. Interest on the note was payable quarterly, and all principal and accrued interest was 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 bore interest at a fixed rate of 2.9 percent per annum. Interest on the note was payable quarterly, and all principal and accrued interest was 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.

During the first quarter of 2015, we repaid all amounts borrowed under these notes to Phillips 66’s subsidiaries.

Note 12— Equity

Common Units Offering
In February 2015, we completed the public offering of an aggregate of 5,250,000 common units representing limited partner interests at a price of $75.50 per common unit (Units Offering). The Partnership received proceeds (net of underwriting discounts) of $384.5 million from the Units Offering. The Partnership utilized a portion of the net proceeds from the Units Offering to partially fund the acquisition of the Sand Hills, Southern Hills and Explorer equity investments and to repay amounts outstanding under our revolving credit facility. We are using the remaining proceeds to fund expansion capital expenditures and for general partnership purposes.

Note 13— 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.

In April 2015, our pipeline that transports products from the Hartford Terminal to a dock on the Mississippi River experienced a diesel fuel release of approximately 800 barrels. The release was halted on the same day, and cleanup and remediation efforts followed. Costs recognized during 2015 associated with cleanup and remediation of the release were $5.0 million . We continue to work with the appropriate authorities and costs are subject to change if additional information regarding the extent of the environmental impact of the release becomes known. We carry property and third-party liability insurance, each in excess of $5.0 million self-insured retentions.

At December 31, 2015, we had $1.6 million of environmental accruals. In the future, we may be involved in additional environmental assessments, cleanups and proceedings. See Note 9—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, 2015 and 2014 , 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. For assets acquired from Phillips 66 after the Offering, Phillips 66 indemnifies us for certain environmental liabilities, tax liabilities, and litigation and other matters attributable to these assets. This indemnity is subject to a deductible of one percent of the purchase price and an aggregate cap of 10 to 15 percent of the purchase price.

Excluded Liabilities of 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 assets, or other activities occurring in connection with and attributable to the ownership or operation of the 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 assets, or other activities occurring in connection with and attributable to the ownership or operation of the assets, from and after the effective date of each acquisition.

Note 14— Leases

Lessor
We have transportation services agreements, terminal services agreements and storage services agreements with Phillips 66 that are considered operating leases under GAAP. 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, 2015 , future minimum payments to be received related to these agreements were estimated to be:

		Millions of Dollars
2016	$	236.6
2017		236.1
2018		217.0
2019		186.4
2020		182.5
2021 and thereafter		620.2
Total	$	1,678.8

Lessee
We have 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. For the year ended December 31, 2015, the operating lease rental expense was $1.9 million . The future minimum lease payments as of December 31, 2015 , for the operating lease obligation were:

		Millions of Dollars
2016	$	1.9
2017		1.9
2018		1.9
2019		1.9
2020		1.9
Remaining years		64.1
Total minimum lease payments	$	73.6

Note 15— Employee Benefit Plans

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 Phillips 66. Those employees participate in the pension, postretirement health insurance and defined contribution benefit plans sponsored by Phillips 66. Most employees of Phillips 66 who provide direct support to our operations do so under the provisions of the amended operational services agreement, which burdens labor charges with benefit costs. For those remaining Phillips 66 employees who directly support our business, their pension, postretirement health insurance and defined contribution benefit plan costs were $0.4 million , $0.3 million and $0.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Note 16— 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, 2015 , 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 date the phantom unit is settled after the vesting period (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, 2015 , 2014 , and 2013, we granted a total of 2,343 , 4,161 and 2,171 phantom units, respectively, to three non-employee directors of the Partnership. 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 17— 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		
	2015	2014	2013
Current	**$ 0.2**	0.5	0.4
Deferred	**0.1**	0.3	0.1
Total	**$ 0.3**	0.8	0.5

At December 31, 2015 and 2014 , we had a deferred tax liability of $0.3 million and a deferred tax asset of $0.5 million , respectively. The deferred tax liability was primarily associated with PP&E and equity investments. The deferred tax asset was primarily associated with PP&E, partially offset by deferred rentals. In conjunction with the acquisition of Sand Hills, Southern Hills and Explorer, a deferred tax liability of $0.7 million was recorded in the equity account titled General partner - Phillips 66.

Our effective tax rate was 0.2 percent , 0.6 percent and 0.5 percent , respectively, for the years ended December 31, 2015 , 2014 and 2013 . The lower effective tax rate in 2015 was primarily associated with a decrease in the amount of income subject to Texas tax.

As of December 31, 2015 and 2014 , 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, 2015 , 2014 and 2013 . Texas and Illinois tax returns for 2013 to 2015 are subject to examination.

Note 18— Cash Flow Information

The 2014 and 2015 acquisitions had cash and noncash elements. The common and general partner units issued to Phillips 66 in the Gold Line/Medford, Bayway/Ferndale/Cross-Channel, and Sand Hills/Southern Hills/Explorer 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. 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. 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 allocated value of $6.0 million (a noncash financing activity).

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. In December 2014, $5.5 million of the consideration was cash paid (an investing cash outflow), and $6.3 million was reflected as a payable to Phillips 66 at December 31, 2014.

Sand Hills, Southern Hills and Explorer Acquisition
We attributed $734.3 million of the total $880.0 million cash consideration paid to the investment balance of the Sand Hills, Southern Hills and Explorer equity investments acquired (an investing cash outflow). The remaining $145.7 million of excess cash consideration was deemed a distribution to our General Partner (a financing cash outflow).
Bayou Bridge Joint Venture Acquisition
Total consideration paid for the transaction was approximately $69.6 million , consisting of the assumption of a $34.8 million note payable to Phillips 66 that was immediately paid in full (an investing cash outflow), and the issuance of common and general partner units to Phillips 66 with an aggregate fair value of $34.8 million (a noncash investing and financing activity).

Our capital expenditures and investments consisted of:

	Millions of Dollars		
	2015	2014	2013
Capital Expenditures and Investments			
Capital expenditures and investments attributable to Predecessors	**$ —**	90.8	84.1
Capital expenditures and investments attributable to the Partnership	**205.0**	66.1	3.9
Total capital expenditures and investments	**$ 205.0**	156.9	88.0

	Millions of Dollars		
	2015	2014	2013
Other Noncash Investing and Financing Activities			
Certain liabilities of acquired assets retained by Phillips 66 (1)	**$ —**	14.8	—
Contributions of net assets into joint ventures	**43.1**	—	—
Cash Payments			
Interest and debt expense	**$ 17.8**	3.3	0.3
Income taxes	**0.3**	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 13—Contingencies for additional information on these excluded liabilities associated with the Acquired Assets.

Note 19— Other Financial Information

	Millions of Dollars		
	2015	2014	2013
Interest and Debt Expense			
Incurred			
Debt	**$ 37.0**	5.3	0.3
Other	**1.1**	—	—
	38.1	5.3	0.3
Capitalized	**(4.2)**	—	—
Expensed	**$ 33.9**	5.3	0.3

Other Income			
Interest Income	**$ 0.2**	0.1	0.2
Co-venturer contractual make-whole payments	**5.2**	—	—
Total other income	**$ 5.4**	0.1	0.2

Note 20— Related Party Transactions

Commercial Agreements
In connection with the Offering and subsequent acquisitions from Phillips 66, we entered into multiple commercial agreements with Phillips 66, including transportation services agreements, terminal services agreements, storage services agreements, stevedoring services agreements and rail terminal services agreements. Under these long-term, fee-based agreements, we provide transportation, terminaling, storage, stevedoring and rail terminal services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products or minimum monthly service fees. Under our transportation and terminaling services agreements, if Phillips 66 fails to transport, throughput or store its minimum throughput volume during any quarter, then Phillips 66 will pay us a deficiency payment based on the calculation described in the agreement.

Amended Operational Services Agreement
Under our amended operational services agreement, we reimburse Phillips 66 for providing certain operational services to us in support of our pipelines, terminaling 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.

Amended Omnibus Agreement
The amended omnibus 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. 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.

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 our results of operations being included in a combined or consolidated tax return filed by Phillips 66 with respect to taxable periods including or beginning on or after 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. However, we would nevertheless 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		
	2015	2014	2013
Operating and maintenance expenses	**$ 33.7**	30.8	24.6
General and administrative expenses	**22.2**	21.2	18.3
Interest and debt expense	**1.9**	4.7	—
Total	**$ 57.8**	56.7	42.9

We pay Phillips 66 a monthly operational and administrative support fee under the terms of our amended omnibus agreement in the amount of $2.5 million . In prior periods, the monthly fee paid to Phillips 66 was $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 from December 1, 2014 through March 1, 2015.

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 of our amended omnibus agreement. 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. 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 include volumetric gain/loss associated with volumes transported by Phillips 66.

Note 21— New Accounting Standards

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments-Overall (Subtopic 825-10),” to meet its objective of providing more decision-useful information about financial instruments. The majority of this ASU’s provisions amend only the presentation or disclosures of financial instruments; however, one provision will also affect net income. Equity investments carried under the cost method or lower of cost or fair value method of accounting, in accordance with current generally accepted accounting principles, will have to be carried at fair value upon adoption of ASU 2016-01, with changes in fair value recorded in net income. For equity investments that do not have readily determinable fair values, a company may elect to carry such investments at cost less impairments, if any, adjusted up or down for price changes in similar financial instruments issued by the investee, when and if observed. Public business entities should apply the guidance in ASU 2016-01 for annual periods beginning after December 15, 2017, and interim

periods within those annual periods, with early adoption prohibited. We are currently evaluating the provisions of ASU 2016-01 and assessing the impact, if any, it may have on our financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes - Balance Sheet Classification of Deferred Taxes.” The new update will simplify the presentation of deferred income taxes and will require deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The classification shall be made at the tax-paying component level of an entity, after reflecting any offset of deferred tax liabilities, deferred tax assets and any related valuation allowances. Public business entities should apply the guidance in ASU 2015-17 for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application for public entities is permitted. The amendments can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We are currently evaluating the provisions of ASU 2015-17, but do not expect it to have a material impact on our financial statements.

In June 2014, the FASB issued ASU 2014-10, “Development Stage Entities (Topic 915).” The new standard removes the definition of a development stage entity from the Master Glossary of Accounting Standard Codification and the related financial reporting requirements specific to development stage entities. This ASU is intended to reduce cost and complexity of financial reporting for entities that have not commenced planned principal operations. For financial reporting requirements other than the variable interest entity (VIE) guidance in ASC Topic 810, “Consolidation,” ASU 2014-10 was effective for annual and quarterly reporting periods of public entities beginning after December 15, 2014. For the financial reporting requirements related to variable interest entities in ASC Topic 810, “Consolidation,” ASU 2014-10 is effective for annual and quarterly reporting periods of public entities beginning after December 15, 2015. Early application for public entities is permitted. We are currently evaluating the provisions of ASU 2014-10. Our preliminary assessment indicates that additional disclosures related to VIEs may be required for our joint ventures if the planned principal operations have not commenced.

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. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date.” The amendment in this ASU defers the effective date of ASU 2014-09 for all entities for one year. Public business entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods within that reporting period. Retrospective or modified retrospective application of the accounting standard is required. 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. As part of our assessment work to-date, we have formed an implementation work team, completed training of the new ASU’s revenue recognition model and begun contract review and documentation.

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
2015						
First	**$ 70.1**	**35.6**	**35.4**	**35.4**	**29.0**	**0.39**
Second	**83.8**	**41.9**	**42.0**	**42.0**	**33.0**	**0.50**
Third	**91.4**	**52.4**	**52.3**	**52.3**	**40.8**	**0.50**
Fourth	**102.8**	**64.6**	**64.5**	**64.5**	**50.4**	**0.61**
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

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, 2015 , 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, 2015 .

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, 2015, 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 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 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. Greg G. Maxwell served as a Director and Vice President and Chief Financial Officer of our General Partner until his retirement at the end of 2015. 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	58
Tim G. Taylor	Director and President	62
Robert A. Herman	Director and Senior Vice President, Operations	56
Kevin J. Mitchell	Director, Vice President and Chief Financial Officer	49
C.C. (Clayton) Reasor	Director and Vice President, Investor Relations	59
J.T. (Tom) Liberti	Vice President and Chief Operating Officer	63
Chukwuemeka A. Oyolu	Vice President and Controller	46
Joseph W. O'Toole	Director	77
Mark A. Haney	Director	60
Gary K. Adams	Director	65

**On February 12, 2016.*

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 35-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 and Explorer Pipeline. 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. 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.

Kevin J. Mitchell has served as Vice President, Chief Financial Officer and a member of the Board of Directors of our General Partner since January 2016. Mr. Mitchell previously served as the Vice President, Investor Relations, for Phillips 66 since joining Phillips 66 in September 2014 and became Executive Vice President, Finance and Chief Financial Officer in January 2016. Mr. Mitchell 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 joining Phillips 66, he served as the General Auditor of ConocoPhillips from May 2010 until September 2014. Mr. Mitchell joined Conoco in 1991 and held a variety of finance and accounting positions with Conoco and ConocoPhillips, including General Manager of Upstream Finance, Strategy and Planning; Vice President, Finance and Administration for ConocoPhillips Alaska; and Manager of Treasury Services. Mr. Mitchell is a Certified Internal Auditor and a fellow with the Chartered Institute of Management Accountants. We believe that Mr. Mitchell is a suitable member of the Board of Directors because of his industry experience and knowledge of industry accounting and financial practices.

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 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 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 in 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, 2015, all Section 16(a) reports applicable to our officers and directors were filed on a timely basis, except as noted below:

- As disclosed in the Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2015, all 35,217,112 issued and outstanding subordinated units representing limited partner interests held by Phillips 66 Company were converted into Common Units on a one-for-one basis at the end of the subordination period pursuant to the terms of the Partnership's First Amended and Restated Agreement of Limited Partnership. The Form 4 related to this transaction was filed on October 2, 2015.

- On August 1, 2015, Phillips 66 Company transferred its ownership of 57,742,986 common units to Phillips 66 Project Development Inc. along with all of the membership interests in our General Partner. The Form 3 related to this transaction was filed on October 2, 2015.

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. 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 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, chief financial officer and the next three most highly compensated executive officers, who for 2015 were:

- 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.

At the end of 2015, Mr. Maxwell retired as the Vice President and Chief Financial Officer of our General Partner. Kevin J. Mitchell became the Vice President and Chief Financial Officer in January 2016.

Compensation Discussion and Analysis
Messrs. Garland, Maxwell, Taylor and Oyolu, who were also executive officers of Phillips 66 during 2015, devoted the majority of their time to their respective roles at Phillips 66 and also spent 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 did not receive any separate amounts of compensation for their services to our business or as executive officers of our General Partner during 2015 and, except for the fixed operational and administrative support fee we pay to Phillips 66, we did 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 20—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, 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 devoted a small portion of their overall working time to our business during 2015 and the compensation these NEOs received from Phillips 66 in relation to their services for us did 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, Mitchell, Taylor and Oyolu under the ICP, we will not pay or reimburse any compensation amounts to or for Messrs. Garland, Mitchell, 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 2016 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 2015, 2014 and 2013, Mr. Liberti had an annualized target bonus of 49 percent of his eligible earnings.

The base award is weighted equally for corporate and business unit performance. For 2013, 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 and 2015, 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 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 paid 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 received an upward individual adjustment of 25 percent. For 2015, Phillips 66 paid a cash bonus to Mr. Liberti at a level of approximately 172.5 percent of his target award to recognize the overall Company performance, the performance of his business unit and an adjustment of 15 percent of target to recognize his individual contributions.

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. 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 of target. For the performance periods presented, payout levels for the Performance Share Program (PSP) awards were 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 for performance periods ending in 2013 and 2014 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. For performance periods ending in 2015, payouts for the PSP were made in cash at the end of the performance period, with no escrow period.

For PSP performance periods beginning in 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.

For 2013, 2014 and 2015 Phillips 66's long-term incentive program delivers 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.

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. In 2015, Phillips 66 began providing executive health and financial planning benefits to its executive officers subject to certain eligibility requirements. 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 are 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 2015.

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 2016 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 12, 2016:

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

Summary Compensation Table

The following table summarizes the compensation for our NEOs for fiscal years 2015, 2014 and 2013.

Name and Principal Position	Year	Salary [2] ($)	Stock Awards [3] ($)	Stock Options [4] ($)	Non-Equity Incentive Compensation Plan [5] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [6] ($)	All Other Compensation [7] ($)	Total($)
Greg C. Garland, Chief Executive Officer [1]	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
Greg G. Maxwell, Vice President and Chief Financial Officer [1]	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
Tim G. Taylor, President [1]	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
Chukwuemeka A. Oyolu, Vice President and Controller [1]	2015	—	—	—	—	—	—	—
	2014							
J.T. (Tom) Liberti, Vice President and Chief Operating Officer	2015	334,536	439,789	126,228	307,355	385,851	35,054	1,628,813
	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

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

(3) 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 and ending in 2015, 2016 and 2017. Actual payout for the performance period that ended in 2015 was approved by the Phillips 66 Compensation Committee at its February 2016 meeting. The fair market value on the date of payout was $661,980. On February 3, 2015, Mr. Liberti received a grant of 2,034 restricted stock units under the Phillips 66 Restricted Stock Program valued at $150,791, 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.

(4) 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.

(5) These are amounts paid under Phillips 66's annual bonus program for 2013, 2014 and 2015, including bonus amounts that were voluntarily deferred under the Key Employee Deferred Compensation Plan. These amounts were paid in February 2014, February 2015 and February 2016, respectively.

(6) 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.

(7) 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		—	163,923	409,807	—	—	—	—	—	—	—
	2/3/2015	—	—	—	—	—	—	2,034	—	—	150,791
	2/3/2015	—	—	—	—	4,356	8,712	—	—	—	288,999
	2/3/2015	—	—	—	—	—	—	—	6,700	74.135	126,228

(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 2015 are calculated using base salary earned in 2015 and reflected in the "Non-Equity Incentive Compensation Plan" column of the "Summary Compensation Table".

(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 2015, Mr. Liberti received an award for the three-year performance period beginning in 2015 and ending in 2017. 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, 2015. 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, 2015, 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	21,749	—	32.030	2/9/2022				
	2/7/2013	3,333	1,667	62.170	2/7/2023				
	2/6/2014	2,133	4,267	72.555	2/6/2024				
	2/3/2015	—	6,700	74.135	2/3/2025				
						49,566	4,054,499	15,482	1,266,428

(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 2015 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, 2015, 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, 2015 ($81.80).

(5) Reflects potential awards from ongoing performance periods under the PSP for performance periods ending December 31, 2016, and December 31, 2017. These awards are shown at maximum 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, 2015 ($81.80).

Option Exercises and Stock Vested

The following table summarizes the value received from stock option exercises and stock grants vested during 2015 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	—	—	64	5,071

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, 2015, 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	15	830,892	—
	Phillips 66 Key Employee Supplemental Retirement Plan	15	1,117,674	—
	Phillips 66 Supplemental Executive Retirement Plan	15	1,025,590	—

(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, 2015, 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]	—	6,954	356	—	34,926

(1) Mr. Liberti participates in the Phillips 66 Defined Contribution Make-Up Plan (DCMP). As of December 31, 2015, 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".
(3) These amounts represent earnings on plan balances from January 1 to December 31, 2015. These amounts are not included in the "Summary Compensation Table".
(4) The total reflects contributions by Mr. Liberti, contributions by us, and earnings on balances prior to 2015; plus contributions by Mr. Liberti, contributions by us, and earnings from January 1, 2015, through December 31, 2015 (shown in the appropriate columns of this table, with amounts that are included in the "Summary Compensation Table" 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	514,044	—	685,392	—	—
Short-term incentive	251,882	(167,921)	545,498	—	—
2013-2015 (performance period)	—	(688,756)	—	—	—
2014-2016 (performance period)	—	(184,623)	—	—	—
2015-2017 (performance period)	—	(149,792)	—	—	—
Restricted stock/units from prior performance and inducement	—	(3,365,743)	—	—	—
Stock options/stock appreciation rights	—	(124,807)	—	—	—
Unvested and accelerated	—	—	—	—	—
Incremental pension	276,450	—	368,601	—	—
Post-employment health and welfare	31,934	—	42,579	—	—
Life insurance	—	—	—	342,696	—
	1,074,310	(4,681,642)	1,642,070	342,696	—

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. Our Board of Directors periodically benchmarks our independent director compensation with a group of peer partnerships. Based on this benchmarking, effective August 1, 2015, the annual cash retainer for the chairmen of the Audit Committee and Conflicts Committee was increased to $15,000 and each member of the Conflicts Committee other than the Chairman receives a cash retainer of $10,000. Effective January 1, 2016, the annual equity based compensation was increased to $80,000.

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 2015.

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	82,559	50,013	—	—	—	176	132,748
Mark A. Haney	74,167	50,013	—	—	—	—	124,180
Joseph W. O'Toole	82,084	50,013	—	—	—	134	132,231

(1) Reflects 2015 base cash compensation of $70,000 payable to each non-employee director and reflects the increased committee retainers approved in August 2015. In 2015, 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. No directors elected to defer their cash compensation in 2015.

(2) Amounts represent the grant date fair value of unit awards. In 2015, 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 $50,013 being granted on January 15, 2015.

(3) Represents fees for ground transportation associated with Board meetings.

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, 2015.

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	8,675 [2]	$ —	2,491,325
Equity compensation plans not approved by security holders	—	—	—
Total	8,675	$ —	2,491,325

(1) Includes awards issued under the ICP.
(2) Includes 8,675 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, 2015.

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 12, 2016.

Name and Address	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned
Phillips 66 Project Development Inc. [1] 3010 Briarpark Drive Houston, TX 77042	58,349,042	69.3%
Tortoise Capital Advisors, L.L.C. [2] 11550 Ash Street Suite 300 Leawood, KS 66211	5,305,338	6.4%

(1) Phillips 66 is the parent company of Phillips 66 Company, which is the parent company of Phillips 66 Project Development Inc., the sole owner of the member interests of our General Partner. Phillips 66 Project Development Inc. is the owner of 58,349,042 common units. Phillips 66 and Phillips 66 Company may, therefore, be deemed to beneficially own the units held by Phillips 66 Project Development Inc.
(2) Based solely on an amendment to Schedule 13G filed with the SEC on February 9, 2016, 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 12, 2016.

Name of Beneficial Owner *	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned
NEOs and Directors		
Greg C. Garland	35,000	**
Kevin J. Mitchell	—	**
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)	217,496	**

**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 12, 2016, 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	72,577	677,564	472,993	**
Kevin J. Mitchell	1,370	55,862	3,300	**
J.T. (Tom) Liberti	6,698	43,213	32,978	**
Tim G. Taylor	36,183	172,262	136,159	**
C.C. (Clayton) Reasor	18,667	93,907	125,704	**
Robert A. Herman	8,186	87,582	157,865	**
Chukwuemeka A. Oyolu	4,259	29,343	4,100	**
Joseph W. O'Toole	—	—	—	—
Mark A. Haney	—	—	—	—
Gary K. Adams	—	—	—	—
All Directors and Executive Officers as a Group (10 Persons)	147,940	1,159,733	933,099	**

(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 12, 2016, 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, 2015, our General Partner, Phillips 66 Partners GP LLC, and its affiliates owned 58,349,042 common units, representing a 69.3 percent limited partner interest in us. In addition, our General Partner owned 1,683,425 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 Project Development Inc., as a holder of 58,349,042 common 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 $1.4 million on the 2 percent general partner interest and $49.6 million on their common 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 "2015 Developments" in Items 1 and 2. Business and Properties, for a description of our transactions and related agreements with Phillips 66 in 2015. See the "Commercial Agreements," "Amended Operational Services Agreement," "Amended Omnibus Agreement" and "Tax Sharing Agreement" sections of Note 20—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 person 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 person 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, 2015 and 2014, for professional services performed by our independent registered public accounting firm, Ernst & Young LLP (EY).

	Millions of Dollars	
	2015	2014
Fees		
Audit fees (1)	**$ 1.3**	1.5
Audit-related fees	**—**	—
Tax fees	**—**	—
All other fees	**—**	—
Total	**$ 1.3**	1.5

(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 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 65, 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 119 to 124, are filed as part of this Annual Report.

(c) Pursuant to Rule 3-09 of Regulation S-X, the financial statements of DCP Sand Hills Pipeline, LLC as of December 31, 2015, and for the period from March 2, 2015, through December 31, 2015, are included as an exhibit to this Annual Report on Form 10-K.

PHILLIPS 66 PARTNERS LP

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		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
4.1	Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of senior debt securities of Phillips 66 Partners LP.	8-K	4.1	2/23/2015	001-36011
4.2	First Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2020 Notes.	8-K	4.2	2/23/2015	001-36011
4.3	Second Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2025 Notes.	8-K	4.3	2/23/2015	001-36011
4.4	Third Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2045 Notes.	8-K	4.4	2/23/2015	001-36011
4.5	Form of the 2020 Notes (included in Exhibit 4.2 as Exhibit A to the Appendix thereto).	8-K	4.5	2/23/2015	001-36011
4.6	Form of the 2025 Notes (included in Exhibit 4.3 as Exhibit A to the Appendix thereto).	8-K	4.6	2/23/2015	001-36011
4.7	Form of the 2045 Notes (included in Exhibit 4.4 as Exhibit A to the Appendix thereto).	8-K	4.7	2/23/2015	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

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
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	Contribution, Conveyance and Assumption Agreement, dated as of February 13, 2015, by and among Phillips 66 Company, Phillips 66 Partners GP LLC, Phillips 66 Pipeline LLC and Phillips 66 Partners LP.	8-K	2.1	2/17/2015	001-36011
10.7*	Contribution, Conveyance and Assumption Agreement dated as of October 29, 2015, by and among Phillips 66 Partners LP, Phillips 66 Gulf Coast Pipeline LLC, Phillips 66 Project Development Inc., Phillips 66 Company, and Phillips 66 Partners GP LLC.				
10.8	Formation and Contribution Agreement with Paradigm Energy Partners, LLC, dated as of November 21, 2014.	10-K	10.6	2/13/15	001-36011
10.9	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
10.10	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
10.11	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

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.12	Third Amendment to the Omnibus Agreement, dated as of March 2, 2015, 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	3/2/2015	001-36011
10.13	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
10.14	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
10.15	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
10.16	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
10.17	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
10.18	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
10.19	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
10.20	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
10.21	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
10.22	Second Amended and Restated Limited Liability Company Agreement of DCP Sand Hills Pipeline, LLC by and among DCP Midstream, LP, Spectra Energy Sand Hills Holding, LLC and Phillips 66 Sand Hills LLC dated as of September 3, 2013.	10-Q	10.3	5/1/2015	001-36011

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.23	First Amendment to the Second Amended and Restated Limited Liability Company Agreement of DCP Sand Hills Pipeline, LLC.	10-Q	10.4	5/1/2015	001-36011
10.24	Second Amended and Restated Limited Liability Company Agreement of DCP Southern Hills Pipeline, LLC by and among DCP LP Holdings, LLC, Spectra Energy Southern Hills Holding, LLC and Phillips 66 Southern Hills LLC dated as of September 3, 2013.	10-Q	10.5	5/1/2015	001-36011
10.25	First Amendment to the Second Amended and Restated Limited Liability Company Agreement of DCP Southern Hills Pipeline, LLC.	10-Q	10.6	5/1/2015	001-36011
10.26†	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
10.27†	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
10.28	First Amendment, dated September 18, 2015, to Terminal Services Agreement (Hartford and Pasadena) dated as of July 26, 2013, between Phillips 66 Carrier LLC and Phillips 66 Company.	10-Q	10.1	10/30/2015	001-36011
10.29†	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	2/21/2014	001-36011
10.30†	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
10.31†	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
10.32†	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
10.33	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
10.34†	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

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
10.35†	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
10.36	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
10.37*††	Amended and Restated Limited Liability Company Agreement of Bayou Bridge Pipeline, LLC, dated July 9, 2015.				
10.38*	Addendum Agreement dated December 1, 2015, by and between Phillips 66 Partners Holdings LLC and Bayou Bridge Pipeline, LLC.				
10.39**	Phillips 66 Partners LP 2013 Incentive Compensation Plan.	8-K	10.1	7/26/2013	001-36011
10.40**	Phillips 66 Partners GP LLC Deferred Compensation Plan for Non-Employee Directors.	10-Q	10.12	8/20/2013	001-36011
10.41**	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.				
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm.				
23.2*	Consent of Deloitte & Touche LLP, independent auditors of DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC.				
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.				
99*	The financial statements of DCP Sand Hills Pipeline, LLC, pursuant to Rule 3-09 of Regulation S-X.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
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.

†† Confidential treatment has been requested for certain portions of this Exhibit pursuant to a confidential treatment request filed with the Securities and Exchange Commission on February 12, 2016. 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 12, 2016

/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 12, 2016 , 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/ Kevin J. Mitchell *Kevin J. Mitchell*	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/ Robert A. Herman	Director
Robert A. Herman	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

CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

by and among

PHILLIPS 66 COMPANY

PHILLIPS 66 GULF COAST PIPELINE LLC

PHILLIPS 66 PROJECT DEVELOPMENT INC.

PHILLIPS 66 PARTNERS GP LLC

and

PHILLIPS 66 PARTNERS LP

dated as of

October 29, 2015

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EXHIBITS AND SCHEDULES

Exhibit A	Form of Assignment of Membership Interest (Bayou Bridge)
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CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Contribution, Conveyance and Assumption Agreement (this " Agreement ") is made and entered into as of October 29, 2015 by and among Phillips 66 Company, a Delaware corporation (" P66 "), Phillips 66 Gulf Coast Pipeline LLC, a Delaware limited liability company (" Pipeline "), Phillips 66 Project Development Inc., a Delaware corporation (" PDI " and, together with P66 and Pipeline, the " P66 Parties "), Phillips 66 Partners GP LLC, a Delaware limited liability company (the " General Partner "), and Phillips 66 Partners LP, a Delaware limited partnership (the " Partnership "). P66, Pipeline, PDI, the General Partner and the Partnership are sometimes referred to herein collectively as the " Parties " and individually as a " Party ."

RECITALS :

WHEREAS, Bayou Bridge Pipeline, LLC, a Delaware limited liability company (" Bayou Bridge "), is a joint venture formed in July 2015 by ETC Bayou Bridge Holdings, LLC, Sunoco Pipeline L.P. and Pipeline that is designing and constructing a crude oil pipeline system extending from Nederland, Texas to Lake Charles and St. James, Louisiana (the " Project ");

WHEREAS, PDI owns 100% of the limited liability company interests in Pipeline, and Pipeline owns a forty percent (40%) limited liability company interest in Bayou Bridge (the " Bayou Bridge Interest ");

WHEREAS, Pipeline intends to distribute the Bayou Bridge Interest to PDI, and PDI intends to contribute the Bayou Bridge Interest to the Partnership in exchange for the consideration, and on the terms and conditions, set forth in this Agreement; and

WHEREAS, as of the Effective Time (as defined below), each of the events and transactions set forth in Section 2.1 below shall occur.

NOW, THEREFORE, in consideration of the mutual undertakings and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms below:

" Affiliate " means, with respect to any Person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with, such specified Person through one or more intermediaries or otherwise; *provided, however,* that (a) with respect to Pipeline, the term "Affiliate" shall not include any Group Member and (b) with respect to the Partnership Group, the term "Affiliate" shall not include Phillips 66 Company, a Delaware corporation, or any of its Subsidiaries (other than a Group Member), including PDI and Pipeline.

" Agreement " has the meaning set forth in the preamble to this Agreement.

“ ASC 805-50 ” has the meaning set forth in Section 5.2 .

“ Assignment of Membership Interest (Bayou Bridge) ” means that certain Assignment of Membership Interest in the form attached as Exhibit A hereto.

“ Assignment of Note ” means that certain Assignment and Assumption of Note in the form attached as Exhibit B hereto.

“ Assumed Debt ” has the meaning set forth in Section 2.2 .

“ Assumed Liabilities ” has the meaning set forth in Section 2.4 .

“ Bayou Bridge ” has the meaning set forth in the recitals to this Agreement.

“ Bayou Bridge Interest ” has the meaning set forth in the recitals to this Agreement.

“ Bayou Bridge LLC Agreement ” means that certain Amended and Restated Limited Liability Company Agreement of Bayou Bridge Pipeline, LLC, dated as of July 9, 2015, by and among Pipeline and the other parties thereto.

“ Cap ” has the meaning set forth in Section 8.8(a) .

“ Closing ” has the meaning set forth in Section 7.1 .

“ Closing Date ” has the meaning set forth in Section 7.1 .

“ Code ” means the Internal Revenue Code of 1986, as amended.

“ Commission ” means the United States Securities and Exchange Commission.

“ Common Units ” has the meaning set forth in the Partnership Agreement.

“ Consent ” has the meaning set forth in Section 3.4 .

“ Contract ” means any contract, commitment, instrument, undertaking, lease, note, mortgage, indenture, settlement, Permit or other legally binding agreement.

“ Contributed Interests ” has the meaning set forth in the Section 2.1 .

“ Control ” means, where used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms “Controlling” and “Controlled” have correlative meanings.

“ Damages ” has the meaning set forth in Section 8.1 .

“ Deductible ” has the meaning set forth in Section 8.8(a) .

" Effective Time " means 12:01 a.m. local time in Houston, Texas on the Closing Date, or such other time mutually agreed to by the Parties in writing.

" Environmental Laws " means any and all applicable federal, state and local laws and regulations and other legally enforceable requirements and rules of common law relating to the prevention of pollution or protection of human health or the environment or imposing liability or standards of conduct concerning any Hazardous Materials.

" Excluded Liabilities " has the meaning set forth in Section 2.5 .

" Financial Statements " has the meaning set forth in Section 5.2 .

" Financial and Operational Information " has the meaning set forth in Section 3.6 .

" Fundamental Representations " has the meaning set forth in Section 8.9(a) .

" General Partner " has the meaning set forth in the preamble to this Agreement.

" General Partner Units " has the meaning set forth in the Partnership Agreement.

" Governmental Approval " has the meaning set forth in Section 3.4 .

" Governmental Authority " means (a) the United States of America or any state or political subdivision thereof within the United States of America and (b) any court or any governmental or administrative department, commission, board, bureau or agency of the United States of America or of any state or political subdivision thereof within the United States of America.

" GP Contribution " has the meaning set forth in Section 2.1(a) .

" Group Member " means a member of the Partnership Group.

" Hazardous Material " means (a) any "hazardous substance" as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (b) any "hazardous waste" as defined in the Resource Conservation and Recovery Act, as amended, (c) any petroleum or petroleum product, (d) any polychlorinated biphenyl and (e) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material, waste or substance regulated under or within the meaning of any applicable Environmental Law.

" Holdings " means Phillips 66 Partners Holdings LLC, a Delaware limited liability company.

" Indemnity Claim " has the meaning set forth in Section 8.3 .

" Liability " or " Liabilities " means any direct or indirect liability, indebtedness, obligation, cost, expense, claim, loss, damage, deficiency, guaranty or endorsement of or by any Person, absolute or contingent, matured or unmatured, asserted or unasserted, accrued or unaccrued, due or to become due, liquidated or unliquidated.

" Lien " means any security interest, lien, deed of trust, mortgage, pledge, charge, claim, restriction, easement, encumbrance or other similar interest or right.

" Litigation " has the meaning set forth in Section 3.5 .

" Material Adverse Effect " means any change, circumstance, effect or condition that (a) is, or could reasonably be expected to be, materially adverse to the business, financial condition, assets, liabilities or results of operations, as applicable, of the P66 Parties or Bayou Bridge or (b) materially adversely affects, or could reasonably be expected to materially adversely affect, the P66 Parties' ability to satisfy their respective obligations under this Agreement.

" Material Contract " means (a) the Precedent Agreements executed in the initial open season of the Project, (b) any Contract relating to the ownership or operation of the assets of Bayou Bridge or the construction of the Project that, as of the date hereof, is reasonably expected to provide for revenues to or require commitments from any Person in an amount greater than $7,500,000 during any calendar year, and (c) any other Contract (other than any Contract granting any Permits, servitudes, easements or rights-of-way) affecting the ownership, use or operation of the assets of Bayou Bridge or the Project, the loss of which could, individually or in the aggregate, have a Material Adverse Effect.

" New Common Units " has the meaning set forth in Section 2.2 .

" New GP Units " means a number of General Partner Units having an aggregate value equal to the amount required to maintain the General Partner's 2% general partner interest in the Partnership as of the Closing.

" NYSE " has the meaning set forth in Section 5.7 .

" P66 Closing Certificate " has the meaning set forth in Section 6.2(c) .

" P66 Indemnitees " has the meaning set forth in Section 8.1 .

" P66 Parties " has the meaning set forth in the preamble to this Agreement.

" Partnership " has the meaning set forth in the preamble to this Agreement.

" Partnership Agreement " means that certain First Amended and Restated Agreement of Limited Partnership of Phillips 66 Partners LP, dated as of July 26, 2013.

" Partnership Closing Certificate " has the meaning set forth in Section 6.3(c) .

" Partnership Group " means, collectively, the Partnership and its Subsidiaries.

" Partnership Indemnitees " has the meaning set forth in Section 8.2 .

" Partnership Material Adverse Effect " means any change, circumstance, effect or condition that is, or could reasonably be expected to be, materially adverse to the business,

financial condition, assets, liabilities or results of operations of the Partnership Group, taken as a whole.

" Party " or " Parties " has the meaning set forth in the preamble to this Agreement.

" PDI Contribution " has the meaning set forth in Section 2.1(c) .

" Permits " means permits, licenses, certificates, orders, approvals, authorizations, grants, consents, concessions, warrants, franchises and similar rights and privileges.

" Permitted Liens " means (i) those Liens set forth in Schedule 1.1 , (ii) Liens for current Taxes that are not yet due and payable or are being contested in good faith and by appropriate proceedings in respect thereof and for which an appropriate reserve has been established in accordance with U.S. generally accepted accounting principles, (iii) Liens securing debt of Pipeline that will be released prior to or as of the Effective Time and (iv) other imperfections of title or encumbrances that, individually or in the aggregate, could not reasonably be expected to materially interfere with the ordinary conduct of the business of Bayou Bridge or the ownership of the Contributed Interests.

" Person " means an individual or a corporation, firm, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

" Pipeline " has the meaning set forth in the preamble to this Agreement.

" Precedent Agreements " means the binding agreements for transportation service on the Bayou Bridge pipeline executed during the initial open season of the Project.

" Preferential Right " means any right or agreement that enables any Person to purchase or acquire, including by way of the exercise of a right of first refusal, right of first offer, or similar right, the Contributed Interests or any portion of or interest in the Contributed Interests as a result of or in connection with (a) the sale, assignment or other transfer of the Contributed Interests, (b) the execution, delivery or performance of this Agreement or (c) the consummation of the transactions contemplated hereby.

" Project " has the meaning set forth in the recitals to this Agreement.

" Project Budget " shall mean the budget approved by Bayou Bridge for the Project and provided to the Partnership.

" Project Plans " shall mean the plans approved by Bayou Bridge for the Project and provided to the Partnership.

" Securities Act " has the meaning set forth in Section 3.11 .

" Subsidiary " means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly

or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the general partner interests of such partnership is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof; or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

" Tax " or " Taxes " means any federal, state, local or foreign income tax, ad valorem tax, excise tax, sales tax, use tax, franchise tax, real or personal property tax, transfer tax, gross receipts tax or other tax, assessment, duty, fee, levy or other governmental charge, together with and including, any and all interest, fines, penalties, assessments, and additions to Tax resulting from, relating to, or incurred in connection with any of those or any contest or dispute thereof.

" Tax Authority " means any Governmental Authority having jurisdiction over the payment or reporting of any Tax.

" Tax Proceeding " has the meaning set forth in Section 5.8(b) .

" Tax Return " means any report, statement, form, return or other document or information required to be supplied to a Tax Authority in connection with Taxes.

" Transaction Debt " has the meaning set forth in Section 5.8(c) .

" Transaction Taxes " has the meaning set forth in Section 2.6 .

" Treasury Regulations " has the meaning set forth in Section 5.8(c) .

ARTICLE II

CONTRIBUTIONS, CONVEYANCES AND ACKNOWLEDGMENTS

2.1 Contributions . At the Effective Time, on the terms and subject to the conditions of this Agreement, each of the following shall occur:

(a) Pipeline shall distribute, assign, transfer and convey to PDI the Bayou Bridge Interest, and PDI shall accept the distribution of the Bayou Bridge Interest;

(b) PDI shall contribute, assign, transfer and convey to the General Partner, as a capital contribution, a portion of the Bayou Bridge Interest with a total value equal to an amount such that, immediately following the Closing, the General Partner will maintain its 2% general partner interest in the Partnership (the " GP Contribution "), and the General Partner shall accept the contribution of the GP Contribution;

(c) the General Partner shall contribute, assign, transfer and convey the GP Contribution to the Partnership in exchange for the consideration set forth in Section 2.2 , and the Partnership shall accept the contribution of the GP Contribution;

(d) PDI shall contribute, assign, transfer and convey to the Partnership the remainder of the Bayou Bridge Interest (the " PDI Contribution " and, together with the GP Contribution, the " Contributed Interests ") in exchange for the consideration set forth in Section 2.2 , and the Partnership shall accept the contribution of the PDI Contribution; and

(e) The Partnership shall contribute, assign, transfer and convey the Contributed Interests to Holdings, and Holdings shall accept the contribution of the Contributed Interests.

2.2 Consideration . At the Closing, in consideration for the contribution of the Contributed Interests hereunder, the Partnership shall: § deliver to PDI the Assignment of Note, pursuant to which the Partnership shall assume $34,831,901.57 of debt under which Pipeline is currently the primary obligor, as such amount may be adjusted pursuant to Section 2.3 (the " Assumed Debt "), § issue to the General Partner the New GP Units and § issue to PDI a number of Common Units equal to 618,425 less the number of New GP Units (the " New Common Units ").

2.3 Adjustment of Assumed Debt . If, after the date hereof but prior to the Closing Date, Pipeline is required to make any additional capital contributions to Bayou Bridge pursuant to the Bayou Bridge LLC Agreement, then the amount of the Assumed Debt shall be increased on a dollar for dollar basis by the amount of such additional capital contributions.

2.4 Effective Time of Conveyances . Notwithstanding anything to the contrary contained herein, to the extent the Closing occurs in accordance with the terms and conditions of this Agreement, the Parties acknowledge and agree that the Partnership shall be entitled to all of the rights of ownership of the Contributed Interests and shall be liable for and shall bear all of the Assumed Liabilities, in each case, from and after the Effective Time.

2.5 Assumed Liabilities . Except for Excluded Liabilities as provided in Section 2.6 , at the Effective Time, the Partnership Group agrees to assume and to pay, discharge and perform as and when due, (a) all Liabilities that first accrue, are caused by, arise out of, are associated with, are in respect of, or are incurred, in each case, at any time from and after the Effective Time, in connection with the ownership of the Contributed Interests or other activities occurring in connection with and attributable to the ownership of the Contributed Interests from and after the Effective Time and (b) the Assumed Debt as provided in Section 2.2 (collectively, the " Assumed Liabilities ").

2.6 Excluded Liabilities . The Parties agree that any Liabilities arising out of or attributable to the ownership of the Contributed Interests or other activities occurring in connection with and attributable to the ownership of the Contributed Interests prior to the Effective Time that are not identified as Assumed Liabilities in Section 2.5 are not part of the Assumed Liabilities, and neither the Partnership Group nor any member thereof has assumed, and shall not assume or become obligated with respect to, any Liability first incurred, accrued or arising out of or attributable to the ownership of the Contributed Interests or other activities

occurring in connection with and attributable to the ownership of the Contributed Interests prior to the Effective Time, including any Liabilities of the PDI, Pipeline or their respective Affiliates existing immediately prior to the Effective Time, whether or not described specifically in this Section 2.6 (collectively, the " Excluded Liabilities "), all of which shall remain the sole responsibility of, and be discharged and performed as and when due by, PDI, Pipeline or their respective Affiliates from and after the Effective Time.

2.7 Transaction Taxes . All sales, use, transfer, real property transfer, filing, recordation, registration, business and occupation and similar Taxes arising from or associated with the transactions contemplated by this Agreement other than Taxes based on Income (" Transaction Taxes "), shall be borne fifty percent (50%) by PDI and fifty percent (50%) by the Partnership. To the extent under applicable law the transferee is responsible for filing Tax Returns in respect of Transaction Taxes, the Partnership shall prepare and file all such Tax Returns. The Parties shall provide such certificates and other information and otherwise cooperate to the extent reasonably required to minimize Transaction Taxes. The Party that is not responsible under applicable law for paying the Transaction Taxes shall pay its share of the Transaction Taxes to the responsible Party prior to the due date of such Taxes.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE P66 PARTIES

The P66 Parties, jointly and severally, hereby represent and warrant to the Partnership that, as of the date hereof and as of Closing:

3.1 Organization and Existence .

(a) Each of P66 and PDI has been duly organized and is validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate the properties and assets it now owns, leases and operates and to carry on its business as and where such properties and assets are now owned or held and such business is now conducted. Each of P66 and PDI is duly qualified to transact business and is in good standing as a foreign entity in each other jurisdiction in which such qualification is required for the conduct of its business, except where the failure to so qualify or to be in good standing does not have a Material Adverse Effect.

(b) Pipeline has been duly organized and is validly existing and in good standing under the laws of the State of Delaware, with full limited liability company power and authority to own, lease and operate the properties and assets it now owns, leases and operates and to carry on its business as and where such properties and assets are now owned or held and such business is now conducted. Pipeline is duly qualified to transact business and is in good standing as a foreign entity in each other jurisdiction in which such qualification is required for the conduct of its business, except where the failure to so qualify or to be in good standing does not have a Material Adverse Effect.

(c) Bayou Bridge is a limited liability company organized and in good standing under the laws of the State of Delaware. To the knowledge of Pipeline, Bayou Bridge is qualified to transact business and is in good standing as a foreign entity in each other jurisdiction in which

such qualification is required for the conduct of its business, except where the failure to so qualify or to be in good standing does not have a Material Adverse Effect. The P66 Parties have delivered to the Partnership correct and complete copies of Bayou Bridge's organizational documents, as amended to date.

3.2 Authority and Approval; Enforceability .

(a) Each of P66 and PDI has the corporate power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform all the terms and conditions hereof to be performed by it. The execution and delivery by P66 and PDI of this Agreement, the performance by it of all the terms and conditions hereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized and approved by all requisite corporate action of P66 and PDI. This Agreement constitutes the valid and binding obligation of P66 and PDI, enforceable against P66 and PDI in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity).

(b) Pipeline has the limited liability company power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform all the terms and conditions hereof to be performed by it. The execution and delivery by Pipeline of this Agreement, the performance by it of all the terms and conditions hereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized and approved by all requisite limited liability company action of Pipeline. This Agreement constitutes the valid and binding obligation of Pipeline, enforceable against Pipeline in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity).

3.3 No Conflict . This Agreement and the execution and delivery hereof by the P66 Parties does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not:

(a) conflict with any of the provisions of the certificate of incorporation or bylaws of P66 or PDI or with the organizational documents of Pipeline or Bayou Bridge;

(b) conflict with any provision of any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to the P66 Parties or, to the knowledge of Pipeline, Bayou Bridge;

(c) 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 require any consent, authorization or approval under, any material indenture, mortgage, lien or material agreement, contract, commitment or instrument to which any P66 Party or, to the knowledge of Pipeline, Bayou Bridge is a party or by which it is bound or to which the Contributed Interests are subject;

(d) result in the creation of, or afford any person the right to obtain, any material Lien on the capital stock or other equity interests, property or assets of any P66 Party or, to the knowledge of Pipeline, Bayou Bridge under any such material indenture, mortgage, lien, agreement, contract, commitment or instrument; or

(e) result in the revocation, cancellation, suspension or material modification, singly or in the aggregate, of any Governmental Approval (as defined below) possessed by any P66 Party or, to the knowledge of Pipeline, Bayou Bridge that is necessary or desirable for the ownership, lease or operation of its or their properties and other assets in the conduct of its or their business as now conducted, including any Governmental Approvals under any applicable Environmental Law;

except, in the case of clauses (b) , (c) , (d) and (e) , as would not have, individually or in the aggregate, a Material Adverse Effect and except for such as will have been cured at or prior to the Closing.

3.4 Consents . Other than as set forth in Schedule 3.4 (each item so listed, a " Consent ") and except for notice to, or consent of, Governmental Authorities related to the transfer of environmental Permits, no consent, approval, license, permit, order, waiver, or authorization of, or registration, declaration, or filing with any Governmental Authority (each a " Governmental Approval ") or other person or entity is required to be obtained or made by or with respect to any of the P66 Parties, the Contributed Interests, or Bayou Bridge in connection with:

(a) the execution, delivery, and performance of this Agreement, or the consummation of the transactions contemplated hereby;

(b) the enforcement against the P66 Parties of their obligations hereunder; or

(c) following the Closing, the ownership by the Partnership of the Contributed Interest;

except, in each case, as would not have, individually or in the aggregate, a Material Adverse Effect.

3.5 Laws and Regulations; Litigation . As of the date hereof, there are no pending or, to the P66 Parties' knowledge, threatened claims, fines, actions, suits, demands, investigations or proceedings or any arbitration or binding dispute resolution proceeding (collectively, " Litigation ") against any of the P66 Parties or, to the P66 Parties' knowledge, Bayou Bridge, or against or affecting the Contributed Interests or the ownership of the Contributed Interests (other than Litigation under any Environmental Law, which is the subject of Section 3.7) that (i) would individually, or in the aggregate, have a Material Adverse Effect or (ii) seek any material injunctive relief with respect to the Contributed Interests. Except as would not, individually or in the aggregate, have a Material Adverse Effect, (x) to the P66 Parties' knowledge, Bayou Bridge is not in violation of or in default under any law or regulation or under any order (other than Environmental Laws, which are the subject of Section 3.7) of any Governmental Authority and (y) there is no Litigation (other than Litigation under any Environmental Law, which is the subject of Section 3.7) pending or, to the P66 Parties' knowledge, threatened against or affecting

the Contributed Interests, Pipeline's ownership of the Contributed Interests or, to the P66 Parties' knowledge, Bayou Bridge, at law or in equity, by or before any Governmental Authority having jurisdiction over any of the P66 Parties or Bayou Bridge. Except as would not, individually or in the aggregate, have a Material Adverse Effect, no Litigation is pending or, to the P66 Parties' knowledge, threatened to which any P66 Party is or may become a party that questions or involves the validity or enforceability of any of its respective obligations under this Agreement or seeks to prevent or delay, or damages in connection with, the consummation of the transactions contemplated hereby.

3.6 Management Projections and Budgets . The projections and budgets (the " Financial and Operational Information ") provided to the Partnership by the P66 Parties as part of the Partnership's review of the Contributed Interests in connection with this Agreement have a reasonable basis, were prepared in good faith and are consistent with the current expectations of the P66 Parties' management. The other financial and operational information provided by the P66 Parties to the Partnership as part of its review of the proposed transaction is complete and correct in all material respects for the periods covered and is derived from and is consistent with the books and records of the P66 Parties. As of the Closing, the Project will have undergone construction in accordance with the terms of the Project Plans and the Project Budget in all material respects. The P66 Parties previously provided to the Partnership the Project Plans and the Project Budget, each in its most current form.

3.7 Environmental Matters . Except as would not, individually or in the aggregate, have a Material Adverse Effect:

(a) to the P66 Parties' knowledge, Bayou Bridge is operated in compliance with Environmental Laws;

(b) none of the Contributed Interests or, to the P66 Parties' knowledge, Bayou Bridge is the subject of any outstanding administrative or judicial order of judgment, agreement or arbitration award from any governmental entity under any Environmental Law and requiring remediation or the payment of a fine or penalty;

(c) to the P66 Parties' knowledge, Bayou Bridge is not subject to any pending Litigation under any Environmental Law with respect to the Contributed Interests or the operation of the business of Bayou Bridge, as applicable, with respect to which any of the P66 Parties or Bayou Bridge have been contacted in writing by or on behalf of the plaintiff or claimant; and

(d) to the P66 Parties' knowledge, Bayou Bridge does not have any Liability in connection with the release into the environment of any Hazardous Material.

3.8 Contributed Interests .

(a) The Contributed Interests (i) constitute 40% of the limited liability company interests in Bayou Bridge and (ii) were duly authorized and validly issued and are fully paid and non-assessable. Except as set forth in the Bayou Bridge LLC Agreement, the Contributed Interests are not subject to and were not issued in violation of any purchase option, call option,

right of first refusal, preemptive right, subscription right or any similar right under any provision of local or state law applicable to the Contributed Interests or Bayou Bridge or the organizational documents of any P66 Party or Bayou Bridge, or any contract, arrangement or agreement to which Bayou Bridge is a party or to which it or any of its respective properties or assets is otherwise bound.

(b) Pipeline has and, as of the Closing, PDI will have, good and valid record and beneficial title to the Contributed Interests, free and clear of any and all Liens, and, except as provided or created by the limited liability company agreement or other organizational or governance documents of Bayou Bridge, the Securities Act or applicable securities laws, the Contributed Interests are free and clear of any restrictions on transfer, Taxes, or claims. Immediately after the Closing, the Partnership Group will have good and valid record and beneficial title to the Contributed Interests, free and clear of any Liens.

3.9 Brokerage Arrangements . None of the P66 Parties or any of their respective Affiliates has entered, directly or indirectly, into any agreement with any person, firm or corporation that would obligate any Group Member to pay any commission, brokerage or "finder's fee" or other fee in connection with this Agreement or the transactions contemplated hereby.

3.10 Contracts . To the knowledge of the P66 Parties, each Material Contract is in full force and effect, and no party thereto is in breach or default thereunder and no event has occurred that upon receipt of notice or lapse of time or both would constitute any breach or default thereunder, except for such breaches or defaults as would not, individually or in the aggregate, have a Material Adverse Effect. No P66 Party is in breach or default of any Material Contract to which it is a party. To the knowledge of the P66 Parties, Bayou Bridge has not given or received from any third party any notice of any action or intent to terminate or amend in any material respect any Material Contract.

3.11 Investment . PDI is an "accredited investor" as such term is defined in Rule 501 promulgated under the Securities Act, as amended (the " Securities Act "). PDI is not acquiring the New Common Units with a view to or for sale in connection with any distribution thereof or any other security related thereto within the meaning of the Securities Act. PDI is familiar with investments of the nature of the New Common Units, understands that this investment involves substantial risks, has adequately investigated the Partnership and the New Common Units, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the New Common Units, and is able to bear the economic risks of such investment. PDI has had the opportunity to visit with the Partnership and meet with the officers of the General Partner and other representatives to discuss the business, assets, liabilities, financial condition, and operations of the Partnership, has received all materials, documents and other information that PDI deems necessary or advisable to evaluate the Partnership and the New Common Units, and has made its own independent examination, investigation, analysis and evaluation of the Partnership and the New Common Units, including its own estimate of the value of the New Common Units. PDI has undertaken such due diligence (including a review of the properties, liabilities, books, records and contracts of the Partnership) as PDI deems adequate. PDI acknowledges that the New Common Units have not been registered under applicable federal and state securities laws and that the New Common Units may not be sold, transferred, offered for sale, pledged,

hypothecated or otherwise disposed of unless such transfer, sale, assignment, pledge, hypothecation or other disposition is registered under applicable federal and state securities laws or pursuant to an exemption from registration under any federal or state securities laws.

3.12 Taxes .

(a) To the knowledge of the P66 Parties, all Tax Returns that are required to be filed by or with respect to Bayou Bridge on or prior to the Closing Date (taking into account any valid extension of time within which to file) have been or will be timely filed on or prior to the Closing Date and all such Tax Returns are or will be true, correct and complete in all material respects.

(b) To the knowledge of the P66 Parties, all Taxes due and payable by or with respect to Bayou Bridge (whether or not shown on any Tax Return) have been fully paid and all deficiencies asserted or assessments made with respect to such Tax Returns have been paid in full or properly accrued for by Bayou Bridge.

(c) To the knowledge of the P66 Parties, no examination, audit, claim, assessment, levy, or administrative or judicial proceeding regarding any of the Tax Returns described in Section 3.12(a) or any Taxes with respect to Bayou Bridge have been proposed in writing or have been threatened.

(d) To the knowledge of the P66 Parties, no waivers or extensions of statutes of limitations have been given or requested in writing with respect to any amount of Taxes or any Tax Returns by or with respect to Bayou Bridge.

(e) To the knowledge of the P66 Parties, for U.S. federal income Tax purposes, Bayou Bridge is properly classified as a partnership for U.S. federal income tax purposes and not as an association taxable as a corporation.

3.13 Financial Statements . The P66 Parties previously delivered to the Partnership the unaudited statements of changes in members' capital and cash flows for the period from formation (July 9, 2015) to August 31, 2015, and the unaudited August 31, 2015 balance sheet for Bayou Bridge, and prior to Closing, the P66 Parties will deliver to the Partnership the unaudited balance sheet as of September 30, 2015 (collectively the " Joint Venture Company Financial Statements "). To the knowledge of the P66 Parties, the Joint Venture Company Financial Statements fairly present in all material respects the financial condition of Bayou Bridge at the dates specified and its cash flow for the periods specified in accordance with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby.

3.14 Outstanding Capital Commitments . The P66 Parties have provided the Partnership with a copy of the Project Budget for Bayou Bridge. Except as previously disclosed to the Partnership prior to the date hereof, there are no outstanding capital commitments or other expenditure commitments relating to Bayou Bridge that will require Pipeline or the Partnership Group to make any capital contributions, capital expenditures or pay any operating expenses in respect of the Contributed Interests or Bayou Bridge other than those set forth in the Project Budget. Each of the capital projects set forth on the Project Budget, which capital projects

represent all of the capital projects that are planned to be undertaken prior to the Effective Time, have been duly authorized and approved by Bayou Bridge.

3.15 No Adverse Changes . To the knowledge of the P66 Parties, except as set forth in Schedule 3.16 , since September 30, 2015:

(a) there has not been a Material Adverse Effect;

(b) Bayou Bridge has been in the process of designing and constructing the Project consistent with prudent industry practices; and

(c) there has not been any material damage or destruction to any material assets of Bayou Bridge other than such damage or destruction that has been repaired.

3.16 No Preferential Rights . The Contributed Interests are not subject to any Preferential Right that is applicable to the transactions contemplated by this Agreement.

3.17 No Other Representations or Warranties; Schedules . The P66 Parties make no other express or implied representation or warranty with respect to the Contributed Interests, Bayou Bridge or the transactions contemplated by this Agreement, and disclaim any other representations or warranties. The disclosure of any matter or item in any schedule to this Agreement shall not be deemed to constitute an acknowledgment that any such matter is required to be disclosed.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE PARTNERSHIP

The Partnership hereby represents and warrants to the P66 Parties that as of the date hereof:

4.1 Organization and Existence . The Partnership is an entity duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all limited partnership power and authority to own the Contributed Interests. The Partnership is duly qualified to transact business as a limited partnership and is in good standing in each other jurisdiction in which such qualification is required for the conduct of its business, except where the failure to so qualify or to be in good standing does not have a Partnership Material Adverse Effect.

4.2 Authority and Approval; Enforceability . The Partnership has the requisite power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform all the terms and conditions hereof to be performed by it. The execution and delivery by the Partnership of this Agreement, the performance by it of all the terms and conditions hereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized and approved by all requisite action of the Partnership. This Agreement constitutes the valid and binding obligation of the Partnership, enforceable against the Partnership in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting

enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity).

4.3 Brokerage Arrangements . The Partnership has not entered, directly or indirectly, into any agreement with any person, firm or corporation that would obligate any of the P66 Parties or any of their respective Affiliates (other than the Partnership) to pay any commission, brokerage or "finder's fee" or other fee in connection with this Agreement or the transactions contemplated hereby.

4.4 New Common Units and New GP Units . The New Common Units and the New GP Units being issued at Closing will be, when issued in consideration for the contribution by PDI of the Contributed Interests, duly authorized, validly issued, fully paid and nonassessable (except as such nonassessability may be affected by the Delaware Revised Uniform Limited Partnership Act) and free of any preemptive or similar rights (other than those set forth in the Partnership's limited partnership agreement).

ARTICLE IV

COVENANTS, ETC.

5.1 Certain Actions . The P66 Parties covenant and agree that from and after the execution of this Agreement and until the Closing:

(a) without the prior written consent of the Partnership, the P66 Parties will not, and will not permit Pipeline to, sell, transfer, assign, convey or otherwise dispose of the Contributed Interests;

(b) the P66 Parties will not, and will not permit Pipeline to, permit any Lien to be imposed on the Contributed Interests, other than Permitted Liens;

(c) the P66 Parties shall, and shall cause their Affiliates and Bayou Bridge (to the extent that the P66 Parties have the ability to do so pursuant to the Bayou Bridge LLC Agreement) to, (i) use all commercially reasonable efforts to ensure that the construction of the projects described in the Project Plans continues in all material respects with the milestones, scope, budget and other terms and provisions of the construction contracts, Project Plans and Project Budget and (ii) not materially amend, modify or terminate the Project Plans, Project Budget or any construction contracts relating thereto;

(d) the P66 Parties will not, and will not permit Pipeline to, make, vote for or authorize any capital commitments or other expenditure commitments that will require Pipeline or the Partnership to make a capital contribution or other expenditure in respect of the Contributed Interests or Bayou Bridge, except (i) as previously disclosed to the Partnership prior to the date hereof, (ii) to the extent such authorization is already granted and documented within the existing governance documents and delegations of authority of Bayou Bridge, or (iii) as set forth in the Project Budget of Bayou Bridge provided to the Partnership by the P66 Parties; and

(e) except as expressly provided in this Agreement, Pipeline will not agree to, consent to, promote, or vote in favor of (or not vote, if the effect of a failure to vote is a vote in favor of), or, to the extent it has such authority, permit any Person to conduct the business of Bayou Bridge

in a manner not in the ordinary course of business consistent with past practices. However, in case of emergency, Pipeline is permitted to take, vote for and/or authorize all necessary and reasonable actions to resolve the emergency situation and then promptly inform the Partnership of same.

5.2 Financial Statements . The P66 Parties and the Partnership contemplate the transactions contemplated by this Agreement will be subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification, section 805-50, *Business Combinations, Related Issues* (" ASC 805-50 "), as a transaction between entities under common control. The P66 Parties shall permit the Partnership and its representatives to contact its accountants, auditors and employees, and shall cause such accountants, auditors and employees to discuss, cooperate and provide information reasonably requested by the Partnership or its representatives, in order for the Partnership to prepare audited and unaudited historical financial statements with respect to the Contributed Interests and pro forma financial statements of the Partnership, in each case that are necessary to comply with ASC 805-50, as applicable, and that meet the requirements of Regulation S-X promulgated under the Securities Act and within the timeframe specified for the Partnership to file such financial statements on Form 8-K under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the " Financial Statements "). The P66 Parties shall cause their respective accountants, auditors and employees to cooperate with the Partnership with regards to responding to any comments from the Commission on such Financial Statements. The Partnership shall be responsible for and shall pay for or reimburse the P66 Parties for all costs incurred by the P66 Parties in connection with the external audit of any such Financial Statements (including reasonable accountants' fees). The obligations of the P66 Parties under this Section 5.2 shall survive for five (5) years after the Closing.

5.3 Independent Investigation . The Partnership acknowledges that in making the decision to enter into this Agreement and to consummate the transactions contemplated hereby, it has relied solely on its own independent investigation of the Contributed Interests and upon the express written representations, warranties and covenants in this Agreement. Without diminishing the scope of the express written representations, warranties and covenants of the Parties and without affecting or impairing its right to rely thereon, THE PARTNERSHIP ACKNOWLEDGES THAT P66 PARTIES HAVE NOT MADE, AND HEREBY EXPRESSLY DISCLAIM AND NEGATE, ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE CONTRIBUTED INTERESTS (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS), OTHER THAN THE REPRESENTATIONS AND WARRANTIES IN THIS AGREEMENT.

5.4 Post-Closing Payments . Should any of the P66 Parties, after Closing, receive any payments or distributions related to the Contributed Interests to which the Partnership or any of its Subsidiaries is entitled pursuant to this Agreement, then such P66 Party shall, within thirty (30) days of receipt of such payments, forward such payments or distributions to the Partnership. If any demand is made on the P66 Parties after Closing to pay any invoice or other obligation contracted or incurred in connection with the ownership of the Contributed Interests on or after the Effective Time, the Partnership shall pay the same to the extent such invoice or obligation

constitutes an Assumed Liability. If any demand is made on the Partnership or any of its Subsidiaries to pay any invoice or other obligation contracted or incurred in connection with the ownership of the Contributed Interests prior to the Effective Time, the P66 Parties shall be responsible for the same.

5.5 Further Assurances . On and after the Closing Date, the Parties shall cooperate and use their respective commercially reasonable efforts to take or cause to be taken all appropriate actions and do, or cause to be done, all things necessary or appropriate to make effective the transactions contemplated hereby, including the execution of any additional assignment or similar documents or instruments of transfer of any kind, the obtaining of consents which may be reasonably necessary or appropriate to carry out any of the provisions hereof and the taking of all such other actions as such Party may reasonably be requested to take by the other Party from to time to time, consistent with the terms of this Agreement, in order to effectuate the provisions and purposes of this Agreement and transactions contemplated hereby.

5.6 NYSE Listing . Prior to the Closing, the Partnership will use its reasonable best efforts to obtain approval for listing, subject to notice of issuance, the New Common Units on the New York Stock Exchange (the " NYSE ").

5.7 Tax Covenants .

(a) The Parties agree that the income related to the Contributed Interests for the period up to and including the Closing Date will be reflected on the federal income Tax Return of PDI and that PDI shall bear the liability for any Taxes associated with such income. The Parties further agree that the income related to the Contributed Interests for the period after the Closing Date will be reflected on the federal income Tax Return of the Partnership and that the partners of the Partnership shall bear the liability for any Taxes associated with such income.

(b) The Parties shall cooperate fully, and cause their Affiliates to cooperate fully, as and to the extent reasonably requested by the other Party, to accomplish the apportionment of income described pursuant to Section 5.7(a) , requests for the provision of any information or documentation within the knowledge or possession of the other Party as reasonably necessary to facilitate compliance with financial reporting obligations arising under ASC 740 (formerly FASB Statement No. 109) (including compliance with FIN 48) promulgated by the Financial Accounting Standards Board, and any audit, litigation or other proceeding (each a " Tax Proceeding ") with respect to Taxes. Such cooperation shall include access to, the retention and (upon the other Party's request) the provision of records and information which are reasonably relevant to any Tax Return or Tax Proceeding, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Partnership and Pipeline will use their respective commercially reasonable efforts to retain all books and records with respect to Tax matters pertinent to the Contributed Interests relating to any taxable period beginning before the Closing Date until the later of six years after the Closing Date or the expiration of the applicable statute of limitations of the respective taxable periods (including any extensions thereof), and to abide by all record retention agreements entered into with any Tax Authority. The Partnership and Pipeline agree, upon request, to use their respective commercially reasonable efforts to obtain any certificate or other document from

any Tax Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed with respect to the transactions contemplated by this Agreement.

(c) To the extent that the assumption of the Assumed Debt, as provided for in Section 2.2, results in a deemed distribution of cash by the Partnership to PDI for U.S. federal income Tax purposes, such deemed distribution of cash is intended to represent a reimbursement of pre-formation capital expenditures with respect to the Contributed Interests to the maximum extent provided by Treasury regulations section 1.707-4(d).

ARTICLE VI

CONDITIONS TO CLOSING

6.1 Conditions to Each Party's Obligation to Effect the Transactions. The respective obligation of each Party to proceed with the Closing is subject to the satisfaction or waiver by each of the Parties (subject to applicable laws) on or prior to the Closing Date of all of the following conditions:

(a) all necessary filings with and consents of any Governmental Authority required for the consummation of the transactions contemplated by this Agreement shall have been made and obtained; *provided, however,* that, prior to invoking this condition, the invoking Party shall have used commercially reasonable efforts to make or obtain such filings and consents;

(b) no Party shall be subject to any decree, order or injunction of a court of competent jurisdiction that prohibits the consummation of the transactions contemplated hereby and no statute, rule, regulation, order, decree or injunction enacted, entered, or issued by any Governmental Authority, or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement, shall be in effect; and

(c) the New Common Units shall have been approved for listing upon notice of issuance on the NYSE.

6.2 Conditions to the Obligation of the Partnership. The obligation of the Partnership to proceed with the Closing is subject to the satisfaction or waiver by the Partnership on or prior to the Closing Date of the following conditions:

(a) Each of the P66 Parties shall have performed in all material respects the covenants and agreements contained in this Agreement required to be performed by it on or prior to the Closing Date;

(b) (i) the Fundamental Representations shall be true and correct (without regard to qualifications as to materiality or Material Adverse Effect contained therein) in all material respects as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), and (ii) the other representations and warranties of the P66 Parties made in this Agreement shall be true and correct in all respects (without regard to qualifications as to materiality or Material Adverse Effect contained therein except in the case of the representation and warranty contained in Section 3.15(a)) as of the Closing Date (except to

the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except in the case of clause (ii) where the failure of the representations and warranties to be true and correct, individually or in the aggregate, has not had a Material Adverse Effect;

(c) Pipeline shall have delivered to the Partnership a certificate dated the Closing Date and signed by an authorized officer of Pipeline confirming the foregoing matters set forth in clauses (a) and (b) of this Section 6.2 (the " P66 Closing Certificate ");

(d) the consents listed on Schedule 6.2(d) shall have been obtained;

(e) the P66 Parties shall have delivered or caused the delivery of the Closing deliverables set forth in Section 7.2 ; and

(f) between the date hereof and the Closing Date, there shall not have been a Material Adverse Effect.

6.3 Conditions to the Obligation of the P66 Parties . The obligation of the P66 Parties to proceed with the Closing is subject to the satisfaction or waiver by the P66 Parties on or prior to the Closing Date of the following conditions:

(a) the Partnership shall have performed in all material respects the covenants and agreements contained in this Agreement required to be performed by it on or prior to the Closing Date;

(b) the representations and warranties of the Partnership made in this Agreement shall be true and correct in all respects (without regard to qualifications as to materiality or Partnership Material Adverse Effect contained therein) as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure of the representations and warranties to be true and correct, individually or in the aggregate, has not had a Partnership Material Adverse Effect;

(c) the Partnership shall have delivered to the P66 Parties a certificate dated the Closing Date and signed by an authorized officer of the General Partner confirming the foregoing matters set forth in clauses (a) and (b) of this Section 6.3 (the " Partnership Closing Certificate ");

(d) the Partnership shall have delivered or caused the delivery of the Closing deliverables set forth in Section 7.3 ; and

(e) between the date hereof and the Closing Date, there shall not have been a Partnership Material Adverse Effect.

ARTICLE VII

CLOSING

7.1 Closing . Subject to the terms and conditions of this Agreement and unless otherwise agreed in writing by the P66 Parties and the Partnership, the closing (the " Closing ") of

the transactions contemplated by this Agreement will be held at the offices of Latham & Watkins LLP, 811 Main Street, 37th Floor, Houston, Texas at 9:00 a.m., Houston, Texas time on the date that is the later of (a) December 1, 2015 and (b) three business days immediately following the date of fulfillment or waiver (in accordance with the provisions hereof) of the last to be fulfilled or waived of the conditions set forth in Sections 6.1 , 6.2 and 6.3 (other than those conditions that by their nature are to be fulfilled at the Closing, but subject to the fulfillment or waiver of such conditions). The date on which the Closing occurs is referred to as the " Closing Date ."

7.2 Deliveries by the P66 Parties . At the Closing, the P66 Parties will deliver (or cause to be delivered) the following:

(a) the P66 Closing Certificate, duly executed by an officer of Pipeline;

(b) a counterpart to the Assignment of Membership Interest (Bayou Bridge), duly executed by Pipeline and PDI;

(c) a counterpart to the Assignment of Note, duly executed by Pipeline;

(d) an executed statement described in Treasury regulations section 1.1445-2(b)(2) certifying that PDI is neither a disregarded entity nor a foreign person within the meaning of the Code and the Treasury regulations promulgated thereunder; and

(e) such other documents, certificates and other instruments as may be reasonably requested by the Partnership prior to the Closing Date to carry out the intent and purposes of this Agreement.

7.3 Deliveries by the Partnership . At the Closing, the Partnership will deliver (or cause to be delivered) the following:

(a) a counterpart to the Assignment of Membership Interest (Bayou Bridge), duly executed by the General Partner, the Partnership and Holdings;

(b) a counterpart to the Assignment of Note, duly executed by the Partnership;

(c) the New Common Units, by issuance of such New Common Units (in book-entry form) to PDI, by instruction to the Partnership's transfer agent or otherwise;

(d) the New GP Units, by issuance of such New GP Units (in certificated or book-entry form) to the General Partner, by instruction to the Partnership's transfer agent or otherwise;

(e) the Partnership Closing Certificate, duly executed by an officer of the General Partner;

(f) an Addendum Agreement, in form and substance similar to the Form of Addendum Agreement attached at Exhibit B to the Bayou Bridge LLC Agreement, duly executed by Holdings; and

(g) such other documents, certificates and other instruments as may be reasonably requested by the P66 Parties prior to the Closing Date to carry out the intent and purposes of this Agreement.

ARTICLE VIII

INDEMNIFICATION

8.1 Indemnification of the P66 Parties and Other Parties . Solely for the purpose of indemnification in this Section 8.1 , the representations and warranties of the Partnership in this Agreement shall be deemed to have been made without regard to any materiality or Partnership Material Adverse Effect or knowledge qualifiers. From and after the Closing Date, subject to the other provisions of this Article VIII , the Partnership shall indemnify and hold the P66 Parties and their respective Affiliates, directors, officers, employees, agents and representatives (the " P66 Indemnitees ") harmless from and against any and all damages (including exemplary damages and penalties), losses, deficiencies, costs, expenses, obligations, fines, expenditures, claims and liabilities, including reasonable counsel fees and reasonable expenses of investigation, defending and prosecuting litigation (collectively, the " Damages "), suffered by the P66 Indemnitees as a result of, caused by, arising out of, or in any way relating to § any breach of a representation or warranty of the Partnership in this Agreement, § any breach of any agreement or covenant under this Agreement on the part of the Partnership or § any of the Assumed Liabilities.

8.2 Indemnification of the Partnership and Other Parties . Solely for the purpose of indemnification in this Section 8.2 , the representations and warranties of the P66 Parties in this Agreement (other than the representation and warranty contained in Section 3.15(a)) shall be deemed to have been made without regard to any materiality or Material Adverse Effect or knowledge qualifiers. From and after the Closing Date, subject to the other provisions of this Article VIII , the P66 Parties shall, jointly and severally, indemnify and hold the Group Members and their respective directors, officers, employees, agents and representatives (together with the Partnership, the " Partnership Indemnitees ") harmless from and against any and all Damages suffered by the Partnership Indemnitees as a result of, caused by, arising out of, or in any way relating to § any breach of a representation or warranty of the P66 Parties in this Agreement, § any breach of any agreement or covenant in this Agreement on the part of the P66 Parties, or § any of the Excluded Liabilities.

8.3 Demands . Each indemnified party agrees that promptly upon its discovery 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 third party (such third party actions being collectively referred to herein as the " Indemnity Claim "), with respect to any matter as to which it claims to be entitled to indemnity under the provisions of this Agreement, it will give prompt notice thereof in writing to the indemnifying party, together with a statement of such information respecting any of the foregoing as it shall have. Such notice shall include a formal demand for indemnification under this Agreement. The indemnifying party shall not be obligated to indemnify the indemnified party with respect to any Indemnity Claim if the indemnified party knowingly failed to notify the indemnifying party thereof in accordance with the provisions of this Agreement to the extent that knowing failure to notify actually results in material prejudice or damage to the indemnifying party.

8.4 Right to Contest and Defend .

(a) The indemnifying party shall be entitled at its cost and expense to contest and defend by all appropriate legal proceedings any Indemnity Claim with respect to which it is called upon to indemnify the indemnified party under the provisions of this Agreement; *provided, however,* that notice of the intention to so contest shall be delivered by the indemnifying party to the indemnified party within 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 and prosecuted diligently to a final conclusion or settled in accordance with this Section 8.4 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. If the indemnifying party does not elect to contest any such Indemnity Claim or elects to contest such Indemnity Claim but fails diligently and promptly to prosecute or settle such claim, the indemnifying party shall be bound by the result obtained with respect thereto by the indemnified party. If the indemnifying party shall have assumed the defense of an Indemnity Claim, the indemnified party shall agree to any settlement, compromise or discharge of an Indemnity Claim that the indemnifying party may recommend and that by its terms obligates the indemnifying party to pay the full amount of the liability in connection with such Indemnity Claim, which releases the indemnified party completely in connection with such Indemnity Claim and which would not otherwise adversely affect the indemnified party.

(b) 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. 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.

8.5 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.

8.6 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.

8.7 Payment of Damages . The indemnification required hereunder shall be made by periodic payments of the amount thereof during the course of the investigation or defense, within 10 days as and when reasonably specific bills are received or loss, liability, claim, damage or expense is incurred and reasonable evidence thereof is delivered. 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 reimbursements (including, without limitation, insurance proceeds) credited to or received by the other party related to the Damages.

8.8 Limitations on Indemnification .

(a) To the extent the Partnership Indemnitees are entitled to indemnification for Damages pursuant to Section 8.2(a) (but not including Damages for breaches of Fundamental Representations), the P66 Parties shall not be liable for those Damages unless the aggregate amount of Damages exceeds $700,000 (the " Deductible "), and then only to the extent of any such excess; *provided* , *however* , that the P66 Parties shall not be liable for Damages pursuant to Section 8.2(a) (but not including Damages for breaches of Fundamental Representations) that exceed, in the aggregate, $10.5 million (the " Cap ") less the Deductible.

(b) Notwithstanding clause (a) above, to the extent the Partnership Indemnitees are entitled to indemnification for Damages for claims arising from fraud or related to or arising from Taxes (including, without limitation, Damages for breach of the representations or warranties in Section 3.12), the P66 Parties shall be fully liable for such Damages without regard to the Deductible or the Cap. For the avoidance of doubt, the P66 Parties shall be fully liable for Damages pursuant to Sections 8.2(b) or 8.2(c) and for breaches of Fundamental Representations without regard to the Deductible or the Cap.

(c) To the extent the P66 Indemnitees are entitled to indemnification for Damages pursuant to Section 8.1(a) , the Partnership shall not be liable for those Damages unless the aggregate amount of Damages exceeds, in the aggregate, the Deductible, and then only to the extent of any such excess; *provided* , *however* , that the Partnership shall not be liable for Damages that exceed, in the aggregate, the Cap less the Deductible.

(d) Notwithstanding clause (c) above, to the extent the P66 Indemnitees are entitled to indemnification for Damages arising from fraud, the Partnership shall be fully liable for such Damages without regard to the Deductible or the Cap. For the avoidance of doubt, the Partnership shall be fully liable for Damages pursuant to Sections 8.1(b) or 8.1(c) without regard to the Deductible or the Cap.

8.9 Survival .

(a) The liability of the P66 Parties for the breach of any of the representations and warranties of the P66 Parties set forth in Sections 3.1 , 3.2 , 3.8, 3.11 and 3.16 (the " Fundamental Representations ") shall be limited to claims for which the Partnership delivers written notice to the

P66 Parties on or before the date that is three years after the Closing Date. The liability of the P66 Parties for the breach of any of the representations and warranties of the P66 Parties set forth in Article III other than the Fundamental Representations shall be limited to claims for which the Partnership delivers written notice to the P66 Parties on or before the date that is eighteen months after the Closing Date. The liability of the P66 Parties for Damages for claims related to or arising from Taxes (including, without limitation, Damages for claims for breach of the representations or warranties in Section 3.12) shall be limited to claims for which the Partnership delivers written notice to the P66 Parties on or before the date that is ninety (90) days after the expiration of the applicable statute of limitations for assessment of the applicable Tax.

(b) The liability of the Partnership for the breach of any of the representations and warranties of the Partnership set forth in Article IV shall be limited to claims for which the P66 Parties deliver written notice to the Partnership on or before the date that is eighteen months after the Closing Date.

8.10 Sole Remedy . After the Closing, no Party shall have liability under this Agreement or the transactions contemplated hereby except as is provided in this Article VIII (other than claims or causes of action arising from fraud and other than claims for specific performance).

8.11 Express Negligence Rule . THE INDEMNIFICATION AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT HAVE BEEN EXPRESSLY NEGOTIATED IN EVERY DETAIL, ARE INTENDED TO BE GIVEN FULL AND LITERAL EFFECT, AND SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES, OBLIGATIONS, CLAIMS, JUDGMENTS, LOSSES, COSTS, EXPENSES OR DAMAGES IN QUESTION ARISE OR AROSE SOLELY OR IN PART FROM THE GROSS, ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF ANY INDEMNIFIED PARTY. THE PARTNERSHIP AND THE P66 PARTIES ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND CONSTITUTES CONSPICUOUS NOTICE. NOTICE IN THIS CONSPICUOUS NOTICE IS NOT INTENDED TO PROVIDE OR ALTER THE RIGHTS AND OBLIGATIONS OF THE PARTIES, ALL OF WHICH ARE SPECIFIED ELSEWHERE IN THIS AGREEMENT.

8.12 Knowledge . The Partnership Indemnitees' and the P66 Indemnitees' rights under this Agreement or otherwise shall not be diminished by any investigation performed or knowledge acquired or capable of being acquired, whether before or after the date of this Agreement, regarding the accuracy or inaccuracy of any representation or warranty or the performance or non-performance of any covenant.

8.13 Consideration Adjustment . The Parties agree to treat all payments made pursuant to this Article VIII as adjustments to the consideration set forth in Section 2.2 for Tax purposes, except as otherwise required by Law following a final determination by the U.S. Internal Revenue Service or a Governmental Authority with competent jurisdiction.

ARTICLE IX

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 Partnership and the P66 Parties;

(b) by either the Partnership or the P66 Parties in writing after January 31, 2016, if the Closing has not occurred by that date, provided that as of such date the terminating Party is not in default under this Agreement;

(c) by either the Partnership or the P66 Parties in writing without prejudice to other rights and remedies 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, or have not failed or refused to close without justification hereunder), if the other Party or its Affiliates shall have (i) materially failed to perform its covenants or agreements contained herein required to be performed by such Party or its Affiliates on or prior to the Closing Date or (ii) materially breached any of its representations or warranties contained herein; *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 the breach is curable; or

(d) by either the Partnership or the P66 Parties in writing, without liability, if there shall be any order, writ, injunction or decree of any Governmental Authority binding on the Parties that prohibits or restrains any Party from consummating the transactions contemplated hereby; *provided* , *however* , that the applicable Party shall have used its reasonable best efforts to have any such order, writ, injunction or decree removed but it shall not have been removed within 30 days after entry by the Governmental Authority.

9.2 Effect of Termination . In the event of the termination of this Agreement by a Party as provided in Section 9.1 , this Agreement shall thereafter become void except for this Section 9.2 and Section 10.4 . Nothing in this Section 9.2 shall be deemed to release any Party from any liability for any breach by such Party of the terms and provisions of this Agreement or to impair any rights of any Party under this Agreement. If this Agreement is terminated by either Party pursuant to Section 9.1(c) , then the other Party shall reimburse such Party for its out-of-pocket expenses incurred in connection with the negotiation, execution and performance of this Agreement.

ARTICLE X

MISCELLANEOUS

10.1 Expenses . Unless otherwise specifically provided in this Agreement, each Party shall pay its own expenses incident to this Agreement and all action taken in preparation for effecting the provisions of this Agreement.

10.2 Deed; Bill of Sale; Assignment . To the extent required and permitted by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the assets and the liabilities referenced herein.

10.3 Right of Offset . Each Party agrees that, in addition to, and without limitation of, any right of set-off, lien or counterclaim a Party may otherwise have, each Party shall have the right and be entitled, at its option, to offset (a) balances held by it or by any of its Affiliates for account of any other Party at any of its offices and (b) other obligations at any time owing by such Party in connection with any obligations to or for the credit or account of the other Party, against any principal of or interest on any of such other Party's indebtedness or any other amount due and payable to such other Party hereunder that is not paid when due.

10.4 Notices . Unless otherwise specifically provided in this Agreement, any notice, request, instruction, correspondence or other document to be given under or in relation to this Agreement shall be made in writing and shall be deemed to have been properly given if: (i) personally delivered (with written confirmation of receipt); or (ii) delivered by a recognized overnight delivery service (delivery fees prepaid), in either case to the appropriate address set forth below:

If to any P66 Party, addressed to:
Phillips 66 Gulf Coast Pipeline LLC
3010 Briarpark Drive
Houston, Texas 77042
Attention: President

If to the Partnership or the General Partner, addressed to:
Phillips 66 Partners LP
c/o Phillips 66 Partners GP LLC
3010 Briarpark Drive
Houston, Texas 77042
Attention: General Counsel

Any Party may change any address to which notice is to be given to it by giving notice as provided above of such change of address.

10.5 Governing Law . This Agreement shall be governed and construed in accordance with the substantive laws of the State of Texas without reference to principles of conflicts of law that would result in the application of the laws of another jurisdiction.

10.6 Public Statements . The Parties shall consult with each other and no Party shall issue any public announcement or statement with respect to the transactions contemplated hereby without the consent of the other Parties, which shall not be unreasonably withheld or delayed, unless the Party desiring to make such announcement or statement, after seeking such consent from the other Parties, obtains advice from legal counsel that a public announcement or statement is required by applicable law or securities exchange regulations.

10.7 Form of Payment . All payments hereunder shall be made in United States dollars and, unless the Parties making and receiving such payments shall agree otherwise or the provisions hereof provide otherwise, shall be made by wire or interbank transfer of immediately available funds on the date such payment is due to such account as the Party receiving payment may designate at least three business days prior to the proposed date of payment.

10.8 Entire Agreement; Amendments and Waivers . This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the exhibits and schedules hereto, (a) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof and (b) are not intended to confer upon any other Person or entity any rights or remedies hereunder except as Article VIII or Article X contemplates or except as otherwise expressly provided herein or therein. Each Party agrees that (i) no other Party (including its agents and representatives) has made any representation, warranty, covenant or agreement to or with such Party relating to this Agreement or the transactions contemplated hereby, other than those expressly set forth in the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the exhibits and schedules hereto, and (ii) such Party has not relied upon any representation, warranty, covenant or agreement relating to this Agreement or the transactions contemplated hereby other than those referred to in clause (i) above. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the Parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (regardless of whether similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

10.9 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, by operation of law or otherwise, by any Party without the prior written consent of the other Parties.

10.10 Severability . If any provision of the Agreement is rendered or declared illegal or unenforceable by reason of any existing or subsequently enacted legislation or by decree of a court of last resort, the Parties shall meet promptly and negotiate substitute provisions for those rendered or declared illegal or unenforceable, but all of the remaining provisions of this Agreement shall remain in full force and effect and will not be affected or impaired in any way thereby.

10.11 Interpretation . The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore waive 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.

10.12 Headings and Schedules . The headings of the several Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The schedules referred to herein are attached hereto and incorporated herein by this reference, and unless the context expressly requires otherwise, those schedules are incorporated in the definition of "Agreement."

10.13 Counterparts . This Agreement may be executed in one or more counterparts, including electronic, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first written above.

PHILLIPS 66 GULF COAST PIPELINE LLC

By: /s/ Todd Denton
Name: *Todd Denton*
Title: Vice President

PHILLIPS 66 PROJECT DEVELOPMENT INC.

By: /s/ Robert A. Herman
Name: *Robert Herman*
Title: Vice President

PHILLIPS 66 PARTNERS GP LLC

By: /s/ J.T. Liberti

Name: *J.T. Liberti*

Title: Vice President and Chief Operating Officer

PHILLIPS 66 PARTNERS LP

By: Phillips 66 Partners GP LLC, its general partner

By: /s/ J.T. Liberti

Name: *J.T. Liberti*

Title: Vice President and Chief Operating Officer

PHILLIPS 66 COMPANY

By: /s/Rex W. Bennett
Name: *Rex W. Bennett*
Title: Vice President

EXHIBIT A
FORM OF ASSIGNMENT OF MEMBERSHIP INTEREST
(BAYOU BRIDGE)

EXHIBIT B
FORM OF ASSIGNMENT OF NOTE

SCHEDULE 1.1
PERMITTED LIENS

None.

SCHEDULE 3.4
CONSENTS

None.

SCHEDULE 3.16
ADVERSE CHANGES

None.

SCHEDULE 6.2(D)
REQUIRED CONSENTS

None.

TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).\

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

BAYOU BRIDGE PIPELINE, LLC

a Delaware limited liability company

JULY 9, 2015

TABLE OF CONTENTS

APPENDICES

EXHIBITS

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
BAYOU BRIDGE PIPELINE, LLC

a Delaware limited liability company

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (as the same may be amended from time to time in accordance herewith, this " ***Agreement*** ") of BAYOU BRIDGE PIPELINE, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the " ***Company*** "), is made and entered into as of July 9, 2015, (the " ***Effective Date*** ") by and between each of the Persons (as hereinafter defined) listed on Appendix II .

RECITALS

WHEREAS, on June 2, 2015 (the " ***Formation Date*** "), the Company was formed as a Delaware limited liability company by the filing of a Certificate of Formation with the Secretary of State of the State of Delaware in accordance with the provisions of the Delaware Act (the " ***Formation Certificate*** ");

WHEREAS, on July 1, 2015, ETC Bayou Bridge Holdings, LLC, a Delaware limited liability company (" ***Energy Transfer*** "), as the sole member of the Company, entered into the Limited Liability Company Agreement of the Company (the " ***Original Agreement*** ") to provide for the regulation and management of the Company;

WHEREAS, immediately prior to the execution of this Agreement, the Company, Energy Transfer, Phillips 66 Gulf Coast Pipeline LLC, a Delaware limited liability company (" ***P66*** "), and Sunoco Pipeline L.P., a Texas limited partnership (" ***Sunoco*** "), entered into that certain Contribution Agreement (such agreement, as it may be amended from time to time, the " ***Contribution Agreement*** "), pursuant to which, among other things, (a) Energy Transfer agreed to make the Energy Transfer Initial Contribution (as hereinafter defined) and perform other obligations in exchange for Energy Transfer receiving a 30% Percentage Interest (as hereinafter defined) and corresponding Member Interest (as hereinafter defined) and associated Units (as hereinafter defined) in the Company, (b) P66 agreed to make the P66 Initial Contribution (as hereinafter defined) and perform other obligations in exchange for P66 receiving a 40% Percentage Interest and corresponding Member Interest and associated Units in the Company, and (c) Sunoco agreed to make the Sunoco Initial Contribution (as hereinafter defined) in exchange for Sunoco receiving a 30% Percentage Interest and corresponding Member Interest and associated Units in the Company;

WHEREAS, concurrently herewith and pursuant to the terms and conditions of the Contribution Agreement, (a) the Company and the BLC Facilities Construction Manager (as hereinafter defined) are entering into the BLC Facilities Construction Management Agreement (as hereinafter defined), (b) the Company and the Subject Facilities Construction Manager (as hereinafter defined) are entering into the Subject Facilities Construction Management Agreement (as hereinafter defined), and (c) the Company and the Operator (as hereinafter defined) are

entering into the Operating Agreement (as hereinafter defined), in each case, to be effective as of the Effective Date; and

WHEREAS, Energy Transfer, P66 and Sunoco desire to amend and restate the Original Agreement in its entirety in order to, among other things, (a) reflect the admission of P66 and Sunoco as Members (as hereinafter defined) of the Company, (b) reflect their agreement as Members to the terms, provisions and conditions with respect to the regulation and management of the Company set forth herein, and (c) provide for the relative rights and obligations of the Members with respect to the Company.

AGREEMENTS

NOW THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Effective Date, the Members hereby amend and restate the Original Agreement in its entirety as follows:

ARTICLE 1
DEFINITIONS AND CONSTRUCTION

Section 1.1 **Defined Terms**. In addition to the terms defined in the introductory paragraph and the recitals to this Agreement, for purposes hereof, the capitalized terms used herein and not otherwise defined shall have the meanings set forth in Appendix I.

Section 1.2 **References and Rules of Construction**. All references in this Agreement to Exhibits, Appendices, Articles, Sections, subsections and other subdivisions refer to the corresponding Exhibits, Appendices, Articles, Sections, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Articles, Sections, subsections or other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement and shall be disregarded in construing the language hereof. The words "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. The words "this Article," "this Section" and "this subsection," and words of similar import, refer only to the Article, Section or subsection hereof in which such words occur. The word "including" (in its various forms) means "including without limitation." The word "U.S." means the United States of America, the word "Federal" means U.S. federal and the word "State" means any U.S. state. All references to "$" or "dollars" shall be deemed references to U.S. Dollars. Each accounting term not defined herein shall have the meaning given to it under GAAP. Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Appendices and Exhibits referred to herein are attached hereto. References to any Law or agreement shall mean such Law or agreement as it may be amended from time to time.

ARTICLE 2
ORGANIZATION; REPRESENTATIONS AND WARRANTIES

Section 2.1 **Formation**. The Company was formed as a Delaware limited liability company on the Formation Date by the filing of the Formation Certificate with the Secretary of State of the State of Delaware. A copy of the Formation Certificate is attached hereto as Exhibit A.

Section 2.2 **Name**. The name of the Company is "Bayou Bridge Pipeline, LLC" and all business of the Company shall be conducted under such name or under any other name approved by the Board.

Section 2.3 **Term**. The Company commenced on the Formation Date and shall continue until dissolved in accordance with the provisions of the Delaware Act and this Agreement.

Section 2.4 **Registered Agent**. The Company's initial registered office in the State of Delaware shall be located at 2711 Centerville Rd., Suite 400, Wilmington, Delaware 19808. The registered agent at such address is Corporation Service Company. The Board may change the Company's registered agent and registered office in the State of Delaware from time to time.

Section 2.5 **Principal Office**. The Company's principal office shall be located at 3738 Oak Lawn Ave., Dallas, Texas 75219; provided that the Members agree that the Company's principal office shall be moved to 8111 Westchester Drive, Dallas, Texas 75225 at the same time that Energy Transfer and its Affiliates move their office to such location. The Board may change the Company's principal office, which need not be in Delaware, from time to time. The Company may have such other places of business as the Board may designate.

Section 2.6 **Business and Purpose; Power**. The business and purpose of the Company shall be to engage, directly or indirectly through its Subsidiaries, in the planning, design, construction, acquisition, ownership, operation, modification and maintenance of the Assets, to market the services of the Assets, to engage in the transportation, terminalling, storage and/or other handling of Crude Petroleum through the Assets and to engage in any activities relating thereto, and to engage in any other lawful act or activity that now or in the future may be necessary, convenient, incidental or advisable to accomplish the foregoing purpose and that is not forbidden by Law in the jurisdictions in which the Company engages in such business or activities. The Company shall have all powers and privileges granted by the Delaware Act, any other Law or this Agreement, including incidental powers thereto, to the extent that such powers and privileges are necessary, customary, convenient or incidental to the attainment of the Company's business and purpose as set forth in the foregoing sentence of this Section 2.6.

Section 2.7 **Qualifications in Other Jurisdictions**. The Company's officers shall cause the Company to be qualified, formed or registered under assumed or fictitious name or similar Laws as may be required under applicable Law in any jurisdiction in which the Company transacts business. The Company's officers shall execute, deliver and file any certificates (and any amendments or restatements thereof) necessary or appropriate for the Company to qualify and continue to do business in a jurisdiction in which the Company may wish to conduct business. At the request of the Board, 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 as a foreign limited liability

company in all such jurisdictions in which the Company may conduct business; provided that no Member shall be required to file any general consent to service of process or to qualify as a foreign corporation, limited liability company, partnership or other entity in any jurisdiction in which it is not already so qualified.

Section 2.8 **No State Law Partnership** . The Members intend that the Company not (a) be a common Law partnership or joint venture or (b) create any agency or other relationship creating fiduciary or quasi-fiduciary duties of any Member to the Company 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 2.9 **Other Business Pursuits** . Each Member acknowledges and agrees that, subject to Section 15.9 and except with respect to any Capital Projects (which the Members hereby acknowledge and agree must be pursued through the Company or its Subsidiaries), but otherwise to the fullest extent permitted by Law, (a) each other Member and such other Member's Affiliates (each, a " ***Competing Person*** ") may engage or invest in, and devote their time to, such other business ventures, opportunities or activities as such Competing Persons may choose, whether or not any such venture, opportunity or activity is considered competitive with the Company or its Subsidiaries or their respective businesses and whether or not the Company, any of its Subsidiaries, each other Member or such other Member's Affiliates participates in any such venture, opportunity or activity without providing the Company, the Company's Subsidiaries, each other Member or such other Member's Affiliates the right to participate in such other venture, opportunity or activity (collectively, the " ***Right to Compete*** "), (b) none of the Company, any of its Subsidiaries, any Member or any Member's Affiliate shall have any right by virtue of this Agreement or the relationship created hereby in or to any such other venture, opportunity or activity (or to the income or proceeds derived therefrom), notwithstanding any duty (fiduciary or otherwise) existing at Law or in equity, and (c) the pursuit of any such other venture, opportunity or activity shall not be deemed wrongful or improper or a violation of this Agreement or of any duty (fiduciary or otherwise) existing at Law or in equity. The Right to Compete of each Competing Person shall not require notice to, approval from, or other sharing with, the other Members, the Company or the Company's Subsidiaries. Subject to Section 15.9 and except with respect to any Capital Project, but otherwise to the fullest extent permitted by Law, the legal doctrines of "corporate opportunity," "business opportunity" and similar doctrines shall not be applied to any such other venture, opportunity or activity in which any Competing Person may engage or invest or to which any Competing Person may devote its time. Notwithstanding the foregoing (a) title to the Assets shall be deemed to be owned by the Company (or its applicable Subsidiary) as an entity, and no Member, Director or officer of the Company or any of its Subsidiaries shall have any ownership interest in such Assets, and no Competing Person shall have any authority or otherwise be entitled to use any Asset in exercising the Right to Compete of such Competing Person (except as provided in any agreement entered into as permitted hereunder between such Competing Person and the Company or any of its Subsidiaries, including any interconnection agreements, tankage agreements or other commercial agreements entered into as permitted hereunder in connection with any such other venture, opportunity or activity), and (b) no Member, whether through itself or an Affiliate, shall segment or otherwise coordinate the development of any project in order to cause such project to fail to qualify as a Capital Project or Qualifying Capital Project hereunder and therefore not be

required to be pursued through the Company or its Subsidiaries in accordance with this Section 2.9. For the avoidance of doubt, no Member Project is a Capital Project hereunder and each Member can pursue any Member Project that is applicable to such Member or its Affiliates.

Section 2.10 Representations and Warranties of Members.

(a) Each Member hereby represents and warrants as of the Effective Date to the Company and to each other Member as follows:

(i) Independent Evaluation. Such Member is sophisticated in the evaluation, purchase, ownership and operation of pipeline, storage and terminalling assets and related facilities; such Member, individually or through its officers, employees or agents, has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment such as an investment in the Company; and such Member, individually or through its officers, employees or agents, has evaluated the merits and risks of the investment in the Company. In making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, such Member, except to the extent of any other Member's or any of such Person's Affiliate's express representations and warranties in this Agreement: (A) has relied solely on its own independent investigation and evaluation of the Company and its 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 any other Member or any Affiliate of such other Member, and (B) has satisfied itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Company or the Assets.

(ii) Organization; Existence. Such Member is duly formed or incorporated, as applicable, validly existing and in good standing under the Laws of the State of its formation or incorporation, as applicable. Such Member has all requisite power and authority to own and operate its property and to carry on its business as now conducted. Such Member is duly licensed or qualified to do business as a foreign entity, and is in good standing, in all jurisdictions in which such qualification is required by Law, except where the failure to qualify or be in good standing would not have a material adverse effect on such Member.

(iii) Authorization. Such Member has full power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by such Member of this Agreement has been duly and validly authorized and approved by all necessary partnership, company or corporate action, as applicable, on the part of such Member. This Agreement is the valid and binding obligation of such Member and enforceable against such Member in accordance with its terms, subject to the effects of Bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights of creditors generally, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

(iv) No Conflicts . The execution, delivery and performance by such Member of this Agreement and the consummation of the transactions contemplated hereby do not (A) conflict with or result in a breach of any provisions of the organizational documents or other governing documents of such Member, (B) result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any material contract, note, bond, mortgage, indenture, license or other material agreement to which any such Member is a party or by which such Member may be bound (except for this Agreement) or (C) violate any Law applicable to such Member, except in the case of clauses (B) and (C) where such default, Encumbrance, termination, cancellation, acceleration or violation would not have a material adverse effect on such Member.

(v) Litigation . There is no investigation, suit, action or litigation by or before any Governmental Authority and no legal, administrative or arbitration proceedings, in each case, pending, or to such Member's knowledge, threatened in writing, against such Member that would have a material adverse effect on such Member.

(b) Each Member agrees to indemnify and hold harmless the Company and each other Member from any liability, loss, cost, damage and expense (including the costs of litigation, arbitration and reasonable attorneys' fees) arising out of or resulting from the breach of any representation or warranty of such Member set forth in this Section 2.10 .

ARTICLE 3
CAPITALIZATION; UNITS

Section 3.1 Initial Contributions; Member Interests; and True-Up Contributions .

(a) On the Effective Date (or as otherwise set forth in the Contribution Agreement): (i) Energy Transfer shall contribute to the Company (A) the Energy Transfer Assets and (B) the Energy Transfer Cash Contribution, in each case, on the terms and conditions set forth in the Contribution Agreement (such contributions, collectively, the " ***Energy Transfer First Initial Contribution*** "), and (ii) in exchange for (A) making the Energy Transfer First Initial Contribution, (B) Energy Transfer's other obligations to the Company pursuant to the Contribution Agreement, and (C) Energy Transfer's commitment to make additional contributions pursuant to Section 3.1(e) and/or Section 3.2 , as applicable, the Company has issued to Energy Transfer a Member Interest evidenced by the number of Units set forth opposite its name on Appendix II having the Percentage Interest as of the Effective Date set forth opposite its name on Appendix II .

(b) On the Effective Date (or as otherwise set forth in the Contribution Agreement): (i) P66 shall contribute to the Company a portion of the P66 Assets on the terms and conditions set forth in the Contribution Agreement (such contribution, the " ***P66 First Initial Contribution*** "), and (ii) in exchange for (A) making the P66 First Initial Contribution, (B) P66's other obligations to the Company pursuant to the Contribution Agreement, and (C) P66's commitment to make additional contributions pursuant to Section 3.1(d) and/or Section 3.2 , as applicable, the Company has issued to P66 a Member Interest evidenced by the number of Units set forth opposite its name on Appendix II having the Percentage Interest as of the Effective Date set forth opposite its name on Appendix II .

(c) On the Effective Date (or as otherwise set forth in the Contribution Agreement): (i) Sunoco shall contribute to the Company the Sunoco Cash Contribution on the terms and conditions set forth in the Contribution Agreement (such amount, the " ***Sunoco First Initial Contribution*** "), and (ii) in exchange for making the Sunoco First Initial Contribution and Sunoco's commitment to make additional contributions pursuant to Section 3.1(e) and/or Section 3.2 , as applicable, the Company has issued to Sunoco a Member Interest evidenced by the number of Units set forth opposite its name on Appendix II having the Percentage Interest as of the Effective Date set forth opposite its name on Appendix II .

(d) On the date of the Right-of-Way Closing (as defined in the Contribution Agreement) under the Contribution Agreement, P66 shall contribute to the Company the remaining portion of the P66 Assets on the terms and conditions set forth in the Contribution Agreement (such contribution, the " ***P66 Second Initial Contribution*** "). Any costs and expenses incurred by P66 and its Affiliates between the Effective Date and the date of the Right-of-Way Closing, insofar and only insofar as such costs and expenses (i) relate to the P66 Assets contributed to the Company pursuant to the P66 Second Initial Contribution, and (ii) are not costs and expenses of the type set forth on Exhibit B-3 to the BLC Facilities Construction Management Agreement, are referred to herein as the " ***P66 Post-Effective Date Expenses*** ".

(e) On the date that is 30 days following the contribution of the P66 Second Initial Contribution, each of Energy Transfer and Sunoco shall, unless the provisions of Section 3.1(f) are applicable, make true-up contributions, in cash, to the Company such that, following such cash true-up contributions being made to the Company, the following statements are true:

(i) the aggregate value of (A) (1) the value of the P66 First Initial Contribution and P66's other obligations to the Company pursuant to the Contribution Agreement (as set forth on Exhibit C to the Contribution Agreement), *plus* (2) any costs and expenses actually incurred by P66 and its Affiliates with respect to the P66 Assets prior to the Effective Date in excess of such value of the P66 First Initial Contribution (with such difference being due to invoicing delays or similar delays), *plus* (3) the P66 Post-Effective Date Expenses, *minus* (4) any costs and expenses actually incurred by P66 and its Affiliates with respect to any P66 Asset that is not ultimately conveyed to the Company pursuant to Section 10.4 of the Contribution Agreement, *minus* (5) any costs and expenses actually incurred by P66 and its Affiliates with respect to any P66 Asset that (x) has been conveyed to the Company, and (y) the Company, pursuant to Section 10.5 of the Contribution Agreement, has determined to not be useful with respect to the design, engineering, construction, operation and/or maintenance of the Facilities (as the same is contemplated as of the Effective Date) due to the gross negligence or willful misconduct of P66 or any of its Affiliates (the aggregate value calculated pursuant to this subpart (A), plus, if applicable, any P66 True-Up Contribution, the " ***P66 Initial Contribution*** "), is equal to (B) (1) (x) the Sunoco First Initial Contribution, *plus* (y) if necessary, any additional true-up cash contribution made by Sunoco to the Company pursuant to this Section 3.1(e) (such true-up contribution, if any, the " ***Sunoco True-Up Contribution*** " and, together with the Sunoco First Initial Contribution, the " ***Sunoco Initial Contribution*** "), *multiplied by* (2) 4/3rds; and

(ii) the aggregate value of (A) the Sunoco Initial Contribution is equal to (B) (1) the value of the Energy Transfer First Initial Contribution and Energy Transfer's other obligations to the Company pursuant to the Contribution Agreement (as set forth on Exhibit C to the Contribution Agreement), *plus* (2) any costs and expenses actually incurred by Energy Transfer and its Affiliates with respect to the Energy Transfer Assets prior to the Effective Date in excess of such value of the Energy Transfer First Initial Contribution (with such difference being due to invoicing delays or similar delays), *minus* (3) any costs and expenses actually incurred by Energy Transfer and its Affiliates with respect to any Energy Transfer Asset that (x) has been conveyed to the Company, and (y) the Company, pursuant to Section 10.5 of the Contribution Agreement, has determined to not be useful with respect to the design, engineering, construction, operation and/or maintenance of the Facilities (as the same is contemplated as of the Effective Date) due to the gross negligence or willful misconduct of Energy Transfer or any of its Affiliates, *plus* (4) if necessary, any additional true-up cash contribution made by Energy Transfer pursuant to this Section 3.1(e) (such true-up contribution, if any, the " ***Energy Transfer True-Up Contribution*** " and, the aggregate value calculated pursuant to this subpart (B), the " ***Energy Transfer Initial Contribution*** ").

(f) On the date that is 30 days following the contribution of the P66 Second Initial Contribution, in the event that the aggregate value of (i) (A) the value of the P66 First Initial Contribution and P66's other obligations to the Company pursuant to the Contribution Agreement (as set forth on Exhibit C to the Contribution Agreement), *plus* (B) any costs and expenses actually incurred by P66 and its Affiliates with respect to the P66 Assets prior to the Effective Date in excess of such value of the P66 First Initial Contribution (with such difference being due to invoicing delays or similar delays), *plus* (C) the P66 Post-Effective Date Expenses, *minus* (D) any costs and expenses actually incurred by P66 and its Affiliates with respect to any P66 Asset that is not ultimately conveyed to the Company pursuant to Section 10.4 of the Contribution Agreement, *minus* (E) any costs and expenses actually incurred by P66 and its Affiliates with respect to any P66 Asset that (1) has been conveyed to the Company, and (2) the Company, pursuant to Section 10.5 of the Contribution Agreement, has determined to not be useful with respect to the design, engineering, construction, operation and/or maintenance of the Facilities (as the same is contemplated as of the Effective Date) due to the gross negligence or willful misconduct of P66 or any of its Affiliates is, in the aggregate, *less than* (ii) the value of the P66 First Initial Contribution and P66's other obligations to the Company pursuant to the Contribution Agreement (as set forth on Exhibit C to the Contribution Agreement), then P66 shall, in such instance, make true-up contributions, in cash, to the Company in an amount equal to such difference (such true-up contribution, if any, the " ***P66 True-Up Contribution*** ").

Section 3.2 Additional Contributions .

(a) From time to time from and after the Effective Date, following the issuance of a Call Notice in accordance with Section 3.3 , the Members shall make cash contributions to the Company in respect of all Company expenditures in accordance with the procedures outlined in Section 3.3(a) through Section 3.3(f) , as applicable. Except as expressly provided otherwise in Section 3.3(d)(iv) or Section 3.3(e)(ii) , any such contributions shall be made by the Members in proportion to their respective Percentage Interests.

(b) Unless the Board approves otherwise, the Company and its Subsidiaries shall use (and shall cause the Operator and/or each Construction Manager, as applicable, to use) the proceeds of all contributions made by the Members pursuant to this Section 3.2 for the purposes contemplated by the Call Notice to which such contributions relate.

Section 3.3 Contribution Procedures .

(a) Initial Facilities Construction Period Call Notices . From time to time during the period from and after the Effective Date until the Final Completion of the Initial Facilities (the " ***Initial Facilities Construction Period*** "), each Construction Manager shall notify the President of the expenditures projected to be incurred in the following Calendar Month pursuant to the then-current Budget under the applicable Construction Management Agreement. At least 30 days prior to the beginning of each applicable Calendar Month, the President shall issue a Call Notice to the Members requesting contributions in an amount equal to the aggregate of such projected expenditures, plus reasonable contingency amounts, as specifically set forth in such Call Notice (which collective amount shall be, for the avoidance of doubt, equal to (i) one-third of the Quarterly Estimate for the BLC Facilities that was delivered by the BLC Facilities Construction Manager pursuant to the BLC Facilities Construction Management Agreement, plus (ii) one-third of the Quarterly Estimate for the Subject Facilities that was delivered by the Subject Facilities Construction Manager pursuant to the Subject Facilities Construction Management Agreement, unless any Construction Manager notifies the President of a different allocation of payments among the three Calendar Months of a Calendar Quarter based on anticipated expenditures during such Calendar Quarter). On or before the first day of the applicable Calendar Month, the Members shall contribute to the Company the amount specified in such Call Notice in the proportions set forth in Section 3.2(a) . Notwithstanding anything in the foregoing to the contrary, no Call Notice issued by the President pursuant to this Section 3.3(a) shall request any contributions in respect of any Emergency Expenditures (such expenditures being addressed in Section 3.3(d)).

(b) Operations Call Notices . From time to time from and after the Effective Date, the Operator shall notify the President if the Company's and its Subsidiaries' current cash assets and projected gross receipts are not reasonably anticipated to be sufficient to satisfy the expenditures projected to be incurred in the following Calendar Month pursuant to the then-current Budget, including any Required Upgrade Costs. As promptly as practicable thereafter, the President shall issue a Call Notice to the Members requesting contributions in an amount equal to any such deficiency, plus a reasonable contingency amount, as specifically set forth in such Call Notice (which collective amount shall be, for the avoidance of doubt, equal to the "Monthly Estimate" (as such term is defined in the Operating Agreement) delivered by the Operator pursuant to the Operating Agreement). The Members shall contribute to the Company the amount specified in such Call Notice in the proportions set forth in Section 3.2(a) (A) if such Call Notice was delivered by the President to the Members on or prior to the 15 th day of a Calendar Month, then by no later than the last day of the Calendar Month in which such Call Notice is delivered, or (B) if such Call Notice was delivered by the President to the Members following the 15 th day of a Calendar Month, then by no later than the 15 th day after such Call Notice is delivered. Notwithstanding anything in the foregoing to the contrary, no Call Notice issued by the President pursuant to this Section 3.3(b) shall request any contributions in respect of any Emergency Expenditures (such expenditures being addressed in Section 3.3(d)).

(c) Other Construction Costs Call Notices. On (i) the first date upon which all of the following has occurred: the Company has approved (A) a Capital Project (whether pursuant to Section 5.1(b) in the case of a Qualifying Capital Project or otherwise pursuant to Section 5.1(d)(xix)), and (B) the Capital Project Budget with respect thereto has been approved whether pursuant to Section 5.1(b) in the case of a Capital Project Budget for a Qualifying Capital Project or otherwise pursuant to Section 5.1(d)(xix)) and (ii) a date at least 35 days prior to the beginning of each Calendar Quarter thereafter until the completion of such Capital Project, the President shall issue a Call Notice to the Members requesting contributions in an amount equal to such projected costs needed for such Capital Project in such Calendar Quarter, plus a reasonable contingency amount, as specifically set forth in such Call Notice. The Members shall contribute to the Company the amount specified in such Call Notice in the proportions set forth in Section 3.2(a): (1) in the case of the initial Call Notice for such Capital Project, (x) if such Call Notice was delivered by the President to such Members on or prior to the 15 th day of a Calendar Month, then by no later than the last day of the Calendar Month in which such Call Notice is delivered, or (y) if such Call Notice was delivered by the President to such Members following the 15 th day of a Calendar Month, then by no later than the 15 th day after such Call Notice is delivered; and (2) in the case of each Call Notice thereafter, on or before the first day of the applicable Calendar Quarter. Notwithstanding anything in the foregoing to the contrary, no Call Notice issued by the President pursuant to this Section 3.3(c) shall request any contributions in respect of any Emergency Expenditures (such expenditures being addressed in Section 3.3(d)).

(d) Special Call Notices. The President may issue a special Call Notice to the Members at any time:

(i) if, during the Initial Facilities Construction Period, any Construction Manager notifies the President that the contributions made pursuant to Section 3.3(a) with respect to the current Calendar Quarter are (A) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected Construction Costs to be incurred during such Calendar Quarter under the applicable then-current Budget therefor under the applicable Construction Management Agreement, (B) are insufficient or projected to be insufficient to satisfy any Emergency Expenditures incurred or projected to be incurred during such Calendar Quarter by such Construction Manager under such Construction Management Agreement, or (C) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected expenditures to be otherwise incurred during such Calendar Quarter in accordance with such Construction Management Agreement, including such Construction Manager's right and authority to make expenditures in excess of the applicable then-current Budget therefor pursuant to Section 5.3 of such Construction Management Agreement;

(ii) if the Operator notifies the President that the Company's and its Subsidiaries' current cash assets and projected gross receipts *plus* any additional contributions made pursuant to Section 3.3(b) with respect to the current Calendar Month are (A) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected expenditures to be incurred during such Calendar Month under the then-current Budget therefor under the Operating Agreement, (B) insufficient or projected to be insufficient to satisfy any Emergency Expenditures incurred or projected to be incurred during such Calendar Month by the Operator under the Operating Agreement, or (C) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected expenditures to be otherwise incurred during such Calendar Month in accordance with

the Operating Agreement, including the Operator's right and authority to make expenditures in excess of the applicable then-current Budget therefor pursuant to Section 5.3 of the Operating Agreement;

(iii) if the Company is notified that the contributions made pursuant to Section 3.3(c) with respect to the current Calendar Quarter are (A) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected costs to be incurred during such Calendar Quarter under the applicable then-current Capital Project Budget for such Capital Project, (B) are insufficient or projected to be insufficient to satisfy any Emergency Expenditures incurred or projected to be incurred during such Calendar Quarter with respect to such Capital Project, or (C) projected to be insufficient to satisfy the Company's and its Subsidiaries' projected expenditures to be otherwise incurred during such Calendar Quarter in accordance with respect to such Capital Project;

(iv) if any Requesting Member delivers the Company a Post-Effective Date Reimbursement Request pursuant to the provisions of Section 6.3(c) ; or

(v) if any Affiliate of any Member delivers the Company a Post-Effective Date Reimbursement Request pursuant to the provisions of Section 6.3(d) ;

then, in each of the foregoing cases outlined in subsections (i) through (v) above, the President shall issue a Call Notice to the Members requesting contributions from the Members in an amount equal to such deficiencies, plus a reasonable contingency amount, as specifically set forth in such Call Notice (which collective amount(s) shall be, in the cases of subsections (i) and (ii) above, equal to the applicable "Shortfall Estimate" (as defined in the applicable Construction Management Agreement) or "Shortfall Estimate" (as defined in the Operating Agreement), as applicable, that was delivered by such Construction Manager pursuant to the applicable Construction Management Agreement or the Operator pursuant to the Operating Agreement, as applicable, and in the case of subsections (iv) and (v) above, equal to the Post-Effective Date Member Costs or Post-Effective Date Affiliate Costs, as applicable, set forth in the applicable Post-Effective Date Reimbursement Request). Within five Business Days of receipt of (x) any Call Notice pursuant to Section 3.3(d)(i) , Section 3.3(d)(ii), Section 3.3(d)(iii) or Section 3.3(d)(v) , the Members shall contribute to the Company the amount specified in such Call Notice in the proportions set forth in Section 3.2(a) , and (y) any Call Notice pursuant to Section 3.3(g)(iv) , each non-Requesting Member shall contribute to the Company its Proportionate Share of the entire amount requested in such Call Notice.

(e) Indemnification Call Notices . The President may issue a special Call Notice to the Members at any time if:

(i) subject to Section 3.3(e)(ii) below, the Company owes any indemnification obligation pursuant to the Operating Agreement and the Company's and its Subsidiaries' current cash assets and projected gross receipts are not reasonably anticipated to be sufficient to satisfy such indemnification obligation;

(ii) the Company owes any indemnification obligation pursuant to Section 10.2.4 of the Operating Agreement;

(iii) the Company owes any indemnification obligation pursuant to any Construction Management Agreement with respect to the Initial Facilities or any Capital Project and the Company's and its Subsidiaries' current cash assets and projected gross receipts are not reasonably anticipated to be sufficient to satisfy such indemnification obligation; or

then, in each of the foregoing cases outlined in subsections (i) through (iii) above, the President shall issue a Call Notice to the Members requesting contributions from the Members in an amount equal to such indemnification obligation as specifically set forth in such Call Notice. Within five Business Days of receipt of (x) any Call Notice delivered pursuant to Section 3.3(e)(i) or Section 3.3(e)(iii) , the Members shall contribute to the Company the amount specified in such Call Notice in the proportions set forth in Section 3.2(a) , and (y) any Call Notice delivered pursuant to Section 3.3(e)(ii) , each Member who is not the Operator, or who is not an Affiliate of the Operator, as applicable, shall contribute to the Company the amount requested in such Call Notice in accordance with its Proportionate Share.

(f) Call Notice Contents . Each request for contributions contained in a Call Notice shall (i) 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 and (ii) specify in reasonable detail (A) the purpose(s) or expenditure(s) for which such contributions are required, (B) the amount of the contribution requested to be made by each Member to the Company pursuant to such Call Notice and (C) whether such amounts are to be paid pursuant to Section 3.3(a) , Section 3.3(b) , Section 3.3(c) , Section 3.3(d) or Section 3.3(e) (and, if applicable, the relevant subsection of each such Section).

Section 3.4 Failure to Fund Initial or Additional Contributions .

(a) Except as provided in Section 3.4(d) , 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 this Agreement, the Company shall (and any Affected Member may, on behalf of the Company) give notice of such default (a " ***Default Notice*** ") to the defaulting Member and each other Member. Any Default Notice shall include a statement of the amount the defaulting Member has failed to pay. If such failure is not cured by the defaulting Member on or before the tenth day following such defaulting Member's receipt of the applicable Default Notice, then such defaulting Member shall be deemed to be in default under this Agreement (a " ***Default*** "), and shall be referred to herein as a " ***Defaulting Member*** ".

(b) " ***Default Period*** " means the period beginning with the date such Member becomes a "Defaulting Member" pursuant to the terms of Section 3.4(a) and ending when all of such Defaulting Member's Defaults have been cured in full.

(c) Any amount in Default and not paid when due under this Agreement shall bear interest at the Default Interest Rate from the applicable Due Date to the date of payment.

Section 3.5 Certain Consequences of Default .

(a) Notwithstanding any other provision in this Agreement to the contrary, during the Default Period, a Defaulting Member shall have no right to, and shall cause its Affiliates and the Director designated by such Defaulting Member, if applicable, not to:

(i) make any proposal under this Agreement;

(ii) (A) be counted for purposes of determining a quorum for any Board vote (excluding determining a quorum for voting on any Preserved Unanimous Action) or (B) vote on any matter with respect to which Member or Board approval is required under the express terms of this Agreement (excluding any Preserved Unanimous Action) and, in each case, in determining the Total Votes, the Percentage Interest of the Defaulting Member shall be deemed held by each Paying Affected Member in accordance with its Proportionate Share (except in connection with voting on any Preserved Unanimous Action);

(iii) request or call any Board meeting;

(iv) access any data or information relating to any operation conducted by the Company or any of its Subsidiaries (except to the extent such Member or an Affiliate of such Member or an employee of such Member or Affiliate of such Member is the Operator or a Construction Manager, and such data or information is necessary for such Member or Affiliate to perform its responsibilities in such capacity);

(v) propose any Capital Projects to the Board;

(vi) other than pursuant to the provisions of Section 3.5(e) or Section 3.5(f) , Transfer all or any part of its Member Interest and associated Units, except for any Transfer (A) of all of its Member Interest and associated Units to a Person who simultaneously with such Transfer satisfies or causes to be satisfied in full the Total Amount in Default, and (B) that is undertaken in accordance, and compliance, with the provisions of Article 10 and Article 11 ; and

(vii) ** provided for in Section 11.1 in the event of a **.

(b) Upon the commencement of a Default Period, each Affected Member may, but is not required to, contribute to the Company its Proportionate Share of the entire amount in Default as set forth in the applicable Default Notice within 20 days following such Affected Member's receipt of such Default Notice. Any such Affected Member that contributes its Proportionate Share of the applicable amount within the applicable time frame is referred to herein as a " ***Paying Affected Member*** ". If there is more than one Affected Member, and one or more Affected Members does not contribute its Proportionate Share of the entire amount in Default as set forth in the applicable Default Notice within the applicable time frame (each, a " ***Non-Paying Affected Member*** "), then each Paying Affected Member shall have the right, but not the obligation, to contribute to the Company 100% of the amount that the Non-Paying Affected Member(s) failed to pay pursuant to this Section 3.5(b) .

(i) If more than one Paying Affected Member elects to cover the amount unpaid by the applicable Non-Paying Affected Member(s), then each of such Paying Affected Members shall contribute its Proportionate Share of such unpaid amount. A Paying Affected Member that pays the entirety of any such amounts unpaid by the applicable Non-Paying Affected Member(s) (or its applicable portion thereof pursuant to the preceding sentence) shall be referred to herein as a " ***Covering Affected Member*** ".

(ii) Notwithstanding anything to the contrary in this Section 3.5 , should (A) any Affected Member be a Non-Paying Affected Member with respect to such Default, and (B) no Covering Affected Member exist, then (1) the Members shall be deemed to have unanimously determined not to make the expenditure which the Defaulting Member originally failed to make, (2) no such Non-Paying Affected Member (nor any Paying Affected Member that elects not to be a Covering Affected Member) shall be deemed to be in "Default" under Section 3.4(a) for the failure to make such payment, (3) the Defaulting Member shall no longer be deemed to be in "Default" or considered a "Defaulting Member" hereunder with respect to such expenditure, and (4) any amount previously contributed to the Company by any Paying Affected Member pursuant to this Section 3.5(b) with respect to such expenditure shall promptly be returned to such Paying Affected Member by the Company.

(c) At any time after the Paying Affected Member(s) (including any Covering Affected Member) make any such contribution(s) pursuant to Section 3.5(b) , but before a Paying Affected Member has elected the Percentage Adjustment Remedy or the Percentage Interest Buyout Remedy, the Defaulting Member shall be entitled to cure the applicable Default by reimbursing each such Paying Affected Member (including any Covering Affected Member) for the entire amount of such contribution made by each such Paying Affected Member pursuant to Section 3.5(b) , together with interest thereon at the Default Interest Rate accruing on such amount since the applicable Due Date. Any such contribution made by a Paying Affected Member (including any Covering Affected Member), if so timely reimbursed in full by the Defaulting Member, shall be deemed to be advances made by such Paying Affected Member on behalf of the Defaulting Member and shall, for purposes of this Agreement, constitute a loan made by such Paying Affected Member to the Defaulting Member rather than a contribution by such Paying Affected Member to the Company.

(d) Until the applicable Default is cured in full by the Defaulting Member pursuant to Section 3.5(c) or by payment by a guarantor of the Defaulting Member's obligations, then, in addition to any other remedies the Paying Affected Members may have against such Defaulting Member or its guarantor, whether at Law or in equity, the Defaulting Member shall have no right to receive distributions from the Company pursuant to Section 4.5 , and such distributions shall instead be made to the Paying Affected Members (including any Covering Affected Member) until (i) each Paying Affected Member shall have received an amount of such distributions sufficient to reimburse such Paying Affected Member for any such contributions made by such Paying Affected Member pursuant to Section 3.5(b) , together with interest thereon at the Default Interest Rate accruing on such amount since the applicable Due Date, or (ii) the Default is otherwise remedied in full pursuant to the terms of this Agreement.

(e) If the Default Period commences during the Initial Facilities Construction Period, then at any time thereafter during such Default Period, the Paying Affected Members may elect (with such election to be determined by a majority vote of the Proportionate Shares of such Paying Affected Members), by delivering written notice to the Company, the Defaulting Member and each other Member during such Default Period, to enforce the Percentage Interest adjustment remedy set forth in this Section 3.5(e) (the " ***Percentage Interest Adjustment Remedy*** "), in which case, upon such election and following the consummation of such adjustment to the Members' respective Percentage Interests, (w) the Default in question shall be deemed to have been remedied

in full, (x) the Defaulting Member shall no longer be deemed to be in "Default" or considered a "Defaulting Member" hereunder, (y) the Paying Affected Members shall no longer have the rights set forth in Section 3.5(d) , and (z) the provisions of Section 3.5(a) shall no longer apply to such Default. If the Paying Affected Members do so elect the Percentage Interest Adjustment Remedy, then:

(i) the Percentage Interest of each Paying Affected Member shall be adjusted, effective as of the applicable Due Date, to equal a fraction, expressed as a percentage:

(A) the numerator of which shall be equal to the amount obtained by the following formula: (1) (aa) the aggregate contributions made on or before such date by such Paying Affected Member pursuant to Section 3.1 and Section 3.2 , *plus* (bb) an amount equal to the aggregate contributions made on or before such date by such Paying Affected Member pursuant to this Section 3.5 , *times* (2) 1.25, *minus* (3) the amount of any distributions received by such Paying Affected Member pursuant to Section 3.5(d) that would otherwise have been distributed to such Defaulting Member (but only to the extent such distributions represent the value of the principal amount in Default and specifically not taking into account any distributions received by such Paying Affected Member attributable to the interest accruing on such amount in Default); and

(B) the denominator of which shall be equal to the amount obtained by the following formula: (1) (aa) the aggregate contributions made on or before such date by all Paying Affected Members pursuant to Section 3.1 , Section 3.2 and this Section 3.5 , multiplied by (bb) 1.25, *plus* (2) the aggregate contributions made on or before such date by the Defaulting Member pursuant to Section 3.1 , Section 3.2 and this Section 3.5 ;

(ii) simultaneously with the adjustment of each Paying Affected Member's Percentage Interest pursuant to Section 3.5(e)(i) , each Paying Affected Member's Member Interest and Units each shall be adjusted upward in the same proportion as the adjustment to such Paying Affected Member's Percentage Interest;

(iii) simultaneously with the upward adjustment of each Paying Affected Member's Percentage Interest (and, consequently, each Paying Affected Member's Member Interest and Units) pursuant to Section 3.5(e)(i) and Section 3.5(e)(ii) , the Percentage Interest, Member Interest and Units of the Defaulting Member shall be correspondingly downwardly adjusted to reflect the upward adjustment of each Paying Affected Member's Percentage Interest, Member Interest and Units; and

(iv) following any such adjustments to the Members' Percentage Interests, Member Interests and Units pursuant to this Section 3.5(e) , the Company shall cause the Secretary to update the Member Schedule to reflect the adjusted Percentage Interests, Member Interests and Units of the Members.

(f) If the Default Period commences after the Initial Facilities Construction Period, then at any time thereafter during such Default Period, any Paying Affected Member may elect, by delivering written notice to the Company, the Defaulting Member and each other Member during such Default Period, to enforce the Percentage Interest buyout remedy set forth in this Section 3.5(f) (the " ***Percentage Interest Buyout Remedy*** "), in which case, upon such election and

following the consummation of such buyout, (w) the Default in question shall be deemed to have been remedied in full, (x) the Defaulting Member shall no longer be deemed to be in "Default" or considered a "Defaulting Member" hereunder, (y) the Paying Affected Members shall no longer have the rights set forth in Section 3.5(d) , and (z) the provisions of Section 3.5(a) shall no longer apply to such Default.

(i) If any Paying Affected Member does so elect the Percentage Interest Buyout Remedy, then the Paying Affected Member(s) who so elected shall purchase (and the Defaulting Member shall sell) all, but not less than all, of the Percentage Interest, Member Interest and Units of the Defaulting Member at a price equal to the amount obtained by the following formula: (A) (1) the lesser of (x) the balance in such Defaulting Member's Capital Account as of the date of the election by such Paying Affected Member of the Percentage Interest Buyout Remedy or (y) the Fair Market Value, as of the date of the election by such Paying Affected Member of the Percentage Interest Buyout Remedy, of such Defaulting Member's Percentage Interest, Member Interest and Units, as determined by an expert in accordance with Section 14.3 , *minus* (2) the amount of any distributions received by the Paying Affected Members pursuant to Section 3.5(d) that would otherwise have been distributed to such Defaulting Member (but only to the extent such distributions represent the value of the principal amount in Default and specifically not taking into account any distributions received by such Affected Members attributable to the interest accruing on such amount in Default) *times* (B) 0.90. Each such Paying Affected Member who so elected to enforce the Percentage Interest Buyout Remedy shall be (I) responsible for its Proportionate Share of such price and (II) entitled to its Proportionate Share of such Percentage Interest, Member Interest and Units.

(ii) With respect to any Paying Affected Member who elects the Percentage Buyout Remedy, such purchase shall be deemed to have occurred as of the date that such Paying Affected Member pays the applicable price determined pursuant to Section 3.5(f)(i) to the Defaulting Member and such Paying Affected Member's Percentage Interest (and consequently its Member Interest and Units) shall be adjusted upwards by the Percentage Interest of the Defaulting Member acquired by such Paying Affected Member, effective as of the date of the election by such Paying Affected Member of the Percentage Interest Buyout Remedy.

Section 3.6 Section 704(b) Capital Accounts .

(a) " ***Capital Account*** " means, with respect to any Member, an account that is maintained for such Member in accordance with the provisions of Section 1.704-1(b)(2)(iv) of the Treasury Regulations and to the extent consistent with such Treasury Regulations has, as of any given date on or after the Effective Date, a balance calculated as follows:

(i) the aggregate amount of cash that has been contributed to the capital of the Company as of such date by or on behalf of such Member; *plus*

(ii) the Gross Asset Value of any property other than cash that has been contributed to the capital of the Company as of such date by such Member and the amount of liabilities assumed by any such Member under Section 752 of the Code or which are secured by any Assets distributed to such Member; *plus*

(iii) the aggregate amount of the Net Profits that has been allocated to such Member as of such date pursuant to the provisions of Section 4.1 or Section 13.3 , any items of income or gain which are specially allocated to such Member pursuant to Section 4.2 or Section 4.3 and any other positive adjustments required by the Treasury Regulations and that have not been previously taken into account in determining such Member's Capital Account; *minus*

(iv) the aggregate amount of the Net Losses that have been allocated to such Member as of such date pursuant to Section 4.1 or Section 13.3 , the amount of any item of expense, deduction or loss which is specially allocated to such Member pursuant to Section 4.2 or Section 4.3 and any other negative adjustments required by the Treasury Regulations and that have not been previously taken into account in determining such Member's Capital Account; *minus*

(v) the aggregate amount of cash that has been distributed to or on behalf of such Member; and *minus*

(vi) the Gross Asset Value of any property other than cash that has been distributed to or on behalf of such Member as of such date and the amount of any liabilities of such Member assumed by the Company under Section 752 of the Code and the Treasury Regulations or which are secured by any property contributed by such Member to the Company.

Section 3.7 No Interest on or Return of Contributions . No Member shall be entitled to interest on its contributions to the Company or to a return thereof, except as otherwise specifically provided for in this Agreement.

Section 3.8 Member Parent Guaranties . As an inducement to each Member to enter into this Agreement and as security for the payment of contributions to be made by each Member pursuant to Section 3.2 and such Member's obligations under the Contribution Agreement, each Member has caused its respective Affiliate guarantor to issue a guaranty in the form set forth in Exhibit C of such Member's (a) obligation to make such contributions and other required additional contributions and (b) obligations under the Contribution Agreement (collectively, the " ***Guaranties*** "). Any Guaranty shall be released (i) upon and to the extent of a guarantor's Affiliate's transfer of a Member Interest and associated Units in compliance with the provisions of Section 10.3 , or (ii) when the Member whose obligations are guaranteed pursuant to this Section 3.8 or Section 10.2(a) holds or is granted a credit rating equal to or better than Baa3 (if issued by Moody's Investor Service) or BBB- (if issued by Standard & Poor's Financial Services LLC).

Section 3.9 Units . The Member Interests in the Company are divided into units referred to herein as " ***Units*** ." The Company has authorized an aggregate of up to 200 Units that may be held by the Members (the " ***Authorized Units*** "). The Units that are held by the Members as of the Effective Date are as set forth on the Member Schedule attached as Appendix II . Any fractional Units that would otherwise be issued or allocated pursuant to this Agreement shall be rounded to the nearest whole Unit. The Units shall not be certificated.

Section 3.10 **No Resignation or Expulsion**. A Member may not take any action to resign, withdraw or retire as a Member voluntarily, and a Member may not be expelled or otherwise removed involuntarily as a Member, prior to the dissolution and winding up of the Company, other than as may be required with respect to a Defaulting Member pursuant to Section 3.5 or as a result of a permitted Transfer of all of such Member's Member Interest and associated Units in accordance with Article 10 and each of the transferees of such Member Interest and associated Units being admitted as a Substitute Member. A Member shall cease to be a Member only in the manner described in Article 10 or, with respect to a Defaulting Member, in the manner described in Section 3.5.

ARTICLE 4
ALLOCATIONS AND DISTRIBUTIONS

Section 4.1 **Allocations of Net Profits and Net Losses**. Except as provided in Section 13.3(b), after giving effect to the special allocations set forth in Section 4.2 and Section 4.3, Net Profits and Net Losses for any Fiscal Year shall be allocated among the Members in accordance with their respective Percentage Interests.

Section 4.2 **Special and Regulatory Allocations**. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. To the extent required by Section 1.704-2(f) of the Treasury Regulations, if there is a net decrease in "partnership minimum gain" (within the meaning of Section 1.704-2(b)(2) of the Treasury Regulations) in a Fiscal Year, then each Member shall be specially allocated items of income and gain (including gross income) arising during that Fiscal Year (and if necessary subsequent Fiscal Years), equal to such Member's share of the net decrease in partnership minimum gain. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f)(6) and 1.704-2(j)(2) of the Treasury Regulations. If, in any Fiscal Year that has such a net decrease, the minimum gain chargeback requirement would cause a distortion in the economic arrangement among the Members and it is not expected that the Company will have sufficient other income to correct that distortion, the Tax Matters Member may in its reasonable discretion seek to have the Internal Revenue Service waive the minimum gain chargeback requirement in accordance with Section 1.704-2(f)(4) of the Treasury Regulations. This Section 4.2(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

(b) Member Nonrecourse Debt Minimum Gain Chargeback. If there is a net decrease in "partner nonrecourse debt minimum gain" (within the meaning of Section 1.704-2(i)(4) of the Treasury Regulations) in any Fiscal Year, then each Member that has a share of the "partner nonrecourse debt minimum gain" as of the beginning of the Fiscal Year shall be specially allocated items of income and gain arising during that Fiscal Year (and if necessary subsequent Fiscal Years) to the extent required by Section 1.704-2(i)(4) of the Treasury Regulations. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. A Member shall not be subject to this provision to the extent that an exception is provided by Section 1.704-2(i)(4) of the Treasury Regulations and any administrative guidance issued by the Internal Revenue Service with respect thereto. Any "partner nonrecourse debt minimum gain" allocated pursuant to this provision shall consist of first, gains recognized from the

disposition of Assets subject to "partner nonrecourse debt" (within the meaning of Section 1.704-2(b)(4) of the Treasury Regulations), and, second, if necessary, a pro rata portion of the Company's other items of income or gain (including gross income) for that Fiscal Year (and if necessary subsequent Fiscal Years). This Section 4.2(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset . In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5) or Section 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, which creates a negative Adjusted Capital Account Balance for its Capital Account, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain for such Fiscal Year and, if necessary, for subsequent Fiscal Years) from Business conducted by the Company shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the negative Adjusted Capital Account Balance so created as quickly as possible; provided that an allocation pursuant to this Section 4.2(c) shall be made if and only to the extent that such Member would have a negative Adjusted Capital Account Balance after all other allocations provided for in this Article 4 have been tentatively made as if this Section 4.2(c) were not in the Agreement. It is the intent that this Section 4.2(c) be interpreted to comply with the alternate test for economic effect set forth in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

(d) Nonrecourse Deductions . If there are any "nonrecourse deductions" (within the meaning of Sections 1.704-2(b)(1) and 1.704-2(c) of the Treasury Regulations) in a Fiscal Year, then each Member shall be allocated its share of such nonrecourse deductions in proportion to its respective Percentage Interest.

(e) Member Nonrecourse Deductions . If there are any "partner nonrecourse deductions" (within the meaning of Section 1.704-2(i)(1) of the Treasury Regulations) in a Fiscal Year, then such deductions shall be allocated to the Member that bears the economic risk of loss for the "partner nonrecourse liability" (within the meaning of Section 1.704-2(b)(4) of the Treasury Regulations) to which the deductions are attributable. If more than one Member bears the economic risk of loss for such "partner nonrecourse liability," the "partner nonrecourse deductions" attributable to such "partner nonrecourse liability" shall be allocated among the Members according to the proportion in which they bear such economic risk of loss.

(f) Adjustments to Tax Basis . To the extent an adjustment to the adjusted Tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustments to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of such asset) or loss (if the adjustment decreases the basis of such asset) and such gain or loss shall be specially allocated among the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations.

(g) Special Loss Allocation . The Net Losses allocated pursuant to Section 4.1 shall not exceed the maximum amount of Net Losses, losses or deductions that can be so allocated

without causing any Member to have a negative Adjusted Capital Account Balance at the end of any Fiscal Year. If some, but not all, of the Members would have a negative Adjusted Capital Account Balance as a consequence of such allocations, the limitation set forth in the preceding sentence shall be applied on a Member-by-Member basis so as to allocate the maximum permissible Net Losses and items of loss and deduction to each Member under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations. All Net Losses in excess of the limitation set forth in this Section 4.2(g) shall be allocated to the Members in proportion to their respective positive Adjusted Capital Account Balances, if any, and thereafter to the Members in accordance with their interests as determined by the Tax Matters Member in its reasonable discretion. If any Member would have a negative Adjusted Capital Account Balance at the end of any Fiscal Year, the Capital Account of such Member shall be specially credited with items of Company income (including gross income) and gain from Business conducted by the Company in the amount of such excess as quickly as possible.

(h) Corrective Allocations. If, as a result of an exercise of a noncompensatory option to acquire an interest in the Company, a Capital Account reallocation is required under Treasury Regulation Section 1.704-1(b)(2)(iv)(s)(3), the Company shall make corrective allocations pursuant to Treasury Regulation Section 1.704-1(b)(4)(x).

Section 4.3 Curative Allocations. The allocations set forth in Section 4.2(a) through Section 4.2(g) (the "***Regulatory Allocations***") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2(b) of the Treasury Regulations. Notwithstanding any other provisions of this Agreement other than the Regulatory Allocations, the Regulatory Allocations shall be taken into account in allocating Net Profits or Net Losses or other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to such Member if the Regulatory Allocations had not been part of this Agreement. The Tax Matters Member shall reasonably determine, with respect to each Fiscal Year, how to apply the provisions of this Section 4.3 in a manner that is likely to minimize the economic distortions that might otherwise result from the Regulatory Allocations.

Section 4.4 Tax Allocations. Except as otherwise provided in this Section 4.4, for Tax Purposes, the income, gain, loss or deduction (or any item thereof) for each Fiscal Year shall be allocated to and among the Members in the same manner as the correlative items are allocated pursuant to the provisions of Section 4.1, Section 4.2 and Section 4.3 for such Fiscal Year. Notwithstanding any other provision of this Agreement to the contrary, any income, gain, loss or deduction recognized by the Company for Tax Purposes in any Fiscal Year with respect to all or any part of an Asset that (a) is required to be allocated among the Members in accordance with Section 704(c) of the Code and the Treasury Regulations so as to take into account the variation, if any, between the adjusted tax basis of such Asset and the initial Gross Asset Value of such Asset at the time of its contribution, or (b) is required to be allocated among the Members in accordance with the principles of Section 704(c) of the Code and the Treasury Regulations following the adjustment to the Gross Asset Value of an Asset pursuant to this Agreement, shall be allocated to the Members in the manner so required; provided that in all events the Company shall apply the "remedial allocation method" pursuant to Section 1.704-3(d) of the Treasury Regulations. Any (i) recapture of Depreciation or any other item of deduction shall be allocated, in accordance with Section 1.1245-1(e) of the Treasury Regulations, to the Members that received the benefit of such

deductions (taking into account the effect of remedial allocations), and (ii) recapture of tax credits shall be allocated to the Members in accordance with applicable Law. Tax credits of the Company shall be allocated among the Members as provided in Sections 1.704-(b)(4)(ii) and 1.704-1(b)(4)(viii) of the Treasury Regulations. The income tax allocations made pursuant to this Section 4.4 shall not be reflected in any Member's Capital Account.

Section 4.5 Distributions.

(a) Distributions of Available Cash. Subject to the other provisions of this Agreement, all Available Cash shall be distributed to the Members of record in proportion to their respective Percentage Interests. All distributions made pursuant to this Section 4.5(a) shall be made to the holders of record of the applicable Units as set forth on the Member Schedule on the last day of the Calendar Month preceding the Calendar Month in which the distribution is made. Available Cash shall be determined by the Operator on a Calendar Month basis, effective at the end of each Calendar Month, within ten days after the end of each Calendar Month. The Member whose Affiliate is serving as the Construction Manager shall cause the Construction Manager to provide the Operator with any information in the Construction Manager's possession that is reasonably necessary for the Operator to determine the Available Cash for each Calendar Quarter in accordance with the Construction Management Agreement. On or before 15 days following the end of each Calendar Month, the Operator shall provide written notice to each Member's Director of its recommendation of the amount of Available Cash to distribute with respect to such Calendar Month, including information as to cash position, anticipated cash receipts and disbursements and such other applicable information reasonably requested by the Board. Subject to the provisions of this Article 4 and any preferential or disproportionate distributions to the extent expressly provided for in this Agreement, and other than upon a liquidation of the Company pursuant to Section 13.3, unless any Member's Director registers its objection by written notice to the Operator and each other Director within five Business Days after receipt of the Operator's recommendation of the amount of Available Cash to distribute with respect to such Calendar Month, the Company shall distribute that amount of Available Cash to the Members within 30 days following the end of each Calendar Month. If an objection is filed by any Member's Director in accordance with this Agreement, the Board shall (i) distribute the undisputed portion of such Available Cash calculation, if any, to the Members pursuant to this Section 4.5(a) and (ii) direct the Operator to address the issues underlying the amount subject to such objection and report back to the Board within five Business Days.

(b) Withholding. Any amount withheld pursuant to the Code or any foreign, State or local tax Law or treaty with respect to any payment, distribution or allocation to the Members shall be treated for all purposes of this Agreement as distributed to the Members pursuant to this Section 4.5. The Board is authorized to withhold from distributions to a Member and to pay over to any Governmental Authority any amount required to be so withheld pursuant to the Code or any other Federal, foreign, State or local Law, and shall treat any withheld amount as having been distributed to such Member with respect to which such amounts were withheld for all purposes of this Agreement.

Section 4.6 Limitations on Distributions. Notwithstanding anything to the contrary in Section 4.5, no distribution shall be made if such distribution would violate the Delaware Act.

ARTICLE 5

MANAGEMENT OF THE COMPANY

Section 5.1 Management under Direction of the Board .

(a) Except as otherwise expressly provided in this Section 5.1(a) or elsewhere in this Agreement or required under the Delaware Act, the business and affairs of the Company shall be managed and controlled by its Members through a board of the Members' representatives (the " ***Board*** " and each member of the Board, a " ***Director*** "). Subject to the following sentence, the Board shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company and its Subsidiaries 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 its Subsidiaries and the Business. Board approval shall be required for any action proposed to be taken by or on behalf of the Company or any of its Subsidiaries and not (i) expressly delegated (A) by the Board to the officers of the Company in accordance with Section 5.10 , (B) by the Company to the Operator pursuant to the Operating Agreement or (C) by the Company to a Construction Manager pursuant to a Construction Management Agreement, (ii) otherwise expressly permitted to be taken by the Operator pursuant to the Operating Agreement, or (iii) otherwise expressly permitted to be taken by a Construction Manager pursuant to a Construction Management Agreement (each of the foregoing excepted actions, a " ***Permitted Company Action*** ").

(b) Except as otherwise expressly delegated by the Board or permitted to be taken without Board approval as a Permitted Company Action and subject to Section 5.1(c) and Section 5.1(d) , all actions proposed to be taken by or on behalf of the Company or any of its Subsidiaries shall require the affirmative vote or consent of the Directors representing ** of the Total Votes eligible to vote or consent on such matter acting in accordance with Section 5.3 .

(c) Except as otherwise expressly delegated by the Board or permitted to be taken without Board approval as a Permitted Company Action and subject to Section 5.1(d) , the following actions proposed to be taken by or on behalf of the Company or any of its Subsidiaries shall require the affirmative vote or consent of the Directors representing ** of the Total Votes eligible to vote or consent on such matter acting in accordance with Section 5.3 :

(i) issuing any guaranty to secure the obligations of another Person (other than the Company or any Subsidiary of the Company);

(ii) (A) except for customary liens arising by operation of Law in the ordinary course of business, creating or issuing any voluntary lien, mortgage, pledge, assignment in trust or other similar Encumbrance, in each case, securing any Debt on any Subsidiary or Asset, and (B) assigning or selling rights to any monies owed or to be owed to the Company or any Subsidiary;

(iii) incurring or assuming any Debt other than any trade credit incurred in the ordinary course of business;

(iv) approving the Company or any of its Subsidiaries acquiring any interest or making any other investment in, any limited or general partnership, joint venture,

corporation, limited liability company or other entity where a portion of the Equity Interests of which are held by any Third Party following such acquisition or investment;

(v) replacing the Company's registered office or registered agent in Delaware;

(vi) approving or changing the principal place of business of the Company;

(vii) selecting the name or names (including assumed names or d/b/a's of the Company or any of its Subsidiaries) under which the Company or any of its Subsidiaries may conduct Business;

(viii) making any requests for additional services (and the terms and conditions for the provision of such services) by the Company under the Operating Agreement or any Construction Management Agreement;

(ix) approving any Budget (other than a Default Budget or a Capital Project Budget);

(x) entering into, amending or supplementing any Contract to which the Company or any of its Subsidiaries is a party or to which any of the Assets are subject, in each case, that provides for any restriction on the Company's or any such Subsidiary's ability to conduct the Business, including with respect to non-competition, non-solicitation or non-dealing;

(xi) commencement of any action at law or suit in equity against any Governmental Authority, except for actions or suits customary in the industry in connection with the construction of the Initial Facilities or any Capital Project, including actions or suits related to acquisition or condemnation of rights-of-way or condemnation of the Company's property;

(xii) settlement or compromise of a Claim asserted against the Company (whether or not asserted in an action at law or suit in equity) for an amount in excess of $17,500,000;

(xiii) after the Initial Facilities Construction Period, maintenance of a Cash Reserve greater than $20,000,000;

(xiv) approving dismissal of the auditor identified in Section 8.3(a) and appointment or dismissal of any successor auditor;

(xv) reversing the direction of the physical flow of transportation services provided through the Company's or any of its Subsidiaries' Assets or ceasing Crude Petroleum transportation services through any of such Assets;

(xvi) entering into, amending, supplementing or terminating any Affiliate Contract, other than those entered into in connection with Design, Procurement or Construction of the Initial Facilities under the BLC Facilities Construction Management Agreement and/or Subject Facilities Construction Management Agreement; or

(xvii) entering into any Contract providing for or otherwise committing to take any of the foregoing actions, or delegating authority to any Person to approve any of the foregoing actions.

(d) Except as otherwise expressly delegated by the Board or permitted to be taken without Board approval as a Permitted Company Action, the following actions proposed to be taken by or on behalf of the Company or any of its Subsidiaries shall require the affirmative vote or consent of the Directors representing ** of the Total Votes eligible to vote or consent on such matter acting in accordance with Section 5.3 and the unanimous approval of the Members acting in accordance with Section 5.8 to the extent each such Member's Director is eligible to vote or consent on such matter in accordance with Section 5.3 :

(i) (A) (1) acquiring assets of any Person or (2) disposing of Assets of the Company, or (B) acquiring Equity Interests of any Person or disposing of Equity Interests of any Person held by the Company or any of its Subsidiaries, in each case, that have an aggregate Fair Market Value of greater than $15,000,000, in each case, in any transaction or series of related transactions;

(ii) approving any amendment to an existing Budget that involves an aggregate variance of greater than 15% of such Budget (other than (A) a Default Budget or (B) any then-current Construction Budget under any Construction Management Agreement);

(iii) entering into, amending, supplementing or terminating any Contract for Third Party operations services to which the Company or any of its Subsidiaries is a party or to which any Assets are subject, in each case, pursuant to which the Company or any of its Subsidiaries is committed to incur an expense of more than $15,000,000 in the aggregate thereunder;

(iv) electing to voluntarily liquidate, wind up or dissolve the Company;

(v) authorizing or filing of any petition for, or commencement of, any Bankruptcy of the Company;

(vi) voluntarily amending the Formation Certificate;

(vii) authorizing or issuing any additional Equity Interests of the Company, including Member Interests and associated Units, and admitting as an Additional Member the Person to whom such Units are issued;

(viii) authorizing the admission of any Member, other than a Substitute Member pursuant to Section 10.4 ;

(ix) changing the number of Authorized Units;

(x) (A) requesting contributions to the Company from the Members for expenditures not (1) included in a then-current Budget, (2) related to an Emergency Expenditure, (3) related to a Required Upgrade, (4) permitted in accordance with the Operating Agreement or any Construction Management Agreement, as applicable, including (w) the Operator's right and authority to make expenditures in excess of the then-current Budget pursuant to Section 5.3 of the Operating Agreement, (x) the BLC Facilities Construction Manager's right and authority to make expenditures in excess of the then-current Construction Budget pursuant to Section 5.3 of the BLC Facilities Construction Management Agreement, (y) the Subject Facilities Construction Manager's right and authority to make expenditures in excess of the then-current Construction Budget pursuant to Section 5.3 of the Subject Facilities Construction Management Agreement, and (z) with respect to any indemnification obligations of the Company under the Operating Agreement or any Construction Management Agreement, or (5) otherwise in accordance with this Agreement, (B) except in respect of a Defaulting Member under Section 3.5 , permitting the Members to make contributions to the Company other than in the proportions set forth in Section 3.2(a) , Section 3.3(d)(iv) or Section 3.3(e)(ii) , as applicable, or (C) other than as contemplated pursuant to the terms of the Contribution Agreement, permitting the Members to make contributions to the Company in any form other than cash;

(xi) changing the Business of the Company and its Subsidiaries, taken as a whole, or the Company's purpose as set forth in Section 2.6 ;

(xii) except with respect to a Defaulting Member as provided in Section 3.5 or as provided in Article 13 , distributing any cash or Assets in a manner other than as provided in Section 4.5 and in accordance with the definition of Available Cash;

(xiii) electing or changing any election (A) to cause the Company or any of its Subsidiaries to be classified as other than a partnership or a disregarded entity for Tax Purposes or (B) that is otherwise material to the Company or any of its Subsidiaries for Tax Purposes;

(xiv) engaging in any business activity that would generate gross revenue to the Members or their respective Affiliates in excess of 7% of the consolidated gross revenues of the Company and its Subsidiaries in any calendar year that does not constitute "qualifying income" within the meaning of Section 7704(d) of the Code;

(xv) changing the method of accounting of the Company;

(xvi) except as may be required by Law, altering, amending or waiving any of the insurance requirements of the Company set forth in Section 7.5 or any election to obtain or terminate any insurance pursuant to Section 7.5 ;

(xvii) redeeming any Member Interest and associated Unit in a manner that is not proportional to all outstanding Member Interests and associated Units;

(xviii) creating or approving the creation of any Subsidiary of the Company;

(xix) approving any Capital Project and related Capital Project Budget proposed by a Proposing Member that does not, at the time of such approval, meet all of the definitional requirements of a "Qualifying Capital Project" hereunder;

(xx) amending or waiving any provision of this Agreement pursuant to Section 15.4 or Section 15.6 , as applicable; provided, however, that, notwithstanding anything to the contrary herein (including the introductory paragraph of this Section 5.1(d)), (A) only the unanimous approval of the Members acting in accordance with Section 5.8 shall be required with respect to any such amendment and (B) only the approval of the Member waiving such compliance shall be required with respect to any such waiver;

(xxi) entering into, amending, supplementing or terminating any Affiliate Contract set forth on Appendix III ; or

(xxii) entering into any Contract providing for or otherwise committing to take any of the foregoing actions, or delegating authority to any Person to approve any of the foregoing actions.

(e) Notwithstanding anything to the contrary herein:

(i) (A) any Conflict Activity shall be subject to the sole approval of the Director(s) that have been designated by the Non-Conflicted Member(s), (B) neither any Conflicted Member nor any Director designated by any Conflicted Member shall have the right to vote on any approval in connection with any action by the Board in respect of such Conflict Activity (except with respect to any Preserved Unanimous Action), and (C) the presence of any Director designated by any Conflicted Member shall not be required for purposes of determining the presence of a quorum in connection with any such action (excluding a quorum for the purpose of voting upon any Preserved Unanimous Action); and

(ii) this Section 5.1(e) shall not apply at any time that the only Non-Conflicted Member is a Defaulting Member.

(f) Notwithstanding anything to the contrary herein, the Board shall be deemed to have approved any activities reasonably to be performed by the Company in connection with (i) the performance of any Required Upgrade or (ii) any Emergency Expenditure.

(g) All decisions taken by the Board (or deemed approved by the Board) pursuant to this Section 5.1 shall be conclusive and binding on all Members.

(h) Any Qualifying Capital Projects and related Capital Project Budgets shall, for the avoidance of doubt, be approved in accordance with Section 5.1(b) .

Section 5.2 Number, Tenure and Qualification .

(a) The Board initially shall consist of three Directors appointed by the initial Members. Each Member shall be entitled to designate one Person to serve on the Board as a Director. Each Member shall also be entitled to designate one Person (each, a " ***Board Alternate*** ") to act as such Member's alternate Director in the absence of such Member's designated Director. The Member that is an Affiliate of the Operator shall be entitled to appoint its Director as the Chairman of the Board (the " ***Chairman*** "). Each Director may bring to any Board meetings such observers and advisors as it may deem appropriate; provided that (i) each such observer and advisor acknowledges and agrees that any information received by such Person shall only be used for the purpose of evaluating the matters discussed at such meeting or advising a Member with respect to its rights and obligations hereunder, and (ii) such Persons are bound by confidentiality obligations at least as stringent as those set forth in Section 15.9 , the Members understanding and agreeing, however, that each Member shall be responsible for any breach of such confidentiality obligations by its respective observers and advisors, and further, that each Member will, at its own expense, restrain its respective observers and advisors from prohibited or unauthorized disclosure of such information. The initial Directors designated by the Members are set forth on Appendix IV .

(b) Each Member shall have the right to change its Director or its Board Alternate at any time by giving notice of such change to the Company and each other Member.

(c) Neither the Directors nor the Board Alternates need be residents of the State of Delaware. Each Director and Board Alternate shall be an employee of the Member or an Affiliate of the Member that designated such Director or Board Alternate and shall hold office until such Director's or Board Alternate's, as applicable, successor shall be duly designated or until the earlier of such Director's or Board Alternate's, as applicable, death, removal or resignation.

(d) A Person that serves as a Director or Board Alternate shall not be required to be a Director or Board Alternate, as applicable, as his/her sole and exclusive occupation, and Directors and Board Alternates may have other business interests and may engage in other investments, occupations and activities in addition to those relating to the Company and its Subsidiaries.

(e) If (i) a Member's Director is absent or unavailable or there is a vacancy in such Member's Director position, and (ii) such Member provides notice to each other Member of such unavailability or vacancy, as applicable, then such Member's Board Alternate shall be authorized to act as a "Director" for all purposes hereunder for the duration of such designated Director's absence.

Section 5.3 Voting Proxies; Quorum; Meetings of Board; No Fiduciary Duties .

(a) Any Director may vote at a meeting by a written proxy executed by that Director and delivered to the President (or the Board Alternate filling the President's Board position during the applicable meeting). Subject to Section 3.5(a)(ii) , attendance (either in person, by remote communication pursuant to Section 5.3(i) or by proxy) of Directors holding the number of Total Votes necessary to approve or consent to a given matter before the Board (or, where there will be a vote with respect to any matter described in Section 5.1(d) , at least one Director or other

representative of each of the Members entitled to appoint a Director) shall constitute a quorum for the transaction of Business at a meeting of the Board; provided, however, that (i) any Directors that voluntarily recuse themselves (by providing written notice of such recusal to the President) from a meeting or vote shall be counted as present for quorum purposes and (ii) no Director of a Defaulting Member need be in such attendance for purposes of determining a quorum is present (excluding a quorum for the purpose of voting upon any Preserved Unanimous Action) and, in each case, in determining the Total Votes, the Percentage Interest of the Defaulting Member shall be deemed held by each Affected Member in proportion to its Proportionate Share (except in connection with voting on any Preserved Unanimous Action). On any action by the Board (whether at a meeting or by written consent), the Directors shall collectively have 100 votes to cast on, or consent to, such action. The vote of each Member's Director shall, for purposes of the Board voting thresholds referenced in Section 5.1(b) , Section 5.1(c) and Section 5.1(d) , be deemed to be equivalent to (x) the Percentage Interest (at the time of such vote) of the Member that designated such Director *multiplied by* (y) 100. The sum of the collective votes of the Members' Directors shall be referred to herein as the " ***Total Votes*** ." Except as otherwise expressly provided in this Agreement, any action or event relating to business conducted at a Board meeting shall be deemed approved by the Board only if such action or event (A) receives the required Board approval at a meeting at which a quorum is present or (B) is approved by written consent as provided in Section 5.3(e) .

(b) The Board may establish such subcommittees as it may deem appropriate, together with the rules governing the activities of such subcommittees. The functions of such subcommittees shall be to serve in an advisory capacity only. Each Member shall have the right to designate an agreed upon number of representatives to serve on each subcommittee; provided, however, that a representative of each Member shall serve on each subcommittee unless otherwise agreed by the Members.

(c) The President may call a meeting of the Board by giving notice to the Members at least seven days in advance of such meeting. Any Member may request a meeting of the Board by giving notice to each other Member and the President, which notice shall include any proposals being proposed by such Member for consideration at the meeting (including appropriate supporting information not previously distributed to such other Member). Upon receiving such request from a Member, the President shall call such meeting for a date not less than seven days or more than ten days after receipt of the request.

(d) Each notice of a meeting of the Board provided by the President shall contain (i) the date, time and location of the meeting, (ii) an agenda of the matters and proposals to be considered or voted upon and (iii) copies of all proposals to be considered at the meeting (including appropriate supporting information not previously distributed to the Members). A Member may add matters to the agenda for a meeting by notice to each other Member and the President given not less than seven days prior to a meeting, which notice shall include any additional proposals being proposed by such Member to be considered at the meeting (including appropriate supporting information not previously distributed to such other Member). On the request of a Director, and with the consent of the other Directors, the Board may consider at a meeting a proposal not contained in such meeting agenda.

(e) The Board shall meet at least once per Calendar Quarter, or more or less frequently as the Board may determine. Meetings of each subcommittee shall take place as often as the Board shall determine. All meetings of the Board and each subcommittee shall be held in the principal offices of the Company, or elsewhere as the Board or such subcommittee may mutually decide, which alternate location may be within or outside the State of Delaware. Any action of the Board that could be taken at a meeting may be taken without a meeting by means of a written consent action signed by the Directors representing the Total Votes as would be necessary to approve such action at a meeting.

(f) The Chairman and the President as appointed in Section 5.2(a) and Section 5.10(a) , respectively, shall serve in their respective roles for a term of three years (or until any earlier death, removal or resignation) after which time a new Chairman and President may be appointed as outlined in Section 5.2(a) and Section 5.10(a) , respectively. For the avoidance of doubt, any Person serving as the Chairman or the President shall be eligible to be immediately reappointed to such position following the conclusion of each three year term. The Member that appointed the Chairman or the President, as applicable, may remove such designee at any time. The Chairman shall have no special casting or deciding vote on any matter presented to the Board. The President shall appoint a secretary of each meeting (which may or may not be the Secretary) who shall make a record of each proposal voted on and the results of such voting at such Board meeting and, if such secretary is not the Secretary, provide such record to the Secretary. Each Member's Director who attended 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 Board. The Secretary shall maintain a minute book containing (i) the original Formation Certificate and all amendments thereto, (ii) a record of any subcommittee established by the Board, together with a copy of the rules adopted for such subcommittee and a record of the activities of such subcommittee, (iii) a copy of the minutes of Board and subcommittee meetings and (iv) the then-current Member Schedule.

(g) The Secretary shall provide each Member with a copy of the minutes of each Board meeting and subcommittee meeting within 30 days after the end of the meeting.

(h) As provided in Section 5.3(e) , in lieu of a meeting, any Director may submit any proposal that is within the powers of the Board for written decision by the Board. The proposing Director shall notify the President and may provide the President with such written materials as are available to such Director to assist each other Director in making a decision regarding such proposal. The President shall then provide a copy of such proposal and any such written materials to each other Director. Each Director shall communicate its written vote on the proposal by notice to the President and the other Director within seven days after such Director's receipt of the proposal from the President. If a Director fails to communicate its vote of within such seven day period, such Director shall be deemed to have voted against such proposal. Within five days following the expiration of the relevant time period, the President shall give each Director and the Secretary a confirmation notice stating the tabulation and results of the vote on such proposal.

(i) Directors may participate in any meeting by conference telephone or similar remote communications equipment by which all Persons participating in the meeting can hear each other.

(j) Attendance of any Member's Director at any meeting of the Board (including by conference telephone or similar remote communication equipment or by proxy) shall constitute a waiver of notice of such meeting, except where such Member's Director attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not properly called or convened and notifies each other Director at such meeting of such purpose.

(k) Notwithstanding anything in this Agreement to the contrary, no Director or Board Alternate shall owe any duty (including any fiduciary or other similar duty, to the extent that such exists under the Delaware Act or any other applicable Law) to the Company, each other Member or the Board (other than the implied contractual covenant of good faith and fair dealing), and no Director or Board Alternate shall be obligated to act in the interests of the Company or each other Member. To the fullest extent permitted by Law, a Person, in performing his duties and obligations as a Director or Board Alternate under this Agreement, shall be entitled to act or omit to act at the direction of the Member that designated such Person to serve on the Board, considering only such factors, including the separate interests of the designating Member, as such Director, Board Alternate or Member chooses to consider, and any action of a Director or Board Alternate or failure to act, taken or omitted in good faith reliance on the foregoing provision shall not, as between the Company and each other Member, on the one hand, and the Director, Board Alternate or Member designating such Director or Board Alternate, on the other hand, constitute a breach of any duty (including any fiduciary or other similar duty, to the extent that such exists under the Delaware Act or any other applicable Law) on the part of such Director, Board Alternate or Member or any other Director, Board Alternate or Member. To the fullest extent permitted by Law, no Member, Director or Board Alternate shall be subject to any other or different duty (including any fiduciary or other similar duty, to the extent that such exists under the Delaware Act or any other applicable Law) under this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other Law or at equity (other than the implied contractual covenant of good faith and fair dealing), and the provisions of this Agreement shall be deemed to have replaced any such other duty (including any fiduciary or other similar duty, to the extent that such exists under the Delaware Act or any other applicable Law) otherwise existing at Law or in equity.

(l) All notices and communications required or permitted to be given to each Member's Director, Board Alternate or the President pursuant to this Article 5 shall be sufficient in all respects (i) if given in writing and delivered personally, (ii) if sent by overnight courier, (iii) if mailed by U.S. Express Mail or by certified or registered U.S. Mail with all postage fully prepaid, or (iv) sent by facsimile transmission (provided any such facsimile transmission is confirmed either orally or by written confirmation), and, in each case, to the address for such Person shown below:

If to the Director or Board Alternate designated by Energy Transfer:

c/o Energy Transfer Partners, L.P.
800 E Sonterra Blvd #400
San Antonio, Texas 78258
Attention: Lee A. Hanse
Facsimile: 210-403-7500

With a copy (which shall not constitute notice) to:

c/o Energy Transfer Partners, L.P.
1300 Main Street
Houston, Texas 77002
Attention: General Counsel
Facsimile: 214-981-0701

If to the Director or Board Alternate designated by P66:

c/o Phillips 66 Company
3010 Briarpark Drive
Houston, TX 77042
Attention: Diana Santos
Facsimile: 918-977-8055

with a copy (which shall not constitute notice) to:

c/o Phillips 66 Company
3010 Briarpark Dr.
Houston, TX 77042
Attention: Managing Counsel/Midstream
Facsimile: 832-765-0111

If to the Director or Board Alternate designated by Sunoco:

Sunoco Pipeline L.P.
1818 Market Street, Suite 1500
Philadelphia, PA 19103
Attention: VP, Business Development
Facsimile: 866-244-5696

with a copy (which shall not constitute notice) to:

Sunoco Pipeline L.P.
1818 Market Street, Suite 1500
Philadelphia, PA 19103

Attention: General Counsel
Facsimile: 866-244-5696

If to the President:

c/o Sunoco Logistics Partners L.P.
1 Fluor Daniel Dr., Bldg A, Fl 3
Sugar Land, TX 77478
Attention: Chris Martin
Facsimile: 866-244-5696

Any notice given in accordance herewith shall be deemed to have been given (A) when delivered to the addressee in person, or by courier, during normal business hours, or on the next Business Day if delivered after business hours, (B) when received by the addressee via facsimile during normal business hours, or on the next Business Day if received after business hours, or (C) upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the U.S. Mail, as the case may be. Each Person to whom notices are to be sent in accordance with this Section 5.3(l) may change the address, telephone number, facsimile number and individuals to which such communications to such Person are to be addressed by giving written notice to the Company (pursuant to Section 15.2), the President and the Director and Board Alternate designated by each other Member in the manner provided in this Section 5.3(l) .

Section 5.4 Resignation of Directors and Board Alternates . A Director or Board Alternate may resign from the position of Director or Board Alternate, as applicable, at any time by giving written notice to the Members and the President. The resignation of a Director or Board Alternate shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.5 Removal of Directors and Board Alternates . A Director or Board Alternate may only be removed by the consent of the Member then entitled to designate such Director or Board Alternate in accordance with Section 5.2(a) .

Section 5.6 Vacancies . Any vacancy in the position of a Director or Board Alternate that is created by the death, removal or resignation of a Director or Board Alternate, as applicable, shall be filled by the Member then entitled to designate such Director or Board Alternate in accordance with Section 5.2(a) . A Director or Board Alternate designated to fill a vacancy shall hold office until a successor shall be designated, or until such Director's or Board Alternate's, as applicable, earlier death, removal or resignation.

Section 5.7 Fees and Expenses of Directors and Board Alternates . A Director or Board Alternate shall not be entitled to any fees for serving as a Director or Board Alternate. Each Member shall be responsible for all out-of-pocket costs and expenses incurred by its Directors and Board Alternate in their respective capacities as Directors or Board Alternate, as applicable.

Section 5.8 **Members**. Subject to the terms of (a) the Operating Agreement and the rights of the Operator thereunder and (b) any Construction Management Agreement and the rights of the applicable Construction Manager thereunder, and except for the right to consent to or approve certain matters as expressly provided in Section 5.1(d), no Member in its capacity as a Member shall have any power or authority to manage or control the business, affairs or properties of the Company or any of its Subsidiaries or the Business, to bind the Company or any of its Subsidiaries in any way, to pledge the Company's or any of its Subsidiaries' Assets, to enter into agreements on behalf of the Company or any of its Subsidiaries or to otherwise render the Company or any of its Subsidiaries liable for any purpose. Except with respect to Capital Projects, which the Members hereby acknowledge and agree must be pursued through the Company or its Subsidiaries, in each case, in accordance with this Agreement, to the fullest extent permitted by Law and notwithstanding any provision of this Agreement to the contrary, no Member in its capacity as a Member shall have any duty (including any fiduciary or other similar duty or any duty of disclosure, to the extent that such exists under the Delaware Act or any other applicable Law) to the Company, the Subsidiaries of the Company or each other Member in connection with the business and affairs of the Company or its Subsidiaries or any consent or approval given or withheld pursuant to this Agreement (other than the implied contractual covenant of good faith and fair dealing) and no Member shall be obligated to act in the interests of the Company or its Subsidiaries or any other Member. Except as otherwise expressly provided in this Agreement, no Member shall have voting rights or rights of approval, veto or consent or similar rights over any actions of the Company and any references in this Agreement to any of the foregoing terms shall be deemed to include each other term. Any matter requiring the consent or approval of any of the Members pursuant to this Agreement may be taken without a meeting, without prior notice and without a vote, by a consent in writing, setting forth such consent or approval, and signed by the holders of not less than the number of outstanding Units necessary to consent to or approve such action. Prompt notice of such consent or approval shall be given by the Company to any Member that has not joined in such consent or approval.

Section 5.9 **Acknowledgement and Release Relating to Actions Requiring Member Approval**. Notwithstanding any provision of this Agreement to the contrary, the Company and each Member acknowledges and agrees that each Member, in its capacity as a Member, may decide or determine any matter subject to such Member's approval pursuant to Section 5.1(d) or any other provision of this Agreement in such Member's sole and absolute discretion, and in making such decision or determination such Member shall have no duty (including any fiduciary or other similar duty or any duty of disclosure, to the extent that such exists under the Delaware Act or any other applicable Law) to each other Member or to the Company, it being the intent of all Members that each Member in its capacity as a Member shall have the right to make such determination solely on the basis of such Member's own interests. Each of the Company (on its own behalf and on behalf of its Subsidiaries) and each Member hereby agrees that any claims against, actions, rights to sue, other remedies or other recourse to or against the Members or any of their respective Affiliates for or in connection with any such decision or determination, in each case, whether arising in common law or equity or created by rule of Law, Contract (including this Agreement) or otherwise, are in each case expressly released and waived by the Company (on its own behalf and on behalf of its Subsidiaries) and each Member, to the fullest extent permitted by Law, as a condition of, and as part of the consideration for, the execution of this Agreement and any related agreement, and the incurring by the Members of the obligations provided in such agreements; provided, however, that

nothing contained herein shall release or otherwise prevent any Member from asserting a claim against each other Member with respect to a violation of the implied contractual covenant of good faith and fair dealing.

Section 5.10 Delegation of Authority; Officers .

(a) As of the Effective Date, the Board has created the officer positions set forth on Appendix V and appointed the Persons set forth on Appendix V to such officer positions. The Member that is an Affiliate of the Operator shall be hereafter entitled to appoint, remove and replace the president of the Company (the " ***President*** "). From time to time, the Board may create other officer positions and appoint individuals to serve in such positions. Each officer of the Company and any of its Subsidiaries shall serve in such capacity until removed or replaced by the Member that is an Affiliate of the Operator (in the case of the President) or by the Board (in the case of any other officer) or until such officer's earlier death or resignation. Any delegation of authority to an officer to take any action (other than the delegations of authority to the President, Vice Presidents and Secretary expressly set forth herein) must be approved in in accordance with Section 5.1(b) . Officers of the Company or any of its Subsidiaries shall not be entitled to any fees for serving in such capacity. Each Member shall be responsible for all out-of-pocket costs and expenses incurred by its or its Affiliates' employees that are officers of the Company or any of its Subsidiaries in their capacity as officers.

(b) Neither the Company nor any of its Subsidiaries shall hire or be permitted to have, any employees.

(c) Each officer of the Company and any of its Subsidiaries, while acting in its capacity as an officer of such Person, shall have such fiduciary duties that he/she would have if such Person were a corporation organized under the Laws of the State of Delaware.

(d) No Member shall be liable to the Company, any of its Subsidiaries or any other Member for any action taken or not taken by an employee of such Member that is taken in such employee's capacity as an officer of the Company or any of its Subsidiaries. The Company shall indemnify and hold harmless the officers of the Company and its Subsidiaries and the Directors against liabilities to Third Parties in accordance with Section 7.3 and Section 7.4 below.

(e) None of the officers of the Company or any of its Subsidiaries shall be "managers" of the Company under Section 18-401 of the Delaware Act.

(f) As of the Effective Date, the President is delegated the following authority: to (i) confer with the Operator and each Construction Manager and issue Call Notices pursuant to the provisions of Section 3.3 ; (ii) execute Contracts on behalf of the Company at the request or direction of the Operator in accordance with the terms of the Operating Agreement; (iii) execute Contracts on behalf of the Company at the request or direction of any Construction Manager in accordance with the terms of the applicable Construction Management Agreement; (iv) inspect any Segment of the Initial Facilities on behalf of the Company pursuant to the applicable Construction Management Agreements and issue Acceptance Certificates with respect to the Initial Facilities on behalf of the Company pursuant to the applicable Construction Management Agreements; and (v) inspect any approved Capital Project (or Segment thereof) on behalf of the Company pursuant to

the applicable Construction Management Agreement and issue Acceptance Certificates with respect to such approved Capital Project on behalf of the Company pursuant to the applicable Construction Management Agreement.

(g) As of the Effective Date, the Secretary is delegated the following authority: to (i) keep and update the minute book of the Company (including the Member Schedule) pursuant to the provisions of Section 5.3(f) ; (ii) provide the minutes of each Board meeting and subcommittee meeting to the Members in accordance with Section 5.3(g) ; and (iii) receive and tabulate the votes of the Directors in accordance with Section 5.3(f) .

(h) As of the Effective Date, each of the Vice Presidents set forth on Part 1 of Appendix V is delegated the authority to execute Contracts on behalf of the Company at the request or direction of the Operator in accordance with the terms of the Operating Agreement.

(i) As of the Effective Date, each of the Vice Presidents set forth on Part 2 of Appendix V is delegated the following authority: to (i) execute Contracts on behalf of the Company at the request or direction of the BLC Facilities Construction Manager in accordance with the terms of the BLC Facilities Construction Management Agreement; and (ii) inspect any Segment of the BLC Facilities on behalf of the Company pursuant to the BLC Facilities Construction Management Agreements and issue Acceptance Certificates with respect to the BLC Facilities on behalf of the Company pursuant to the BLC Facilities Construction Management Agreement.

(j) As of the Effective Date, each of the Vice Presidents set forth on Part 3 of Appendix V is delegated the following authority: to (i) execute Contracts on behalf of the Company at the request or direction of the Subject Facilities Construction Manager in accordance with the terms of the Subject Facilities Construction Management Agreement; and (ii) inspect any Segment of the Subject Facilities on behalf of the Company pursuant to the Subject Facilities Construction Management Agreements and issue Acceptance Certificates with respect to the Subject Facilities on behalf of the Company pursuant to the Subject Facilities Construction Management Agreement.

Section 5.11 Certain Reports . To the extent not provided by the Operator or any Construction Manager directly to the Members, the President, on behalf of the Company, shall provide all data and reports delivered to the Company by the Operator or any Construction Manager, as applicable, to each Member promptly (or in any event within 15 Business Days) following the Company's receipt thereof.

ARTICLE 6
OPERATING AGREEMENT AND CONSTRUCTION MANAGEMENT AGREEMENTS; POST-EFFECTIVE DATE REIMBURSEMENT REQUESTS

Section 6.1 Operating Agreement; Successor Operators .

(a) The Pipeline Operations of the Company and the Business shall be conducted by Operator pursuant to the terms of the Operating Agreement. Additionally, the Management of the Design, Procurement and Construction of any Required Upgrade shall be conducted by the Operator pursuant to the terms of the Operating Agreement. In the event the Operator resigns or is removed pursuant to the terms of the Operating Agreement, the Board shall have the right to either cause the Company to (i) cause the Operating Agreement to be assigned to any Member or

any Affiliate of a Member as the new Operator thereunder or (ii) enter into a new operating agreement in such form as the Board may approve with any Person that is not a Member or an Affiliate of any Member. Any such new operating agreement entered into by the Company shall then constitute the "Operating Agreement" as such term is used in this Agreement.

(b) Commencing after the seven-year anniversary of the Commencement Date (as such term is defined in the Operating Agreement), and thereafter no more than once during each five-year period thereafter, any Member who (i) is, at such time, in good standing under this Agreement, (ii) together with its Affiliates, owns at least a 25% Percentage Interest in the Company, and (iii) desires for itself or one of its Affiliates to be considered for selection as Operator (such replacement referred to herein as a " ***Successor Operator*** ") may prepare and submit to the Board a proposal to be designated as Successor Operator (the " ***Successor Operator Proposal*** "), which Successor Operator Proposal must (A) reduce the costs of the then-current Direct Bill Budget (excluding any costs of transitioning from the then-current Operator to such Successor Operator, if any), (B) set forth in detail such Member's proposed Direct Bill Budget (including the Fixed Operating Fee) for at least the next two Calendar Years, as well as the costs of transitioning from the then-current Operator to such Successor Operator, if any, (C) include such materials as are deemed necessary by the other Members for the Board to evaluate such Successor Operator's ability to perform the Pipeline Operations and Business of the Company, (D) include an agreement to be bound by the terms of the Operating Agreement as Successor Operator, with only the Direct Bill Budget, the Fixed Operating Fee and the identity of the Operator changing following such transition (subject to any transition agreement required by the Company), (E) include a proposed transition schedule and plan for transition of the operatorship from the then-current Operator to the Successor Operator, and (F) include a sworn statement from an officer of the applicable Member certifying that such Successor Operator Proposal is a bona fide offer and that such Member intends and desires for the Successor Operator to take over the Pipeline Operations and Business of the Company pursuant to the Operating Agreement if such Successor Operator Proposal is approved by the Board.

(c) If a Successor Operator Proposal is submitted in the forgoing manner by a Member and the Board approves such Successor Operator Proposal, then the then-current Operator shall have the right, at its option, exercisable within 30 days' notice from the Company that it has approved a Successor Operator Proposal (which notice shall include a copy of the approved Successor Operator Proposal), to continue as Operator upon the terms and conditions set forth in the Successor Operator Proposal. If the then-current Operator does not elect to remain as Operator under the terms and conditions set forth in such approved Successor Operator Proposal, then the Successor Operator shall assume and perform the duties of Operator under the Operating Agreement upon the terms and conditions set forth in such approved Successor Operator Proposal and the Operating Agreement.

(d) If the identity of the Operator under the Operating Agreement changes as a result of any approved Successor Operator Proposal, the then-current Operator shall (i) not be relieved of its duties as Operator under the Operating Agreement until so provided in the approved Successor Operator Proposal and the Operating Agreement, (ii) continue to perform all of the duties, responsibilities and obligations of Operator the Operating Agreement until such transition date, and (iii) provide such transition services as are reasonably requested by the Company for a period not

to exceed one year from the date of such transition, subject to reasonable compensation from the Company for the then-current Operator's time and services during such transition.

(e) Notwithstanding the foregoing, in the event that the actual costs to transition from the then-current Operator to such Successor Operator are in excess of 110% of those transition costs set forth in the approved Successor Operator Proposal (any such transition costs in excess of such amount, " ***Successor Operator Excess Costs*** "), any such Successor Operator Excess Costs shall be borne solely by such Successor Operator as a Non-Billable Item pursuant to the Operating Agreement, without reimbursement therefor by the Company.

(f) For the avoidance of doubt, should the Board reject any Successor Operator Proposal, then neither the identity of the Operator, nor any other terms and conditions of the Operating Agreement, shall change as a result.

Section 6.2 Construction Management Agreements .

(a) The Management of the Design, Procurement and Construction of the BLC Facilities shall be conducted by the BLC Facilities Construction Manager pursuant to the terms of the BLC Facilities Construction Management Agreement. The Management of the Design, Procurement and Construction of the Subject Facilities shall be conducted by the Subject Facilities Construction Manager pursuant to the terms of the Subject Facilities Construction Management Agreement. In the event that any such Construction Manager resigns or is removed pursuant to the terms of the applicable Construction Management Agreement, the Board shall have the right to either cause the Company to (i) cause such Construction Management Agreement to be assigned to any Member or any Affiliate of a Member as the new Construction Manager thereunder or (ii) enter into a new Construction Management Agreement approved by the Board with any Person that is not a Member or an Affiliate of any Member. As of the Effective Date, the Members have approved the initial Construction Budgets set forth in the BLC Facilities Construction Management Agreement and Subject Facilities Construction Management Agreement.

(b) Unless otherwise agreed by the Board, the Management of the Design, Procurement and Construction of any Capital Project approved by the Board shall be conducted by the applicable Construction Manager under a new Construction Management Agreement (or an amended, existing Construction Management Agreement, as applicable). In the event that any such Construction Manager resigns or is removed pursuant to the terms of the applicable Construction Management Agreement, the Board shall have the right to either cause the Company to (i) cause such Construction Management Agreement to be assigned to any Member or any Affiliate of a Member as the new Construction Manager thereunder or (ii) enter into a new Construction Management Agreement approved by the Board with any Person that is not a Member or an Affiliate of any Member.

Section 6.3 Post-Effective Date Costs; Post-Effective Date Reimbursement Requests .

(a) Should any Member, during the period of time beginning on the Effective Date and ending 60 days following the Effective Date, incur any costs and expenses that (i) would, if such Person were a Construction Manager or the Operator, qualify as Construction Direct Bill Items or Direct Bill Items, as applicable, under the BLC Facilities Construction Management Agreement, the Subject Facilities Construction Management Agreement or the Operating Agreement, as applicable, and (ii) were not incurred as a result of such Member's gross negligence or willful misconduct, then such Member shall be entitled to be reimbursed by the Company for a portion of such costs and expenses equal to (i) such costs and expenses, *multiplied by* (ii) (A) 100%, *minus* (B) such Member's Percentage Interest as of such time (such reimbursable costs and expenses, " ***Post-Effective Date Member Costs*** ").

(b) Should any Affiliate of any Member, during the period of time beginning on the Effective Date and ending 60 days following the Effective Date, incur any costs and expenses that (i) would, if such Person were a Construction Manager or the Operator, qualify as Construction Direct Bill Items or Direct Bill Items, as applicable, under the BLC Facilities Construction Management Agreement, the Subject Facilities Construction Management Agreement or the Operating Agreement, as applicable, and (ii) were not incurred as a result of such Affiliate's gross negligence or willful misconduct, then such Affiliate shall be entitled to be reimbursed by the Company for such costs and expenses (such reimbursable costs and expenses, " ***Post-Effective Date Affiliate Costs*** ").

(c) Once a Member has incurred any such Post-Effective Date Member Costs, such Member shall be entitled to reimbursement from the Company for such Post-Effective Date Member Costs by delivering written notice to the Company and the other Members specifying the Post-Effective Date Member Costs incurred, along with reasonable supporting information with respect thereto (such notice, a " ***Post-Effective Date Reimbursement Request*** "). Following the Company's receipt of any Post-Effective Date Reimbursement Request from a Member, the President shall issue a Call Notice to the Members pursuant to Section 3.3(d)(iv) to fund the reimbursement of the applicable Post-Effective Date Member Costs to the applicable Member.

(d) Once an Affiliate of any Member has incurred any such Post-Effective Date Affiliate Costs, such Affiliate shall be entitled to reimbursement from the Company for such Post-Effective Date Affiliate Costs by delivering a Post-Effective Date Reimbursement Request specifying the Post-Effective Date Affiliate Costs incurred, along with reasonable supporting information with respect thereto. Following the Company's receipt of any Post-Effective Date Reimbursement Request from any such Affiliate, the President shall issue a Call Notice to the Members pursuant to Section 3.3(d)(v) to fund the reimbursement of the applicable Post-Effective Date Affiliate Costs to the applicable Affiliate.

(e) The Parties intend, solely for Tax Purposes, that any reimbursement made to a Member (the " ***Requesting Member*** ") pursuant to a Section 6.3(c) , shall, except as otherwise required by Section 707(a)(2)(B) of the Code and its implementing Treasury Regulations, be treated as a contribution by such Member in exchange for a membership interest in a transaction consistent with the requirements of Section 721(a) of the Code. Accordingly, for Tax Purposes, (i) the

Requesting Member shall be treated as contributing to the Company 100% of the costs and expenses to which such Post-Effective Date Reimbursement Request Relates, (ii) each non-Requesting Member shall be treated as contributing cash to the Company in the amount such Member contributes pursuant to a Call Notice issued pursuant to Section 3.3(d)(iv) ; and (iii) the Requesting Member shall be treated as receiving a distribution of the Post-Effective Date Member Costs (A) as a reimbursement of such Requesting Member's expenditures with respect to such costs and expenses within the meaning of Treasury Regulation Section 1.707-4(d) to the extent applicable and (B) in a transaction subject to treatment under Section 707(a) of the Code and its implementing Treasury Regulations as in part a sale, and in part a contribution, of such costs and expenses to the extent that Treasury Reg. §1.707-4(d) is inapplicable.

ARTICLE 7
INDEMNIFICATION

Section 7.1 No Liability of Members .

(a) Except as otherwise required by the Delaware Act, no Covered Person shall be obligated personally for any debt, obligation or liability of the Company solely by reason of being a Covered Person.

(b) Except as otherwise expressly required by Law, a Member in its capacity as a Member shall have no liability in excess of: (i) the amount of its contributions to the Company; (ii) its share of any assets and undistributed profits of the Company; (iii) its obligation to make other payments expressly provided for in this Agreement; and (iv) the amount of any distributions wrongfully distributed to it. No Member shall have any responsibility to restore any negative balance in its Capital Account or to contribute to or in respect of the liabilities or obligations of the Company or to return distributions made by the Company, except as expressly provided herein or required by any non-waivable provision of the Delaware Act. The agreement set forth in the 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 Delaware Act. However, if any court of competent jurisdiction or properly constituted arbitration panel orders, holds or determines that, notwithstanding the provisions of this Agreement, any Member is obligated to restore any such negative balance, make any such contribution or make any such return, such obligation shall be the obligation of such Member and not of any other Person.

Section 7.2 Exculpation .

(a) No Covered Person shall be liable to the Company 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 the Company 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) 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 that is a Member shall be liable for any such loss, damage or Claim incurred by reason of such Covered Person's breach of this Agreement and (iii) a Covered Person that is an officer of the Company shall be liable for any such loss, damage or Claim incurred by reason of such Covered Person's breach of any of his/her duties to the Company as set forth in

Section 5.10(c), 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 14.2.

(b) A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company 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, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, Net Profits, Net Losses or Available Cash or any other facts pertinent to the existence and amount of Assets from which distributions to the Members might properly be paid.

(c) Except as expressly set forth in this Agreement (including, with respect to any officer of the Company, such officer's duties to the Company as set forth in Section 5.10(c)), no Covered Person shall have any duties or liabilities, including fiduciary duties, to the Company or the Members, and the provisions of this Agreement, to the extent that they restrict, eliminate or otherwise modify the duties and liabilities, including fiduciary duties, of a Covered Person otherwise existing at Law or in equity or under the Delaware Act, are agreed by the Members to replace such other duties and liabilities of a Covered Person.

Section 7.3 Indemnification. To the fullest extent permitted by 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 the Company 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) no Covered Person shall be entitled to be indemnified in respect of any Liability by reason of such Covered Person's fraud, bad faith or willful misconduct; (b) no Covered Person that is a Member shall be entitled to be indemnified in respect of any Liability by reason of such Covered Person's breach of this Agreement; and (c) no Covered Person that is an officer of the Company shall be entitled to be indemnified in respect of any Liability by reason of such Covered Person's breach of any of his/her duties to the Company as set forth in Section 5.10(c), 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 14.2. Any indemnity under this Section 7.3 shall be provided out of and to the extent of the Assets only (including the proceeds of any insurance policy obtained pursuant to Section 7.5), and no Covered Person shall have any personal liability on account thereof. Any amendment, modification or repeal of this Section 7.3 or any provision in this Section 7.3 shall be prospective only and shall not in any way affect the rights of any Covered Person under this Section 7.3 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 Liabilities relating to such matters may arise or be asserted.

Section 7.4 Expenses. To the fullest extent permitted by Law, expenses (including legal fees) reasonably expected to be incurred by a Covered Person in defending any Claim shall, from time to time, be advanced by the Company prior to the date such expenses are due to be paid. Notwithstanding the foregoing, (a) the Company shall have no obligation to advance any such

amounts until such time as the Company has received a written undertaking by or on behalf of such Covered Person to repay (i) the entirety of such amount if it shall be determined that such Covered Person is not entitled to be indemnified pursuant to Section 7.3, or (ii) any amounts advanced to such Covered Person that are in excess of the expenses such Covered Person is actually required to pay, and (b) any obligation of Company to make such advances under this Section 7.4 shall be provided out of and to the extent of the Assets only (including the proceeds of any insurance policy obtained pursuant to Section 7.5).

Section 7.5 Insurance.

(a) Primary Commercial Liability Insurance. The Company shall cause the Operator or any Construction Manager, as applicable, to procure and maintain, for the benefit of the Company and its Subsidiaries, the Members and, as applicable, the Operator or such Construction Manager, commercial liability insurance with a combined single limit of $25,000,000 per occurrence which may be made up of any combination of primary and excess insurance including contractual liability, sudden and accidental pollution liability, broad form property damage, independent contractors, products/completed operations and explosion, collapse and underground damage. The amount of the deductible or self-insured retention will be unanimously approved by the Board. To the extent permitted by applicable Law, such insurance shall always be primary to any other valid and collectible insurance maintained by the Company and its Subsidiaries, the Members and, as applicable, the Operator or such Construction Manager.

(b) Legally Required Insurance. The Company shall cause the Operator or any Construction Manager, as applicable, to procure and maintain, for the benefit of the Company and its Subsidiaries, the Members, and, as applicable, the Operator or such Construction Manager such other insurance as required by Law.

(c) Uninsured Losses. Losses and claims including defense costs not covered by the insurance required in Section 7.5(a) or by other insurance the Company may cause the Operator or any Construction Manager under the Operating Agreement or any Construction Management Agreement, respectively, shall be borne as provided by indemnity provisions of the Operating Agreement or such Construction Management Agreement, as applicable. A Member may, at its own expense, purchase or arrange for insurance or a self-funded or self-insurance program to provide insurance coverage for the value of its Member Interest and associated Units in excess of the coverage mandated pursuant to Section 7.5(a), the benefit of which may accrue to such Member with respect to such Member Interest and Units only. If such excess insurance is purchased or any other type of insurance or self-insurance is arranged to cover such loss, the Member shall waive rights of recovery and shall cause its insurers to waive rights of subrogation in favor of the Company and its Subsidiaries, the Members and the Operator and/or any Construction Manager, as applicable, but only to the extent of the indemnification obligations herein or in the Operating Agreement or any Construction Management Agreement. For clarification, the coverage required to be carried by Operator shall apply solely to Pipeline Operations and the Operator's obligations with respect to Required Upgrades and the coverage required to be carried by the Construction Manager shall apply solely to their portion of the Construction activities. In no event shall either (i) the coverage carried by Operator apply in excess of any coverage required to be carried by any Construction Manager or (ii) the coverage carried by any Construction Manager apply in excess of

any coverage required to be carried by the Operator. All insurance premiums, deductibles, self-insurance retentions, fronting arrangements, self-insurance or similar program's cost and expense applicable to such coverage shall be the sole responsibility of the Member obtaining such insurance.

(d) Property/Business Interruption. The Company shall not procure property or business interruption insurance to cover asset damage or business loss of the Company. However, a Member may, at its own expense, purchase or arrange for insurance or self-insurance programs to provide insurance coverage for the value of its Member Interest and associated Units, the benefit of which may accrue to such Member with respect to such Member Interest and Units only. If such insurance is purchased, or any other type of insurance is purchased or is arranged through a program of self-insurance, the Member shall waive all rights of recovery and shall cause its insurers to waive rights of subrogation in favor of the Company and its Subsidiaries, the Members and the Operator and/or any Construction Manager, as applicable, but only to the extent of the indemnification obligations herein or in the Operating Agreement or in such Construction Management Agreement, as applicable. All insurance premiums, deductibles, self-insurance retentions, fronting arrangements, self-insurance or similar program's cost and expense applicable to such coverage shall be the sole responsibility of the Member obtaining such insurance.

(e) Other Insurance. The Company shall cause the Operator and each Construction Manager to obtain, for the benefit of the Company, such additional insurance as unanimously agreed upon by the Board from time to time.

Section 7.6 Primary Obligation. The Company hereby acknowledges 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***"). The Company hereby agrees (a) that it is the indemnitor of first resort (i.e., its obligations to the Covered Persons under Section 7.3 and Section 7.4 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 it 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 7.3 and Section 7.4 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. The Company further agrees 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 Section 7.3 and Section 7.4 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. The Company agrees that the Member Indemnitors who are not Members are express Third Party beneficiaries of the terms of this Section 7.6.

ARTICLE 8
BOOKS AND RECORDS; ACCOUNTS

Section 8.1 **Books and Records**. At all times during the term of this Agreement, the Member who is (or whose Affiliate is) serving as Operator shall keep or cause such Operator to keep (or cause to be kept) true and complete books of account for the Company. Such books shall reflect all Company transactions 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 3.6. The Member who is (or whose Affiliate is) serving as a Construction Manager shall provide or cause such Construction Manager to provide the Operator with any information in such Construction Manager's possession that is reasonably necessary for the Operator to keep such true and complete books of account.

Section 8.2 **Availability of Books and Records**. All of the books of account referred to in Section 8.1, together with executed copies of this Agreement and the Formation Certificate, and any amendments thereto (and all such other books and records as may be required by the Delaware Act), shall at all times be maintained by Operator at the principal office of the Company as set forth in Section 2.5. The Member who is (or whose Affiliate is) serving as a Construction Manager shall cause such Construction Manager to provide the Operator with copies of all books and records held by such Construction Manager. Upon reasonable notice to the Board, such books and records, and any other books and records maintained by the Company or any Construction Manager, shall be open to inspection and copying by a Member or its representative at its expense, during normal business hours at the principal office (or other applicable office) of the Company or such Construction Manager, as applicable.

Section 8.3 **Financial Statements and Reports**. The Member who is (or whose Affiliate is) serving as Operator shall cause such Operator to prepare and submit (or cause to be prepared and submitted) to each Member the following statements, reports and notices:

(a) Commencing with respect to the Calendar Year 2015, audited annual financial statements of the Company with respect to the prior Fiscal Year consisting of an income statement, a balance sheet, a statement of Members' equity and a statement of cash flows shall be prepared in accordance with GAAP (collectively the "***Annual Financial Statements***"). The Operator shall cause the Annual Financial Statements for such Fiscal Year to be audited by the Company's independent certified public accountants, which shall be an internationally recognized accounting firm (initially Grant Thornton LLP). The cost of creating and auditing the Annual Financial Statements shall be borne the Company. The audited Annual Financial Statements shall be delivered to each Member within 55 days after the end of the Fiscal Year being audited.

(b) Unaudited quarterly financial statements of the Company with respect to the prior Calendar Quarter consisting of an income statement, a balance sheet, a statement of Members' equity 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***") shall be delivered to each Member within 30 days after the end of such Calendar Quarter.

(c) Monthly financial reports with respect to the prior Calendar Month and the applicable year-to-date periods consisting of (i) an income statement, a balance sheet, a statement of Members' equity and a statement of cash flows, (ii) a comparison to the respective amounts in the then-current Budget and any then-current Capital Project Budget, as applicable, and (iii) a summary volumetric report setting forth the total volumes transported on the Facilities by contract type on a monthly and year-to-date basis. 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 Budget and any then-current Capital Project Budget, as applicable (the " ***Monthly Financial Reports*** "). The Monthly Financial Reports for a Calendar Month shall be delivered within 30 days after the end of such Calendar Month.

(d) A forecast of the Net 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.

(e) An estimate of taxable income for the Company, the amounts allocable to each Member for each Fiscal Year, and a fixed asset reconciliation (comprised of asset additions, retirements and dispositions) with respect to each Member for the Fiscal Year (the " ***Tax Estimate Report*** "). The Tax Estimate Report shall be delivered within 30 days after the end of the Fiscal Year.

(f) Copies of all material information related to any pending or material threatened litigation or insurance claim affecting the Company shall be delivered to each Member as soon as practicable.

(g) Copies of (i) the then-current Budget in effect from time to time within ten days after the approval (or deemed approval) thereof and (ii) any amended Budget within ten days of such Budget being amended.

(h) Copies of all material filings, disclosures or reports submitted to any Governmental Authority affecting the Company shall be delivered to each Member as soon as practicable.

(i) 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 the Company that occurred during the prior Calendar Quarter affecting the Company.

(j) A projection of the income of the Company for the relevant Calendar Year and the following four Calendar Years shall be delivered to each Member on or before February 15 th of such relevant Calendar Year.

(k) Such other information as a Member may reasonably request regarding the Company (and that is in the possession of Operator, any Construction Manager or any of their respective Affiliates) shall be delivered to each Member as soon as practicable.

Section 8.4 Audits .

(a) Each Member shall have the right to audit costs charged to the Company's accounts and other accounting records maintained for the Company under this Agreement.

(b) Upon not less than 60 days' prior written notice to the Company, any Member shall have the right to audit the Company'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*** "). Each Member must provide the Company a written notice of any claims for all discrepancies disclosed by said audit and related to the Audit Period. The cost of each such audit shall be borne by the Member(s) requesting the audit. Any such audit shall be conducted in a manner designed to result in a minimum of inconvenience and disruption to the operations of the Company. Where more than one Member requests an audit covering the same Audit Period, the requesting Members shall make every reasonable effort to conduct joint or simultaneous audits. Unless otherwise mutually agreed, any audit shall be conducted at the principal office of the Operator.

(c) The Member(s) requesting an audit may request information prior to the commencement of the audit, and the Company shall, to the extent available, provide the information requested as soon as practicable in order to facilitate the forthcoming audit. The Company shall, to the extent practicable, provide the information in electronic format or hard copy within the later of (i) 30 days after the written request or (ii) 60 days after such Member's initial audit notice. The information requested shall be limited to that normally used for pre-audit work.

(d) Any information obtained by a Member in connection with the conduct of an audit (whether related solely to the Company or otherwise) shall be subject to the confidentiality provisions of this Agreement.

(e) At the conclusion of an audit, the Members shall endeavor to settle outstanding matters expeditiously. To that end, the Member(s) requesting the audit shall make a reasonable effort to prepare and distribute a written report to the Company and each other Member as soon as reasonably practicable and in any event within 90 days after the conclusion of an audit. The report shall include all Claims arising from such audit together with comments pertinent to the operation of the accounts and records. The Company shall make a reasonable effort to reply to the report in writing as soon as possible and in any event no later than 90 days after delivery of the report.

(f) All adjustments resulting from an audit agreed to between the Company and the Member(s) requesting such audit shall be reflected promptly in the Company's books and records and reported to each other Member. If any dispute shall arise in connection with an audit, it shall be reported to and discussed by the Board within 60 days. If no settlement can be reached by the parties to the dispute within 120 days after the report to the Board, unless otherwise agreed by the parties to the dispute, the provisions of Section 14.2 shall apply.

Section 8.5 **Bank Accounts**. The Company shall establish such bank accounts as provided in the Operating Agreement and each Construction Management Agreement and as may otherwise be approved by the Board.

ARTICLE 9
TAX MATTERS

Section 9.1 **Tax Returns**. The Company shall prepare and timely file all U.S. Federal, state and local and foreign tax returns required to be filed by the Company. Unless otherwise determined by the Board, any income tax return of the Company shall be prepared by an independent public accounting firm selected by the Board. Each Member shall furnish to the Company all pertinent information in its possession relating to the Company's operations that is necessary to enable the Company's tax returns to be timely prepared and filed. The Company shall deliver to each Member as soon as applicable after the end of each calendar year, but in any event before March 31 of the subsequent year, a Schedule K-1 together with such additional information as may be required by any Member (or its respective owners) in order to file its federal and state returns reflecting the Company's operations. The Company shall deliver to each Member as soon as applicable after the end of each calendar year, but in any event before January 30 of the subsequent calendar year, a good faith estimate of the amounts to be included on such IRS Schedule K-1 for such Member and such other information as shall be necessary (including a statement for such calendar year of each Member's share of net income, net losses and other items allocated to such Member) for the preparation and timely filing by the Members of their U.S. Federal, state and local income and other tax returns. The Company shall bear the costs of the preparation and filing of its tax returns. Any tax returns legally required to be signed by a Member shall be signed by the Tax Matters Member.

Section 9.2 **Tax Partnership**. It is the intention of the Members that the Company be classified as a partnership for U.S. Federal income tax purposes. Unless otherwise approved by the Board pursuant to Section 5.1(d)(xiii), neither the Company nor any Member shall make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable State Law or to be classified as other than a partnership pursuant to Treasury Regulation Section 301.7701-3.

Section 9.3 **Tax Elections**. The Company shall make the following elections on the appropriate forms or tax returns:

(a) to adopt the calendar year as the Company's Fiscal Year, if permitted under the Code;

(b) to adopt the accrual method of accounting for U.S. Federal income tax purposes;

(c) if a distribution of the Company's Assets as described in Code Section 734 occurs or a Transfer of Units as described in Code Section 743 occurs, on request by notice from any Member, to elect, pursuant to Code Section 754, to adjust the basis of the Company's Assets;

(d) to elect to amortize the organizational expenses of the Company as permitted by Code Section 709(b); and

(e) any other election the Board may deem appropriate and in the best interests of the Company.

Section 9.4 Tax Matters Member .

(a) The tax matters partner of the Company pursuant to Code Section 6231(a)(7) shall be a Member designated from time to time by the Board subject to replacement by the Board. Any Member who is designated as the tax matters partner is referred to herein as the " ***Tax Matters Member*** ". The initial Tax Matters Member as of the Effective Date shall be Sunoco. The Tax Matters Member shall take such action as may be necessary to cause to the extent possible each other Member to become a notice partner within the meaning of Code Section 6231(a)(8). The Tax Matters Member shall inform each other Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the 20 th day after (or if applicable, such shorter period as may be required by the appropriate statutory or regulation provisions) becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity.

(b) The Tax Matters Member shall take no action without the authorization of the Board, other than such action as may be required by Law. Any reasonable, documented cost or expense incurred by the Tax Matters Member in connection with its duties, including the preparation for or pursuance of administrative or judicial proceedings, shall be paid by the Company.

(c) The Tax Matters Member shall not enter into any extension of the period of limitations for making assessments on behalf of the Members without first obtaining the consent of the Board. The Tax Matters Member shall not bind any Member to a settlement agreement without obtaining the consent of such Member. Any Member that enters into a settlement agreement with respect to any Company item (within the meaning of Code Section 6231(a)(3)) shall notify each other Member of such settlement agreement and its terms within 15 days from the date of the settlement.

(d) No Member shall file a request pursuant to Code Section 6227 for an administrative adjustment of Company items for any taxable year without first notifying the other Members. If the Board consents to the requested adjustment, the Tax Matters Member shall file the request for the administrative adjustment on behalf of the Members. If such consent is not obtained within 30 days from such notice, or within the period required to timely file the request for administrative adjustment, if shorter, any Member, including the Tax Matters Member, may file a request for administrative adjustment on its own behalf. Any Member intending to file a petition under Code Sections 6226 or 6228 or any other Code section with respect to any item involving the Company shall notify each other Member of such intention and the nature of the contemplated proceeding. In the case where the Tax Matters Member is the Member intending to file such petition on behalf of the Company, such notice shall be given within a reasonable period of time to allow each other Member to participate in the choosing of the forum in which such petition will be filed.

(e) If any Member intends to file a notice of inconsistent treatment under Code Section 6222(b), such Member shall give reasonable notice under the circumstances to each other Member of such intent and the manner in which such Member's intended treatment of an item is (or may be) inconsistent with the treatment of that item by the other Member.

Section 9.5 Texas Franchise Tax Sharing Arrangement. If applicable Law requires (a) a Member and (b) the Company to participate in the filing of a Texas franchise tax combined group report, the Parties agree that the Company shall promptly reimburse such Member for the franchise tax paid on behalf of the Company as a combined group member. The franchise tax paid on behalf of the Company shall be deemed to be equal to the franchise tax that the Company would have paid if it had computed its franchise tax liability for the report period on a separate entity basis rather than as a member of the combined group. The Members agree that such Member may deduct for federal income tax purposes 100% of the Texas franchise tax attributable to the Company and paid by such Member and that the Company's reimbursement obligation shall be limited to the after-tax cost of the Texas margin tax attributable to the Company and paid by such Member, computed based on the highest marginal Federal tax rate applicable to corporations.

ARTICLE 10TRANSFERS OF MEMBER INTEREST AND UNITS; ISSUANCE OF UNITS; ADMISSION OF SUBSTITUTED MEMBERS AND ADDITIONAL MEMBERS

Section 10.1 Transfer of Member Interest and Units.

(a) Subject to the other provisions set forth in this Agreement, any Member may Transfer its Member Interest and associated Units; provided that if such Member does not Transfer all of its Member Interest and associated Units pursuant to such Transfer, it must (i) Transfer a number of such associated Units that is proportionate to the amount of such Percentage Interest so Transferred, in each case, determined as of the time immediately prior to such Transfer, (ii) Transfer a 10% or greater Percentage Interest and associated Units pursuant to such Transfer and (iii) following such Transfer, retain a 10% or greater Percentage Interest and associated Units. Any attempted Transfer of a Member Interest and associated Units other than in compliance with this Agreement (including a Transfer not in compliance with the foregoing proviso) shall be null and void and of no force or effect. Any Member that Transfers any of its Member Interest and associated Units shall promptly provide written notice thereof to the Company and to the other Members.

(b) A Transferring Member shall, notwithstanding the Transfer, be liable to the Company and each other Member for its obligation to fund in accordance with Section 3.2(a) or Section 3.2(b), as applicable, its portion of any contributions required to be made pursuant to Section 3.2, Section 3.3 and Section 3.5, in each case, to the extent such contributions relate to expenditures accrued under this Agreement on or prior to the Transfer, but such Transferring Member shall be released from any other obligations thereafter accruing under this Agreement with respect to its Member Interest and associated Units being Transferred, except in the case where (i) the Transfer at issue is made to an Affiliate and (ii) (A) such transferee Affiliate does not have a credit rating of Baa3 (if issued by Moody's Investor Service) or BBB- (if issued by Standard & Poor's Financial Services LLC) or (B) such (1) transferee Affiliate's obligations are not guaranteed pursuant to a guaranty in form similar to the Guaranties and covering the applicable Member Interest and associated Units being Transferred to such Affiliate and (2) guarantor has a credit rating of Baa3

(if issued by Moody's Investor Service) or BBB- (if issued by Standard & Poor's Financial Services LLC), in which case the Transferring Member shall remain liable for all such obligations.

(c) Upon the Transfer of all of a Member's Member Interest and associated Units (other than any Transfer to an Affiliate of such Member), such Member or Affiliate of such Member then-currently serving as (i) Operator shall be deemed to have resigned from such position subject to the terms of the Operating Agreement or (ii) a Construction Manager shall be deemed to have resigned from such position subject to the terms of the applicable Construction Management Agreement.

Section 10.2 Conditions Precedent to a Transfer of Member Interest and Units. Each Transfer of a Member Interest and associated Units shall be subject to the terms hereof, and, except for Transfers pursuant to Section 3.5(e) or Section 3.5(f), as a condition precedent to the Company recognizing such Transfer, each transferor must satisfy all of the requirements (including the proportionate Transfer of its funding obligations) and not violate any of the Transfer restrictions set forth in Section 10.1, and each Transfer must meet the following conditions:

(a) Each transferee must have the financial ability, as evidenced by a combination of credit rating and credit support (including any parent guaranty) that is at least equivalent to that provided by the Transferring Member as of the date such Transferring Member became a Member, to perform its future payment obligations hereunder and the technical ability to participate in the planning of future operations. For purposes of this Section 10.2(a), the Members acknowledge and agree that, if the applicable transferee is an Affiliate of such Transferring Member, such transferee will be deemed to have the financial capability required by this Section 10.2(a) if, at the time of such Transfer, the transferee (or a Person guaranteeing the obligations of the transferee pursuant to a guaranty in form similar to the Guaranties and covering the applicable Member Interest and associated Units being Transferred to such transferee) has a credit rating of Baa3 (if issued by Moody's Investor Service) or BBB- (if issued by Standard & Poor's Financial Services LLC).

(b) The transferor and transferee shall execute and deliver to the Company such documents and instruments of conveyance as may be reasonably necessary or appropriate to affect such Transfer. In the case of a Transfer involuntarily by operation of Law, the Transfer shall be confirmed by presentation to the Company of legal evidence of such Transfer, in form and substance reasonably satisfactory to counsel to the Company. In all cases, the Company shall be reimbursed by the transferor or transferee for all reasonable costs and expenses that it incurs in connection with such Transfer.

(c) The transferor and transferee shall furnish the Company with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the Member Interest and associated Units Transferred and any other information reasonably necessary to permit the Company to file all required Federal and State tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the Company shall not be required to make any distribution otherwise provided for in this Agreement with respect to any Transferred Member Interest and associated Units until it has received such information.

(d) Such Transfer may not violate any applicable Laws.

(e) Such Transfer will not cause the Company to be deemed to be an "investment company" under the Investment Company Act of 1940.

Section 10.3 Encumbrances by Members Each Member shall be permitted to Encumber all or any portion of its Member Interest and/or associated Units; provided, however, that any such Encumbrance shall be made expressly subject to the terms and conditions of this Agreement, including the provisions of Section 3.5 (and in particular Section 3.5(e) and Section 3.5(f)). In the event that the Percentage Interest Adjustment Remedy or the Percentage Interest Buyout Remedy is applicable to any Defaulting Member, then if such Defaulting Member has Encumbered its Member Interest or associated Units, the portion (or all, if applicable) of its Member Interest and/or associated Units that is taken by the Affected Member(s) shall be deemed free and clear of such Encumbrance without any further action necessary; provided, however, if requested by any Paying Affected Member who has elected the Percentage Interest Adjustment Remedy or the Percentage Interest Buyout Remedy, the Defaulting Member shall immediately provide evidence to such Paying Affected Member of the release of all liens and security interests that may have burdened the portion (or all, if applicable) of the Defaulting Member's Member Interest and/or associated Units taken by such Paying Affected Member.

Section 10.4 Admission of Substitute Members . Subject to Section 10.1(b) , upon compliance with all of the provisions of this Agreement regarding Transfers and, to the extent such transferee is not already a Member of the Company, the delivery to the Company by such transferee of an executed addendum agreement in the form attached as Exhibit B (an " ***Addendum Agreement*** "), (a) such transferee shall be deemed to be a party hereto as if such transferee were the transferor and such transferee's signature appeared on the signature pages of this Agreement, and shall be deemed to be a Substitute Member and (b) the applicable transferor shall thereafter cease to be a Member to the extent of the Member Interest and associated Units Transferred by such transferor.

Section 10.5 Issuance of Authorized Units; Issuance of Additional Member Interests and Units; Admission of Additional Members . Subject to Section 5.1(d)(viii) and Section 5.1(d)(ix) , the Company may admit an Additional Member by issuing a Member Interest and associated Authorized Units to such Additional Member. Such Additional Member shall be admitted to the Company with all the rights and obligations of a Member if such Additional Member shall have executed and delivered to the Company (a) an Addendum Agreement and (b) such other documents or instruments as may be required in the Board's reasonable judgment to effect the admission. No issuance of a Member Interest and associated Authorized Units otherwise permitted or required by this Agreement shall be effective, and no purchaser of any such issued Member Interest and associated Authorized Units from the Company shall be deemed to be a Member, if the foregoing conditions are not satisfied.

Section 10.6 Rights and Obligations of Additional Members and Substitute Members .

(a) A transferee of a Member Interest and associated Units that has been admitted as a Substitute Member or a purchaser of any newly issued Member Interest and associated Authorized Units from the Company that has been admitted as an Additional Member in accordance with Section 10.4 or Section 10.5 , as applicable, shall have all the rights and powers and be subject to all the restrictions and Liabilities under this Agreement relating to a Member holding a Member Interest and associated Authorized Units, including the obligation to fund such Additional Member's proportion of any contributions pursuant to Section 3.2 , Section 3.3 and Section 3.5 .

(b) Admission of an Additional Member or Substitute Member shall become effective on the date such Person's name is recorded in the Member Schedule and on the other books and records of the Company. Upon the admission of an Additional Member or Substitute Member, the Company shall, without the consent of any other Person, revise the Member Schedule to (i) reflect the name and address of, Member Interest of and number of associated Units held by, such Additional Member or Substitute Member, (ii) eliminate or adjust, if necessary, the name, address, the Member Interest and associated Units of the predecessor of such Substitute Member, and (iii) adjust the Percentage Interests of each Member, if applicable.

Section 10.7 No Other Persons Deemed Members . Unless admitted to the Company as a Member as provided in this Agreement, no Person (including an assignee of rights with respect to a Member Interest and associated Units or a transferee of a Member Interest and associated Units, whether voluntary, by operation of Law or otherwise) shall be, or shall be considered, a Member. The Company may elect to deal only with Persons admitted to the Company as Members as provided in this Agreement (including their duly authorized representatives). Any distribution by the Company to the Person shown on the Member Schedule as a Member, or to its legal representatives, shall relieve the Company of all Liability to any other Person who may have an interest in such distribution by reason of any Transfer by the Member or for any other reason.

Section 10.8 Tax Termination Make-Whole Payments . If any Transfer of a Member Interest results in a constructive termination of the Company under §708(b)(1)(B) of the Code (a " ***Tax Termination*** "):

(a) If the Tax Termination occurs at a time when the combined Percentage Interest of a Member or any group of Members that are Affiliates of one another (an " ***Affiliate Group*** ") is greater than 50%, then any Member that Transferred its member Interest, which Transfer contributed to the Tax Termination (each, a " ***Contributing Member*** ") shall pay to each Member who is not a Contributing Member (each, a " ***Non-Contributing Member*** ") an amount equal to:

(i) the sum of:

(A) the product of:

(1) the difference between (x) the net present value as of the date of such Tax Termination, using a discount rate equivalent to the Base Rate, of the amount of tax depreciation allocable to such Non-Contributing 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 (y) the net present value as of the date of such Tax Termination, using a discount rate equivalent to the Base Rate, of the amount of tax depreciation allocable to such Non-Contributing Member from the Company for each future taxable period calculated taking into account such Tax Termination, *multiplied by*

(2) 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) (collectively, the " ***Aggregate Tax Rate*** ");

(such product of clause (A)(1) and clause (A)(2) the " ***Damage Amount*** "),

plus

(B) a gross-up amount calculated as:

(1) (x) the Damage Amount *divided by* (y)(I) 1.0 *minus* (II) the Aggregate Tax Rate, *minus*

(2) the Damage Amount,

multiplied by :

(ii) the relevant Contributing Member's Termination Percentage.

(b) If the Tax Termination occurs at a time when no Member owns a Percentage Interest, and no Affiliate Group owns a combined Percentage Interest, in each case, greater than 50%, then the economic effect of any Tax Termination will be borne by each Member in accordance with its respective Percentage Interest in the Company.

(c) Notwithstanding the provisions of Section 10.8(a) , no payments shall be due from one Member to another (i) if a Tax Termination results from 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 (ii) if a Tax Termination results from a transaction, or a series of related transactions, where all of the selling Members collectively are selling 100% of the Member 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.

ARTICLE 11 **

TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

Section 11.1 **

ARTICLE 12

INTERCONNECTIONS; MEMBER PROJECT INTERCONNECTIONS

Section 12.1 **Interconnections**. In furtherance of the Initial Facilities, the Company shall negotiate an interconnection agreement and any associated agreements for the following interconnection on commercially reasonable terms: (a) an interconnection between the Initial Facilities and the facilities of Sunoco's applicable Affiliate located in Nederland, Texas; (b) an interconnection between the Initial Facilities and the facilities of P66's applicable Affiliate located in Nederland, Texas; and (c) an interconnection between the Initial Facilities and the facilities of P66's applicable Affiliate at the Clifton Ridge Terminal located in Sulphur, Louisiana; provided that each Member that is not a Conflicted Member with respect to the subject interconnection agreement shall (i) act reasonably in its conduct hereunder regarding such interconnection and interconnection agreement and (ii) not, unless such Member reasonably and in good faith believes that any such action would be materially detrimental to such interconnection or the Company as a whole, take any action hereunder that would prevent, frustrate or otherwise delay or inhibit any action or activities with respect to such interconnection or such interconnection agreement.

Section 12.2 **Member Project Interconnections**. Notwithstanding anything herein to the contrary, the Company and Members agree that the Company shall undertake to facilitate any Member Project brought to the Company by any Member through agreeing to an interconnect agreement or similar agreement to connect such Member Project to the then-existing Facilities, which interconnect shall be on terms and conditions substantially similar, subject to adjustment for reasonable operational differences, to interconnection agreements entered into by the Company as of such time with Third Parties.

ARTICLE 13
DISSOLUTION; WINDING UP AND TERMINATION

Section 13.1 **Causes of Dissolution, Winding Up and Termination**. The Company shall be dissolved and its affairs wound up only upon the occurrence of one or more of the following events:

(a) a dissolution of the Company is approved pursuant to Section 5.1(d)(iv);

(b) the sale or other final disposition by the Company of all or substantially all of the Assets and the collection of all amounts derived from such sale or disposition (including all amounts payable to the Company under any promissory notes or other evidences of indebtedness); or

(c) the entry of a decree of judicial dissolution under the Delaware Act.

For the avoidance of doubt, the Bankruptcy or dissolution of any Member or Affiliate of any Member or the occurrence of any other event that terminates the continued membership of any Member shall not cause the Company to be dissolved or its affairs to be wound up, and upon the occurrence of any such event, the Company shall be continued without dissolution.

Section 13.2 **Notice of Dissolution**. Upon the dissolution of the Company, the Board shall promptly notify each Member of such dissolution.

Section 13.3 **Liquidation**.

(a) Liquidating Trustee; Liquidating Distributions. Upon dissolution of the Company, the Board (in such capacity, the "***Liquidating Trustee***") shall carry out the winding up of the Company and shall immediately commence to wind up such affairs; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the Assets and the satisfaction of liabilities to creditors so as to enable the Members to minimize the normal losses attendant upon a liquidation. The proceeds of liquidation shall be applied first to payment of all expenses and debts of the Company and setting up of such reserves as the Board reasonably deems necessary to wind up the Company's affairs and to provide for any contingent liabilities or obligations of the Company. Any remaining proceeds shall be distributed to the Members in accordance with their respective Capital Account balances after giving effect to the allocations required by Section 4.2 and Section 4.3 and the allocations of Net Profits and Net Losses pursuant to Section 13.3(b).

(b) Pre-Liquidation Allocations. The Net Profits and Net Losses and other items of income, gain, loss and deduction arising incident to or from liquidation of the Company shall be allocated among the Members so that, to the maximum extent possible, each Member's Adjusted Capital Account Balance equals the amount of cash that would be distributed to such Member if liquidating distributions were made in accordance with Section 4.5(a).

Section 13.4 **Termination**. The Company shall terminate when all of the Assets, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Article 13 and the Formation Certificate shall have been canceled, or such other documents required under the Delaware Act to be executed and filed with the Secretary of State of the State of Delaware have been so executed and filed, in the manner required by the Delaware Act.

Section 13.5 **No Obligation to Restore Capital Accounts**. In the event any Member has a deficit balance in any of its Capital Accounts at the time of the Company's dissolution and following the application of Section 13.3(b), it shall not be required to restore such account to a positive balance or otherwise make any payments to the Company or its creditors or other Third Parties in respect of such deficiency.

Section 13.6 **Distributions in Kind**. If any Assets are to be distributed in kind, such Assets shall be distributed to the Members as tenants-in-common in the same proportions as such Members would have been entitled to cash distributions if such Assets had been sold for cash by the Company at the Fair Market Value of such Assets. Notwithstanding the foregoing, the Members shall have the right to assign their interest to such in-kind distribution to any Person.

ARTICLE 14GOVERNING LAW; DISPUTE RESOLUTION

Section 14.1 **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 DELAWARE, 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, EACH OF THE PARTIES HERETO CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY FEDERAL OR STATE COURT LOCATED WITHIN HARRIS COUNTY, TEXAS, AND WAIVES ANY OBJECTION TO JURISDICTION OR VENUE OF, AND WAIVES ANY MOTION TO TRANSFER VENUE FROM, ANY OF THE AFORESAID COURTS. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

Section 14.2 **Dispute and Deadlock Resolution** . Except with respect to the determination of Fair Market Value pursuant to Section 3.5(f) or Section 11.1(f) , Claims, controversies and deadlocks of the Board, in each case, arising out of or relating to this Agreement, shall be determined and resolved in accordance with the following procedures:

(a) Covered Disputes . Any (i) Claim among the Members or their respective Affiliates arising out of or relating to this Agreement, including the meaning of its provisions, or the proper performance of any of its terms, its breach, termination or invalidity (each, a " ***Dispute*** "), and (ii) deadlock of the Board with respect to any action or omission that requires Board approval pursuant to Section 5.1 (each, a " ***Deadlock*** ") shall, in each case, be resolved in accordance with the procedures specified in this Section 14.2 , which until the completion of the procedures set forth in Section 14.2(c) , shall be the sole and exclusive procedure for the resolution of any such Dispute or Deadlock, except that, in the event of a Dispute only, any party, without prejudice to the following procedures, may file a complaint to seek preliminary injunctive or other provisional judicial relief, if in its sole judgment, that action is necessary to avoid irreparable damage or to preserve the status quo. Despite that action the parties shall continue to participate in good faith in the procedures specified in this Section 14.2 with respect to such Dispute.

(b) Initiation of Procedures . Any party wishing to initiate the dispute and deadlock resolution procedures set forth in this Section 14.2 with respect to a Dispute or Deadlock not resolved in the ordinary course of business must give written notice of the Dispute or Deadlock, as applicable, to the other parties (a " ***Dispute/Deadlock Notice*** "). The Dispute/Deadlock Notice shall include (i) a statement of that party's position and a summary of arguments supporting that position (and associated Board vote, if applicable), and (ii) the name and title of the executive who will represent that party and of any other Person who will accompany the executive, in the negotiations under Section 14.2(c) .

(c) Negotiation Between Executives . Within 15 days after delivery of the Dispute/Deadlock Notice by a party, such receiving party shall submit to the other a written response (the " ***Dispute/Deadlock Response*** "). Any Dispute/Deadlock Response shall include (i) a statement of such party's position and a summary of arguments supporting that position (and associated Board vote, if applicable), and (ii) the name and title of the executive who will represent that party and of any other Person who will accompany the executive. The parties shall then attempt in good faith to resolve the Dispute or Deadlock, as applicable, within 30 Business Days of the delivery of the Dispute/Deadlock Response (such period, the " ***Negotiation Period*** ") by negotiations between executives who have authority to settle the Dispute or Deadlock, as applicable, and who are at a Vice President or higher level of management than the Persons with direct responsibility for administration of this Agreement or the matter in Dispute or that has led to a Deadlock, as applicable. During the Negotiation Period, such executives of the parties shall meet at least weekly, at a mutually acceptable time and place, and thereafter during the Negotiation Period as more often as they reasonably deem necessary, to attempt to resolve the Dispute or Deadlock, as applicable, during the Negotiation Period.

(d) Tolling and Performance . All applicable statutes of limitation and defenses based upon the passage of time shall be tolled while the procedures specified in Section 14.2(c) are pending. The parties shall take any action required to effectuate that tolling. Each party is required to continue to perform its obligations under this Agreement pending completion of the procedures set forth in Section 14.2(c) , unless to do so would be impossible or impracticable under the circumstances.

(e) Dispute Litigation . Any Dispute that cannot be resolved during the Negotiation Period may, at the option of any party hereto, be resolved and decided by the Federal or State courts located in Harris County, Texas.

(f) Failure to Resolve Deadlock . Should any Deadlock fail to be resolved during the Negotiation Period, neither any Member or the Company as a whole shall be required to take any further action with respect to such Deadlock; provided, however, that if such Deadlock relates to the approval of a Direct Bill Budget under an Operating Agreement, the provisions of this Agreement and such Operating Agreement with respect to Default Budgets shall apply.

Section 14.3 Expert Proceedings .

(a) For any decision referred to an independent expert under Section 3.5(f) or Section 11.1(f) , the Parties hereby agree that such decision shall be conducted expeditiously by an expert selected unanimously by the Members or as provided pursuant to Section 14.3(b) below. The fees and costs of the expert shall be paid by the Members in accordance with their respective Percentage Interests. The expert is not an arbitrator of the Dispute and shall not be deemed to be acting in an arbitral capacity.

(b) The Member desiring an expert determination shall give each other Member written notice of the request for such determination. If the Members are unable to agree upon an expert within ten days after receipt of the written notice of request for an expert determination, then, upon the request of any of the Members, the Houston, Texas office of the American Arbitration Association (the " ***AAA*** ") shall appoint such expert. The expert, once appointed, shall have no ex

parte communications with the Members or their Affiliates concerning the expert determination or the underlying Dispute. For an expert determination regarding determination of the Fair Market Value of the Member Interest and associated Units of a Member or any other valuation, the expert appointed by the AAA shall be a nationally recognized investment banking firm.

(c) All communications between any Member and the expert shall be conducted in writing, with copies sent simultaneously to each other Member participating in the expert proceeding in the same manner, or at a meeting to which representatives of all Members participating in the expert proceeding have been invited and of which such Members have been provided at least five Business Days' notice.

(d) Within 30 days after the expert's acceptance of its appointment, the Members shall provide the expert with a report containing their proposal for the resolution of the matter and the reasons therefor, accompanied by all relevant supporting information and data (excluding any information or data protected by attorney-client privilege). Within 30 days of receipt of the above-described materials and after receipt of additional information or data as may be reasonably required by the expert, the expert shall select the proposal or solution or value which it finds more consistent with the terms of this Agreement. The expert may not propose alternate positions or award damages, interest or penalties to any Members with respect to any matter. The expert's decision shall be final and binding on the Members. Any Member that fails or refuses to honor the decision of an expert shall be in default under this Agreement.

ARTICLE 15
MISCELLANEOUS

Section 15.1 **Counterparts** . This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. Any signature hereto delivered by a party hereto by facsimile or other electronic transmission shall be deemed an original signature hereto.

Section 15.2 **Notices** . All notices and communications required or permitted to be given hereunder (excluding notices sent to Directors, Board Alternates or the President pursuant to Article 5 , which notices shall be governed by Section 5.3(l) hereof and excluding service of process) shall be sufficient in all respects (a) if given in writing and delivered personally, (b) if sent by overnight courier, (c) if mailed by U.S. Express Mail or by certified or registered U.S. Mail with all postage fully prepaid, or (d) sent by facsimile transmission (provided any such facsimile transmission is confirmed either orally or by written confirmation), and, in each case, addressed to the appropriate party hereto at the address for such party shown below:

If to the Company:
c/o Energy Transfer Partners, L.P.
800 E Sonterra Blvd #400
San Antonio, Texas 7825
Attention: Lee A. Hanse
Facsimile: 210-403-7500

with a copy to:

c/o Energy Transfer Partners, L.P.
1300 Main Street
Houston, Texas 77002
Attention: General Counsel
Facsimile: 214-981-0701

If to Energy Transfer:

c/o Energy Transfer Partners, L.P.
800 E Sonterra Blvd #400
San Antonio, Texas 78258
Attention: Lee A. Hanse
Facsimile: 210-403-7500

with a copy to:

c/o Energy Transfer Partners, L.P.
1300 Main Street
Houston, Texas 77002
Attention: General Counsel
Facsimile: 214-981-0701

If to P66 (except for Call Notices):

c/o Phillips 66 Company
3010 Briarpark Dr.
Houston, TX 77042
Attention: President
Facsimile: 918-977-8055

with a copy to:

Phillips 66 Company
3010 Briarpark Dr.
Houston, TX 77042
Attention: General Counsel
Facsimile: 918-977-8055

If to P66 (for Call Notices Only):

c/o Phillips 66 Company
3010 Briarpark Dr.
Houston, TX 77042
Attention: Diana Santos

Facsimile: 918-977-8055

with a copy to:

Phillips 66 Company
3010 Briarpark Dr.
Houston, TX 77042
Attention: Manager/Finance Transportation & Midstream
Facsimile: 918-977-8055

If to Sunoco:

Sunoco Pipeline L.P.
1818 Market Street, Suite 1500
Philadelphia, PA 19103
Attention: VP, Business Development
Facsimile: 866-244-5696

with a copy to:

Sunoco Pipeline L.P.
1818 Market Street, Suite 1500
Philadelphia, PA 19103
Attention: General Counsel
Facsimile: 866-244-5696

Any notice given in accordance herewith shall be deemed to have been given (i) when delivered to the addressee in person, or by courier, during normal business hours, or on the next Business Day if delivered after business hours, (ii) when received by the addressee via facsimile during normal business hours, or on the next Business Day if received after business hours, or (iii) upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the U.S. Mail, as the case may be. The parties hereto may change the address, telephone number, facsimile number and individuals to which such communications to such Member or the Company are to be addressed by giving written notice to the Company and the other parties hereto in the manner provided in this Section 15.2 .

Section 15.3 **Expenses** . Except as otherwise specifically provided, all fees, costs and expenses incurred by the parties hereto in negotiating this Agreement shall be paid by the party incurring the same, including legal and accounting fees, costs and expenses.

Section 15.4 **Waivers; Rights Cumulative** . Any of the terms, covenants, or conditions hereof may be waived only by a written instrument executed by or on behalf of the party hereto

waiving compliance. No course of dealing on the part of any party hereto, or its respective officers, employees, agents, accountants, attorneys, investment bankers, consultants or other authorized representatives, nor any failure by a party hereto to exercise any of its rights under this Agreement shall operate as a waiver thereof or affect in any way the right of such party at a later time to enforce the performance of such provision. No waiver by any party hereto of any condition, or any breach of any term or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term or covenant. The rights of the parties hereto under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

Section 15.5 **Entire Agreement; Conflicts**. THIS AGREEMENT, THE OPERATING AGREEMENT, EACH CONSTRUCTION MANAGEMENT AGREEMENT, AND EACH OTHER AGREEMENT EXECUTED BY THE PARTIES OR THEIR RESPECTIVE AFFILIATES IN CONNECTION HEREWITH, AND THE EXHIBITS AND APPENDICES HERETO AND THERETO, COLLECTIVELY CONSTITUTE THE ENTIRE AGREEMENT AMONG THE PARTIES HERETO PERTAINING TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ALL PRIOR AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, WHETHER ORAL OR WRITTEN, OF SUCH PARTIES AND THEIR RESPECTIVE AFFILIATES PERTAINING TO THE SUBJECT MATTER OF THIS AGREEMENT. THERE ARE NO WARRANTIES, REPRESENTATIONS OR OTHER AGREEMENTS AMONG THE PARTIES HERETO OR THEIR RESPECTIVE AFFILIATES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, AND NO PARTY OR SUCH PARTY'S AFFILIATES SHALL BE BOUND BY OR LIABLE FOR ANY ALLEGED REPRESENTATION, PROMISE, INDUCEMENT OR STATEMENTS OF INTENTION NOT SO SET FORTH. IN THE EVENT OF A CONFLICT BETWEEN (A) THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY EXHIBIT OR APPENDIX HERETO, OR (B) THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY OF THE OPERATING AGREEMENT, EACH CONSTRUCTION MANAGEMENT AGREEMENT, OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION HEREWITH, IN EACH CASE, THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL GOVERN AND CONTROL; PROVIDED, HOWEVER, THAT THE INCLUSION IN ANY OF THE EXHIBITS OR APPENDICES HERETO OR THE AGREEMENTS SET FORTH IN CLAUSE (B) ABOVE OF TERMS AND PROVISIONS NOT ADDRESSED IN THIS AGREEMENT SHALL NOT BE DEEMED A CONFLICT, AND ALL SUCH ADDITIONAL PROVISIONS SHALL BE GIVEN FULL FORCE AND EFFECT, SUBJECT TO THE PROVISIONS OF THIS SECTION 15.5.

Section 15.6 **Amendment**. This Agreement may be amended only by an instrument in writing executed by all of the parties hereto and expressly identified as an amendment or modification.

Section 15.7 **Parties in Interest**. Except as provided in Section 7.6, nothing in this Agreement, express or implied, shall entitle any Person other than the parties hereto or their respective successors and permitted assigns to any Claim, remedy or right of any kind.

Section 15.8 **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 15.9 **Confidentiality**.

(a) The parties hereto agree that information related to confidential shipper information, pricing, cost data and other commercially or operationally sensitive information relating to the Business that is typically considered confidential shall be considered " ***Confidential Information*** " hereunder, shall be kept confidential and shall not be disclosed during the term of this Agreement to any Person that is not a party hereto, except:

(i) to an Affiliate of a Member;

(ii) to the extent such Confidential Information is required to be furnished in compliance with applicable Law, or pursuant to any legal proceedings or because of any order of any Governmental Authority that is binding upon a party hereto;

(iii) to prospective or actual attorneys engaged by any party hereto where disclosure of such Confidential Information is essential to such attorney's work for such party;

(iv) to prospective or actual contractors and consultants engaged by any party hereto where disclosure of such Confidential Information is essential to such contractor's or consultant's work for such party;

(v) to a bona fide prospective transferee of a Member's Member Interest and associated Units to the extent appropriate in order to allow the assessment of such Member Interest and associated Units (including a Person with whom a Member or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares), as long as the Member provides ten days prior written notice to the Company of its intention to share such Confidential Information and the transferee executes a confidentiality agreement with the Company containing substantially similar terms and conditions as those set forth in this Section 15.9;

(vi) to a bank or other financial institution to the extent appropriate to a party hereto arranging for funding;

(vii) to the extent such Confidential Information must be disclosed pursuant to any rules or requirements of any stock exchange having jurisdiction over a party hereto or its Affiliates; provided that if such party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and the public and such disclosure is not required pursuant to any rules or requirements of any stock exchange, then such party shall comply with Section 15.10;

(viii) to its respective employees, subject to each party hereto taking customary precautions to ensure such Confidential Information is kept confidential; and

(ix) any Confidential Information which, through no fault of or breach of this Agreement by a party hereto, becomes a part of the public domain.

(b) Disclosure as pursuant to Section 15.9(a)(iv) and Section 15.9(a)(v) shall not be made unless prior to such disclosure the disclosing party hereto has obtained a written undertaking from the recipient to keep the Confidential Information strictly confidential for the term of this Agreement and to use such Confidential Information for the sole purpose described in Section 15.9(a)(iv) or Section 15.9(a)(v) , whichever is applicable, with respect to such disclosing party.

Section 15.10 Publicity .

(a) Without reasonable prior notice to the other parties hereto, no party hereto shall issue, or permit any agent or Affiliate of it to issue, any press releases or otherwise make, or cause any agent or Affiliate of it to make, any public statements with respect to this Agreement, the Operating Agreement, any Construction Management Agreement, any Confidential Information or the activities contemplated hereby or thereby, except where such release or statement is deemed in good faith by such releasing party to be required by Law or under the rules and regulations of a recognized stock exchange on which shares of such party or any of its Affiliates are listed, and in any case, prior to making any such press release or public statement, such releasing party shall provide a copy of the proposed press release or public statement to the other parties hereto reasonably in advance of the proposed release date as necessary to enable such other parties to provide comments on it; provided such other Party must respond with any comments within two Business Days after its receipt of such proposed press release.

(b) Notwithstanding anything to the contrary in Section 15.9 or Section 15.10(a) , any Member or Affiliate of a Member may disclose information regarding the Business that is not Confidential Information in investor presentations, industry conference presentations or similar disclosures. If a Member wishes to disclose any Confidential Information in investor presentations, industry conference presentations or similar disclosures, such Member must first (i) provide each other Member with a copy of that portion of the presentation or other disclosure document containing such Confidential Information and (ii) obtain the prior written consent of each other Member to such disclosure (which consent may not be unreasonably withheld, conditioned or delayed).

(c) Notwithstanding anything to the contrary in Section 15.9 or Section 15.10(a) , in the event of any Emergency or in the event that the Company, through its officers, deems to be customary in the pipeline industry with respect to any Capital Project or the Business, the Company may issue such press releases or public announcements as it deems reasonably necessary in light of the circumstances and shall promptly provide each Member with a copy of any such press release or announcement.

Section 15.11 **Preparation of Agreement**. All of the Members and their respective counsels participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption shall arise based on the identity of the draftsman of this Agreement.

Section 15.12 **Severability**. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not materially affected in any manner adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 15.13 **Non-Compensatory Damages**. None of the parties hereto shall be entitled to recover from any other party, or any other party's respective Affiliates, any indirect, consequential, punitive, special or exemplary damages or damages for lost profits of any kind arising under or in connection with this Agreement or the transactions contemplated hereby or thereby, except to the extent any such party suffers such damages to a Third Party, 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 hereto, on behalf of itself and each of its Affiliates, waives any right to recover indirect, punitive, special, exemplary or consequential damages or damages for lost profits of any kind, arising in connection with or with respect to this Agreement or the transactions contemplated hereby.

Section 15.14 **Waiver of Partition of Company Property**. Each Member hereby irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to any Assets.

[*Remainder of page intentionally left blank* .]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date.

ETC BAYOU BRIDGE HOLDINGS, LLC

By: /s/ Mackie McCrea
Name: *Mackie McCrea*
Title: President and CEO

PHILLIPS 66 GULF COAST PIPELINE LLC

By: /s/ Diana Santos
Name: *Diana Santos*
Title: Vice President

SUNOCO PIPELINE L.P.

By: Sunoco Logistics Partners Operations GP LLC, its general partner

By: /s/ Mike Prince
Name: *Mike Prince*
Title: Vice President, Business Development

APPENDIX I
DEFINITIONS

" ***AAA*** " has the meaning set forth in Section 14.3(b) .

" ***Acceptance Certificate*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Addendum Agreement*** " has the meaning set forth in Section 10.4 .

" ***Additional Member*** " means any Person that is not already a Member that acquires (a) any Member Interest and associated Units directly from the Company or (b) any Equity Interest in the Company (other than a Member Interest and associated Units), which Person is admitted to the Company as a Member pursuant to the provisions of Section 10.5 .

" ***Adjusted Capital Account Balance*** " means with respect to any Member, the balance in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) credit to such Capital Account any amounts which such Member is obligated to restore pursuant to this Agreement, or is deemed obligated to restore pursuant to Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations or the penultimate sentence in each of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations, after taking into account thereunder any changes during such year in "partnership minimum gain" (within the meaning of Section 1.704-2(b) of the Treasury Regulations) and in "partner nonrecourse debt minimum gain" (within the meaning of Section 1.704-2(i) of the Treasury Regulations); and

(b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4); 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations.

This definition of Adjusted Capital Account Balance is intended to comply with the "alternative economic effect" test of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

" ***Affected Member*** " means, at any time of determination, any other Member at a time when a Member has failed to pay in full when due any amount owed to the Company pursuant to this Agreement.

" ***Affiliate*** " means, with respect to any Person, a Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such Person. For the avoidance of doubt and notwithstanding anything to the contrary in the foregoing, (a) none of the Company or any of its Subsidiaries shall be considered an " ***Affiliate*** " of any Member or such Member's Affiliates, and (b) any master limited partnership that is Controlled by the ultimate parent entity of any Member shall be an " ***Affiliate*** " of such Member hereunder.

" ***Affiliate Contract*** " means a Contract between the Company or any of its Subsidiaries, on the one hand, and any Member or any Affiliate of any Member, on the other hand.

" ***Affiliate Group*** " has the meaning set forth in Section 10.8(a) .

" ***Agreement*** " has the meaning set forth in the introductory paragraph of this Agreement.

" ***Aggregate Tax Rate*** " has the meaning set forth in Section 10.8(a)(i)(A)(2) .

" ***Annual Financial Statements*** " has the meaning set forth in Section 8.3(a) .

" ***Assets*** " means the Company's and its Subsidiaries' right, title and interest from time to time in all items of economic value owned or leased by the Company or any of its Subsidiaries, including real property, equipment and other tangible personal property, and Contracts, data and records, and other intangible personal property. For the avoidance of doubt, the " ***Assets*** " include the Facilities.

" ***Audit Period*** " has the meaning set forth in Section 8.4(b) .

" ***Authorized Units*** " has the meaning set forth in Section 3.9 .

" ***Available Cash*** " means, as of any date of determination (being, unless the Board decides otherwise, as of the end of business on the last day of each Calendar Month), all cash and cash equivalents of the Company and its Subsidiaries on hand as of such time, less Cash Reserves.

" ***Bankruptcy*** " 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.

" ***Base Rate*** " means the rate of interest per annum publicly announced from time to time by Wells Fargo Bank, National Association as its prime rate in effect, plus 2%. Each change in the rate of interest shall be effective from and including the date such change is publicly announced as being effective (or, if such rate is contrary to any applicable usury Law, the maximum rate permitted by such applicable Law).

" ***BLC Facilities*** " has the meaning set forth in the BLC Facilities Construction Management Agreement.

" ***BLC Facilities Construction Management Agreement*** " means that certain BLC Facilities Construction Management Agreement, dated as of the Effective Date, between the Company and

Phillips 66 Pipeline LLC, a Delaware limited liability company, as the same may be amended, modified or supplemented from time to time.

" ***BLC Facilities Construction Manager*** " means Phillips 66 Pipeline LLC, the Affiliate of P66 serving as "Construction Manager" under the BLC Facilities Construction Management Agreement as of the Effective Date, and any successor "Construction Manager" that is appointed pursuant to this Agreement and the BLC Facilities Construction Management Agreement.

" ***Board*** " has the meaning set forth in Section 5.1(a) .

" ***Board Alternate*** " has the meaning set forth in Section 5.2(a) .

" ***Budget*** " means any Direct Bill Budget, Construction Budget or Capital Project Budget, as the context requires and, for the purposes of this Agreement, such term shall include the Fixed Operating Fee that relates to such budget. For the avoidance of doubt, any Default Budget in effect shall also be considered the " ***Budget*** " for all purposes hereunder.

" ***Business*** " means activities conducted by the Company and its Subsidiaries with respect to the Assets.

" ***Business Day*** " means a day (other than a Saturday or Sunday) on which commercial banks in Texas are generally open for business.

" ***Calendar Month*** " means any of the months of the Gregorian calendar.

" ***Calendar Quarter*** " means a period of three consecutive Calendar Months commencing on the first day of January, the first day of April, the first day of July and the first day of October in any Calendar Year.

" ***Calendar Year*** " means a period of 12 consecutive Calendar Months commencing on the first day of January and ending on the following 31st day of December, according to the Gregorian calendar.

" ***Call Notice*** " means any call notice issued by the President to the Members pursuant to Section 3.3 requesting the making of contributions by one or more of the Members to the Company.

" ***Capital Account*** " has the meaning set forth in Section 3.6(a) .

" ***Capital Project*** " means, as of any date of determination, any (a) Expansion Project or (b) Lateral Project; provided, however, that for the avoidance of doubt, no Member Project shall be considered a " ***Capital Project*** " hereunder.

" ***Capital Project Budget*** " means, with respect to any Capital Project, the applicable Proposing Member's good faith estimate of a budget covering, in reasonable detail, all costs related to the Design, Procurement, Construction, development, operation and maintenance (including the Management of the foregoing) of such Capital Project.

" ***Cash Reserves*** " means the cash reserves recommended by the Operator, subject to any required approvals of the Board, in connection with the determination of Available Cash as being the amount necessary to account for the usual and ordinary expenses to be incurred by the Company and its Subsidiaries in connection with the operation and maintenance of the Facilities or, following the expiration of the Initial Facilities Construction Period, the development of any Capital Project for one or more of the succeeding three Calendar Months, including (a) Operating Expenses; (b) Fixed Operating Fees and Direct Bill Items of Operator; (c) ad valorem taxes and assessments on real and personal property of the Company and its Subsidiaries; (d) Construction Costs, in the case of Capital Projects Constructed following the expiration of the Initial Facilities Construction Period; and (e) expenses for Required Upgrades or Emergency Expenditures.

" ***Chairman*** " has the meaning set forth in Section 5.2(a) .

" ***Change in Control*** " means any direct or indirect change in Control of a Member (whether through merger, sale of shares or other equity interests, or otherwise), through a single transaction or series of related transactions, from one or more transferors to one or more transferees; provided, however, that the following shall not be considered a " ***Change in Control*** ": (a) a change in Control of an ultimate parent entity of such Member, including any change in Control of the general partner of such ultimate parent entity, as applicable, (b) a change in Control of any publicly-traded subsidiary of an ultimate parent entity of such Member, (c) a change in Control of a Member resulting in ongoing Control by a Wholly-Owned Affiliate, (d) a change in Control of Energy Transfer resulting in ongoing Control by Energy Transfer Equity, L.P., Energy Transfer Partners, L.P., or Sunoco Logistics Partners L.P., as applicable, (e) a change in Control of Sunoco resulting in ongoing Control by Energy Transfer Equity, L.P., Energy Transfer Partners, L.P., or Sunoco Logistics Partners L.P., as applicable, (f) a change in Control of either Energy Transfer Equity, L.P., Energy Transfer Partners, L.P., or Sunoco Logistics Partners L.P., (g) a change in Control of P66 resulting in ongoing Control by Phillips 66 Partners LP, (h) a change of Control of Phillips 66 Company, or (i) a change of Control of Phillips 66 Partners LP. As of the Effective Date, (i) the "ultimate parent entity" of Energy Transfer is Energy Transfer Equity L.P., (ii) the "ultimate parent entity" of P66 is Phillips 66, and (iii) the "ultimate parent entity" of Sunoco is Energy Transfer Equity, L.P.

" ***Claim*** " means any claim, demand, suit, action, investigation, proceeding (whether civil, criminal, arbitrative, investigative, or administrative), governmental action, cause of action, and expenses and costs associated therewith (including attorneys' fees and court costs), whether now existing or hereafter arising, whether known or unknown, including such items involving or sounding in the nature of breach of contract, tort, statutory liability, strict liability, products liability, liens, contribution, indemnification, fines, penalties, malpractice, professional liability, design liability, premises liability, environmental liability (including investigatory and cleanup costs and natural resource damages), safety liabilities (including OSHA investigations, litigation and pending fines), deceptive trade practices, malfeasance, nonfeasance, negligence, misrepresentation, breach of warranty, tortious interference with contractual relations, slander or libel.

" ***Code*** " means the Internal Revenue Code of 1986, as amended, and any successor statute.

" ***Company*** " has the meaning set forth in the introductory paragraph of this Agreement.

" ***Company Contract*** " means any Contract to which the Company is a party.

" ***Competing Person*** " has the meaning set forth in Section 2.9 .

" ***Confidential Information*** " has the meaning set forth in Section 15.9(a) .

" ***Conflict Activity*** " means (a) the negotiation and execution by the Company of any Affiliate Contract (excluding, for the avoidance of doubt and applicable only to this subsection (a) of this definition, the Operating Agreement, the BLC Facilities Construction Management Agreement, the Subject Facilities Construction Management Agreement and the Contribution Agreement), (b) the amendment to, or waiver of, any of the Company's or its Subsidiaries' rights under any Affiliate Contract, (c) the enforcement of the following rights of the Company or any of its Subsidiaries under any Affiliate Contract: (i) enforcing any rights of the Company or any of its Subsidiaries under any Affiliate Contract in connection with any breach or default (or alleged breach or default) thereunder by the Conflicted Member (or its Affiliates), (ii) making or enforcing any Claims by the Company or any of its Subsidiaries for indemnification under any Affiliate Contract or (iii) enforcing any rights of the Company or any of its Subsidiaries 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 the Company or any of its Subsidiaries under any Affiliate Contract in connection with any bankruptcy, reorganization, liquidation or dissolution of the Conflicted Member (or any of its Affiliates), (e) the exercise of discretionary rights by the Company or any of its Affiliates under any Affiliate Contract (such as audit rights, including audit rights relating to EH&S Laws) and rights to request additional information) and (f) enforcing any rights of the Company under this Agreement in connection with any breach or default (or alleged breach or default) hereunder by the Conflicted Member (or its Affiliates).

" ***Conflicted Member*** " means a Member that is (or has an Affiliate that is): (a) the counterparty to the Company under an Affiliate Contract; or (b) the adversary or counterparty opposite the Company or any of its Subsidiaries on any other transaction or dispute giving rise to a Conflict Activity.

" ***Construction*** " and its derivatives have the meaning set forth in the applicable Construction Management Agreement or the Operating Agreement, as the context requires.

" ***Construction Budget*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Construction Costs*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Construction Direct Bill Items*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Construction Management Agreement*** " means, as the context requires, any or all of the following: (a) the BLC Facilities Construction Management Agreement, (b) the Subject Facilities Construction

Management Agreement, (c) any other construction management agreement entered into pursuant to the terms of Section 6.2 , and (d) any subsequent agreement entered into pursuant to Section 6.2 in replacement of any agreement described in parts (a) through (c) above, in each case, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and this Agreement.

" ***Construction Manager*** " means (a) the BLC Facilities Construction Manager, (b) the Subject Facilities Construction Manager, and/or (c) the construction manager under any other Construction Management Agreement entered into by the Company from time to time pursuant to Section 6.2 , in each case, as the context requires.

" ***Construction Period*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Contract*** " means any written or oral contract or agreement, including an agreement regarding indebtedness, lease, mortgage, license agreement, purchase order, commitment, letter of credit or any other legally binding arrangement.

" ***Contributing Member*** " has the meaning set forth in Section 10.8(a) .

" ***Contribution Agreement*** " has the meaning set forth in the recitals to this Agreement.

" ***Control*** " and its derivatives mean, with respect to any Person, the possession, directly or indirectly, of (a) the power to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, (b) without limiting any other subsection of this definition, if applicable to such Person (even if such Person is a corporation), where such Person is a corporation, the power to exercise or determine the voting of more than 50% of the voting rights in such corporation, (c) without limiting any other subsection of this definition, if applicable to such Person (even if such Person is a limited partnership),where such Person is a limited partnership, ownership of all of the equity of the sole general partner of such limited partnership, or (d) without limiting any other subsection of this definition, if applicable to such Person, in the case of a Person that is any other type of entity, the right to exercise or determine the voting of more than 50% of the Equity Interests in such Person having voting rights, whether by contract or otherwise.

" ***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; any Affiliate of a Member; a Director; a Board Alternate; each Member's representatives serving on any Board subcommittee; any officer of the Company or any of its Subsidiaries; 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 Member. However, as used herein, " ***Covered Person*** " specifically excludes (a) any Member or any Affiliate of a Member that is currently serving as "Operator" under the Operating Agreement or a "Construction Manager" under any Construction Management Agreement, in each case, only to the extent such Person is acting in such capacity, and (b) any of such Operator's or such Construction Manager's officers, directors, managers, employees or agents, in each case, only to the extent any such officer, director, manager, employee or agent is acting on behalf of the Operator

or any Construction Manager under the Operating Agreement or any Construction Management Agreement, as applicable.

" ***Covering Affected Member*** " has the meaning set forth in Section 3.5(b)(i) .

" ***Crude Petroleum*** " means the grade or grades of direct liquid product of oil or gas wells, including such liquid produce that has been stabilized, which (a) has an API gravity between 15 and 70 degrees, (b) has a sediment and water content of 1% or less, (c) is not contaminated by chemicals foreign to virgin crude oil, such as chlorinated or oxygenated hydrocarbons and lead, and (d) otherwise meets the specifications set forth in the rules and regulations contained in tariffs in effect from time to time and applicable to the Assets.

" ***Damage Amount*** " has the meaning set forth in Section 10.8(a)(i)(A) .

" ***Debt*** " means, as applied to the Company or any of its Subsidiaries:

(a) any indebtedness for borrowed money which the Company or any of its Subsidiaries has directly incurred, assumed or otherwise become liable for; and

(b) leases that in accordance with GAAP are required to be capitalized on the balance sheet of the Company or any of its Subsidiaries, as the case may be.

" ***Default*** " has the meaning set forth in Section 3.4(a) .

" ***Default Budget*** " means a Default Direct Bill Budget (as such term is defined in the Operating Agreement).

" ***Default Interest Rate*** " means the rate of interest per annum publicly announced from time to time by Wells Fargo Bank, National Association as its prime rate in effect, *plus* 10%. Each change in the rate of interest shall be effective from and including the date such change is publicly announced as being effective (or, if such rate is contrary to any applicable usury Law, the maximum rate permitted by such applicable Law).

" ***Default Notice*** " has the meaning set forth in Section 3.4(a) .

" ***Default Period*** " has the meaning set forth in Section 3.4(b) .

" ***Defaulting Member*** " has the meaning set forth in Section 3.4(a) .

" ***Delaware Act*** " means the Delaware Limited Liability Company Act, Del. Code Ann. Tit. 6, §§18-101, et. seq.

" ***Depreciation*** " means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an Asset for such year or other period, except that if the Gross Asset Value of an Asset differs from its adjusted basis for Tax Purposes at the beginning of such year or other period, except as required by Section 1.704-3(d) of the Treasury Regulations, Depreciation shall be an amount which bears the same proportion to such

beginning Gross Asset Value as the Federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the Federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Tax Matters Member. Notwithstanding the foregoing, because the Company uses the remedial method pursuant to Section 1.704-3(d) of the Treasury Regulations with respect to one or more of the Company's Assets, Depreciation with respect to such Assets shall not be determined in accordance with the preceding sentence of this definition, but shall instead be determined in a manner consistent with tax capital accounting principles and consistent with the treatment of such assets under the remedial method, as determined by the Tax Matters Member in consultation with the Company's tax advisors.

" ***Design*** " and its derivatives have the meaning set forth in the applicable Construction Management Agreement or the Operating Agreement, as the context requires.

" ***Direct Bill Budget*** " has the meaning set forth in the Operating Agreement.

" ***Direct Bill Items*** " has the meaning set forth in the Operating Agreement.

" ***Director*** " has the meaning set forth in Section 5.1(a) .

" ***Dispute*** " has the meaning set forth in Section 14.2(a) .

" ***Dispute/Deadlock Notice*** " has the meaning set forth in Section 14.2(b) .

" ***Dispute/Deadlock Response*** " has the meaning set forth in Section 14.2(c) .

" ***Due Date*** " has the meaning set forth in Section 3.4(a) .

" ***Effective Date*** " has the meaning set forth in the introductory paragraph of this Agreement.

" ***EH&S Laws*** " has the meaning set forth in the Operating Agreement.

" ***Emergency*** " has the meaning set forth in the Operating Agreement or the applicable Construction Management Agreement, as the context requires.

" ***Emergency Expenditure*** " means expenditures which are reasonably necessary to be expended in order to mitigate or remedy an Emergency.

" ***Encumbrance*** " means a mortgage, lien, pledge, charge or other encumbrance. " ***Encumber*** " and other derivatives shall be construed accordingly.

" ***Energy Transfer*** " has the meaning set forth in the recitals to this Agreement.

" ***Energy Transfer Assets*** " has the meaning set forth in the Contribution Agreement.

" ***Energy Transfer Cash Contribution*** " has the meaning set forth in the Contribution Agreement.

" ***Energy Transfer First Initial Contribution*** " has the meaning set forth in Section 3.1(a) .

" ***Energy Transfer Initial Contribution*** " has the meaning set forth in Section 3.1(e)(ii) .

" ***Energy Transfer True-Up Contribution*** " has the meaning set forth in Section 3.1(e)(ii) .

" ***Equity Interests*** " means, with respect to any Person, (a) capital stock, membership interests, partnership interests, other equity interests, rights to profits or revenue and any other similar interest in such Person, (b) any security or other interest convertible into or exchangeable or exercisable for any of the foregoing, whether at the time of issuance or upon the passage of time or the occurrence of some future event, and (c) any warrant, option or other right (contingent or otherwise) to acquire any of the foregoing.

" ***Estimated Capital Project Costs*** " means, with respect to any Capital Project, the Proposing Member's good faith estimate of the costs and expenses of the Design, Procurement, Construction, development, operation and maintenance, including the Management of the foregoing, of such proposed Capital Project.

" ***Estimated Capital Project Revenues*** " means, with respect to any Capital Project, the Proposing Member's good faith estimate of the projected incremental revenues to be derived from the Capital Project (that are supported by, or would be supported by, binding Contracts for service, with or without priority access, under which such incremental revenues are owed to the Company for the availability of the right to receive service regardless of the actual usage of such service).

" ***Expansion Project*** " means, with respect to any physical Asset and as of any date of determination, any physical enhancement or series of physical enhancements that would increase the throughput capacity (including by expanding pump station capability) of such Asset beyond the throughput capacity of such physical Asset as of such date, regardless whether such enhancement or series of enhancements would also qualify as a "Lateral Project" hereunder.

" ***Facilities*** " has the meaning set forth in the Operating Agreement.

" ***Fair Market Value*** " means, with respect to any asset, the price at which a willing seller would sell, and a willing buyer would buy, the asset, free and clear of all Encumbrances, in an arms' length transaction for cash, without time constraints and without being under any compulsion to buy or sell.

" ***FERC*** " means the U.S. Federal Energy Regulatory Commission.

" ***Final Completion*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Fiscal Year*** " means the Company's taxable year, which shall be a Calendar Year.

" ***Fixed Operating Fee*** " has the meaning set forth in the Operating Agreement.

" ***Formation Certificate*** " has the meaning set forth in the recitals to this Agreement.

" ***Formation Date*** " has the meaning set forth in the recitals to this Agreement.

" ***GAAP*** " means generally accepted accounting principles in the U.S.

" ***Governmental Authority*** " means any Federal, State, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

" ***Guaranties*** " has the meaning set forth in Section 3.8 .

" ***Gross Asset Value*** " means with respect to any Asset, the Asset's adjusted basis for Tax Purposes, except as follows:

(a) the initial Gross Asset Value of any non-cash Asset contributed by a Member to the Company shall be the gross Fair Market Value of such Asset on the date of contribution, as mutually agreed by the Members;

(b) the Gross Asset Values of all Assets shall be adjusted to equal their respective gross Fair Market Values (taking into account Section 7701(g) of the Code), as reasonably determined by the Tax Matters Member at each of the following times:

(i) immediately before the acquisition of an additional Member Interest and associated Units by any new or existing Member in connection with a contribution to the Company of cash or property other than a *de minimis* amount (within the meaning of Section 1.704-1(b)(2)(iv) *(f)* of the Treasury Regulations);

(ii) immediately before the distribution by the Company to a Member of more than a *de minimis* amount of Company property as consideration for a Member Interest and associated Units (within the meaning of Section 1.704-1(b)(2)(iv) *(f)* of the Treasury Regulations);

(iii) immediately before the grant of a Member Interest and associated Units as consideration for the provision of services to or for the benefit of the Company by any new or existing Member (within the meaning of Section 1.704-1(b)(2)(iv) *(f)* of the Treasury Regulations);

(iv) immediately before the issuance by the Company of a "noncompensatory option" within the meaning of Sections 1.721-2(f) and 1.761-3(b)(2) of the Treasury Regulations which is not treated as a partnership interest pursuant to Section 1.761-3(a) of the Treasury Regulations;

(v) immediately before the liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii) *(g)* of the Treasury Regulations;

(vi) immediately after the acquisition of an interest in the Company by any new or existing Member upon the exercise of a noncompensatory option in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(s); and

(vii) at such other times as the Board shall reasonably determine necessary or advisable in order to comply with Treasury Regulation Sections 1.704-1(b) and 1.704-2;

provided, however, that the adjustments pursuant to clauses (i), (ii), (iii), (iv) and (vi) above shall be made only if the Board reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company and, provided further, if any noncompensatory options are outstanding upon the occurrence of an event described in this paragraph (b)(i) through (b)(vi), the Company shall adjust the Gross Asset Values of its properties in accordance with Treasury Regulation Sections 1.704-1(b)(2)(iv)(f)(1) and 1.704-1(b)(2)(iv)(h)(2);

(c) the Gross Asset Value of any non-cash Asset distributed to any Member shall be the gross Fair Market Value of such non-cash Asset on the date of distribution as reasonably determined by the Tax Matters Member;

(d) the Gross Asset Values of Assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Assets pursuant to Sections 734(b) or 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining the Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations, and subsection (g) under the definition of Net Profits and Net Losses below; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subsection to the extent that the Tax Matters Member reasonably determines that an adjustment pursuant to subsection (b) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subsection; and

(e) if the Gross Asset Value of an Asset has been determined or adjusted pursuant to subsection (a), (b) or (d) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses and items of income, gain, loss and deduction to be allocated to the Members.

" ***Initial Facilities*** " means the BLC Facilities and the Subject Facilities, collectively.

" ***Initial Facilities Construction Period*** " has the meaning set forth in Section 3.3(a) .

" ***Lateral Project*** " means, as of any date of determination, any pipeline, tankage or terminalling assets (including any appurtenant facilities thereto and including any interconnection with the Facilities) that involves the connection to, or interconnection with, any of the then-existing Facilities.

" ***Law*** " means any constitution, decree, resolution, law, statute, act, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment or any interpretation of the foregoing, as enacted, issued or promulgated by any Governmental Authority.

" ***Liabilities*** " means any and all Claims, 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.

" ***LIBOR*** " means, as of any date of determination, the rate per annum that appears on the applicable Bloomberg screen page at 11:00 a.m. London time (or, if not so appearing, as specified in The Wall Street Journal) as the one month London interbank offered rate on such date.

" ***Liquidating Trustee*** " has the meaning set forth in Section 13.3(a) .

" ***Manage*** " or " ***Management*** " and their derivatives have the meaning set forth in the applicable Construction Management Agreement or the Operating Agreement, as the context requires.

" ***Member*** " means any Person executing this Agreement as of the date of this Agreement or any Person hereafter admitted to the Company as provided in this Agreement, in each case, as a member of the Company, but such term does not include any Person who has ceased to be a member in the Company.

" ***Member Indemnitor*** " has the meaning set forth in Section 7.6 .

" ***Member Interest*** " means a limited liability company interest (as defined in the Delaware Act) in the Company; provided, however, that such term shall not include any management rights held by a Member solely in its capacity as a Member. A Member's Member Interest in the Company is evidenced by Units.

" ***Member Project*** " means any Lateral Project that (a) has an actual point of interconnection with the then-existing Facilities that is located in the immediate vicinity of one of the applicable Initial Facilities points of destination described in subparts (i), (ii) or (iii) of clause (b) below, (b) other than with respect to the actual point of interconnection between such Lateral Project with the then-existing Facilities, is either located entirely (i) upstream of the Initial Facilities' point of origin located in Nederland, Texas, (ii) downstream of the Initial Facilities' point of destination located in St. James, Louisiana, or (iii) downstream of the Initial Facilities' point of destination located in Lake Charles, Louisiana and (c) does not, at any other point other than the interconnection referenced above, interconnect with any other portion of the then-existing Facilities. Notwithstanding anything herein to the contrary, the Company and Members agree that (A) any Member Project that could reasonably be expected to cause Company to be in breach or default under any Company Contract, or which otherwise would give rise to a termination of any Company Contract, shall not be considered a "Member Project" under this Agreement for any purpose, (B) any Member Project that could reasonably be expected to increase the Company's costs and expenses associated with the Assets or otherwise cause the Company to incur additional costs and expenses with respect to the Assets shall not be considered a "Member Project" under this Agreement for any purpose, unless the Member wishing to undertake such Member Project agrees to fully reimburse the Company for all such increased costs and expenses, (C) any Member Project that could reasonably be expected to cause apportionment or pro-rationing of throughput on the Facilities shall not be considered a

"Member Project" under this Agreement for any purpose, (D) any Required Upgrade that meets the criteria of a Member Project set forth in this definition shall nevertheless not be considered a "Member Project" under this Agreement for any purpose, and (E) any Member Project for which the proposed terms and conditions of transportation service in connection with such proposed Member Project either (1) trigger a most favored nations provision (or similar provision) under any Company Contract and/or (2) alter or supplement the rates and other terms of service then on file and effective with the FERC with respect to the Company, shall not be considered a "Member Project" under this Agreement for any purpose.

" ***Member Schedule*** " means a schedule to be kept by the Secretary, listing all of the Members, their respective mailing addresses, the Member Interests and associated Units currently held by each Member and the current Percentage Interests of each Member. The Member Schedule as of the Effective Date is attached hereto as Appendix II .

" ***Monthly Financial Reports*** " has the meaning set forth in Section 8.3(c) .

" ***Negotiation Period*** " has the meaning set forth in Section 14.2(c) .

" ***Net Profits*** " or " ***Net Losses*** " means, for any Fiscal Year, an amount equal to the Company's taxable income or taxable loss for such Fiscal Year, as determined under Section 703(a) of the Code (including all items required to be separately stated under Section 703(a)(1) of the Code) and Section 1.703-1 of the Treasury Regulations, but with the following adjustments:

(a) any tax-exempt income, as described in Section 705(a)(1)(B) of the Code, realized by the Company and not otherwise taken into account in this subsection shall be added to such taxable income or taxable loss;

(b) any expenditures of the Company described in Section 705(a)(2)(B) of the Code for such Fiscal Year or treated as being so described in Section 1.704-1(b)(2)(iv) *(i)* of the Treasury Regulations and not otherwise taken into account in this subsection shall be subtracted from such taxable income or taxable loss;

(c) subject to subsection (d) below, in the event the Gross Asset Value of any Asset is adjusted pursuant to subsection (b) or (c) of the definition of "Gross Asset Value," the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profit or Net Loss;

(d) any item of income, gain, loss or deduction that is required to be specially allocated to a Member under Section 4.2 or Section 4.3 shall not be taken into account in computing such taxable income or taxable loss;

(e) the amount of any gain or loss required to be recognized by the Company during such Fiscal Year by reason of a sale or other disposition of any Asset, shall be computed as if the Company's adjusted basis in such Asset for Tax Purposes were equal to the Gross Asset Value of the Asset disposed of, notwithstanding that the adjusted tax basis of such Asset differs from its Gross Asset Value;

(f) in lieu of depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for the Fiscal Year or other applicable period; and

(g) to the extent an adjustment to the adjusted tax basis of any Asset pursuant to Section 734(b) or Section 743(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv) *(m)* of the Treasury Regulations in determining Capital Accounts, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the Asset and shall be taken into account for purposes of computing such taxable income or taxable loss.

If the Company's taxable income or taxable loss for such Fiscal Year, as adjusted in the manner provided above in subsections (a) through (g) of this definition, is (i) a positive amount, such amount shall be the Net Profits for such Fiscal Year or (ii) a negative amount, such amount shall be the Net Losses for such Fiscal Year.

" ***Non - Billable Item*** " has the meaning set forth in the Operating Agreement.

" ***Non-Conflicted Member*** " means, in the context of a Conflict Activity, any Member that is not a Conflicted Member with respect to such Conflict Activity.

" ***Non - Contributing Member*** " has the meaning set forth in Section 10.8(a) .

" ***Non-Paying Affected Member*** " has the meaning set forth in Section 3.5(b) .

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" ***Operating Agreement*** " means (a) that certain Operating Agreement, dated as of the Effective Date, between the Company and Sunoco Pipeline L.P., a Texas limited partnership, or (b) any subsequent agreement entered into pursuant to Section 6.1 , in each case, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and this Agreement.

" ***Operating Expenses*** " has the meaning set forth in the Operating Agreement.

" ***Operator*** " means Sunoco Pipeline L.P., serving as "Operator" under the Operating Agreement as of the Effective Date, and any successor "Operator" that is appointed pursuant to this Agreement and the Operating Agreement.

" ***Original Agreement*** " has the meaning set forth in the recitals to this Agreement.

" ***P66*** " has the meaning set forth in the recitals to this Agreement.

" ***P66 Assets*** " has the meaning set forth in the Contribution Agreement.

" ***P66 First Initial Contribution*** " has the meaning set forth in Section 3.1(b) .

" ***P66 Initial Contribution*** " has the meaning set forth in Section 3.1(e)(i) .

" ***P66 Post-Effective Date Expenses*** " has the meaning set forth in Section 3.1(d) .

" ***P66 Second Initial Contribution*** " has the meaning set forth in Section 3.1(d) .

" ***P66 True-Up Contribution*** " has the meaning set forth in Section 3.1(f) .

" ***Paying Affected Member*** " has the meaning set forth in Section 3.5(b) .

" ***Percentage Interest*** " means, at any time of determination and with respect to any Member, a fraction, expressed as a percentage, (a) the numerator of which is the number of Units held by such Member as of such time and (b) the denominator of which is the aggregate number of Units held by all Members as of such time, as such Percentage Interest may be adjusted from time to time in accordance with Section 3.5(e) .

" ***Percentage Interest Adjustment Remedy*** " has the meaning set forth in Section 3.5(e) .

" ***Percentage Interest Buyout Remedy*** " has the meaning set forth in Section 3.5(f) .

" ***Permitted Company Action*** " has the meaning set forth in Section 5.1(a) .

" ***Person*** " means any individual, corporation, company, partnership, limited partnership, limited liability company, trust, estate, Governmental Authority or any other entity.

" ***Pipeline Operations*** " means, collectively, the operation, maintenance, repair, start-up, commissioning and decommissioning of the Facilities.

" ***Post-Effective Date Affiliate Costs*** " has the meaning set forth in Section 6.3(b) .

" ***Post-Effective Date Member Costs*** " has the meaning set forth in Section 6.3(a) .

" ***Post-Effective Date Reimbursement Request*** " has the meaning set forth in Section 6.3(c) .

" ***Preserved Unanimous Action*** " means any of the actions described in Section 5.1(d)(iv) through Section 5.1(d)(xx) and, to the extent relating to the aforementioned Sections only, Section 5.1(d)(xxi) .

" ***President*** " has the meaning set forth in Section 5.10(a) .

" ***Procurement*** " and its derivatives have the meaning set forth in the applicable Construction Management Agreement or the Operating Agreement, as the context requires.

" ***Project IRR*** " means, with respect to any Capital Project, the Proposing Member's good faith estimate of the projected unlevered, pre-tax internal rate of return to the Company (calculated using the "XIRR" function of Microsoft Excel® (using the midyear convention) or, if Microsoft Excel® is no longer supported by Microsoft Corporation, by a similar function to which the Members

reasonably agree) based on the Estimated Capital Project Revenues and Estimated Capital Project Costs for such Capital Project.

" ***Proportionate Share*** " means, with respect to (a) an Affected Member, the proportion that such Affected Member's Percentage Interest bears to the total Percentage Interests of all Affected Members existing at such time, (b) a Paying Affected Member (other than as specified in subpart (d) below), the proportion that such Paying Affected Member's Percentage Interest bears to the total Percentage Interests of all Paying Affected Members existing at such time, (c) each Member who is not the Operator, or who is not an Affiliate of the Operator, as applicable, the proportion that such Member's Percentage Interest bears to the total Percentage Interests of all Members existing at such time that are not the Operator or an Affiliate of the Operator, (d) a Paying Affected Member that has elected to enforce the Percentage Interest Buy-Out Remedy pursuant to Section 3.5(f) with respect to a Default, the proportion that such Paying Affected Member's Percentage Interest bears to the total Percentage Interests of all Paying Affected Members that have elected to enforce the Percentage Interest Buy-Out Remedy pursuant to Section 3.5(f) with respect to such Default, (e) each non-Requesting Member, in the event a Post-Effective Date Reimbursement Request is delivered to the Company pursuant to Section 6.3(c) by a Requesting Member, the proportion that such non-Requesting Member's Percentage Interest bears to the total Percentage Interests of all non-Requesting Members, and (f) **

" ***Proposing Member*** " means any Member that submits a proposal to the Company to undertake a Capital Project.

" ***Qualifying Capital Project*** " means any Capital Project: (a) the projected Construction Costs for which, as reasonably determined by the applicable Proposing Member in good faith, are greater than **; (b) that involves the use of, connection to or interconnection with any Asset of the Company at any time such Capital Project is proposed; and (c) that is supported by binding service agreements (i) that utilize such Capital Project, (ii) that each have a term of greater than five years, (iii) that, in the case of an Expansion Project, are based on a form agreement generally consistent with the terms and conditions of Qualifying Subscription Contracts for comparable Segments of the then-existing Facilities (provided that any disagreements among the Members about the terms and conditions contemplated by this clause (iii) shall not, taken alone, be the basis for causing such Capital Project to not qualify as a "Qualifying Capital Project" hereunder), (iv) that provide that the revenues for any contract year thereunder do not vary by more than ** from the revenues for the initial contract year thereunder, and (v) under which, the guaranteed revenues from such agreements are reasonably projected in good faith by the applicable Proposing Member to generate a Project IRR (assuming a terminal value of zero) equal to the greater of (A) ** and (B) **. Notwithstanding the foregoing, (1) any Capital Project that could reasonably be expected to cause apportionment or pro-rationing of throughput on the Facilities from its origination shall not be considered a "Qualifying Capital Project", (2) any Required Upgrade that meets the criteria of a Qualifying Capital Project set forth in this definition shall nevertheless not be considered a "Qualifying Capital Project" under this Agreement for any purpose, and (3) any Capital Project for which the proposed terms and conditions of transportation service in connection with such proposed Capital Project either (x) trigger a most favored nations provision (or similar provision) under any Company Contract and/or (y) alter or supplement the rates and other terms of service then on file and effective with the FERC with respect

to the Company, shall not be considered a "Qualifying Capital Project" under this Agreement for any purpose.

" ***Qualifying Subscription Contract*** " means a binding Contract between or among the Company and one or more Third Party(ies) pursuant to which such Third Party(ies) or any of its or their respective Affiliates shall have subscribed for the right to transport Crude Petroleum through the Facilities with or without priority access that has an original term of greater than five contract years (with the revenues for any such contract year not varying by more than 10% from the initial contract year). For the avoidance of doubt, any capacity lease agreement, throughput and deficiency agreement or transportation services agreement, in each case, with respect to the transportation of Crude Petroleum through the Facilities with or without priority access that satisfies the foregoing requirements shall be considered a "Qualifying Subscription Contract" for all purposes hereunder.

" ***Quarterly Estimate*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Quarterly Financial Statements*** " has the meaning set forth in Section 8.3(b) .

" ***Quarterly Forecasts*** " has the meaning set forth in Section 8.3(d) .

" ***Regulatory Allocations*** " has the meaning set forth in Section 4.3 .

" ***Requesting Member*** " has the meaning set forth in Section 6.3(e) .

" ***Required Upgrade*** " means any Asset upgrade, modification, expansion or other similar improvement that is necessary: (a) in order for the Assets to comply with applicable Laws or (b) in order for the Company or any of its Subsidiaries to fulfill its required obligations under any material Contract, in each case, excluding routine maintenance items and similar minor improvements covered in any Direct Bill Budget.

" ***Required Upgrade Costs*** " has the meaning set forth in the Operating Agreement.

" ***Right to Compete*** " has the meaning set forth in Section 2.9 .

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" ***Secretary*** " means the Person then-serving as the secretary of the Company, including, if then-applicable, the Person designated as the initial Secretary on Appendix V .

" ***Segment*** " has the meaning set forth in the applicable Construction Management Agreement, as the context requires.

" ***Subject Facilities*** " has the meaning set forth in the Subject Facilities Construction Management Agreement.

" ***Subject Facilities Construction Management Agreement*** " means that certain Subject Facilities Construction Management Agreement, dated as of the Effective Date, between the Company and BBP Construction Management, LLC, a Delaware limited liability company, as the same may be amended, modified or supplemented from time to time.

" ***Subject Facilities Construction Manager*** " means BBP Construction Management, LLC, the Affiliate of Energy Transfer serving as "Construction Manager" under the Subject Facilities Construction Management Agreement as of the Effective Date, and any successor "Construction Manager" that is appointed pursuant to this Agreement and the Subject Facilities Construction Management Agreement.

" ***Subsidiary*** " means, as to any Person, any other Person of which or in which such Person, directly or indirectly through its ownership of any other Person, has Control.

" ***Substitute Member*** " means any Person who acquires from a Member any or all of the Member Interest and associated Units held by such Member and is admitted to the Company as a Member pursuant to the provisions of Section 10.4 .

" ***Successor Operator*** " has the meaning set forth in Section 6.1(b) .

" ***Successor Operator Excess Costs*** " has the meaning set forth in Section 6.1(e) .

" ***Successor Operator Proposal*** " has the meaning set forth in Section 6.1(b) .

" ***Sunoco*** " has the meaning set forth in the Recitals.

" ***Sunoco Cash Contribution*** " has the meaning set forth in the Contribution Agreement.

" ***Sunoco First Initial Contribution*** " has the meaning set forth in Section 3.1(c) .

" ***Sunoco Initial Contribution*** " has the meaning set forth in Section 3.1(e)(i) .

" ***Sunoco True-Up Contribution*** " has the meaning set forth in Section 3.1(e)(i) .

" ***Tax Estimate Report*** " has the meaning set forth in Section 8.3(e) .

" ***Tax Matters Member*** " has the meaning set forth in Section 9.4(a) .

" ***Tax Purposes*** " means for purposes of Federal income taxation and for purposes of certain State income tax Laws that incorporate or follow Federal income tax principles.

" ***Tax Termination*** " has the meaning set forth in Section 10.8 .

" ***Termination Percentage*** " means, with respect to a Contributing Member, a percentage, obtained by dividing (a) the portion of such Contributing Member's Membership Interest actually Transferred

during the 12-month period ending on the date of the Tax Termination, by (b) the sum of the portions of all Contributing Members' Membership Interests actually Transferred during the 12-month period ending on the date of the Tax Termination.

" ***Third Party*** " means any Person (other than the Company) that is not a Member or an Affiliate of a Member or any of its Subsidiaries.

" ***Total Amount in Default*** " means, as of any time, and with respect to any Defaulting Member, the following amounts: (a) the amounts that such Defaulting Member has failed to pay under the terms of this Agreement; and (b) any interest at the Default Interest Rate accrued on the amount under (a) from the date such amount is due by such Defaulting Member until the date such amount (together with all applicable interest thereon) is paid in full by such Defaulting Member.

" ***Total Votes*** " has the meaning set forth in Section 5.3(a) .

" ***Transfer*** " means any sale, assignment, or other disposition by a Member of all or any of its Member Interest and associated Units, excluding (a) any disposition deemed to have occurred pursuant to Section 3.5(e) or Section 3.5(f) with respect to any Default, (b) any Encumbrance, and (c) any disposition resulting from a Change in Control, directly or indirectly.

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" ***Treasury Regulations*** " means the regulations promulgated by the U.S. Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute, proposed or final Treasury Regulations.

" ***Unit*** " has the meaning set forth in Section 3.9 .

" ***Vice President*** " means any Person then-serving as a vice president of the Company, including, if then-applicable, any Person designated as an initial Vice President on Appendix V .

" ***Wholly-Owned Affiliate*** " means, with respect to any Member, an Affiliate of such Member that is wholly owned, directly or indirectly, by the ultimate parent(s) of such Member.

TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

APPENDIX II
MEMBER SCHEDULE

(as of the Effective Date)

Member Name	Units	Percentage Interest	Address
ETC BAYOU BRIDGE HOLDINGS, LLC	60	30%	c/o Energy Transfer Partners, L.P. 800 E. Sonterra Blvd. #400 San Antonio, Texas 78258
PHILLIPS 66 GULF COAST PIPELINE LLC	80	40%	c/o Phillips 66 Company 3010 Briarpark Drive Houston, Texas 77042
SUNOCO PIPELINE L.P.	60	30%	Sunoco Pipeline L.P. 1818 Market Street, Suite 1500 Philadelphia, PA 19103
TOTAL:	200	100%	

APPENDIX III
AFFILIATE CONTRACTS

1. Operating Agreement
2. BLC Facilities Construction Management Agreement
3. Subject Facilities Construction Management Agreement
4. Contribution Agreement
5. Existing Transportation Services Agreements and/or existing precedent agreements with Affiliates of P66, Affiliates of Energy Transfer and/or Affiliates of Sunoco.

APPENDIX IV
INITIAL DIRECTORS

Energy Transfer: Lee Hanse

P66: Diana Santos

Sunoco: Chris Martin

APPENDIX V
INITIAL OFFICERS

President and Secretary:

President:Chris Martin
Secretary:Kevin Strehlow

Part 1 – Sunoco Vice Presidents:

James Torbet	Vice President – Engineering
Todd Stamm	Vice President – Operations

Part 2 – P66 Vice Presidents:

Diana Santos	Vice President – Project Management
Joseph Aikins	Vice President – Project Management
Michael S. McEnany	Vice President – Engineering
Mark A. Richard	Vice President – Procurement
James P. Journeycake	Vice President – Land
Vivek Gopal	Vice President – Environmental, Health and Safety

Part 3 – Energy Transfer Vice Presidents:

Lee Hanse	Vice President – Project Management
Yousif (Joey) Mahmoud	Vice President – Project Management
Charles Frey	Vice President – Engineering
Luke M. Fletcher	Vice President – Power
Ryan K. Coffey	Vice President – Operations
Kelly Henry	Vice President – Procurement
Robert R. Rose	Vice President – Land
Clint Cowan	Vice President – Environmental, Health and Safety

TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

EXHIBIT A
FORMATION CERTIFICATE

Exhibit A

TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

EXHIBIT B
FORM OF ADDENDUM AGREEMENT

Exhibit B

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TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

EXHIBIT C
FORM OF MEMBER GUARANTY AGREEMENT

Exhibit C

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Exhibit 10.38

ADDENDUM AGREEMENT

This ADDENDUM AGREEMENT (this ***"Addendum Agreement ")*** is made this 1 st day of December, 2015 by and between Phillips 66 Partners Holdings LLC, a Delaware Corporation (the ***"Acquirer"),*** and Bayou Bridge Pipeline, LLC, a Delaware limited liability company (the ***"Company""),*** pursuant to the terms of that certain Limited Liability Company Agreement of the Company, dated as of July 9, 2015 (as the same may be amended, supplemented and restated from time to time, including all appendices and exhibits thereto, the ***"LLC Agreement"").*** Capitalized terms used but not otherwise defined in this Addendum Agreement shall have the meanings ascribed to them in the LLC Agreement.

RECITALS

WHEREAS, the Company and the Members entered into the LLC Agreement to impose certain restrictions and obligations upon themselves, and to provide certain rights, in each case, with respect to the Company and the Member Interests (and associated Units); and

WHEREAS, the Company and the Members have required in the LLC Agreement that all Persons to whom Member Interests (and associated Units) of the Company are transferred and all other Persons acquiring Members Interests (and associated Units) must enter into an Addendum Agreement binding the transferee or acquirer to the LLC Agreement to the same extent as if such transferee or acquirer was an original party to the LLC Agreement and imposing the same restrictions and obligations on such transferee or acquirer and the Members Interests (and associated Units) to be acquired by such transferee or acquirer as are imposed upon the Members under the LLC Agreement;

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and as a condition of the transfer or acquisition by the Acquirer of the Member Interests (and associated Units) being so transferred or acquired (the ***"Subject Interests""),*** the Acquirer acknowledges and agrees as follows:

AGREEMENTS

1. The Acquirer has received and read the LLC Agreement and acknowledges that the Acquirer is acquiring the Subject Interests subject to the terms and conditions of the LLC Agreement.

2. The Acquirer (a) agrees that the Subject Interests are bound by and subject to all of the terms and conditions of the LLC Agreement, and (b) hereby joins in, agrees to be bound by and shall have the benefit of all of the terms and conditions of the LLC Agreement to the same extent as if the Acquirer were an original party to the LLC Agreement. This Addendum Agreement shall be attached to and become a part of the LLC Agreement.

3. The Acquirer hereby represents and warrants to the Company and the Members, as of the date hereof, to the matters set forth in Section 2.10 of the LLC Agreement.

4. The Subject Interests (a) entitle Acquirer to the Percentage Interest in the Company, and (b) are represented by the Units, in each case, as set forth on Exhibit A hereto.

5. Any notice required or permitted to be given to the Members under the LLC Agreement shall be given to Acquirer at the address listed for the Acquirer on Exhibit A hereto.

6. THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE.

[Signature page follows]

ACQUIRER:

PHILLIPS 66 PARTNERS HOLDINGS LLC

By: Phillips 66 Partners LP, its Sole Member

By: Phillips 66 Partners GP LLC, General Partner of
Phillips 66 Partners LP

By: /s/ J.T.Liberti
Name: *J.T. Liberti*
Title: Vice President and Chief Operating Officer

AGREED TO on behalf of the Members of the Company pursuant to Section 10.4 of the LLC Agreement.

BAYOU BRIDGE PIPELINE, LLC

By: /s/ L.A. Hanse
Name: *L.A. Hanse*
Title: Board Director

By: /s/ C. Martin
Name: *C. Martin*
Title: Board Director

By: /s/ Diana Santos
Name: *Diana Santos*
Title: Board Director

EXHIBIT A

ACQUIRER INFORMATION

Acquirer Name	Units	Percentage Interest	Address
Phillips 66 Partners Holdings LLC	80	40%	3010 Briar Park Drive Houston, Tx 77042

Exhibit 12

PHILLIPS 66 PARTNERS LP

Computation of Ratio of Earnings to Fixed Charges

	Millions of Dollars				
	Year Ended December 31				
	2015	2014	2013	2012	2011
Earnings Available for Fixed Charges					
Income before income tax	**$ 194.5**	125.2	97.2	59.4	63.5
Undistributed equity earnings	**(0.1)**	—	—	—	—
Fixed charges, excluding capitalized interest	**34.5**	5.3	0.3	—	—
	$ 228.9	130.5	97.5	59.4	63.5
Fixed Charges					
Interest and expense on indebtedness, excluding capitalized interest	**$ 33.9**	5.3	0.3	—	—
Capitalized interest	**4.2**	—	—	—	—
Interest portion of rental expense	**0.6**	—	—	—	—
	$ 38.7	5.3	0.3	—	—
Ratio of Earnings to Fixed Charges	**5.9**	24.6	325.0	N/A	N/A

Exhibit 21

SUBSIDIARY LISTING OF PHILLIPS 66 PARTNERS LP
At December 31, 2015

Company Name	Incorporation Location
Phillips 66 Carrier LLC	Delaware
Phillips 66 Partners Finance Corporation	Delaware
Phillips 66 Partners Holdings LLC	Delaware
Phillips 66 Sand Hills LLC	Delaware
Phillips 66 Southern Hills LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-197797) of Phillips 66 Partners LP and Phillips 66 Partners Finance Corporation, and

(2) Registration Statement (Form S-8 No. 333-190195) pertaining to the Phillips 66 Partners LP 2013 Incentive Compensation Plan;

of our reports dated February 12, 2016, 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, 2015.

/s/ Ernst & Young LLP

Houston, Texas
February 12, 2016

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-197797 on Form S-3 of Phillips 66 Partners LP and Phillips 66 Partners Finance Corporation, and Registration Statement No. 333-190195 on Form S-8 of Phillips 66 Partners LP, of our report dated February 12, 2016, relating to the consolidated financial statements of DCP Sand Hills Pipeline, LLC and subsidiaries as of and for the year ended December 31, 2015, appearing in this Annual Report on Form 10-K of Phillips 66 Partners LP for the year ended December 31, 2015.

We also consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-197797 on Form S-3 of Phillips 66 Partners LP and Phillips 66 Partners Finance Corporation, and Registration Statement No. 333-190195 on Form S-8 of Phillips 66 Partners LP, of our report dated February 12, 2016, relating to the consolidated financial statements of DCP Southern Hills Pipeline, LLC and subsidiaries as of and for the year ended December 31, 2015, appearing in this Annual Report on Form 10-K of Phillips 66 Partners LP for the year ended December 31, 2015.

CONSENT OF INDEPENDENT AUDITORS

We also consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-197797 on Form S-3 of Phillips 66 Partners LP and Phillips 66 Partners Finance Corporation, and Registration Statement No. 333-190195 on Form S-8 of Phillips 66 Partners LP, of our report dated February 12, 2016, relating to the consolidated financial statements of DCP Sand Hills Pipeline, LLC and subsidiaries as of December 31, 2015 and for the period from March 2, 2015 to December 31, 2015, appearing in this Annual Report on Form 10-K of Phillips 66 Partners LP for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 12, 2016

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 12, 2016

/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, Kevin J. Mitchell, 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 12, 2016

/s/ Kevin J. Mitchell

Kevin J. Mitchell

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

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, 2015 , 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 12, 2016

/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/ Kevin J. Mitchell

Kevin J. Mitchell

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

DCP SAND HILLS PIPELINE, LLC

Consolidated Financial Statements as of December 31, 2015
and for the Period from March 2, 2015 to December 31, 2015

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT
To the Members of
DCP Sand Hills Pipeline, LLC
Denver, Colorado

We have audited the accompanying consolidated financial statements of DCP Sand Hills Pipeline, LLC and subsidiaries (the "Company"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations, changes in members' equity, and cash flows for the period from March 2, 2015 through December 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DCP Sand Hills Pipeline, LLC and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the period from March 2, 2015 through December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 12, 2016

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED BALANCE SHEET
(millions)

	December 31, 2015
ASSETS	
Current assets:	
Cash and cash equivalents	$ 12.9
Accounts receivable:	
Affiliates	13.6
Trade and other	7.7
Other	0.1
Total current assets	34.3
Property, plant and equipment, net	1,315.9
Other long-term assets	1.2
Total assets	$ 1,351.4
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Accounts payable:	
Affiliates	$ 3.7
Trade and other	6.7
Deferred revenues:	
Affiliates	12.8
Third party	20.9
Accrued taxes	3.5
Accrued capital expenditures	2.3
Accrued liabilities and other	3.8
Total current liabilities	53.7
Other long-term liabilities	3.6
Total liabilities	57.3
Total members' equity	1,294.1
Total liabilities and members' equity	$ 1,351.4

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(millions)

	For the Period from March 2, 2015 to December 31, 2015
Operating revenues:	
Transportation - affiliates	$ 138.2
Transportation	68.2
Total operating revenues	206.4
Operating costs and expenses:	
Cost of transportation - affiliates	3.4
Cost of transportation	2.9
Operating and maintenance expense	22.2
Depreciation expense	23.0
General and administrative expense - affiliates	4.5
General and administrative expense	2.3
Total operating costs and expenses	58.3
Operating income	148.1
Income tax expense	(1.2)
Net income	$ 146.9

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(millions)

	DCP Sand Holding, LLC	DCP Pipeline Holding LLC	Phillips 66 Sand Hills LLC	Spectra Energy Sand Hills Holding, LLC	Total Members' Equity
Balance, March 2, 2015	$ —	$ 415.7	$ 415.6	$ 415.6	$ 1,246.9
Contributions from members	2.7	23.4	23.4	20.6	70.1
Return of investment to members	(0.5)	(0.8)	(0.8)	(0.3)	(2.4)
Distributions of earnings to members	(12.3)	(55.3)	(55.3)	(43)	(165.9)
Working capital distributions to members	—	(0.5)	(0.5)	(0.5)	(1.5)
Transfer of interest in DCP Sand Hills Pipeline, LLC	431.3	—	—	(431.3)	—
Net income	10.1	48.9	49	38.9	146.9
Balance, December 31, 2015	$ 431.3	$ 431.4	$ 431.4	$ —	$ 1,294.1

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(millions)

	For the Period from March 2, 2015 to December 31, 2015
OPERATING ACTIVITIES:	
Net income	$ 146.9
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	23
Other, net	2.6
Change in operating assets and liabilities:	
Accounts receivable	(2.3)
Accounts payable	9.7
Deferred revenues	(3.4)
Other long-term assets	0.1
Other current liabilities	(1.5)
Other long-term liabilities	(0.4)
Net cash provided by operating activities	174.7
INVESTING ACTIVITIES:	
Capital expenditures	(90.6)
Proceeds from sale of assets	0.1
Net cash used in investing activities	(90.5)
FINANCING ACTIVITIES:	
Contributions from members	70.1
Return of investment to members	(2.4)
Distributions of earnings to members	(165.9)
Working capital distributions to members	(1.5)
Net cash used in financing activities	(99.7)
Net change in cash and cash equivalents	(15.5)
Cash and cash equivalents, beginning of period	28.4
Cash and cash equivalents, end of period	$ 12.9

See Notes to Consolidated Financial Statements.

1. Description of Business and Basis of Presentation

DCP Sand Hills Pipeline, LLC, with its consolidated subsidiary, or Sand Hills, we, our, the Company, or us, is engaged in the business of transporting natural gas liquids, or NGLs. The Sand Hills pipeline is a common carrier pipeline which provides takeaway service from plants in the Permian and the Eagle Ford basins to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu, Texas market hub. The Sand Hills pipeline was placed into service in June 2013.

We are a limited liability company owned 33.33% by DCP Pipeline Holding LLC, a 100% owned subsidiary of DCP Midstream Partners, LP, or DCP Partners, 33.335% by DCP Sand Holding, LLC, a 100% owned subsidiary of DCP Midstream, LLC, or DCP Midstream and 33.335% by Phillips 66 Sand Hills LLC, a 100% owned subsidiary of Phillips 66 Partners LP, or Phillips 66 Partners. Throughout these consolidated financial statements, DCP Partners, DCP Midstream and Phillips 66 Partners will together be referenced as the members. Prior to October 2015, we were owned 33.335% by Spectra Energy Sand Hills Holding, LLC, a 100% owned subsidiary of Spectra Energy Partners, LP, or Spectra Energy Partners. In October 2015, Spectra Energy Corp entered into an agreement with Spectra Energy Partners to acquire its ownership interest of 33.335% in the Company. On October 30, 2015, Spectra Energy Corp contributed its ownership of 33.335% interest in the Company to DCP Midstream. DCP Midstream is a joint venture owned 50% by Phillips 66 and 50% by Spectra Energy Corp, and is the operator of the Sand Hills pipeline.

The Company allocates revenues, costs, and expenses in accordance with the terms of the Second Amended and Restated LLC Agreement, which became effective on September 3, 2013, or the LLC Agreement, to each of the three members based on each member's ownership interest. Under terms of the LLC Agreement, the members are required to fund capital calls necessary to fund the capital requirements of the Company, including capital expansion and working capital requirements. The necessary capital calls are determined based on estimated capital activity each month, and are reconciled to actual spending on a quarterly basis. Based on this analysis, any excess cash calls are refunded to the members as part of the quarterly distribution, and such refunds are shown with return of investment to members, within the consolidated statement of changes in members' equity. Under the terms of the LLC Agreement, cash calls and cash distributions from operations are allocated to the members based upon each member's respective ownership interest.

The consolidated financial statements include the accounts of Sand Hills and its 100% owned subsidiary and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Intercompany balances and transactions have been eliminated. Transactions between us and the members have been identified in the consolidated financial statements as transactions between affiliates.

2. Summary of Significant Accounting Policies

Use of Estimates - Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Although these estimates are based on management's best available knowledge of current and expected future events, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include all cash balances and investments in highly liquid financial instruments purchased with an original stated maturity of 90 days or less and temporary investments of cash in short-term money market securities.

Distributions - Under the terms of the LLC Agreement, we are required to make quarterly distributions to the members based on Available Cash, as the term is defined in the LLC Agreement. Available cash distributions are paid pursuant to the members' respective ownership percentages at the date the distributions are due, and include a distribution of earnings and, when applicable, a distribution of excess cash, which are classified as working capital distributions to members within the consolidated statement of changes in members' equity. For the period from March 2, 2015 to December 31, 2015, distributions of working capital primarily related to amounts collected under deferred revenue agreements.

Estimated Fair Value of Financial Instruments - The fair value of cash and cash equivalents, accounts receivable and accounts payable included in the consolidated balance sheet is not materially different from their carrying amounts because of the short-term nature of these instruments. We may invest available cash balances in short-term money market securities. As of December 31, 2015 we invested $12.9 million in short-term money market securities which is included in cash and cash equivalents in our consolidated balance sheet. Given that the value of the short-term money market securities is publicly traded and market prices are readily available, these investments are considered Level 1 fair value measurements.

Concentration of Credit Risk - Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We extend credit to customers and other parties in the normal course of business and have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and rights of offset.

Property, Plant and Equipment - Property, plant and equipment are recorded at historical cost. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Asset Retirement Obligations - Our asset retirement obligations, or AROs, relate primarily to the contractual obligations relating to the retirement or abandonment of our transportation pipelines, obligations related to right-of-way easement agreements, and contractual leases for land use. We adjust our AROs each quarter for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. Asset retirement obligations associated with tangible long-lived assets are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made, and added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability is determined using a credit-adjusted risk-free interest rate and accretes due to the passage of time based on the time value of money until the obligation is settled. None of our assets are legally restricted for purposes of settling AROs.

Long-Lived Assets - We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We consider various factors when determining if these assets should be evaluated for impairment, including but not limited to:

- a significant adverse change in legal factors or business climate;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- significant adverse changes in the extent or manner in which an asset is used, or in its physical condition;
- a significant adverse change in the market value of an asset; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its estimated useful life.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management's intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets.

Revenue Recognition - We generate the majority of our revenues from fee-based arrangements. The revenues we earn are from long-term contracts relating to the transportation of NGLs and generally are not dependent on commodity prices. Certain demand contracts state that we will collect our monthly fee based on committed volumes, regardless of the actual volumes transported. In some instances, revenue is deferred for any payments received in excess of actual volumes transported and revenue is recognized once the committed volumes are transported, or certain contractual provisions have expired, and all other revenue recognition criteria are met.

We recognize revenues under the four revenue recognition criteria, as follows:

- *Persuasive evidence of an arrangement exists* - Our customary practice is to enter into a written contract.
- *Delivery* - Delivery is deemed to have occurred when the services are rendered.
- *The fee is fixed or determinable* - We negotiate the fee for our services at the outset of our fee-based arrangements. In these arrangements, the fees are nonrefundable.
- *Collectability is reasonably assured* - Collectability is evaluated on a customer-by-customer basis. New and existing customers are subject to a credit review process, which evaluates the customers' financial position (for example, credit metrics, liquidity and credit rating) and their ability to pay. If collectability is not considered probable at the outset of an arrangement in accordance with our credit review process, revenue is not recognized until the cash is collected.

Revenue for services provided, but not invoiced, is estimated each month. These estimates are generally based on preliminary throughput measurements and contract data.

Significant Customers - There were no third party customers that accounted for more than 10% of total operating revenues for the period from March 2, 2015 to December 31, 2015. There were significant transactions with affiliates. See Note 4, Agreements and Transactions with Affiliates.

Environmental Expenditures - Environmental expenditures are expensed or capitalized as appropriate, depending upon the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not generate current or future revenue are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Income Taxes - We are structured as a limited liability company, which is a pass-through entity for federal income tax purposes. As a limited liability company, we do not pay federal income taxes. Instead, our income or loss for tax purposes is allocated to each of the members for inclusion in their respective tax returns. Consequently, no provision for federal income taxes has been reflected in these consolidated financial statements. We are subject to the Texas margin tax, which is treated as a state income tax. We follow the asset and liability method of accounting for state income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the consolidated financial statement carrying amounts and the tax basis of the assets and liabilities. For the period from March 2, 2015 to December 31, 2015, deferred state income tax expense totaled $0.7 million. For the period from March 2, 2015 to December 31, 2015, current state income tax expense totaled $0.5 million.

3. Recent Accounting Pronouncements

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2014-09 "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09 - In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements of Accounting Standards Codification, or ASC, Topic 605 "Revenue Recognition." We intend to adopt this ASU when it is effective for public entities, which is for annual reporting periods beginning after December 15, 2017, and we are currently assessing the impact of adoption on our consolidated results of operations, cash flows and financial position.

4. Agreements and Transactions with Affiliates

DCP Midstream, LLC

Under the LLC Agreement, we are required to reimburse DCP Midstream for any direct costs or expenses (other than general and administration services) incurred by DCP Midstream on our behalf. Additionally, we incurred a service fee of $4.2 million for the period from March 2, 2015 to December 31, 2015 for centralized corporate functions provided by DCP Midstream on our behalf, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering. These expenses are included in general and administrative expense - affiliates in the consolidated statement of operations. Except with respect to the annual service fee, there is no limit on the reimbursements we make to DCP Midstream under the LLC Agreement for other expenses and expenditures incurred or payments made on our behalf.

We have entered into transportation agreements with DCP Midstream, which include a commitment to transport volumes at rates defined in our tariffs. These 15-year transportation agreements became effective in June 2013. We currently, and anticipate to continue to, transact with DCP Midstream in the ordinary course of business. DCP Midstream was a significant customer during the period from March 2, 2015 to December 31, 2015.

DCP Southern Hills Pipeline, LLC

We have entered into a long-term transportation agreement with DCP Southern Hills Pipeline, LLC, or Southern Hills, which expires in March 2023. Under the terms of this agreement, Southern Hills has committed to transporting minimum throughput volumes on the Sand Hills pipeline at rates defined in the transportation agreement.

Summary of Transactions with Affiliates

The following table summarizes our transactions with affiliates:

	For the Period from March 2, 2015 to December 31, 2015
	(millions)
DCP Midstream, LLC and its affiliates:	
Transportation - affiliates	$ 132.1
Cost of transportation - affiliates	$ 3.4
General and administrative expense - affiliates	$ 4.2
Southern Hills:	
Transportation - affiliates	$ 2.6
Phillips 66:	
Transportation - affiliates	$ 3.5
General and administrative expense - affiliates	$ 0.2
Spectra Energy Partners:	
General and administrative expense - affiliates	$ 0.1

We had balances with affiliates as follows:

	December 31, 2015
	(millions)
DCP Midstream, LLC and its affiliates:	
Accounts receivable	$ 11.9
Accounts payable	$ (3.7)
Deferred revenue	$ (12.8)
Southern Hills:	
Accounts receivable	$ 0.3
Phillips 66:	
Accounts receivable	$ 1.4

5. Property, Plant and Equipment

Property, plant and equipment by classification is as follows:

	Depreciable Life	December 31, 2015
		(millions)
Transmission systems	20 - 50 Years	$ 1,376.1
Other	3 - 30 Years	3.3
Land		0.2
Construction work in progress		5.3
Property, plant and equipment		1,384.9
Accumulated depreciation		(69.0)
Property, plant and equipment, net		$ 1,315.9

Asset Retirement Obligations - As of December 31, 2015 we had AROs of $1.3 million included in other long-term liabilities in our consolidated balance sheet. For the period from March 2, 2015 to December 31, 2015 accretion expense was less than $0.1 million. Accretion expense is recorded within operating and maintenance expense in our consolidated statement of operations.

6. Commitments and Contingent Liabilities

Regulatory Compliance - In the ordinary course of business, we are subject to various laws and regulations. In the opinion of our management, compliance with existing laws and regulations will not materially affect our consolidated results of operations, financial position, or cash flows.

Litigation - We are not party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and various commercial disputes that arose during the development of the Sand Hills pipeline and in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage and other indemnification arrangements, will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

General Insurance - Insurance for Sand Hills is written in the commercial markets and through affiliate companies, which management believes is consistent with companies engaged in similar commercial operations with similar assets. Our insurance coverage includes general liability and excess liability insurance above the established primary limits for general liability. All coverage is subject to certain limits and deductibles, the terms and conditions of which are common for companies with similar types of operations.

Environmental - The operation of pipelines for transporting NGLs is subject to stringent and complex laws and regulations pertaining to health, safety, and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state, and local levels that relate to air and water quality, hazardous and solid waste storage, management, transportation and disposal, and other environmental matters. The cost of planning, designing, constructing, and operating pipelines incorporates compliance with environmental laws and regulations and safety standards. Failure to comply with various health, safety and environmental laws and regulations may trigger a variety of administrative, civil, and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of injunctions or restrictions on operation. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

Operating Leases - Consolidated rental expense, including leases with no continuing commitment, was $3.4 million for the period from March 2, 2015 to December 31, 2015. Rental expense for leases with escalation clauses is recognized on a straight line basis over the initial lease term.

Minimum rental payments under our various operating leases in the year indicated are as follows:

	Minimum Rental Payments
	(millions)
2016	$ 3.5
2017	1.8
2018	—
2019	—
2020	—
Total	$ 5.3

7. Supplemental Cash Flow Information

	F or the Period from March 2, 2015 to December 31, 2015
	(millions)
Non-cash investing and financing activities:	
Property, plant and equipment acquired with accrued liabilities	$ 2.6
Other non-cash changes in property, plant and equipment, net	$ (1.7)

8. Subsequent Events

We have evaluated subsequent events occurring through February 12, 2016, the date the consolidated financial statements were issued.