
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

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 1-31219

SUNOCO LOGISTICS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-3096839
(I.R.S. Employer
Identification No.)

3807 West Chester Pike,
Newtown Square, PA
(Address of principal executive offices)

19073
(Zip Code)

Registrant's telephone number, including area code: (866) 248-4344

Former name, former address and former fiscal year, if changed since last report: Not Applicable

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

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 definition of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

At November 4, 2016, the number of the registrant's Common and Class B Units outstanding were 322,054,475 and 9,416,196, respectively.

**SUNOCO LOGISTICS PARTNERS L.P.
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PART I.
FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except per unit amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Sales and other operating revenue:				
Unaffiliated customers	\$ 2,085	\$ 2,317	\$ 5,927	\$ 7,766
Affiliates (Note 4)	104	90	307	415
Total Revenues	2,189	2,407	6,234	8,181
Costs and Expenses				
Cost of products sold	1,855	2,041	5,259	7,196
Operating expenses	41	41	97	120
Selling, general and administrative expenses	27	26	81	76
Depreciation and amortization expense	112	102	327	278
Impairment charge and other matters (Notes 6 and 16)	(37)	103	(143)	44
Total Costs and Expenses	1,998	2,313	5,621	7,714
Operating Income	191	94	613	467
Interest cost and debt expense, net	(68)	(49)	(198)	(151)
Capitalized interest	28	12	80	54
Other income	12	7	27	19
Income Before Provision for Income Taxes	163	64	522	389
Provision for income taxes (Note 8)	(8)	(7)	(19)	(18)
Net Income	155	57	503	371
Net income attributable to noncontrolling interests	(1)	(1)	(2)	(2)
Net income attributable to redeemable noncontrolling interests	—	—	—	(1)
Net Income Attributable to Sunoco Logistics Partners L.P.	154	56	501	368
Less: General Partner's interest	(101)	(74)	(289)	(205)
Limited Partners' interest	\$ 53	\$ (18)	\$ 212	\$ 163
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P. per Limited Partner unit (Note 5):				
Basic	\$ 0.16	\$ (0.07)	\$ 0.68	\$ 0.67
Diluted	\$ 0.16	\$ (0.07)	\$ 0.68	\$ 0.66
Weighted average Limited Partners' units outstanding (Note 5):				
Basic	307.0	255.0	295.5	244.3
Diluted	308.1	255.0	296.3	245.2
Net Income	\$ 155	\$ 57	\$ 503	\$ 371
Adjustment to affiliate's pension funded status	(1)	—	—	(1)
Other Comprehensive Income (Loss)	(1)	—	—	(1)
Comprehensive Income	154	57	503	370
Less: Comprehensive income attributable to noncontrolling interests	(1)	(1)	(2)	(2)
Less: Comprehensive income attributable to redeemable noncontrolling interests	—	—	—	(1)
Comprehensive Income Attributable to Sunoco Logistics Partners L.P.	\$ 153	\$ 56	\$ 501	\$ 367

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, unaudited)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 39	\$ 37
Accounts receivable, net	1,456	1,165
Accounts receivable, affiliated companies (Note 4)	37	20
Inventories (Note 6)	829	607
Note receivable, affiliated companies (Note 4)	100	—
Other current assets	29	19
Total Current Assets	2,490	1,848
Properties, plants and equipment	12,805	11,527
Less accumulated depreciation and amortization	(1,124)	(835)
Properties, plants and equipment, net	11,681	10,692
Investment in affiliates	985	802
Goodwill	1,358	1,358
Intangible assets, net (Note 7)	680	718
Other assets	77	71
Total Assets	\$ 17,271	\$ 15,489
Liabilities and Equity		
Accounts payable	\$ 1,507	\$ 1,251
Accounts payable, affiliated companies (Note 4)	33	39
Accrued liabilities	306	329
Accrued taxes payable (Note 8)	43	44
Total Current Liabilities	1,889	1,663
Long-term debt (Note 9)	6,014	5,591
Other deferred credits and liabilities	128	125
Deferred income taxes (Note 8)	256	254
Total Liabilities	8,287	7,633
Commitments and contingent liabilities (Note 10)		
Redeemable noncontrolling interests	15	15
Redeemable Limited Partners' interests (Note 11)	296	286
Total Equity	8,673	7,555
Total Liabilities and Equity	\$ 17,271	\$ 15,489

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 503	\$ 371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	327	278
Impairment charge and other matters	(143)	44
Deferred income tax expense (benefit)	2	(5)
Amortization of bond premium	(8)	(10)
Non-cash compensation expense	16	12
Equity in earnings of unconsolidated affiliates	(29)	(21)
Distributions from unconsolidated affiliates	15	14
Changes in working capital pertaining to operating activities:		
Accounts receivable, net	(304)	400
Accounts receivable, affiliated companies	(17)	(39)
Inventories	(79)	(221)
Accounts payable, affiliated companies	(6)	30
Accounts payable and accrued liabilities	224	(558)
Accrued taxes payable	(1)	(8)
Unrealized (gains) losses on commodity risk management activities	33	(9)
Other	(5)	19
Net cash provided by operating activities	528	297
Cash Flows from Investing Activities:		
Capital expenditures	(1,448)	(1,678)
Acquisitions	(17)	(131)
Change in note receivable, affiliated companies	(100)	—
Change in long-term note receivable	(2)	(14)
Net cash used in investing activities	(1,567)	(1,823)
Cash Flows from Financing Activities:		
Distributions paid to limited and general partners	(695)	(491)
Distributions paid to noncontrolling interests	(3)	(1)
Net proceeds from issuance of limited partner units	1,304	1,274
Payments of statutory withholding on net issuance of limited partner units under LTIP	—	(10)
Repayments under credit facilities	(4,029)	(1,760)
Borrowings under credit facilities	4,089	2,454
Net proceeds from issuance of long-term debt	544	—
Repayments of senior notes	(175)	—
Contributions attributable to acquisition from affiliate	5	8
Other	1	(4)
Net cash provided by financing activities	1,041	1,470
Net change in cash and cash equivalents	2	(56)
Cash and cash equivalents at beginning of period	37	101
Cash and cash equivalents at end of period	\$ 39	\$ 45

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in millions, unaudited)

	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at January 1, 2015	\$ 5,752	\$ 925	\$ 1	\$ 60	\$ 6,738
Net Income	163	205	—	2	370
Adjustment to affiliate's pension funded status	—	—	(1)	—	(1)
Total comprehensive income (loss)	163	205	(1)	2	369
Issuance of limited partner units to the public	1,274	—	—	—	1,274
Non-cash compensation expense	12	—	—	—	12
Distribution equivalent rights	(1)	—	—	—	(1)
Payments of statutory withholding on issuance under LTIP	(10)	—	—	—	(10)
Distributions	(306)	(185)	—	(1)	(492)
Contributions attributable to acquisition from affiliate	8	—	—	—	8
Acquisition of a noncontrolling interest in a consolidated subsidiary	(103)	(2)	—	(26)	(131)
Other	2	(1)	—	—	1
Balance at September 30, 2015	<u>\$ 6,791</u>	<u>\$ 942</u>	<u>\$ —</u>	<u>\$ 35</u>	<u>\$ 7,768</u>
Balance at January 1, 2016	\$ 6,577	\$ 944	\$ —	\$ 34	\$ 7,555
Net Income	212	289	—	2	503
Total comprehensive income	212	289	—	2	503
Issuance of limited partner units to the public	1,304	—	—	—	1,304
Non-cash compensation expense	16	—	—	—	16
Distribution equivalent rights	(4)	—	—	—	(4)
Distributions	(420)	(275)	—	(3)	(698)
Contributions attributable to acquisition from affiliate	5	—	—	—	5
Decrease attributable to Class B units	(10)	—	—	—	(10)
Other	2	—	—	—	2
Balance at September 30, 2016	<u>\$ 7,682</u>	<u>\$ 958</u>	<u>\$ —</u>	<u>\$ 33</u>	<u>\$ 8,673</u>

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Basis of Presentation

Sunoco Logistics Partners L.P. (the "Partnership" or "SXL") is a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of geographically diverse portfolio of integrated pipeline, terminalling, and acquisition and marketing assets which are used to facilitate the purchase and sale of crude oil, natural gas liquids ("NGLs") and refined products. The Partnership conducts its business activities in 37 states located throughout the United States.

During the fourth quarter 2015, the Partnership realigned its reporting segments as a result of the continued investment in its organic growth capital program which has served to increase the integration that exists between its assets that service each commodity. This has also resulted in a shift in Management's strategic decision making process, resource allocation methodology, and assessment of the Partnership's financial results. The updated reporting segments are: Crude Oil, Natural Gas Liquids and Refined Products. The new segmentation provides the Partnership's investors with a more meaningful view of its business that is consistent with that of Management. For the purpose of comparability, all prior period segment disclosures have been recast to conform to the current presentation. Such recasts had no impact on previously reported consolidated earnings.

The consolidated financial statements reflect the results of the Partnership and its wholly-owned subsidiaries, including Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"), the proportionate shares of the Partnership's undivided interests in assets, and the accounts of entities in which the Partnership has a controlling financial interest. A controlling financial interest is evidenced by either a voting interest greater than 50 percent or a risk and rewards model that identifies the Partnership or one of its subsidiaries as the primary beneficiary of a variable interest entity. The Partnership currently holds a controlling financial interest in Inland Corporation ("Inland"), Mid-Valley Pipeline Company ("Mid-Valley"), and Price River Terminal, LLC ("PRT"), and as such, these entities are reflected as consolidated subsidiaries of the Partnership. Effective November 1, 2016, SunVit Pipeline LLC ("SunVit") became a wholly-owned subsidiary of the Partnership. The Partnership is not the primary beneficiary of any variable-interest entities ("VIEs"). All significant intercompany accounts and transactions are eliminated in consolidation, and noncontrolling interests in net income and equity are shown separately in the condensed consolidated statements of comprehensive income and equity. Equity ownership interests in corporate joint ventures in which the Partnership does not have a controlling financial interest, but over which the Partnership can exercise significant influence, are accounted for under the equity method of accounting.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, which created Topic 842, Leases, and superseded the leases requirements in Topic 840. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Partnership is currently evaluating the impact that it will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB codified guidance in ASU 2014-09 related to the recognition of revenue from contracts with customers, and released associated clarifying guidance in subsequent periods. The new standards outline the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods, with early adoption permitted. The Partnership is currently assessing the impact, if any, that adoption of new guidance will have on its consolidated financial position and results of operations.

In the fourth quarter 2015, the Partnership adjusted its presentation of costs associated with issuances of debt in response to the early adoption of ASU 2015-03. This guidance requires costs incurred to issue certain debt instruments to be reflected as a reduction of the reported long-term debt liability within the consolidated balance sheet, as opposed to being reported as an asset. All prior periods are reported presenting the impact of ASU 2015-03. The adoption did not impact the Partnership's overall financial position or results of operations.

The Partnership also adjusted its balance sheet presentation of deferred tax assets and liabilities in response to the early adoption of ASU 2015-17. This guidance requires all deferred tax assets and liabilities to be presented as noncurrent within the consolidated balance sheet, and is retrospectively applied to all prior reporting periods presented. This change did not impact the Partnership's financial position or results of operations.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in annual financial statements contained in Form 10-K. The accompanying condensed consolidated balance sheet at December 31, 2015 has been derived from the Partnership's audited financial statements for the year ended December 31, 2015. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal, recurring nature. The Partnership expects the interim increase in the quantity of its crude oil inventory to decline by year end and therefore has adjusted its interim LIFO calculation to produce a reasonable matching of the most recently incurred costs with current revenues. Results for the three and nine months ended September 30, 2016 are not necessarily indicative of results for the full year 2016.

Certain amounts in the prior year condensed consolidated financial statements have been reclassified to conform to the current year presentation.

2. Changes in Business and Other Matters

Bayview Refining Company

In connection with the formation of Bayview Refining Company, LLC ("Bayview") in the second quarter 2014, the joint owners agreed to guarantee the obligations of the entity with respect to certain third-party operating agreements over a ten-year term. The fair value of the liability recognized in connection with the guarantee was not material in relation to the Partnership's financial position at September 30, 2016. The Partnership's note receivable from the joint owner of Bayview is reflected in other assets in the condensed consolidated balance sheet.

Bayou Bridge Pipeline

In July 2015, the Partnership entered into an agreement with ETP and Phillips 66 to participate in the Bayou Bridge Pipeline project. The Partnership obtained a 30 percent economic interest in the project which, combined with ETP's 30 percent interest, will be a consolidated subsidiary of ETP. The project consists of a newly constructed pipeline that will deliver crude oil from Nederland, Texas to refinery markets in Louisiana. Commercial operations from Nederland, Texas to Lake Charles, Louisiana commenced in the second quarter 2016, with continued progress on an extension of the pipeline segment to St. James, Louisiana, which is expected to commence operations in the second half of 2017. The Partnership is the operator of the pipeline and will continue to fund its proportionate share of the cost of the project, which is accounted for as an equity method investment within the Partnership's Crude Oil segment.

Bakken Pipeline

In October 2015, the Partnership finalized its participation in the Bakken Pipeline project with Energy Transfer Partners, L.P. ("ETP") and Phillips 66. The Partnership obtained a 30 percent economic interest in the project which is a consolidated subsidiary of ETP. The project consists of existing and newly constructed pipelines that are expected to provide aggregate takeaway capacity of approximately 450 thousand barrels per day of crude oil from the Bakken/Three Forks production area in North Dakota to key refinery and terminalling hubs in the Midwest and Gulf Coast, including the Partnership's Nederland terminal. The ultimate takeaway capacity target for the project is 570 thousand barrels per day. The Partnership expects to reach agreement to become the operator of the pipeline system, which is expected to begin commercial operations in the first quarter of 2017.

In exchange for its 30 percent economic interest in the project, the Partnership issued 9.4 million Class B units to ETP, representing limited partner interests in the Partnership, and paid \$382 million in cash to cover the Partnership's proportionate share of contributions at the time of closing. Since the interest in the project was acquired from a related party, the Partnership's initial investment was recorded at ETP's historical carrying value. The Partnership's investment in the Bakken Pipeline project is reflected as an equity method investment within the Crude Oil segment. See Note 11 for additional information on the issuance of the Class B units.

In August 2016, the Bakken entities' established a \$2.5 billion credit facility which is anticipated to provide substantially all of the remaining capital necessary to complete the project. Borrowings under the credit facility are secured by all assets of the Bakken entities, as well as the ownership interests maintained by the joint partners. Until certain governmental permits required for operation are obtained, the facility is limited to \$1.1 billion in borrowings. At September 30, 2016, \$1.1 billion was outstanding under the Bakken credit facility.

The joint partners agreed to provide the Bakken entities with a short-term loan until the full capacity of the \$2.5 billion credit facility can be utilized. The loan was made by the partners in proportion to their respective ownership interests. The outstanding balance of the note receivable due to the Partnership by the Bakken entities at September 30, 2016 was \$100 million.

In August 2016, the Partnership announced with ETP the signing of an agreement to sell 49 percent of their respective interests in the Bakken Pipeline project for \$2.0 billion to MarEn Bakken Company LLC, an entity jointly owned by Marathon Petroleum Corporation and Enbridge Energy Partners, L.P. The transaction is expected to close in the fourth quarter 2016, subject to certain closing conditions, at which time the Partnership will receive \$800 million. The carrying amount of the Partnership's investment in the Bakken Pipeline project was \$631 million at September 30, 2016. Subsequent to closing, the Partnership's ownership interest in the Bakken Pipeline project will be 15.3 percent.

Permian Express Partners

In November 2016, the Partnership announced its intent to form Permian Express Partners LLC ("PEP"), a strategic joint venture, with ExxonMobil. The Partnership will contribute its Permian Express 1, Permian Express 2 and Permian Longview and Louisiana Access pipelines. ExxonMobil will contribute its Longview to Louisiana and Pegasus pipelines; Hawkins gathering system; an idle pipeline in southern Oklahoma; and its Patoka, Illinois terminal. The closing of PEP will be subject to certain closing conditions, including regulatory approval, and is expected to be completed in the first quarter 2017. Upon closing, the Partnership's ownership percentage is expected to be approximately 85 percent. The Partnership will maintain a controlling financial and voting interest in PEP and will operate all of the assets contributed to the joint venture. As such, PEP will be reflected as a consolidated subsidiary of the Partnership with its operating results included in the Crude Oil segment.

No pro forma information has been presented, as the impact of these investments was not material to the Partnership's consolidated financial position or results of operations.

3. Acquisitions

In January 2015, the Partnership acquired the remaining noncontrolling interest in West Texas Gulf Pipe Line Company ("West Texas Gulf"), from the Southwest Pipeline Holding Company for \$131 million. The acquisition of the remaining ownership interest reduced noncontrolling interest and partners' equity by \$26 and \$105 million, respectively, in the first quarter 2015.

In August 2016, the Partnership purchased an additional 1.7 percent ownership interest in the Explorer Pipeline Company ("Explorer") from EXPL Pipeline Investment LLC for \$17 million. The purchase increased the Partnership's overall ownership in Explorer, which continues to be accounted for as an equity method investment within the Refined Products segment, from 13.3 to 15.0 percent.

In November 2016, the Partnership completed an acquisition from Vitol, Inc. ("Vitol") of an integrated crude oil business in West Texas for \$760 million plus working capital. The acquisition provides the Partnership with an approximately 2 million barrel crude oil terminal in Midland, Texas, a crude oil gathering and mainline pipeline system in the Midland Basin, including a significant acreage dedication from an investment-grade Permian producer, and crude oil inventories related to Vitol's crude oil purchasing and marketing business in West Texas. The acquisition also included the purchase of a 50 percent interest in SunVit, which increased the Partnership's overall ownership of SunVit to 100 percent. SunVit connects the Midland terminal to the Partnership's Permian Express 2 pipeline, a key takeaway to bring Permian crude oil to multiple markets. The acquisition will be included in the Crude Oil segment. The assets and liabilities acquired will be recorded at fair value as of the acquisition date, and the initial fair value measurements are not yet complete.

No pro forma information has been presented, as the impact of the acquisitions was not material in relation to the Partnership's consolidated financial position or results of operations in 2015 and 2016.

4. Related Party Transactions

The Partnership is a consolidated subsidiary of ETP. ETP and one of its affiliates own Sunoco Partners LLC, the Partnership's general partner, and a 23 percent limited partner interest in the Partnership, including the Class B units issued in October 2015. The Partnership has various operating and administrative agreements with ETP and its affiliates, which include the agreements described below.

Administrative Services

The Partnership has no employees. The operations of the Partnership are carried out by employees of the general partner. The Partnership reimburses the general partner and its affiliates for certain costs and direct expenses incurred on the Partnership's behalf. These costs may be increased if the acquisition or construction of new businesses or assets requires an increase in the level of services received by the Partnership.

The Partnership pays ETP and its affiliates an annual administrative fee for expenses incurred by ETP and its affiliates to perform certain centralized corporate functions, such as legal, accounting, information technology, insurance, office space rental, and other corporate services, including the administration of employee benefit plans. This fee does not include the salaries or wages of employees of the general partner, or the cost of employee benefits or shared insurance.

The Partnership's share of allocated ETP employee benefit plan expenses, including defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans and other such benefits are reflected in operating expenses and selling, general and administrative expenses in the condensed consolidated statements of comprehensive income.

Affiliated Revenues and Accounts Receivable, Affiliated Companies

The Partnership is party to various agreements with ETP and its affiliates to supply crude oil, NGLs and refined products, as well as to provide pipeline and terminalling services. The revenues associated with these activities are reflected as affiliated revenues in the condensed consolidated statements of comprehensive income.

Acquisitions

See Note 2 for additional information related to the Partnership's participation in the Bayou Bridge and Bakken pipeline projects.

Capital Contributions

In connection with the acquisition of the Marcus Hook Facility in the second quarter 2013, the Partnership will be reimbursed \$40 million by an affiliate of ETP for certain operating expenses of the facility through March 31, 2017. The reimbursement proceeds are reflected as contributions to equity within the condensed consolidated statements of equity.

Notes Receivable from Affiliated Companies

See Note 2 for additional information related to the note receivable in connection with the Bakken Pipeline project.

5. Net Income Attributable to Sunoco Logistics Partners L.P. per Limited Partner Unit

The general partner's interest in net income attributable to SXL consists of its general partner interest and "incentive distributions," which are increasing percentages of up to 50 percent of quarterly distributions in excess of \$0.0833 per common unit. In September 2016, the Partnership entered into an amendment of its Limited Partnership Agreement to temporarily reduce the incentive distributions received by the general partner over a two-year period, beginning in the third quarter 2016 (see Note 12). The general partner was allocated net income attributable to SXL of \$101 and \$74 million (representing 66 and 132 percent of total net income attributable to SXL) for the three months ended September 30, 2016 and 2015, respectively. The general partner was allocated net income attributable to SXL of \$289 and \$205 million (representing 58 and 56 percent of total net income attributable to SXL) for the nine months ended September 30, 2016 and 2015, respectively. Diluted net income attributable to SXL per limited partner unit is calculated by dividing the limited partners' interest in net income attributable to SXL by the sum of the weighted average number of common and Class B units outstanding and the dilutive effect of unvested incentive unit awards (see Note 13).

For the three and nine months ended September 30, 2016, net income attributable to SXL was reduced by \$3 and \$10 million, respectively, in determining earnings per limited partner unit in accordance with accounting guidance applicable to the Class B units, which are reflected as redeemable limited partner interests.

The following table sets forth the reconciliation of the weighted average number of limited partner and Class B units used to compute basic net income attributable to SXL per limited partner unit to those used to compute diluted net income attributable to SXL per limited partner unit for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Weighted average number of units outstanding, basic	307.0	255.0	295.5	244.3
Add effect of dilutive incentive awards ⁽¹⁾	1.1	—	0.8	0.9
Weighted average number of units, diluted	308.1	255.0	296.3	245.2

⁽¹⁾ Unvested incentive unit awards are not included within the calculation of the dilutive weighted average number of units for the three months ended September 30, 2015 since the effect on the net loss attributable to SXL per limited partner unit would have been antidilutive.

6. Inventories

The components of inventories are as follows:

	September 30, 2016		December 31, 2015	
	(in millions)			
Crude oil	\$	590	\$	424
NGLs		113		83
Refined products		111		83
Refined products additives		3		3
Materials, supplies and other		12		14
Total Inventories	\$	829	\$	607

The Partnership's lower of cost or market ("LCM") reserves totaled \$269 and \$8 million, respectively, on its crude oil and NGLs inventories at September 30, 2016. At December 31, 2015, the LCM reserves totaled \$381, \$37 and \$2 million on the Partnership's crude oil, NGLs and refined products inventories, respectively. See Note 16 for additional information on the LCM adjustments related to the Partnership's LIFO inventory balances, which are reported as impairment charge and other matters within the condensed consolidated statement of comprehensive income.

7. Goodwill and Intangible Assets

Intangible Assets

The components of intangible assets are as follows:

	Weighted Average Amortization Period	September 30, 2016	December 31, 2015
	(in years)	(in millions)	
Gross			
Customer relationships	18	\$ 836	\$ 836
Technology	10	47	47
Total gross		883	883
Accumulated amortization			
Customer relationships		(184)	(149)
Technology		(19)	(16)
Total accumulated amortization		(203)	(165)
Total Net		<u>\$ 680</u>	<u>\$ 718</u>

Amortization expense was \$13 million for the three months ended September 30, 2016 and 2015, and \$38 and \$39 million for the nine months ended September 30, 2016 and 2015, respectively. The Partnership forecasts annual amortization expense of \$51 million for each year through the year 2020, for its intangible assets.

Intangible assets associated with rights of way are included in properties, plants and equipment in the Partnership's condensed consolidated balance sheets.

Goodwill

Goodwill, which represents the excess of the purchase price in a business combination over the fair value of net assets acquired, is tested for impairment annually in the fourth quarter, or more often if events or changes in circumstances indicate that the carrying value of goodwill may exceed its estimated fair value. The Partnership's goodwill balance was \$1,358 million at September 30, 2016 and December 31, 2015. The Partnership will continue to monitor the volatility in the energy markets and the impact it could have on the estimated fair value of its reporting segments. It is possible that continued negative volatility within these markets could change the Partnership's conclusion regarding whether goodwill is impaired.

8. Income Taxes

The Partnership is not a taxable entity for U.S. federal income tax purposes, or for the majority of states that impose income taxes. Rather, income taxes are generally assessed at the partner level. There are some states in which the Partnership operates where it is subject to state and local income taxes. Substantially all of the income tax amounts reflected in the Partnership's condensed consolidated financial statements are related to the operations of Inland, Mid-Valley and West Texas Gulf, all of which are entities subject to income taxes for federal and state purposes at the corporate level. The effective tax rates for these entities approximate the federal statutory rate of 35 percent.

In taxable jurisdictions, the Partnership records deferred income taxes on all significant temporary differences between the book basis and the tax basis of assets and liabilities. The net deferred tax liabilities reflected in the condensed consolidated balance sheets are derived principally from the differences in the book and tax bases of properties, plants and equipment of Inland, Mid-Valley and West Texas Gulf.

9. Debt

The components of the Partnership's debt balance are as follows:

	September 30, 2016	December 31, 2015
(in millions)		
Credit Facilities		
\$2.50 billion Credit Facility, due March 2020 ⁽¹⁾	\$ 622	\$ 562
Senior Notes		
Senior Notes - 6.125%, matured May 2016 ⁽²⁾	—	175
Senior Notes - 5.50%, due February 2020	250	250
Senior Notes - 4.40%, due April 2021	600	600
Senior Notes - 4.65%, due February 2022	300	300
Senior Notes - 3.45%, due January 2023	350	350
Senior Notes - 4.25% due April 2024	500	500
Senior Notes - 5.95%, due December 2025	400	400
Senior Notes - 3.90%, due July 2026	550	—
Senior Notes - 6.85%, due February 2040	250	250
Senior Notes - 6.10%, due February 2042	300	300
Senior Notes - 4.95%, due January 2043	350	350
Senior Notes - 5.30% due April 2044	700	700
Senior Notes - 5.35% due May 2045	800	800
Unamortized fair value adjustments ⁽³⁾	85	93
Total debt	6,057	5,630
Less:		
Unamortized bond discount and debt issuance costs ⁽⁴⁾	(43)	(39)
Long-term debt	\$ 6,014	\$ 5,591

(1) Includes \$140 million of commercial paper outstanding at September 30, 2016. There was no commercial paper outstanding at December 31, 2015.

(2) The 6.125 percent Senior Notes were classified as long-term debt at December 31, 2015 as the Partnership repaid these notes in May 2016 with borrowings under its \$2.50 billion Credit Facility, due in 2020.

(3) Represents fair value adjustments on senior notes resulting from the application of push-down accounting in connection with the acquisition of the Partnership's general partner by ETP on October 5, 2012.

(4) In the fourth quarter 2015, the Partnership adopted accounting guidance which requires certain debt issuance costs to be reflected as a reduction in the total long-term debt liability for all periods presented. The net long-term debt balance now includes \$35 and \$32 million of debt issuance costs at September 30, 2016 and December 31, 2015, respectively.

Credit Facilities

In March 2015, the Operating Partnership amended and restated its \$1.50 billion Credit Facility, which was scheduled to mature in November 2018. The amended and restated credit facility is a \$2.50 billion unsecured revolving credit agreement (the "\$2.50 billion Credit Facility"), which matures in March 2020, that will continue to fund the Partnership's working capital requirements, finance acquisitions and capital projects, and be used for general partnership purposes. The \$2.50 billion Credit Facility contains an "accordion" feature, under which the total aggregate commitment may be extended to \$3.25 billion under certain conditions. In June 2015, the \$2.50 billion Credit Facility was amended to create a segregated tranche of borrowings that will be guaranteed by ETP. The amendment did not modify the outstanding borrowings, total capacity or terms of the facility. In September 2015, the Operating Partnership initiated a commercial paper program under the borrowing limits established by its \$2.50 billion Credit Facility. The \$2.50 billion Credit Facility bears interest at LIBOR or the Base Rate (as defined in the facility), each plus an applicable margin. The credit facility may be repaid at any time.

The \$2.50 billion Credit Facility contains various covenants, including limitations on the creation of indebtedness and liens, and related to the operation and conduct of the business of the Partnership and its subsidiaries. The credit facility also limits the Partnership, on a rolling four quarter basis, to a maximum total consolidated debt to consolidated Adjusted EBITDA ratio, as defined in the underlying credit agreement, of 5.0 to 1, which can generally be increased to 5.5 to 1 during an acquisition period. The Partnership's ratio of total consolidated debt, excluding net unamortized fair value adjustments, to consolidated Adjusted EBITDA was 3.6 to 1 at September 30, 2016, as calculated in accordance with the credit agreement.

See Note 2 for additional information on the Bakken Pipeline project-level financing.

Senior Notes

The Operating Partnership had \$175 million of 6.125 percent Senior Notes which matured and were repaid in May 2016, using borrowings under the \$2.50 billion Credit Facility.

In July 2016, the Operating Partnership issued \$550 million of 3.90 percent Senior Notes (the "2026 Senior Notes"), due July 2026, for net proceeds of \$544 million. The terms and conditions of the 2026 Senior Notes are comparable to those of the Operating Partnership's other outstanding senior notes. The net proceeds from this offering were used to repay outstanding credit facility borrowings and for general partnership purposes.

10. Commitments and Contingent Liabilities

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or otherwise relate to the protection of the environment. These laws and regulations can result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. At September 30, 2016 and December 31, 2015, there were accrued liabilities for environmental remediation in the condensed consolidated balance sheets of \$8 and \$6 million, respectively. The accrued liabilities for environmental remediation do not include any amounts attributable to unasserted claims, since there are no unasserted claims that are probable of settlement or are reasonably estimable, nor have any recoveries from insurance been assumed. Charges against income for environmental remediation totaled \$4 and \$2 million for the three months ended September 30, 2016 and 2015, respectively, and \$8 and \$7 million for the nine months ended September 30, 2016 and 2015, respectively. The Partnership maintains insurance programs that cover certain of its existing or potential environmental liabilities. Claims for recovery of environmental liabilities and previous expenditures that are probable of realization were not material in relation to the Partnership's consolidated financial position at September 30, 2016.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites; the determination of the extent of the contamination at each site; the timing and nature of required remedial actions; the technology available and needed to meet the various existing legal requirements; the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at multi-party sites, if any, in light of uncertainties with respect to joint and several liability; and the number, participation levels and financial viability of other parties. Management believes it is reasonably possible that additional environmental remediation losses will be incurred. At September 30, 2016, the aggregate of the estimated maximum additional reasonably possible losses, which relate to numerous individual sites, totaled \$13 million.

The Partnership is a party to certain pending and threatened claims. Although the ultimate outcome of these claims cannot be ascertained at this time, nor can a range of reasonably possible losses be determined, it is reasonably possible that some portion of them could be resolved unfavorably for the Partnership. Management does not believe that any liabilities which may arise from such claims or the environmental matters discussed above would be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2016. Furthermore, management does not believe that the overall costs for such matters will have a material impact, over an extended period of time, on the Partnership's financial position, results of operations or cash flows.

Sunoco, Inc. ("Sunoco") has indemnified the Partnership for 30 years for environmental and toxic tort liabilities related to the assets contributed to the Partnership that arose from the operation of such assets prior to the closing of the February 2002 initial public offering ("IPO"). Sunoco has also indemnified the Partnership for 100 percent of all losses asserted within the first 21 years after the closing of the IPO. Sunoco's share of the liability for claims asserted thereafter will decrease by 10 percent per year. For example, for a claim asserted during the twenty-third year after the closing of the IPO, Sunoco would be required to indemnify the Partnership for 80 percent of its loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. The Partnership has agreed to indemnify Sunoco for events and conditions associated with the operation of the Partnership's assets that occur on or after the closing of the IPO and for environmental and toxic tort liabilities to the extent that Sunoco is not required to indemnify the Partnership.

Management of the Partnership does not believe that any liabilities which may arise from claims indemnified by Sunoco would be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2016. There are certain other pending legal proceedings related to matters arising after the IPO that are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will not be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2016.

11. Equity

The changes in the number of common units outstanding from January 1, 2015 through September 30, 2016 are as follows:

	<u>Common Units</u> <u>(in millions)</u>
Balance at January 1, 2015	226.1
Units issued in public offering	15.5
Units issued under ATM program	26.8
Units issued under incentive plans	0.4
Balance at December 31, 2015	<u>268.8</u>
Units issued in public offering	21.0
Units issued under ATM program	29.1
Units issued under incentive plans	—
Balance at September 30, 2016	<u><u>318.9</u></u>

The Partnership maintains an at-the-market equity offering program ("ATM" program) which allows it to issue common units directly to the public and raise capital in a timely and efficient manner to finance its growth capital program, while supporting the Partnership's investment grade credit ratings. For the three months ended September 30, 2016 and 2015, the Partnership issued 2.8 and 7.6 million common units under this program, for proceeds of \$77 and \$261 million, net of \$1 and \$2 million in fees and commissions to managers, respectively. For the nine months ended September 30, 2016 and 2015, the Partnership issued 29.1 and 17.2 million common units under this program, for proceeds of \$744 and \$645 million, net of \$8 and \$7 million in fees and commissions to managers, respectively.

In September 2016, the Partnership completed a public offering of 21.0 million common units for proceeds of \$560 million, net of \$7 million in fees and commissions to managers. The net proceeds from this offering were used to partially fund the acquisition from Vitol. See Note 3 for further information regarding the acquisition. In October 2016, an additional 3.2 million common units were issued for proceeds of \$84 million, net of fees and commissions to managers of \$1 million, related to the exercise of an option in connection with the September 2016 offering.

In March and April 2015, a total of 15.5 million common units were issued in connection with a public offering and related option exercise. Total proceeds of \$629 million were used to repay outstanding borrowings under the Partnership's \$2.50 billion Credit Facility and for general partnership purposes.

In October 2015, the Partnership issued 9.4 million Class B units to ETP in conjunction with the purchase of an ownership interest in the Bakken pipeline. The Class B units represent a new class of limited partner interests in the Partnership which are not entitled to receive quarterly distributions that are made on the Partnership's common units, but are otherwise entitled to share in earnings pro-rata with common units. The Class B units will automatically convert to common units on a one-for-one basis in the third quarter 2017. However, the Partnership can exercise an option to call the Class B units for \$300 million. If not exercised, ETP can exercise a put right during the third quarter 2017, effective prior to the one-for-one conversion date, for the greater of \$313.5 million or the fair market value of the units, as defined in the unitholder agreement. As a result of the available put option, the amount attributable to the Class B units is excluded from total equity and instead reflected as redeemable interests in the Partnership's condensed consolidated balance sheet.

12. Cash Distributions

Within 45 days after the end of each quarter, the Partnership distributes all cash on hand at the end of the quarter, less reserves established by the general partner at its discretion. This is defined as "available cash" in the partnership agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership's business. The Partnership will make quarterly distributions to the extent there is sufficient cash from operations after the establishment of cash reserves and the payment of fees and expenses, including payments to the general partner.

If cash distributions exceed \$0.0833 per unit in a quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash distributed in excess of that amount. These distributions are referred to as "incentive distributions." The percentage interests for the unitholders and the general partner for the minimum quarterly distribution are also applicable to the quarterly distribution amounts that are less than the minimum quarterly distribution.

The following table shows the target distribution levels and distribution "splits" between the general partner and the holders of the Partnership's common units through September 30, 2016:

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		General Partner	Unitholders
Minimum Quarterly Distribution	\$0.0750	1%	99%
First Target Distribution	up to \$0.0833	1%	99%
Second Target Distribution	above \$0.0833 up to \$0.0958	14% ⁽¹⁾	86%
Third Target Distribution	above \$0.0958 up to \$0.2638	36% ⁽¹⁾	64%
Thereafter	above \$0.2638	49% ⁽¹⁾	51%

⁽¹⁾ Includes general partner interest.

The distributions paid by the Partnership for the periods presented were as follows:

Cash Distribution Payment Date	Cash Distribution per Limited Partner Unit	Total Cash Distribution to the Limited Partners		Total Cash Distribution to the General Partner	
		(in millions)		(in millions)	
August 12, 2016	\$ 0.5000	\$ 149	\$ 98		
May 13, 2016	\$ 0.4890	\$ 140	\$ 92		
February 12, 2016	\$ 0.4790	\$ 131	\$ 85		
November 13, 2015	\$ 0.4580	\$ 119	\$ 76		
August 14, 2015	\$ 0.4380	\$ 111	\$ 69		
May 15, 2015	\$ 0.4190	\$ 103	\$ 62		
February 13, 2015	\$ 0.4000	\$ 92	\$ 54		

In connection with the acquisition from Vitol, the Partnership's general partner executed an amendment to the Partnership's Third Amended and Restated Agreement of Limited Partnership in September 2016, which provides for a reduction to the incentive distributions the general partner receives from the Partnership. The reductions will total \$60 million over a two-year period, recognized ratably over eight quarters, beginning with the third quarter 2016 cash distribution.

On October 27, 2016, the Partnership's general partner announced a cash distribution of \$0.51 per common unit (\$2.04 annualized), representing the distribution for the third quarter 2016. The \$266 million distribution, including \$102 million to the general partner for its interests and incentive distribution rights, will be paid on November 14, 2016 to unitholders of record on November 9, 2016.

13. Management Incentive Plan

Sunoco Partners LLC, the general partner of the Partnership, has adopted the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") for employees and directors of the general partner who perform services for the Partnership.

In the fourth quarter 2015, the Partnership's unitholders approved the Sunoco Partners LLC Long-Term Incentive Plan, as amended and restated (the "Restated LTIP"), which was previously approved by the board of directors of Sunoco Partners LLC, the Partnership's general partner. The Restated LTIP authorized an additional 10.0 million common units to be available under the plan; added additional types of awards that can be granted under the plan, such as phantom unit awards, unit appreciation rights, unrestricted unit awards and other unit-based awards ("plan awards"); added a prohibition on repricing of unit options and unit appreciation rights without the approval of the unitholders; provided for termination of the plan at the earliest date it is terminated by the board of directors, the date no more units remain available for grants, and December 1, 2025; and incorporated certain other administrative changes.

The Restated LTIP benefits eligible employees and directors of the general partner and its affiliates who perform services for the Partnership. The Restated LTIP is administered by the independent directors of the Compensation Committee of the general partner's board of directors with respect to employee awards, and by the general partner's board of directors with respect to awards granted to the independent directors. The Restated LTIP currently permits the grant of restricted units and unit options covering an additional 9.7 million common units.

The Partnership issued less than 0.1 and 0.4 million common units under its long-term incentive plan, and recognized share-based compensation expense of \$16 and \$12 million for the nine months ended September 30, 2016 and 2015, respectively. Each of the outstanding restricted unit grants have tandem distribution equivalent rights which are recognized as a reduction to equity when earned.

14. Derivatives and Risk Management

The Partnership is exposed to various risks, including volatility in the prices of the products that the Partnership markets, counterparty credit risk and changes in interest rates.

Price Risk Management

The Partnership is exposed to risks associated with changes in the market price of crude oil, NGLs and refined products. These risks are primarily associated with price volatility related to pre-existing or anticipated purchases, sales and storage. Price changes are often caused by shifts in the supply and demand for these commodities, as well as their locations. In order to manage such exposure, the Partnership's policy is (i) to only purchase crude oil, NGLs and refined products for which sales contracts have been executed or for which ready markets exist, (ii) to structure sales contracts so that price fluctuations do not materially impact the margins earned, and (iii) to not acquire and hold physical inventory, futures contracts or other derivative instruments for the purpose of speculating on commodity price changes. Although the Partnership seeks to maintain a balanced inventory position within its commodity inventories, net unbalances may occur for short periods of time due to production, transportation and delivery variances. When physical inventory builds or draws do occur, the Partnership continuously manages the variance to a balanced position over a period of time.

The physical contracts related to the Partnership's commodity purchase and sale activities that qualify as derivatives have been designated as normal purchases and sales and are accounted for using accrual accounting under the United States' generally accepted accounting principles. The Partnership accounts for derivatives that do not qualify as normal purchases or sales at fair value. The Partnership currently does not utilize derivative instruments to manage its exposure to prices related to crude oil purchase and sale activities. All derivative balances are presented on a gross basis.

Pursuant to the Partnership's approved risk management policy, derivative contracts, such as swaps, futures and other derivative instruments, may be used to hedge or reduce exposure to price risk associated with acquired inventory or forecasted physical transactions. The Partnership utilizes derivative instruments to mitigate the risk associated with market movements in the price of NGLs, refined products, and other commodities as necessary. These derivative contracts act as a hedging mechanism against the volatility of prices by allowing the Partnership to transfer this price risk to counterparties who are able and willing to bear it. The Partnership has not designated any of its derivative contracts as hedges for accounting purposes, therefore, all realized and unrealized gains and losses from these derivative contracts are recognized in the consolidated statement of comprehensive income in the period in which they occur. All realized gains and losses associated with the Partnership's derivative contracts are recorded in earnings in the same line item associated with the forecasted transaction (either sales and other operating revenue, cost of products sold or operating expenses).

The Partnership had open derivative positions on approximately 15.5 and 9.2 million barrels of refined products and NGLs at September 30, 2016 and December 31, 2015, respectively. The derivatives outstanding as of September 30, 2016 vary in duration but do not extend beyond one year. The Partnership records its derivatives at fair value based on observable market prices (levels 1 and 2). As of September 30, 2016, the fair value of the Partnership's derivative assets and liabilities were approximately \$17 and \$39 million, respectively, compared to \$30 and \$18 million at December 31, 2015. Derivative asset and liability balances are recorded in accounts receivable and accrued liabilities, respectively, in the condensed consolidated balance sheets.

The following table sets forth the impact of derivatives on the Partnership's results of operations for the three and nine months ended September 30, 2016 and 2015:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Location of Gains (Losses) Recognized in Earnings				
(in millions)				
Commodity contracts not designated as cash flow hedging instruments:				
Sales and other operating revenue	\$ (12)	\$ 47	\$ (29)	\$ 39
Cost of products sold	(1)	(14)	4	(24)
	<u>\$ (13)</u>	<u>\$ 33</u>	<u>\$ (25)</u>	<u>\$ 15</u>

Credit Risk Management

The Partnership maintains credit policies with regard to its counterparties that management believes minimize the overall credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. The credit positions of the Partnership's customers are analyzed prior to the extension of credit and periodically after credit has been extended. The Partnership's counterparties consist primarily of financial institutions and major integrated oil companies. This concentration of counterparties may impact the Partnership's overall exposure to credit risk, either positively or negatively, as the counterparties may be similarly affected by changes in economic, regulatory or other conditions.

Interest Rate Risk Management

The Partnership has interest rate risk exposure for changes in interest rates related to its outstanding borrowings. The Partnership manages its exposure to changes in interest rates through the use of a combination of fixed-rate and variable-rate debt. At September 30, 2016, the Partnership had \$622 million of consolidated variable-rate borrowings under its revolving credit facility.

15. Fair Value Measurements

The Partnership applies fair value accounting for all assets and liabilities that are required to be measured at fair value under current accounting rules. The assets and liabilities measured at fair value on a recurring basis are comprised primarily of derivative instruments.

The Partnership determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Partnership utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy established by the FASB. The Partnership generally applies a "market approach" to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The estimated fair value of the Partnership's financial instruments has been determined based on management's assessment of available market information and appropriate valuation methodologies. The Partnership's current assets (other than derivatives and inventories) and current liabilities (other than derivatives) are financial instruments and most of these items are recorded at cost in the condensed consolidated balance sheets. The estimated fair value of these financial instruments approximates their carrying value due to their short-term nature. The Partnership's derivatives are measured and recorded at fair value based on observable market prices (Note 14). The estimated fair value of the Partnership's senior notes is determined using observable market prices, as these notes are actively traded (level 1). The estimated aggregate fair value of the senior notes at September 30, 2016 was \$5.6 billion, compared to the carrying amount of \$5.4 billion. The estimated aggregate fair value of the senior notes at December 31, 2015 was \$4.2 billion, compared to the carrying amount of \$5.1 billion.

For further information regarding the Partnership's fair value measurements, see Note 14.

16. Business Segment Information

During the fourth quarter 2015, the Partnership realigned its reporting segments as a result of the continued investment in its organic growth capital program which has served to increase the integration that exists between its assets that service each commodity. This has also resulted in a shift in Management's strategic decision making process, resource allocation methodology, and assessment of the Partnership's financial results. The updated reporting segments are: Crude Oil, Natural Gas Liquids and Refined Products. The new segmentation provides the Partnership's investors with a more meaningful view of its business that is consistent with that of Management. For the purpose of comparability, all prior year segment disclosures have been recast to conform to the current year presentation. Such recasts had no impact on previously reported consolidated earnings.

The following tables summarize condensed consolidated statements of comprehensive income information for the Partnership's business segments and reconcile total segment Adjusted EBITDA to net income attributable to the Partnership for the three and nine months ended September 30, 2016 and 2015, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions)				
Sales and other operating revenue ⁽¹⁾				
Crude Oil	\$ 1,843	\$ 2,034	\$ 5,115	\$ 7,159
Natural Gas Liquids	148	304	577	833
Refined Products	198	69	542	189
Total sales and other operating revenue	<u>\$ 2,189</u>	<u>\$ 2,407</u>	<u>\$ 6,234</u>	<u>\$ 8,181</u>
Depreciation and amortization				
Crude Oil	\$ 60	\$ 55	\$ 176	\$ 157
Natural Gas Liquids	28	20	77	56
Refined Products	24	27	74	65
Total depreciation and amortization	<u>\$ 112</u>	<u>\$ 102</u>	<u>\$ 327</u>	<u>\$ 278</u>
Impairment charge and other matters				
Crude Oil	\$ (15)	\$ 108	\$ (112)	\$ 71
Natural Gas Liquids	(22)	(5)	(29)	(27)
Refined Products	—	—	(2)	—
Total impairment charge and other matters	<u>\$ (37)</u>	<u>\$ 103</u>	<u>\$ (143)</u>	<u>\$ 44</u>
Adjusted EBITDA				
Crude Oil	\$ 165	\$ 179	\$ 503	\$ 502
Natural Gas Liquids	77	66	229	223
Refined Products	70	44	174	111
Total Adjusted EBITDA	312	289	906	836
Interest expense, net	(40)	(37)	(118)	(97)
Depreciation and amortization expense	(112)	(102)	(327)	(278)
Impairment charge and other matters	37	(103)	143	(44)
Provision for income taxes	(8)	(7)	(19)	(18)
Non-cash compensation expense	(5)	(4)	(16)	(12)
Unrealized gains (losses) on commodity risk management activities	(16)	32	(33)	9
Amortization of excess equity method investment	(1)	(1)	(2)	(2)
Proportionate share of unconsolidated affiliates' interest, depreciation and provision for income taxes	(12)	(10)	(31)	(23)
Net Income	155	57	503	371
Less: Net income attributable to noncontrolling interests	(1)	(1)	(2)	(2)
Less: Net income attributable to redeemable noncontrolling interests	—	—	—	(1)
Net Income attributable to Sunoco Logistics Partners L.P.	<u>\$ 154</u>	<u>\$ 56</u>	<u>\$ 501</u>	<u>\$ 368</u>

(1) Sales and other operating revenue includes the following amounts from ETP and its affiliates for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions)				
Crude Oil	\$ 9	\$ 14	\$ 17	\$ 187
Natural Gas Liquids	42	49	127	155
Refined Products	53	27	163	73
Total sales and other operating revenue	<u>\$ 104</u>	<u>\$ 90</u>	<u>\$ 307</u>	<u>\$ 415</u>

The following table summarizes the identifiable assets for each segment as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
	(in millions)	
Crude Oil	\$ 9,739	\$ 8,802
Natural Gas Liquids	4,586	3,764
Refined Products	2,787	2,747
Corporate and other assets ⁽¹⁾	159	176
Total identifiable assets	\$ 17,271	\$ 15,489

(1) Corporate and other assets consist of cash and cash equivalents, properties, plants and equipment and other assets.

17. Supplemental Condensed Consolidating Financial Information

The Partnership serves as guarantor of the senior notes. These guarantees are full and unconditional. For the purposes of this footnote, Sunoco Logistics Partners L.P. is referred to as "Parent Guarantor" and Sunoco Logistics Partners Operations L.P. is referred to as "Subsidiary Issuer." All other consolidated subsidiaries of the Partnership are collectively referred to as "Non-Guarantor Subsidiaries."

The following supplemental condensed consolidating financial information reflects the Parent Guarantor's separate accounts, the Subsidiary Issuer's separate accounts, the combined accounts of the Non-Guarantor Subsidiaries, the combined consolidating adjustments and eliminations, and the Parent Guarantor's consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent Guarantor's investments in its subsidiaries and the Subsidiary Issuer's investments in its subsidiaries are accounted for under the equity method of accounting.

Condensed Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended September 30, 2016
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$ —	\$ —	\$ 2,085	\$ —	\$ 2,085
Affiliates	—	—	104	—	104
Total Revenues	—	—	2,189	—	2,189
Costs and Expenses					
Cost of products sold	—	—	1,855	—	1,855
Operating expenses	—	—	41	—	41
Selling, general and administrative expenses	—	—	27	—	27
Depreciation and amortization expense	—	—	112	—	112
Impairment charge and other matters	—	—	(37)	—	(37)
Total Costs and Expenses	—	—	1,998	—	1,998
Operating Income	—	—	191	—	191
Interest cost and debt expense, net	—	(67)	(1)	—	(68)
Capitalized interest	—	28	—	—	28
Other income	—	—	12	—	12
Equity in earnings of subsidiaries	154	193	—	(347)	—
Income (Loss) Before Provision for Income Taxes	154	154	202	(347)	163
Provision for income taxes	—	—	(8)	—	(8)
Net Income (Loss)	154	154	194	(347)	155
Less: Net income attributable to noncontrolling interests	—	—	(1)	—	(1)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 154	\$ 154	\$ 193	\$ (347)	\$ 154
Comprehensive Income (Loss)	\$ 154	\$ 154	\$ 193	\$ (347)	\$ 154
Less: Comprehensive income attributable to noncontrolling interests	—	—	(1)	—	(1)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 154	\$ 154	\$ 192	\$ (347)	\$ 153

Condensed Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended September 30, 2015
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$ —	\$ —	\$ 2,317	\$ —	\$ 2,317
Affiliates	—	—	90	—	90
Total Revenues	—	—	2,407	—	2,407
Costs and Expenses					
Cost of products sold	—	—	2,041	—	2,041
Operating expenses	—	—	41	—	41
Selling, general and administrative expenses	—	1	25	—	26
Depreciation and amortization expense	—	—	102	—	102
Impairment charge and other matters	—	—	103	—	103
Total Costs and Expenses	—	1	2,312	—	2,313
Operating Income (Loss)	—	(1)	95	—	94
Interest cost and debt expense, net	—	(49)	—	—	(49)
Capitalized interest	—	12	—	—	12
Other income	—	—	7	—	7
Equity in earnings of subsidiaries	56	94	—	(150)	—
Income (Loss) Before Provision for Income Taxes	56	56	102	(150)	64
Provision for income taxes	—	—	(7)	—	(7)
Net Income (Loss)	56	56	95	(150)	57
Less: Net income attributable to noncontrolling interests	—	—	(1)	—	(1)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 56	\$ 56	\$ 94	\$ (150)	\$ 56
Comprehensive Income (Loss)	\$ 56	\$ 56	\$ 95	\$ (150)	\$ 57
Less: Comprehensive income attributable to noncontrolling interests	—	—	(1)	—	(1)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 56	\$ 56	\$ 94	\$ (150)	\$ 56

Condensed Consolidating Statement of Comprehensive Income (Loss)
Nine Months Ended September 30, 2016
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$ —	\$ —	\$ 5,927	\$ —	\$ 5,927
Affiliates	—	—	307	—	307
Total Revenues	—	—	6,234	—	6,234
Costs and Expenses					
Cost of products sold	—	—	5,259	—	5,259
Operating expenses	—	—	97	—	97
Selling, general and administrative expenses	—	1	80	—	81
Depreciation and amortization expense	—	—	327	—	327
Impairment charge and other matters	—	—	(143)	—	(143)
Total Costs and Expenses	—	1	5,620	—	5,621
Operating Income (Loss)	—	(1)	614	—	613
Interest cost and debt expense, net	—	(196)	—	(2)	(198)
Capitalized interest	—	80	—	—	80
Other income	—	—	27	—	27
Equity in earnings of subsidiaries	501	618	—	(1,119)	—
Income (Loss) Before Provision for Income Taxes	501	501	639	(1,119)	522
Provision for income taxes	—	—	(19)	—	(19)
Net Income (Loss)	501	501	620	(1,119)	503
Less: Net income attributable to noncontrolling interests	—	—	(2)	—	(2)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 501	\$ 501	\$ 618	\$ (1,119)	\$ 501
Comprehensive Income (Loss)					
Comprehensive Income (Loss)	\$ 501	\$ 501	\$ 620	\$ (1,119)	\$ 503
Less: Comprehensive income attributable to noncontrolling interests	—	—	(2)	—	(2)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 501	\$ 501	\$ 618	\$ (1,119)	\$ 501

Condensed Consolidating Statement of Comprehensive Income (Loss)
Nine Months Ended September 30, 2015
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$ —	\$ —	\$ 7,766	\$ —	\$ 7,766
Affiliates	—	—	415	—	415
Total Revenues	—	—	8,181	—	8,181
Costs and Expenses					
Cost of products sold	—	—	7,196	—	7,196
Operating expenses	—	—	120	—	120
Selling, general and administrative expenses	—	1	75	—	76
Depreciation and amortization expense	—	—	278	—	278
Impairment charge and other matters	—	—	44	—	44
Total Costs and Expenses	—	1	7,713	—	7,714
Operating Income (Loss)	—	(1)	468	—	467
Interest cost and debt expense, net	—	(149)	(2)	—	(151)
Capitalized interest	—	54	—	—	54
Other income	—	—	19	—	19
Equity in earnings of subsidiaries	368	464	—	(832)	—
Income (Loss) Before Provision for Income Taxes	368	368	485	(832)	389
Provision for income taxes	—	—	(18)	—	(18)
Net Income (Loss)	368	368	467	(832)	371
Less: Net income attributable to noncontrolling interests	—	—	(2)	—	(2)
Less: Net income attributable to redeemable noncontrolling interests	—	—	(1)	—	(1)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 368	\$ 368	\$ 464	\$ (832)	\$ 368
Comprehensive Income (Loss)	\$ 368	\$ 368	\$ 466	\$ (832)	\$ 370
Less: Comprehensive income attributable to noncontrolling interests	—	—	(2)	—	(2)
Less: Comprehensive income attributable to redeemable noncontrolling interests	—	—	(1)	—	(1)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 368	\$ 368	\$ 463	\$ (832)	\$ 367

Condensed Consolidating Balance Sheet
September 30, 2016
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 39	\$ —	\$ —	\$ 39
Accounts receivable, net	—	—	1,456	—	1,456
Accounts receivable, affiliated companies	—	—	37	—	37
Inventories	—	—	829	—	829
Note receivable, affiliated companies	—	—	100	—	100
Other current assets	—	—	29	—	29
Total Current Assets	—	39	2,451	—	2,490
Properties, plants and equipment, net	—	—	11,681	—	11,681
Investment in affiliates	6,995	10,388	985	(17,383)	985
Goodwill	—	—	1,358	—	1,358
Intangible assets, net	—	—	680	—	680
Other assets	—	5	72	—	77
Total Assets	\$ 6,995	\$ 10,432	\$ 17,227	\$ (17,383)	\$ 17,271
Liabilities and Equity					
Accounts payable	\$ —	\$ —	\$ 1,507	\$ —	\$ 1,507
Accounts payable, affiliated companies	—	—	33	—	33
Accrued liabilities	1	57	248	—	306
Accrued taxes payable	—	—	43	—	43
Intercompany	(1,942)	(2,634)	4,576	—	—
Total Current Liabilities	(1,941)	(2,577)	6,407	—	1,889
Long-term debt	—	6,014	—	—	6,014
Other deferred credits and liabilities	—	—	128	—	128
Deferred income taxes	—	—	256	—	256
Total Liabilities	(1,941)	3,437	6,791	—	8,287
Redeemable noncontrolling interests	—	—	15	—	15
Redeemable Limited Partners' interests	296	—	—	—	296
Total Equity	8,640	6,995	10,421	(17,383)	8,673
Total Liabilities and Equity	\$ 6,995	\$ 10,432	\$ 17,227	\$ (17,383)	\$ 17,271

Condensed Consolidating Balance Sheet
December 31, 2015
(in millions, audited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 37	\$ —	\$ —	\$ 37
Accounts receivable, net	—	—	1,165	—	1,165
Accounts receivable, affiliated companies	—	3	17	—	20
Inventories	—	—	607	—	607
Other current assets	—	—	19	—	19
Total Current Assets	—	40	1,808	—	1,848
Properties, plants and equipment, net	—	—	10,692	—	10,692
Investment in affiliates	6,488	9,692	802	(16,180)	802
Goodwill	—	—	1,358	—	1,358
Intangible assets, net	—	—	718	—	718
Other assets	—	6	65	—	71
Total Assets	\$ 6,488	\$ 9,738	\$ 15,443	\$ (16,180)	\$ 15,489
Liabilities and Equity					
Accounts payable	\$ —	\$ 1	\$ 1,250	\$ —	\$ 1,251
Accounts payable, affiliated companies	—	—	39	—	39
Accrued liabilities	1	66	262	—	329
Accrued taxes payable	—	—	44	—	44
Intercompany	(1,320)	(2,408)	3,728	—	—
Total Current Liabilities	(1,319)	(2,341)	5,323	—	1,663
Long-term debt	—	5,591	—	—	5,591
Other deferred credits and liabilities	—	—	125	—	125
Deferred income taxes	—	—	254	—	254
Total Liabilities	(1,319)	3,250	5,702	—	7,633
Redeemable noncontrolling interests	—	—	15	—	15
Redeemable Limited Partners' interests	286	—	—	—	286
Total Equity	7,521	6,488	9,726	(16,180)	7,555
Total Liabilities and Equity	\$ 6,488	\$ 9,738	\$ 15,443	\$ (16,180)	\$ 15,489

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2016
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows from Operating Activities	\$ 501	\$ 491	\$ 655	\$ (1,119)	\$ 528
Cash Flows from Investing Activities:					
Capital expenditures	—	—	(1,448)	—	(1,448)
Acquisitions	—	—	(17)	—	(17)
Change in note receivable, affiliated companies	—	—	(100)	—	(100)
Change in long-term note receivable	—	—	(2)	—	(2)
Intercompany	(1,107)	(918)	906	1,119	—
Net cash provided by (used in) investing activities	(1,107)	(918)	(661)	1,119	(1,567)
Cash Flows from Financing Activities:					
Distributions paid to limited and general partners	(695)	—	—	—	(695)
Distributions paid to noncontrolling interests	(3)	—	—	—	(3)
Net proceeds from issuance of limited partner units	1,304	—	—	—	1,304
Repayments under credit facilities	—	(4,029)	—	—	(4,029)
Borrowings under credit facilities	—	4,089	—	—	4,089
Net proceeds from issuance of long-term debt	—	544	—	—	544
Repayments of senior notes	—	(175)	—	—	(175)
Contributions attributable to acquisition from affiliate	—	—	5	—	5
Other	—	—	1	—	1
Net cash provided by financing activities	606	429	6	—	1,041
Net change in cash and cash equivalents	—	2	—	—	2
Cash and cash equivalents at beginning of period	—	37	—	—	37
Cash and cash equivalents at end of period	\$ —	\$ 39	\$ —	\$ —	\$ 39

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2015
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows from Operating Activities	\$ 368	\$ 365	\$ 396	\$ (832)	\$ 297
Cash Flows from Investing Activities:					
Capital expenditures	—	—	(1,678)	—	(1,678)
Acquisitions	—	—	(131)	—	(131)
Change in long-term note receivable	—	—	(14)	—	(14)
Intercompany	(1,150)	(1,111)	1,429	832	—
Net cash provided by (used in) investing activities	(1,150)	(1,111)	(394)	832	(1,823)
Cash Flows from Financing Activities:					
Distributions paid to limited and general partners	(491)	—	—	—	(491)
Distributions paid to noncontrolling interests	(1)	—	—	—	(1)
Net proceeds from issuance of limited partner units	1,274	—	—	—	1,274
Payments of statutory withholding on net issuance of limited partner units under LTIP	—	—	(10)	—	(10)
Repayments under credit facilities	—	(1,760)	—	—	(1,760)
Borrowings under credit facilities	—	2,454	—	—	2,454
Contributions attributable to acquisition from affiliate	—	—	8	—	8
Other	—	(4)	—	—	(4)
Net cash provided by (used in) financing activities	782	690	(2)	—	1,470
Net change in cash and cash equivalents	—	(56)	—	—	(56)
Cash and cash equivalents at beginning of period	—	101	—	—	101
Cash and cash equivalents at end of period	\$ —	\$ 45	\$ —	\$ —	\$ 45

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

During the fourth quarter 2015, we realigned our reporting segments as a result of the continued investment in our organic growth capital program which has served to increase the integration that exists between our assets that service each commodity. This has also resulted in a shift in Management's strategic decision making process, resource allocation methodology, and assessment of our financial results. The updated reporting segments are: Crude Oil, Natural Gas Liquids and Refined Products. The new segmentation provides our investors with a more meaningful view of our business that is consistent with that of Management. For the purpose of comparability, all prior year segment disclosures have been recast to conform to the current presentation. Such recasts had no impact on previously reported consolidated earnings.

Results of Operations

The following table summarizes our consolidated operating results for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions, except per unit data)				
Revenues				
Sales and other operating revenue:				
Unaffiliated customers	\$ 2,085	\$ 2,317	\$ 5,927	\$ 7,766
Affiliates	104	90	307	415
Total Revenues	2,189	2,407	6,234	8,181
Costs and Expenses				
Cost of products sold ⁽¹⁾	1,855	2,041	5,259	7,196
Operating expenses ⁽¹⁾	41	41	97	120
Selling, general and administrative expenses	27	26	81	76
Depreciation and amortization expense	112	102	327	278
Impairment charge and other matters	(37)	103	(143)	44
Total Costs and Expenses	1,998	2,313	5,621	7,714
Operating Income	191	94	613	467
Interest cost and debt expense, net	(68)	(49)	(198)	(151)
Capitalized interest	28	12	80	54
Other income	12	7	27	19
Income Before Provision for Income Taxes	163	64	522	389
Provision for income taxes	(8)	(7)	(19)	(18)
Net Income	155	57	503	371
Less: Net income attributable to noncontrolling interests	(1)	(1)	(2)	(2)
Less: Net income attributable to redeemable noncontrolling interests	—	—	—	(1)
Net Income Attributable to Sunoco Logistics Partners L.P.	\$ 154	\$ 56	\$ 501	\$ 368
Net Income Attributable to Sunoco Logistics Partners L.P. per Limited Partner unit:				
Basic	\$ 0.16	\$ (0.07)	\$ 0.68	\$ 0.67
Diluted	\$ 0.16	\$ (0.07)	\$ 0.68	\$ 0.66

⁽¹⁾ In connection with the change in our reportable segments in the fourth quarter 2015, we adjusted the elimination of certain intercompany transactions to conform to the new segment presentation, which included recasting prior period amounts to conform to the current presentation. These changes did not impact our total expenses or net income.

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with United States generally accepted accounting principles ("GAAP"), management uses additional measures that are known as "non-GAAP financial measures" in its evaluation of past performance and prospects for the future. The primary measures used by management are earnings before interest, taxes, depreciation and amortization expenses and other non-cash items ("Adjusted EBITDA"), and distributable cash flow ("DCF"). Adjusted EBITDA and DCF do not represent and should not be considered alternatives to net income or cash flows from operating activities as determined under GAAP and may not be comparable to similarly titled measures of other businesses.

Our management believes that Adjusted EBITDA and DCF information enhances an investor's understanding of a business's performance, which is a factor in evaluating its ability to generate cash for payment of distributions and other purposes. Adjusted EBITDA calculations are also defined and used as a measure in determining our compliance with certain revolving credit facility covenants. However, despite compliance with our credit facility covenants, there may be contractual, legal, economic or other factors which may prevent us from satisfying principal and interest obligations with respect to indebtedness and may require us to allocate funds for other purposes.

The following table reconciles the differences between net income, as determined under GAAP, and Adjusted EBITDA and DCF.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Net Income	\$ 155	\$ 57	\$ 503	\$ 371
Interest expense, net	40	37	118	97
Depreciation and amortization expense	112	102	327	278
Impairment charge and other matters	(37)	103	(143)	44
Provision for income taxes	8	7	19	18
Non-cash compensation expense	5	4	16	12
Unrealized (gains) losses on commodity risk management activities	16	(32)	33	(9)
Amortization of excess investment in joint venture interests	1	1	2	2
Proportionate share of unconsolidated affiliates' interest, depreciation and provision for income taxes	12	10	31	23
Adjusted EBITDA	<u>312</u>	<u>289</u>	<u>906</u>	<u>836</u>
Interest expense, net	(40)	(37)	(118)	(97)
Provision for current income taxes	(7)	(8)	(17)	(22)
Amortization of fair value adjustments on long-term debt	(2)	(4)	(8)	(10)
Proportionate share of unconsolidated affiliates' interest, provision for current income taxes and maintenance capital expenditures ⁽¹⁾	(10)	(12)	(30)	(30)
Maintenance capital expenditures	(13)	(18)	(40)	(49)
Distributable cash flow attributable to noncontrolling interests	(1)	—	(2)	(2)
Contributions attributable to acquisition from affiliate	1	2	5	8
Distributable Cash Flow ⁽¹⁾	<u>\$ 240</u>	<u>\$ 212</u>	<u>\$ 696</u>	<u>\$ 634</u>

⁽¹⁾ During the first quarter 2016, we changed our definition of distributable cash flow to conform to the presentation utilized by our general partner. The change did not have a material impact on our distributable cash flow. Prior period amounts have been recast to conform to current presentation.

Analysis of Consolidated Operating Results

Net income attributable to Sunoco Logistics Partners L.P. ("net income attributable to SXL") was \$154 and \$56 million for the three months ended September 30, 2016 and 2015, respectively. The increase was largely attributable to a \$140 million positive variance related to non-cash inventory adjustments resulting from changes in commodity prices compared to the prior year period. Also contributing to the increase was improved operating results from our Refined Products and Natural Gas Liquids segments and higher contributions from our joint venture interests. These positive factors were partially offset by lower operating results from our Crude Oil segment driven largely by acquisition and marketing activities, higher depreciation and amortization expense related to expansion capital projects placed into service in 2015 and 2016, and increased net interest expense.

Net income attributable to SXL was \$501 and \$368 million for the nine months ended September 30, 2016 and 2015, respectively. The increase was largely attributable to a \$187 million positive variance related to non-cash inventory adjustments resulting from changes in commodity prices compared to the prior year period. Also contributing to the increase was higher operating results from pipeline and terminal assets within our Crude Oil and Natural Gas Liquids segments, and improved contributions from our Refined Products segment and joint venture interests. These positive factors were partially offset by lower acquisition and marketing results from our Crude Oil and Natural Gas Liquids segments, higher depreciation and amortization expense related to expansion capital projects placed into service in 2015 and 2016, and higher net interest expense attributable to senior notes issued during both periods.

See "Analysis of Operating Segments" and "Liquidity and Capital Resources" below for additional details on operating results.

Analysis of Operating Segments

We manage our operations through three operating segments: Crude Oil, Natural Gas Liquids and Refined Products.

Crude Oil

Our Crude Oil segment utilizes an integrated set of pipeline, terminalling, and acquisition and marketing assets that facilitate the movement of crude oil from producers to end-user markets. The segment includes crude oil trunk and gathering pipelines in the southwest and midwest United States, including those owned by our joint venture interests, terminalling assets in key crude oil markets, and a crude oil trucking fleet that supports the sale of gathered and bulk purchased crude oil. Revenues are generated from tariffs and the associated fees paid by shippers utilizing our pipeline assets with rates for shipments on the crude oil pipelines regulated by the Federal Energy Commission ("FERC") and other state regulatory agencies, as applicable. The Crude Oil segment also generates revenues from fees for terminalling services provided and the marketing of crude oil.

The crude oil acquisition and marketing activities generate substantial revenue and cost of products sold as a result of the significant volumes bought and sold. The absolute price levels of crude oil normally do not bear a relationship to gross profit, although the price levels significantly impact revenue and costs of products sold. As a result, period-to-period variations in revenue and cost of products sold are not generally meaningful in analyzing the variation in gross profit for the segment. The operating results of the Crude Oil segment are affected by overall levels of supply and demand for crude oil and relative fluctuations in market related indices. To the extent there are periods of sustained crude oil price declines, drilling activity could decline impacting the volume of crude oil we transport, store, or buy and sell. Generally, we expect a base level of earnings from our Crude Oil segment that may be optimized and enhanced when there is a high level of market volatility, favorable basis differentials and/or a steep contango or backwardated structure. Our management believes gross profit, which is equal to sales and other operating revenue less cost of products sold and operating expenses, is a key measure of financial performance. Although we implement risk management activities to provide general stability in our margins, these margins are not fixed and will vary from period to period.

The following table summarizes the operating results and key operating measures for our Crude Oil segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions, except for barrel amounts)				
Sales and other operating revenue:				
Unaffiliated customers	\$ 1,834	\$ 2,020	\$ 5,098	\$ 6,972
Affiliates	9	14	17	187
Total sales and other operating revenue	\$ 1,843	\$ 2,034	\$ 5,115	\$ 7,159
Depreciation and amortization expense	\$ 60	\$ 55	\$ 176	\$ 157
Impairment charges and other matters ⁽¹⁾	\$ (15)	\$ 108	\$ (112)	\$ 71
Adjusted EBITDA	\$ 165	\$ 179	\$ 503	\$ 502
Pipeline throughput (thousands of barrels per day ("bpd")) ⁽²⁾⁽³⁾	2,516	2,395	2,380	2,232
Terminal throughput (thousands of bpd)	1,559	1,409	1,524	1,343
Gross profit ⁽⁴⁾	\$ 173	\$ 191	\$ 531	\$ 538

(1) Represents non-cash inventory adjustments related to changes in commodity prices.

(2) Excludes amounts attributable to equity ownership interests which are not consolidated.

(3) Prior period pipeline throughput amounts have been restated to conform to current presentation.

(4) Represents total segment sales and other operating revenue less costs of products sold and operating expenses.

Adjusted EBITDA for the Crude Oil segment decreased \$14 million to \$165 million for the three months ended September 30, 2016, as compared to \$179 million for the prior year period. The decrease was largely attributable to lower operating results from our crude oil acquisition and marketing activities (\$38 million), which includes transportation and storage fees related to our crude oil pipelines and terminal facilities, resulting from lower crude oil differentials compared to the prior year period. This decrease was partially offset by improved results from our crude oil pipelines (\$21 million) which benefited from the Delaware Basin Extension and Permian Longview and Louisiana Extension pipelines that commenced operations in the third quarter 2016. Higher contributions from joint venture interests (\$4 million) also contributed to the offset.

Adjusted EBITDA for the Crude Oil segment increased \$1 million to \$503 million for the nine months ended September 30, 2016, as compared to \$502 million for the prior year period. The slight increase was largely due to improved results from our crude oil pipelines (\$116 million) which benefited from the Permian Express 2 pipeline that commenced operations in third quarter 2015 and the Delaware Basin Extension and Permian Longview and Louisiana Extension pipelines that commenced operations in the third quarter 2016. Higher results from our crude oil terminals (\$20 million), largely related to our Nederland facility, and improved contributions from joint venture interests (\$9 million) also contributed to the increase. These positive factors were largely offset by a decrease in operating results from our crude oil acquisition and marketing activities (\$140 million), which includes transportation and storage fees related to our crude oil pipelines and terminal facilities, due to lower crude oil differentials and decreased volumes.

Natural Gas Liquids

Our Natural Gas Liquids segment transports, stores, and executes acquisition and marketing activities utilizing an integrated network of pipeline assets in the northeast and southwest United States, storage and blending facilities, and strategic off-take locations that provide access to multiple natural gas liquid ("NGL") markets. Revenues are generated from tariffs and the associated fees paid by shippers utilizing our pipeline assets, fees for terminalling services provided, and the marketing of NGLs. Rates for shipments on the NGLs pipelines are regulated by the FERC and other state and Canadian regulatory agencies, as applicable.

The following table summarizes the operating results and key operating measures for our Natural Gas Liquids segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions, except for barrel amounts)				
Sales and other operating revenue:				
Unaffiliated customers	\$ 106	\$ 255	\$ 450	\$ 678
Affiliates	42	49	127	155
Total sales and other operating revenue	\$ 148	\$ 304	\$ 577	\$ 833
Depreciation and amortization expense	\$ 28	\$ 20	\$ 77	\$ 56
Impairment charge and other matters ⁽¹⁾	\$ (22)	\$ (5)	\$ (29)	\$ (27)
Adjusted EBITDA	\$ 77	\$ 66	\$ 229	\$ 223
Pipeline throughput (thousands of bpd)	289	205	268	190
Terminal throughput (thousands of bpd)	252	205	229	174
Gross profit ⁽²⁾	\$ 68	\$ 104	\$ 234	\$ 250

(1) Represents non-cash inventory adjustments related to changes in commodity prices.

(2) Represents total segment sales and other operating revenue less costs of products sold and operating expenses.

Adjusted EBITDA for the Natural Gas Liquids segment increased \$11 million to \$77 million for the three months ended September 30, 2016, as compared to \$66 million for the prior year period. The increase was largely attributable to increased volumes and fees from our Mariner NGLs projects (\$23 million), which includes our NGLs pipelines and Marcus Hook and Nederland facilities. These positive factors were partially offset by lower operating results from our NGLs acquisition and marketing activities (\$11 million).

Adjusted EBITDA for the Natural Gas Liquids segment increased \$6 million to \$229 million for the nine months ended September 30, 2016, as compared to \$223 million for the prior year period. The increase was largely attributable to increased volumes and fees from our Mariner NGLs projects (\$73 million), which includes our NGLs pipelines and Marcus Hook and Nederland facilities. These factors were largely offset by lower operating results from our NGLs acquisition and marketing activities (\$66 million).

Refined Products

Our Refined Products segment provides transportation and terminalling services through the use of refined products pipelines and approximately 40 active refined products marketing terminals. The segment includes our controlling financial interest in Inland Corporation ("Inland"), as well as equity ownership interest in four refined products pipelines. The Refined Products segment utilizes our integrated pipeline and terminalling assets, as well as acquisition and marketing activities, to service refined products markets in the northeast and midwest United States. Revenues are generated from tariffs and the associated fees paid by shippers utilizing our pipeline assets, fees for terminalling services provided, and the marketing of refined products. Rates for shipments on the refined products pipelines are regulated by the FERC and other associated state entities.

The following table summarizes the operating results and key operating measures for our Refined Products segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions, except for barrel amounts)				
Sales and other operating revenue:				
Unaffiliated customers	\$ 145	\$ 42	\$ 379	\$ 116
Affiliates	53	27	163	73
Total sales and other operating revenue	\$ 198	\$ 69	\$ 542	\$ 189
Depreciation and amortization expense	\$ 24	\$ 27	\$ 74	\$ 65
Impairment charge and other matters ⁽¹⁾	\$ —	\$ —	\$ (2)	\$ —
Adjusted EBITDA	\$ 70	\$ 44	\$ 174	\$ 111
Pipeline throughput (thousands of bpd) ^{(2) (3)}	611	522	573	492
Terminal throughput (thousands of bpd)	570	562	554	518
Gross profit ⁽⁴⁾	\$ 52	\$ 30	\$ 113	\$ 77

(1) Represents non-cash inventory adjustments related to changes in commodity prices.

(2) Excludes amounts attributable to equity ownership interests which are not consolidated.

(3) Prior period pipeline throughput amounts have been restated to conform to current presentation.

(4) Represents total segment sales and other operating revenue less costs of products sold and operating expenses.

Adjusted EBITDA for the Refined Products segment increased \$26 million to \$70 million for the three months ended September 30, 2016, as compared to \$44 million for the prior year period. The increase was primarily attributable to improved operating results from our refined products pipelines (\$11 million), which benefited from higher volumes on our Allegheny Access pipeline, and higher results from our refined products acquisition and marketing activities (\$10 million). Improved contributions from joint venture interests (\$3 million) and our refined products terminals (\$2 million) also contributed to the increase.

Adjusted EBITDA for the Refined Products segment increased \$63 million to \$174 million for the nine months ended September 30, 2016, as compared to \$111 million for the prior year period. The increase was driven primarily by improved operating results from our refined products pipelines (\$29 million), which benefited from higher volumes on our Allegheny Access pipeline, and higher results from our refined products acquisition and marketing activities (\$20 million). Higher earnings attributable to our refined products terminals (\$7 million) and improved contributions from joint venture interests (\$7 million) also contributed to the increase.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and borrowings under our \$2.50 billion revolving credit facility are our primary sources of liquidity. At September 30, 2016, we had a net working capital surplus of \$601 million and available borrowing capacity of \$1.9 billion under our revolving credit facility. We supplement our cash flows from operations with proceeds from our at-the-market equity offering program ("ATM" program) and periodically with debt and equity financing activities.

Credit Facilities

We maintain a \$2.50 billion unsecured revolving credit agreement (the "\$2.50 billion Credit Facility"), which matures in March 2020, to fund our working capital requirements, finance acquisitions and capital projects, and for general partnership purposes. The \$2.50 billion Credit Facility contains an "accordion" feature, under which the total aggregate commitment may be extended to \$3.25 billion under certain conditions. In September 2015, we initiated a commercial paper program under the borrowing limits established by our \$2.50 billion Credit Facility. In June 2015, the \$2.50 billion Credit Facility was amended to create a segregated tranche of borrowings that will be guaranteed by ETP. The amendment did not modify the outstanding borrowings, total capacity or terms of the facility. Outstanding borrowings amounted to \$622 and \$562 million at September 30, 2016 and December 31, 2015, respectively. Borrowings under the \$2.50 billion Credit Facility at September 30, 2016 included \$140 million of commercial paper.

The \$2.50 billion Credit Facility contains various covenants including limitations on the creation of indebtedness and liens, and related to the operation and conduct of our business. The credit facility also limits us, on a rolling four quarter basis, to a maximum total consolidated debt to consolidated Adjusted EBITDA ratio, as defined in the underlying credit agreement, of 5.0 to 1, which can generally be increased to 5.5 to 1 during an acquisition period. Our ratio of total consolidated debt, excluding net unamortized fair value adjustments, to consolidated Adjusted EBITDA was 3.6 to 1 at September 30, 2016, as calculated in accordance with the credit agreement.

Senior Notes

The Operating Partnership had \$175 million of 6.125 percent Senior Notes which matured and were repaid in May 2016 with borrowings under the \$2.50 billion Credit Facility.

In July 2016, we issued \$550 million of 3.90 percent Senior Notes (the "2026 Senior Notes"), due July 2026, for net proceeds of \$544 million. The terms and conditions of the 2026 Senior Notes are comparable to those of our other outstanding senior notes. The net proceeds from this offering were used to repay outstanding credit facility borrowings and for general partnership purposes.

Equity Offerings

We maintain an ATM program which allows us to issue common units directly to the public and raise capital in a timely and efficient manner to finance our growth capital program, while supporting our investment grade credit ratings. For the three months ended September 30, 2016 and 2015, the Partnership issued 2.8 and 7.6 million common units under this program, for net proceeds of \$77 and \$261 million, respectively. For the nine months ended September 30, 2016 and 2015, the Partnership issued 29.1 and 17.2 million common units under this program, for net proceeds of \$744 and \$645 million, respectively.

In September 2016, we completed a public offering of 21.0 million common units for proceeds of \$560 million, net of \$7 million in fees and commissions to managers. The net proceeds from this offering were used to partially fund the acquisition from Vitol Inc. ("Vitol"), which closed in November 2016. In October 2016, an additional 3.2 million common units were issued for proceeds of \$84 million, net of \$1 million in fees and commissions to managers, related to the exercise of an option in connection with the September 2016 offering.

In March and April 2015, a total of 15.5 million common units were issued in connection with a public offering and related option exercise. Total proceeds of \$629 million were used to repay outstanding borrowings under the \$2.50 billion Credit Facility and for general partnership purposes.

Bakken Project Initiatives

In August 2016, the Bakken entities' established a \$2.5 billion credit facility which is anticipated to provide substantially all of the remaining capital necessary to complete the project. Borrowings under the credit facility are secured by all assets of the Bakken entities, as well as the ownership interests maintained by the joint partners. Until certain governmental permits required for operation are obtained, the facility is limited to \$1.1 billion in borrowings. At September 30, 2016, \$1.1 billion was outstanding under the Bakken credit facility.

The joint partners agreed to provide the Bakken entities with a short-term loan until the full capacity of the \$2.5 billion credit facility can be utilized. The loan was made by the partners in proportion to their respective ownership interests. The outstanding balance of the note receivable due to us by the Bakken entities at September 30, 2016 was \$100 million.

In August 2016, we also announced with ETP the signing of an agreement to sell 49 percent of our respective interests in the Bakken Pipeline project for \$2.0 billion to MarEn Bakken Company LLC, an entity jointly owned by Marathon Petroleum Corporation and Enbridge Energy Partners, L.P. The transaction is expected to close in the fourth quarter 2016, subject to certain closing conditions, at which time we will receive \$800 million. The carrying amount of our investment in the Bakken Pipeline project was \$631 million at September 30, 2016. Subsequent to closing, our ownership interest in the Bakken Pipeline project will be 15.3 percent.

Cash Flows and Capital Expenditures

Operating Activities

Cash flows from operating activities are primarily driven by earnings, excluding the impact of non-cash items, the timing of cash receipts and disbursements related to accounts receivable and payable, the timing of inventory transactions and changes in other working capital amounts. Non-cash items include depreciation, amortization, and impairment charges and related matters. See the Analysis of Consolidated Operating Results, above, for more information on changes in our consolidated earnings.

Net cash provided by operating activities for the nine months ended September 30, 2016 of \$528 million was primarily related to net income of \$503 million and a non-cash adjustment for depreciation and amortization totaling \$327 million. These sources of cash were partially offset by a \$143 million non-cash inventory adjustment related to changes in commodity prices and a \$150 million increase in working capital largely attributable to an increase in our net receivables position and inventories.

Net cash provided by operating activities for the nine months ended September 30, 2015 of \$297 million was primarily related to net income of \$371 million, adjusted for non-cash charges for depreciation and amortization totaling \$278 million and a \$44 million non-cash inventory adjustment related to changes in commodity prices. These sources of cash were partially offset by a \$405 million increase in working capital largely attributable to a net decrease in payables and an increase in inventories.

Investing Activities

Cash flows used in investing activities relate primarily to our capital expenditures, including maintenance and expansion capital expenditures, and acquisitions. See "Capital Requirements" below for additional details on our investing activities.

Net cash used in investing activities of \$1.6 billion for the nine months ended September 30, 2016 primarily included \$1.4 million of expansion and maintenance capital expenditures and a \$100 million increase in an affiliated note receivable. The net use of cash was also impacted by the August 2016 acquisition of an additional 1.7 percent ownership interest in the Explorer Pipeline Company ("Explorer") joint venture for \$17 million.

In addition to \$1.7 billion of cash used for expansion and maintenance capital expenditures, net cash used in investing activities for the nine months ended September 30, 2015 included the \$131 million acquisition of the remaining noncontrolling interest in the West Texas Gulf Pipe Line Company ("West Texas Gulf").

Financing Activities

Cash flows from financing activities relate primarily to the payment of distributions to partners; proceeds from overnight equity and ATM offerings; proceeds and repayments related to senior notes; and borrowings and repayments under our credit facility.

Net cash provided by financing activities for the nine months ended September 30, 2016 of \$1.0 billion resulted primarily from \$1.3 billion of net proceeds from the public offering of common units and our ATM program; \$544 million of net proceeds from a senior notes offering; and \$60 million of net borrowings under our credit facility. These sources of cash were partially offset by \$695 million in distributions paid to limited partners and the general partner, and repayment of the \$175 million 6.125 percent Senior Notes in May 2016.

Net cash provided by financing activities for the nine months ended September 30, 2015 of \$1.5 billion resulted primarily from \$1.3 billion of net proceeds from the public equity offering of common units and our ATM program, and the \$694 million of net borrowings under our credit facility. These sources of cash were partially offset by \$491 million in distributions paid to limited partners and the general partner.

Capital Requirements

Our operations are capital intensive, requiring significant investment to maintain, upgrade and enhance existing assets and to comply with environmental and operational regulations. The capital requirements have consisted, and are expected to continue to consist, primarily of:

- Expansion capital expenditures to acquire and integrate complementary assets to improve operational efficiencies or reduce costs and to expand existing and construct new facilities, such as projects that increase storage or throughput volume, and joint projects which complement our existing asset base,
- Maintenance capital expenditures that extend the usefulness of existing assets, such as those required to maintain equipment reliability, tankage and pipeline integrity and safety, and to address environmental regulations, and
- Acquisitions to acquire and integrate complementary assets to grow the business, to improve operational efficiencies or reduce costs.

The following table summarizes our capital expenditures for the periods presented:

	Nine Months Ended September 30,	
	2016	2015
	(in millions)	
Expansion	\$ 1,392	\$ 1,467
Maintenance	40	49
Acquisitions	17	131
Total	\$ 1,449	\$ 1,647

Expansion capital expenditures for the nine months ended September 30, 2016 included spending to: invest in the announced Mariner NGLs projects; invest in our crude oil infrastructure by increasing our pipeline capabilities through announced expansion capital and joint projects; expand the service capabilities of our acquisition and marketing activities; and upgrade the service capabilities at our bulk marine terminals.

We expect 2016 expansion capital of approximately \$1.0 billion, including the anticipated proceeds from the sale of a portion of our interest in the Bakken pipeline in the fourth quarter 2016 and excluding acquisitions.

Maintenance capital expenditures for both periods presented primarily included recurring expenditures such as pipeline integrity costs; pipeline relocations; repair and upgrade of field instrumentation, including measurement devices; repair and replacement of tank floors and roofs; upgrades of cathodic protection systems, crude trucks and related equipment; and the upgrade of pump stations.

Acquisitions included the purchase of an additional ownership interest in Explorer Pipeline Company in 2016 and the purchase of the remaining noncontrolling interest in West Texas Gulf in 2015.

In November 2016, we completed an acquisition from Vitol for an integrated crude oil business in West Texas for \$760 million plus working capital. The acquisition provides us with an approximately 2 million barrel crude oil terminal in Midland, Texas, a crude oil gathering and mainline pipeline system in the Midland Basin, including a significant acreage dedication from an investment-grade Permian producer, and crude oil inventories related to Vitol's crude oil purchasing and marketing business in West Texas. The acquisition also included the purchase of a 50 percent interest in SunVit Pipeline LLC ("SunVit"), which increased our overall ownership of SunVit to 100 percent. SunVit connects the Midland terminal to our Permian Express 2 pipeline, a key takeaway to bring Permian crude oil to multiple markets.

Our capital expenditures, including any acquisitions, are expected to be primarily funded from cash provided by operations, borrowings under our credit facility, and with proceeds from debt and equity offerings, as necessary.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various risks, including volatility in the interest rates associated with our variable-rate debt and in the prices of the products that we market. In order to manage such exposure, debt levels, interest rates, inventory levels and expectations of future commodity prices are monitored when making decisions with respect to risk management.

Interest Rate Risk

We have interest rate risk exposure for changes in interest rates relating to our outstanding borrowings. We manage our exposure to changing interest rates through the use of a combination of fixed-rate and variable-rate debt. At September 30, 2016, we had \$622 million of variable-rate borrowings under our revolving credit facility. Outstanding borrowings bear interest cost at LIBOR plus an applicable margin. An increase in short-term interest rates will have a negative impact on funds borrowed under variable-rate debt arrangements. Our weighted average interest rate on our variable-rate borrowings was approximately 2 percent at September 30, 2016. A one-percent movement in the weighted average rate would have impacted interest expense by approximately \$8 million for the nine months ended September 30, 2016.

At September 30, 2016, we had \$5.4 billion of fixed-rate borrowings which was comprised of our outstanding senior notes. This amount excludes the \$85 million of unamortized fair value adjustments resulting from the application of push-down accounting in connection with the acquisition of our general partner by ETP. The estimated fair value of our senior notes was \$5.6 billion at September 30, 2016. A hypothetical one-percent movement in interest rates would have impacted the fair value of our fixed-rate borrowings by approximately \$575 million.

Commodity Market Risk

We are exposed to volatility in the prices of the products we market. To manage such exposures, inventory levels and expectations regarding future commodity prices are monitored when making decisions with respect to risk management and inventory carried. Our policy is to purchase only commodity products for which we have a market, and to structure our sales contracts so that price fluctuations for those products do not materially affect the margins we receive. We also seek to maintain a position that is substantially balanced within our various commodity purchase and sale activities. We may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances, as well as logistical issues associated with inclement weather conditions. When unscheduled physical inventory builds or draws occur, they are monitored and managed to a balanced position over a reasonable period of time.

We do not use futures or other derivative instruments to speculate on crude oil, natural gas liquids ("NGLs") or refined products prices, as these activities could expose us to significant losses. We do use derivative contracts as economic hedges against price changes related to our forecasted NGLs and refined products purchase and sale activities. These derivatives are intended to have equal and opposite effects of the related physical purchase and sale activities. At September 30, 2016, the fair market value of our open derivative positions resulted in a net liability of \$22 million on 15.5 million barrels of NGLs and refined products. These derivative positions vary in length but do not extend beyond one year.

For additional information concerning our commodity market risk activities, see Note 14 to the condensed consolidated financial statements.

Forward-Looking Statements

Some of the information in this quarterly report on Form 10-Q discusses our goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or states other information relating to us, based on the current beliefs of our management as well as assumptions made by, and information currently available to, our management.

Words such as "may," "anticipates," "believes," "expects," "estimates," "planned," "scheduled" or similar phrases or expressions identify forward-looking statements. Although we believe these forward-looking statements are reasonable, they are based upon a number of assumptions, any or all of which may ultimately prove to be inaccurate. These statements are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results projected, forecasted, estimated or budgeted, including, but not limited to the following:

- Our ability to successfully consummate announced acquisitions or expansions and integrate them into our existing business operations;
- Delays related to construction of, or work on, new or existing facilities and the issuance of applicable permits;
- Changes in the supply of, or demand for crude oil, NGLs and refined products that impact demand for our pipeline, terminalling and storage services;
- Changes in the short-term and long-term demand for crude oil, NGLs and refined products we buy and sell;
- An increase in the competition encountered by our terminals, pipelines and acquisition and marketing operations;
- Changes in the financial condition or operating results of joint ventures or other holdings in which we have an equity ownership interest;
- Changes in the general economic conditions in the United States;
- Changes in laws and regulations to which we are subject, including federal, state, and local tax, safety, environmental and employment laws;
- Changes in regulations governing the composition of the products that we transport, terminal and store;
- Improvements in energy efficiency and development of technology resulting in reduced demand for refined petroleum products;
- Our ability to manage growth and/or control costs;
- The effect of changes in accounting principles and tax laws, and interpretations of both;
- Global and domestic economic repercussions, including disruptions in the crude oil, NGLs and refined products markets, from terrorist activities, international hostilities and other events, and the government's response thereto;
- Changes in the level of operating expenses and hazards related to operating our facilities (including equipment malfunction, explosions, fires, spills and the effects of severe weather conditions);
- The occurrence of operational hazards or unforeseen interruptions for which we may not be adequately insured;
- The age of, and changes in the reliability and efficiency of our operating facilities;
- Changes in the expected level of capital, operating, or remediation spending related to environmental matters;
- Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;
- Risks related to labor relations and workplace safety;
- Non-performance by or disputes with major customers, suppliers or other business partners;
- Changes in our tariff rates implemented by federal and/or state government regulators;
- The amount of our debt, which could make us vulnerable to adverse general economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to competitors that have less debt, or have other adverse consequences;
- Restrictive covenants in our credit agreements;
- Changes in our or our general partner's credit ratings, as assigned by ratings agencies;
- The condition of the debt and equity capital markets in the United States, and our ability to raise capital in a cost-effective way;
- Performance of financial institutions impacting our liquidity, including those supporting our credit facilities;
- The effectiveness of our risk management activities, including the use of derivative financial instruments to hedge commodity risks;
- Changes in interest rates on our outstanding debt, which could increase the costs of borrowing; and
- The costs and effects of legal and administrative claims and proceedings against us or any entity in which we have an ownership interest, and changes in the status of, or the initiation of new litigation, claims or proceedings, to which we, or any entity in which we have an ownership interest, are a party.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement, whether as a result of new information or future events.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Partnership's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership's reports under the Exchange Act is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer and Treasurer of Sunoco Partners LLC (the Partnership's general partner), as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2016, the Partnership carried out an evaluation, under the supervision and with the participation of management of the general partner (including the President and Chief Executive Officer and the Chief Financial Officer and Treasurer), of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the general partner's President and Chief Executive Officer and its Chief Financial Officer and Treasurer concluded that the Partnership's disclosure controls and procedures were effective.

No change in the Partnership's internal control over financial reporting has occurred during the fiscal quarter ended September 30, 2016 that has materially affected, or that is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 1. Legal Proceedings

There are certain proceedings arising prior to the February 2002 initial public offering ("IPO") pending against Sunoco, Inc. ("Sunoco") and us (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them may be resolved unfavorably. Sunoco has agreed to indemnify the Partnership for 100 percent of all losses from environmental liabilities related to the transferred assets arising prior to, and asserted within 21 years of February 8, 2002. There is no monetary cap on this indemnification from Sunoco. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent each year through the thirtieth year following the February 8, 2002 date. Any remediation liabilities not covered by this indemnity will be our responsibility. In addition, Sunoco is obligated to indemnify us under certain other agreements executed after the IPO.

In June 2016, the Pipeline Hazardous Material Safety Administration ("PHMSA") issued Notices of Probable Violation ("NOPV") and a proposed compliance order ("PCO") in connection with alleged violations on the Partnership's Texas crude oil pipeline system. The proposed penalties are in excess of \$0.1 million, and the Partnership is currently in discussions with the PHMSA to resolve these matters. The timing or outcome of these matters cannot be reasonably determined at this time, however, the Partnership does not expect there to be a material impact to its results of operations, cash flows, or financial position.

In July 2016, the PHMSA issued a NOPV and PCO in connection with inspection and maintenance activities related to a 2013 incident on the Partnership's crude oil pipeline near Wortham, Texas. The proposed penalties are in excess of \$0.1 million, and the Partnership is currently in discussions with the PHMSA to resolve these matters. The timing or outcome of these matters cannot be reasonably determined at this time, however, the Partnership does not expect there to be a material impact to its results of operations, cash flows, or financial position.

There are certain pending legal proceedings related to matters arising after the IPO that are not indemnified by Sunoco. Our management believes that any liabilities that may arise from these legal proceedings will not be material to our results of operations, financial position or cash flows at September 30, 2016.

For additional information related to these proceedings, refer to the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 26, 2016, and Forms 10-Q for the periods ended March 31, 2016 and June 30, 2016, filed on May 5, 2016 and August 4, 2016, respectively.

Item 1A. Risk Factors

There have been no material changes from the risk factors described previously in Part I, Item 1A. of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 26, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 2.1 Membership Interest Purchase Agreement, dated as of August 2, 2016, by and between Bakken Holdings Company LLC and MarEn Bakken Company LLC
- 2.1.1 Schedules and Exhibits to Membership Interest Purchase Agreement omitted from this filing. Registrant hereby undertakes, pursuant to Regulation S-K Item 601(b)(2) to furnish any such schedules and exhibits to the SEC supplementally, upon request
- 3.1* Amendment No. 7 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P. dated as of September 26, 2016 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-31219, filed September 26, 2016)
- 4.1* Fourteenth Supplemental Indenture, dated as of July 12, 2016, by and among Sunoco Logistics Partners Operations L.P., as issuer, Sunoco Logistics Partners L.P., as guarantor, and U.S. Bank National Association as successor trustee (incorporated by reference to Exhibit 4.1 of Form 8-K, File No. 1-31219, filed July 12, 2016)
- 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges
- 31.1 Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
- 31.2 Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
- 32.1 Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. § 1350
- 32.2 Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. § 1350
- 101.1 The following financial information from Sunoco Logistics Partners L.P.'s Quarterly Report on Form 10-Q for the nine months ended September 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive Income; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Cash Flows; (iv) the Condensed Consolidated Statements of Equity; and (v) the Notes to Condensed Consolidated Financial Statements

* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

We are pleased to furnish this Form 10-Q to unitholders who request it by writing to:

Sunoco Logistics Partners L.P.
Investor Relations
3807 West Chester Pike
Newtown Square, PA 19073

or through our website at www.sunocologistics.com.

SIGNATURE

Pursuant to the requirements 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.

Sunoco Logistics Partners L.P.

By: /s/ PETER J. GVAZDAUSKAS

**Peter J. Gvazdauskas
Chief Financial Officer and Treasurer
Sunoco Partners LLC**

Date: November 9, 2016

MEMBERSHIP INTEREST PURCHASE AGREEMENT

dated as of

August 2, 2016

by and between

BAKKEN HOLDINGS COMPANY LLC

(as Seller)

and

MAREN BAKKEN COMPANY LLC

(as Buyer)

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Schedule 6.3 Buyer's No Conflicts

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this “*Agreement*”), dated as of August 2, 2016 (the “*Execution Date*”), is entered into by and between Bakken Holdings Company LLC, a Delaware limited liability company (“*Seller*”), and MarEn Bakken Company LLC, a Delaware limited liability company (“*Buyer*”). Seller and Buyer are sometimes referred to collectively herein as the “*Parties*” and each individually a “*Party*.”

RECITALS

WHEREAS, Seller is the owner of 100% of the issued and outstanding membership interests (the “*Membership Interests*”) of Bakken Pipeline Investments LLC, a Delaware limited liability company (the “*Company*”);

WHEREAS, the Company owns (a) 100% of the issued and outstanding membership interests of Dakota Access Holdings LLC, a Delaware limited liability company (“*Dakota Access Holdings*”), and (b) 100% of the issued and outstanding membership interests of ETCO Holdings LLC, a Delaware limited liability company (“*ETCO Holdings*” and, together with Dakota Access Holdings, the “*Holding Companies*,” and each individually a “*Holding Company*”);

WHEREAS, (a) Dakota Access Holdings owns 75% of the issued and outstanding membership interests of Dakota Access, LLC, a Delaware limited liability company (“*Dakota Access*”), (b) ETCO Holdings owns 75% of the issued and outstanding membership interests of Energy Transfer Crude Oil Company LLC, a Delaware limited liability company (“*ETCO*” and, together with Dakota Access, the “*Development Companies*,” and each individually a “*Development Company*”), (c) Dakota Access owns 100% of the issued and outstanding membership interests of Dakota Access Truck Terminals, LLC, a Delaware limited liability company (“*Dakota Truck*”) and (d) ETCO owns 100% of the issued and outstanding membership interests of Eastern Gulf Crude Access LLC, a Delaware limited liability company (“*EGCA*”) (the Development Companies, the Holding Companies, Dakota Truck and EGCA are sometimes referred to collectively herein as the “*Subsidiaries*” and each individually a “*Subsidiary*”); and

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, at the Closing, 49% of the Membership Interests (the “*Transferred Interests*”), subject to the terms and conditions described in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. Capitalized terms used in this Agreement but not otherwise defined shall have the meanings given to such terms in Appendix I.

Section 1.2 Rules of Construction.

(a) All Article, Section, Appendix, Schedule and Exhibit references used in this Agreement are to Articles and Sections of, and Appendixes, Schedules and Exhibits to, this Agreement unless otherwise specified. The Appendix, Schedules and Exhibits attached to this Agreement constitute a part of this Agreement. The words “hereof,” “hereto,” “hereby,” “herein,” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular Section or Article in which such words appear. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

(b) If a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb). Unless the context of this Agreement clearly requires otherwise, terms and titles (including terms defined herein) in the singular have the corresponding meanings in the plural (and vice versa) and words importing the masculine gender shall include the feminine and neutral genders and vice versa. The terms “include,” “includes” or “including” shall mean “including without limitation.” All references to currency or to “\$” herein shall be to, and all payments required hereunder shall be paid in, Dollars. All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP. References to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified (including any waiver or consent) and in effect from time to time in accordance with the terms thereof. Time is of the essence in this Agreement.

(c) Except as expressly provided otherwise in this Agreement, references to any Law or agreement means such Law or agreement as it may be amended from time to time.

(d) The Parties acknowledge that each Party and its attorneys have reviewed this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party, or any similar rule operating against the drafter of an agreement, shall not be applicable to the construction or interpretation of this Agreement.

ARTICLE II
TRANSFER OF TRANSFERRED INTERESTS

Section 2.1 Transfer of Transferred Interests. Upon the terms and subject to the conditions set forth herein, at the Closing, Seller shall sell, assign, transfer and convey the Transferred Interests to Buyer, and Buyer will purchase, acquire and accept from Seller the Transferred Interests.

**ARTICLE III
CONSIDERATION**

Section 3.1 Consideration. The consideration for the sale and purchase of the Transferred Interests contemplated by Section 2.1, shall be an amount equal to TWO BILLION AND NO/100 (\$2,000,000,000) (the "**Purchase Price**"), paid to Seller in cash at Closing by wire transfer of immediately available funds to an account designated by Seller.

Section 3.2 Guaranties. On the Execution Date, (a) Buyer shall deliver to Seller a guaranty from (i) Enbridge Energy Partners, L.P., in favor of Seller, of an undivided seventy-five percent (75%) of Buyer's obligations under this Agreement and (ii) Marathon Petroleum Corporation, in favor of Seller, of an undivided twenty-five percent (25%) of Buyer's obligations under this Agreement; and (b) Seller shall deliver to Buyer a guaranty from Energy Transfer Partners, L.P., in favor of Buyer, of Seller's obligations under this Agreement.

**ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby represents and warrants to Buyer as of the Execution Date as follows:

Section 4.1 Organization of Seller. Seller is duly formed, validly existing and in good standing under the Laws of the state of its formation.

Section 4.2 Authorization; Enforceability. Seller has all requisite power and authority to execute and deliver this Agreement and each Transaction Document to which Seller is a party, to sell the Transferred Interests and to perform all other obligations to be performed by Seller hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and each Transaction Document to which Seller is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all action on the part of Seller. This Agreement constitutes, and each Transaction Document to which Seller is a party, when duly and validly executed and delivered by Seller will constitute (assuming due authorization, execution and delivery by Buyer and any other Persons party thereto that is not an Affiliate of Seller), legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at Law).

Section 4.3 No Conflict. Except as set forth on Schedule 4.3, Seller's execution, delivery and performance of this Agreement and the Transaction Documents to which Seller is a party and the consummation of the transactions contemplated hereby and thereby by Seller shall not:

- (a) violate or result in a breach of, or conflict with or require the consent of any Person under, any of the terms, conditions or provisions of the Organizational Documents of Seller;
- (b) materially violate or result in a material breach of any provision of any Laws applicable to Seller; or
- (c) conflict with, result in a violation or breach of, constitute a default under or an event that, with or without notice or lapse of time, or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract to which Seller is a party or by which Seller or any of its assets is bound, except for any such violations or defaults which would not reasonably be expected to result in a material impairment of Seller's ability to perform its obligations hereunder and under the Transaction Documents.

Section 4.4 Consents: Transfer Restrictions. Except (a) for Customary Post-Closing Consents and (b) for immaterial Consents, no Consent is required to be obtained by Seller in connection with Seller's execution, delivery or performance of this Agreement and the Transaction Documents to which Seller is a party, the transfer of the Transferred Interests to Buyer or the consummation of the transactions contemplated by this Agreement or any Transaction Document by Seller.

Section 4.5 Title to Transferred Interests. The Transferred Interests, (a) are owned beneficially and of record by Seller and Seller has good and valid title thereto, are free and clear of all Liens and are not subject to any agreements or understandings among any Persons with respect to the voting or transfer thereof other than as set forth in the LLC Agreement and this Agreement and (b) are not subject to any outstanding subscriptions, options, convertible securities, warrants, calls or other securities granting rights to purchase or otherwise acquire any of such Transferred Interests or, except for this Agreement, any commitments or agreements of any character obligating Seller to transfer any of such Transferred Interests. The Transferred Interests are duly authorized, validly issued, fully paid and, subject to the Laws of the State of Delaware, non-assessable, and were not issued in violation of any applicable Laws, the Organizational Documents of Seller or the Company, or any purchase option, call option, right of first refusal, preemptive right or other similar right.

Section 4.6 Brokers' Fees. Seller has no liability or obligation to pay any fees or commissions to any broker, finder, agent or other Person with respect to the transactions contemplated hereby or the Transactions for which the Company, the Subsidiaries, Buyer or its Affiliates will become liable or obligated.

Section 4.7 Litigation. Except as set forth on Schedule 5.5, there is no Proceeding (filed by any Person other than Buyer or any of its Affiliates) pending or, to Seller's Knowledge, threatened against Seller by or before any Governmental Authority that would reasonably be expected to result in a material adverse effect on Seller's ability to consummate the transactions contemplated by this Agreement or any of the Transactions or which seeks an Order restraining, enjoining or otherwise prohibiting or making illegal any of the Transactions or the transactions contemplated hereby.

Section 4.8 No Bankruptcy. There are no bankruptcy Proceedings pending against, being contemplated by or, to the Knowledge of Seller, threatened against or affecting Seller.

ARTICLE V
REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY AND ITS SUBSIDIARIES

Seller hereby represents and warrants to Buyer as of the Execution Date as follows:

Section 5.1 Organization.

(a) The Company is a limited liability company duly formed and validly existing under the Laws of the State of Delaware. The Company has all requisite power and authority to own and operate its property and to carry on its business as presently conducted by it. The Company is duly licensed, qualified or otherwise authorized to conduct business and is in good standing under the Laws of each jurisdiction in which it carries on business or owns assets and such qualification is required by Law, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

(b) Each Subsidiary is a limited liability company duly formed and validly existing under the Laws of the State of Delaware. Each Subsidiary has all requisite power and authority to own and operate its property and to carry on its business as presently conducted by it. Each Subsidiary is duly licensed, qualified or otherwise authorized to conduct business and is in good standing under the Laws of each jurisdiction in which it carries on business or owns assets and such qualification is required by Law, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

(c) True and complete copies of the Organizational Documents of the Company and each of the Subsidiaries and all amendments thereto have been furnished to Buyer. There are no uncured or continuing violations, breaches of, or defaults under any provisions of the Organizational Documents of the Company or any Subsidiary (other than the Development Companies). There are no uncured or continuing violations, breaches of, or defaults under any provisions of either Development Company Agreement by the Holding Company party thereto or, to Seller's Knowledge, the other party thereto.

(d) Schedule 5.1(d) sets forth a true and complete listing of each manager, director and officer of the Company and each of the Subsidiaries.

Section 5.2 No Conflict. Except as set forth on Schedule 5.2, Seller's execution, delivery and performance of this Agreement and Seller's execution, delivery and performance of the Transaction Documents to which Seller is a party and the consummation of the transactions contemplated hereby and thereby by Seller shall not:

(a) violate or result in a breach of, or conflict with or require the consent (which has not previously been obtained) of any Person (other than Seller) under, any of the terms, conditions or provisions of the Organizational Documents of the Company or any Subsidiary;

(b) materially violate or result in a material breach of any provision of any Laws applicable to the Company or the Subsidiaries;

(c) conflict with, result in a material violation or material breach of, constitute a material default under or constitute an event that with or without notice or lapse of time, or both, would constitute a material default under, accelerate or permit the acceleration, termination, modification or cancellation of the performance required by, any Material Contract, Real Property Interest or Permit; or

(d) result in the creation or imposition of any Lien (other than Permitted Liens) on any assets of the Company or any of the Subsidiaries.

Section 5.3 Consents: Transfer Restrictions. Except (a) as set forth on Schedule 5.3, (b) under Contracts that are not Material Contracts and are terminable upon not greater than 60 days' notice without payment of a fee, (c) for Customary Post-Closing Consents and (d) for immaterial Consents, no Consent is required to be obtained by the Company or any Subsidiary in connection with the execution, delivery and performance of this Agreement, the transfer of the Transferred Interests to Buyer or the consummation of the transactions contemplated by this Agreement or any Transaction Document.

Section 5.4 Contracts.

(a) Schedule 5.4(a) sets forth the following Applicable Contracts in effect as of the Execution Date (the Applicable Contracts listed or which should have been listed on Schedule 5.4(a), each being a "**Material Contract**");

(i) the Senior Secured Credit Facility;

(ii) the Operating Agreements and the CMAs;

(iii) each Applicable Contract forming or establishing any partnership or joint venture;

(iv) each Applicable Contract with Seller or any Affiliate of Seller;

(v) each Applicable Contract that constitutes a non-competition agreement, covenant not to compete or any agreement that purports to restrict, limit or prohibit the manner in which, or the locations in which, the assets of the Company or any Subsidiary are or may be located, including area of mutual interest Contracts;

(vi) each Applicable Contract providing transportation services on the Assets which contains a most favored nation or similar provision;

(vii) each Applicable Contract that can reasonably be expected to result in aggregate annual revenues for the Company or any Subsidiary in excess of \$7,500,000 in the aggregate;

(viii) each Applicable Contract involving the procurement of goods or services in respect of the construction of the Applicable Facilities providing for payments by the Company or any Subsidiary in excess of \$75,000,000 in the aggregate;

(ix) each Applicable Contract involving the procurement of goods or services in respect of the operation of the Applicable Facilities providing for payments by the Company or any Subsidiary in excess of \$5,000,000 in the aggregate; and

(x) each Applicable Contract not involving the procurement of goods or services in respect of the construction or operation of the Applicable Facilities providing for payments by the Company or any Subsidiary in excess of \$5,000,000 in the aggregate.

(b) True and complete copies of all Material Contracts have been made available to Buyer. Each of the Material Contracts is in full force and effect and constitutes a legal, valid, binding and enforceable obligation of the Company or a Subsidiary and, to the Knowledge of Seller, of the counterparties to such Material Contracts, except that the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement or other similar Laws relating to or affecting the rights of creditors generally, or by general equitable principles. None of the Company, the Subsidiaries nor Seller has received written notice alleging the Company or any Subsidiary to be in or, to Seller's Knowledge, is in (and, to Seller's Knowledge, no counterparty is in), breach or default in any material respect (and, to Seller's Knowledge, no situation exists which with the passing of time or giving of notice, or both, would create a breach or default) of its (or the counterparties') material obligations under the Material Contracts.

Section 5.5 Litigation. Except as disclosed on Schedule 5.5, there is no Proceeding pending or, to Seller's Knowledge, threatened by or against the Company or any Subsidiary by or before any Governmental Authority or that seeks an Order restraining, enjoining or otherwise prohibiting or making illegal any of the Transactions or the transactions contemplated hereby. Except as set forth on Schedule 5.5, there are no outstanding material Orders and no unsatisfied material judgments, penalties or awards against or affecting the Company, any Subsidiary, or any of their respective assets. Seller, the Company and the Subsidiaries, as applicable, are in compliance with the terms of each Order set forth on Schedule 5.5.

Section 5.6 Taxes. Except as set forth on Schedule 5.6, (a) all Tax Returns required to be filed by the Company or any Subsidiary have been filed; (b) all Taxes due and payable by the Company or any Subsidiary have been paid whether or not shown as due on such Tax Returns; (c) there are no Liens (other than Permitted Liens) on any of the assets (including the Assets) of the Company or any Subsidiary that arose in connection with the failure to pay any Tax by the Company or any Subsidiary; (d) there are no Proceedings, claims or notices of deficiency pending against or threatened in writing against the Company or any Subsidiary in connection with any Tax; (e) no Tax Returns of the Company or any Subsidiary are currently under audit or examination by any Governmental Authority; (f) there are no agreements or waivers currently in effect that provide for an extension of time with respect to the filing of any Tax Return by the Company or any Subsidiary or the assessment or collection of any Tax from

the Company or any Subsidiary; (g) no written claim has been made by any Governmental Authority in a jurisdiction where the Company or any Subsidiary does not file a Tax Return or pay a Tax directly that it is or may be required to file a Tax Return or pay a Tax (as the case may be) in that jurisdiction; (h) none of the Company or any Subsidiary (i) has entered into any agreement or arrangement with any Governmental Authority that requires it to take any action or refrain from taking any action with respect to Tax matters, (ii) is a party to any agreement with any Governmental Authority with respect to Tax matters that would be terminated or adversely affected as a result of the consummation of the transactions contemplated by this Agreement, (iii) has participated in, is currently participating in, or has any liability for the payment of any Tax resulting from a Person's participation in, any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b) (and all predecessor regulations) or any transaction requiring disclosure under a corresponding or similar provision of state, local or foreign Tax Law), (iv) is a party to any Tax sharing, allocation, indemnity or any similar written or unwritten agreement, arrangement, understanding or practice relating to Taxes with any Person other than the Company and/or any Subsidiary, or (v) has ever been a member of a Consolidated Group and has potential liability for the Taxes of any Person (in each case, other than with respect to the Company, the Seller and/or any Subsidiary) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Tax Law), as a transferee or successor, by contract or otherwise; and (j) since its formation, the Company and each Subsidiary (i) has either been classified as a partnership or disregarded as an entity separate from its owner for U.S. federal income tax purposes (and state, local or foreign income Tax purposes where applicable) and (ii) has not filed any election to be classified as an association taxable as a corporation for U.S. federal income tax purposes (or for state, local or foreign income Tax purposes where applicable). Notwithstanding any provision in this Agreement to the contrary, (A) the representations and warranties in this Section 5.6 are being made only with respect to Taxes that relate to the Company or any Subsidiary and (B) this Section 5.6 shall be the exclusive representations and warranties of Seller with respect to Tax matters, and no other representations or warranties are made with respect to such matters, including pursuant to Section 5.5 or Section 5.7.

Section 5.7 Compliance with Laws.

(a) Except as set forth on Schedule 5.7(a), to Seller's Knowledge, none of the Company nor any Subsidiary is, nor has been since March 5, 2014, in violation in any material respect of any Laws as in effect on the Execution Date with respect to the Company or any Subsidiary or their respective assets.

(b) Set forth on Schedule 5.7(b) is a list of all material Permits obtained by the Company and the Subsidiaries as of the Execution Date which are necessary under Law in connection with the conduct of their businesses and the ownership, construction, operation and maintenance of their assets (including the Assets), other than immaterial and routine Permits that are expected to be obtained in the ordinary course of business that will not delay construction and operation. To Seller's Knowledge, none of the Company nor any Subsidiary is in default or violation in any material respect (and, to Seller's Knowledge, no event has occurred which, with the passing of time or giving of notice, or both, would constitute a default or violation in any material respect) of any term, condition or provision of any such Permit.

(c) Except as set forth on Schedule 5.7(c), to Seller's Knowledge, the Company and each of the Subsidiaries holds all material Permits necessary for the lawful conduct of its business and the ownership, construction, operation and maintenance by it of its assets, including its Assets, other than immaterial and routine Permits that are expected to be obtained in the ordinary course of business that will not delay construction and operation.

(d) This Section 5.7 does not include any representations or warranties with respect to Environmental Laws, with such representations or warranties being exclusively addressed in Section 5.8, or Tax representations or warranties, with such representations or warranties being exclusively addressed in Section 5.6.

Section 5.8 Environmental Matters.

(a) Buyer has been provided prior to the Execution Date with true and complete copies of, or access to true and correct copies of, any and all Phase I or Phase II Environmental Site Assessments and other reports or documents materially bearing on environmental, health or safety matters of the Company, its Subsidiaries or their assets, including the Assets that are in the possession or reasonable control of Seller, the Company or any Subsidiary for the Real Property Interests in which the Company or any Subsidiary owns an interest.

(b) Except as disclosed on Schedule 5.8(b) or as disclosed in the documents made available to Buyer as described in Section 5.8(a) above (provided that the application of any disclosure in such documents to this Section 5.8 must be reasonably apparent on the face of such disclosure):

(i) to Seller's Knowledge, the Company and the Subsidiaries are in material compliance with all Environmental Laws and none of the Company nor any Subsidiary has received a written notice, report or other information from any Governmental Authority of any actual or alleged material violations or liabilities under of any applicable Environmental Laws;

(ii) no Proceeding is pending or, to Seller's Knowledge, threatened against or affecting the Company or any Subsidiary by or before any Governmental Authority with respect to the Company's or any Subsidiary's compliance with or liability under any Environmental Laws;

(iii) neither the Company nor any of the Subsidiaries is subject to any outstanding governmental order, "consent order" or other agreement with a Governmental Authority pursuant to Environmental Laws;

(iv) to Seller's Knowledge, there has been no Release of Hazardous Substances into the environment by the Company or any of the Subsidiaries that could reasonably be expected to give rise to or result in any material Environmental Liability relating to any of the assets in which the Company or any of the Subsidiaries owns an interest (including the Assets) or for which the Company or any Subsidiary could have liability;

(v) none of Seller, the Company nor any of the Subsidiaries has received written inquiry or notice of any actual or alleged Environmental Liabilities, contingent or otherwise, arising from the assets in which the Company or any of the Subsidiaries owns an interest; and

(vi) neither the Company nor any of the Subsidiaries has received written notice or, to Seller's Knowledge, there is no pending or threatened claim, concerning potential material liabilities to the Company or the Subsidiaries under Environmental Laws as a result of the transportation, storage or disposal of Hazardous Materials.

(c) Set forth on Schedule 5.8(c) is a list of all material Environmental Permits obtained by the Company and the Subsidiaries as of the Execution Date which are necessary under Law in connection with the conduct of their businesses and the ownership, construction, operation and maintenance of their assets (including the Assets), other than immaterial and routine Permits that are expected to be obtained in the ordinary course of business that will not delay construction and operation. To Seller's Knowledge, none of the Company nor any Subsidiary is in default or violation in any material respect (and, to Seller's Knowledge, no event has occurred which, with the passing of time or giving of notice, or both, would constitute a default or violation in any material respect) of any term, condition or provision of any such Environmental Permit. To Seller's Knowledge, the Company and each of the Subsidiaries holds all material Environmental Permits necessary for the lawful conduct of its business and the ownership, construction, operation and maintenance by it of its assets (including its Assets), other than immaterial and routine Permits that are expected to be obtained in the ordinary course of business that will not delay construction and operation.

(d) Notwithstanding any other provision of this Agreement to the contrary, this Section 5.8 contains the sole and exclusive representations and warranties of Seller with respect to applicable Environmental Laws, Proceedings relating to Environmental Laws, Hazardous Substances and any other environmental matters.

Section 5.9 Membership Interests. Except as set forth on Schedule 5.9:

(a) The Membership Interests constitute all of the issued and outstanding Interests in the Company. The Company does not own or lease any assets other than all of the issued and outstanding Interests in each Holding Company. Dakota Access Holdings does not own or lease any assets other than a 75% Percent Interest (as defined in the Development Company Agreement for Dakota Access) in Dakota Access. ETCO Holdings does not own or lease any assets other than a 75% Percent Interest (as defined in the Development Company Agreement for ETCO) in ETCO. Dakota Access owns all of the issued and outstanding Interests in Dakota Truck. ETCO owns all of the issued and outstanding Interests in EGCA. Each of such Interests owned by the Company, Dakota Access Holdings, ETCO Holdings, or Dakota Access, as applicable, (i) are owned by it beneficially and of record free and clear of all Liens and are not subject to any agreements or understandings among any Persons with respect to the voting or transfer thereof (other than in the Organizational Documents of the Company, Dakota Access Holdings, Dakota Access, ETCO Holdings, ETCO, Dakota Truck or EGCA, as applicable); (ii) are not subject to any outstanding subscriptions, options, convertible securities, warrants, calls or

other securities granting rights to purchase or otherwise acquire any of such Interests or any commitments or agreements of any character obligating the Company, Dakota Access Holdings and ETCO Holdings, as applicable, to transfer any of such Interests (other than as set forth in the Organizational Documents of the Company, Dakota Access Holdings, Dakota Access, ETCO Holdings, ETCO, Dakota Truck or EGCA, as applicable); and (iii) are duly authorized, validly issued, fully paid and, subject to the Laws of the State of Delaware, non-assessable, and were not issued in violation of any applicable Laws, the Organizational Documents of the Company, Dakota Access Holdings or ETCO Holdings, as applicable, or any purchase option, call option, right of first refusal, preemptive right or other similar right.

(b) Excluding the Subsidiaries, none of the Company, the Holding Companies, the Development Companies, Dakota Truck and EGCA have any subsidiaries or Interests in any Person.

Section 5.10 Title Matters; Real Property Interests. To Seller's Knowledge, the Company and each Subsidiary has (i) good and indefeasible title to the Real Property Interests which it owns in fee, and (ii) a valid leasehold interest in the Real Property Interests which it leases, subject to the terms of the leases; in each case, free and clear of all Liens other than Permitted Liens.

(b) To Seller's Knowledge, (i) the Company and each Subsidiary and each of the counterparties is in material compliance with, and not in default in any material respects under, each real property lease, easement, servitude, right-of-way and surface right that constitutes a Real Property Interest; (ii) no event has occurred or circumstance exists that, with or without the delivery of notice, the passage of time or both, would constitute a material default under, or permit the termination, modification or acceleration of amounts due under any such agreement; and (iii) each such agreement is legal, valid, binding, enforceable and in full force and effect, subject to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally.

(c) To Seller's Knowledge, the Company and each Subsidiary has good and valid title to all of the Personal Property free and clear of all Liens other than Permitted Liens.

Section 5.11 Balance Sheet.

(a) The Balance Sheet, which is attached as Schedule 5.11(a), (a) has been derived from the books and records of the Company, (b) has been prepared in accordance with GAAP consistently applied throughout the periods covered thereby (except for, in the case of interim statements, normal year-end adjustments and the absence of footnote disclosure that, if presented, would not differ materially from those presented in an audited balance sheet), and (c) fairly presents in all material respects the financial condition of the Company as of the Balance Sheet Date.

(b) The Company has no liabilities of the type required to be reflected on a balance sheet prepared in accordance with GAAP, except for (i) liabilities which are adequately reflected in or reserved against in the Balance Sheet, (ii) liabilities evidenced by the Senior

Secured Credit Facility and (iii) liabilities which have been incurred in the Ordinary Course of Business since the Balance Sheet Date.

Section 5.12 Indebtedness. Except as set forth in Schedule 5.12 and liabilities evidenced by the Senior Secured Credit Facility, the Company and the Subsidiaries have no Indebtedness from or to any Person.

Section 5.13 Credit Support. Schedule 5.13 lists all guarantees, letters of credit, sureties, performance, or other bonds, cash or other collateral or similar credit support arrangements (the “*Support Instruments*”) maintained by Seller or any of its Affiliates (excluding the Company or any Subsidiary) with respect to the Company, any Subsidiary or the Assets, true and complete copies of which have been made available to Buyer.

Section 5.14 Employees; Benefit Plan Matters. Neither the Company nor any Subsidiary has or ever has had any employees. None of Seller, the Company or any of the Subsidiaries maintains, sponsors, contributes to, or is a participating employer of, nor has Seller, the Company or any of the Subsidiaries ever maintained, sponsored, contributed to or participated in, any Benefit Plan.

Section 5.15 Insurance. Schedule 5.15(a) sets forth a summary of all insurance policies maintained by or on behalf of the Company and the Subsidiaries. All such insurance policies are in full force and effect and all related premiums due and payable with respect thereto have been paid. Except as set forth in Schedule 5.15(b), there is no material claim pending under any such insurance policies as to which coverage has been denied by the insurer other than customary indications as to reservation of rights by insurers listed on Schedule 5.15(a) and none of Seller, the Company nor any of the Subsidiaries has received written notice of cancellation of any such insurance policies.

Section 5.16 Brokers Fees. Neither the Company nor any Subsidiary has any liability or obligation to pay any fees or commissions to any broker, finder, agent or other Person with respect to the transactions contemplated hereby or the Transactions.

Section 5.17 No Bankruptcy. There are no bankruptcy Proceedings pending against, being contemplated by or, to the Knowledge of Seller, threatened against or affecting the Company or any of the Subsidiaries.

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the Execution Date as follows:

Section 6.1 Organization of Buyer. Buyer is a limited liability company, duly organized and validly existing under the Laws of the State of Delaware, is qualified to do business and is in good standing under the Laws of any jurisdiction where such qualification is necessary, and has full power and right to carry on its business as such is now being conducted.

Section 6.2 Authorization; Enforceability. Buyer has all requisite power and authority to execute and deliver this Agreement and each Transaction Document to which Buyer

is a party, to purchase the Transferred Interests on the terms described herein and to perform all obligations to be performed by Buyer hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and each Transaction Document to which Buyer is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all limited liability company action required on the part of Buyer. This Agreement constitutes, and each Transaction Document to which Buyer is a party, when duly and validly executed and delivered by Buyer will constitute (assuming due authorization, execution and delivery by Seller and any other Persons party thereto that is not an Affiliate of Buyer), legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at Law).

Section 6.3 No Conflict; Consents. Except as set forth on Schedule 6.3, Buyer's execution, delivery and performance of this Agreement and the Transaction Documents to which Buyer is a party and the consummation of the transactions contemplated hereby and thereby by Buyer shall not:

- (a) violate or result in a breach of, or conflict with or require the consent of any Person under, any of the terms, conditions or provisions of the Organizational Documents of Buyer;
- (b) violate or result in a material breach of any provision of any Laws applicable to Buyer; or
- (c) conflict with, result in a breach of, constitute a default under or constitute an event that with notice or lapse of time, or both, would constitute a default under, accelerate or permit the acceleration of the performance required by any Contract to which Buyer is a party or bound, except where such conflict, breach, default or acceleration would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement and the Transaction Documents and to perform its obligations hereunder and thereunder.

Section 6.4 Consents and Approvals. Except (a) for Customary Post-Closing Consents and (b) for immaterial Consents, no Consent is required to be obtained by Buyer in connection with the execution, delivery or performance of this Agreement or the Transaction Documents or the consummation of the transactions contemplated hereby or thereby by Buyer.

Section 6.5 Litigation. As of the Execution Date, there is no Proceeding (filed by any Person other than Seller or any of its Affiliates) pending or, to Buyer's Knowledge, threatened by or against the Buyer by or before any Governmental Authority that would reasonably be expected to result in a material adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement or that seeks an Order restraining, enjoining or otherwise prohibiting or making illegal any of the Transactions or the transactions contemplated hereby.

Section 6.6 Brokers' Fees. Neither Buyer nor any of its Affiliates has any liability or obligation to pay any fees or commissions to any broker, finder, agent or other Person with respect to the transactions contemplated hereby or the Transactions for which Seller or its Affiliates will become liable or obligated.

Section 6.7 Financial Ability. Buyer, at the Closing, will have funds sufficient to (a) pay the Purchase Price and any other expenses incurred by Buyer in connection with this Agreement; (b) fund the consummation of the transactions contemplated by this Agreement and the Transaction Documents; and (c) satisfy all other costs and expenses arising in connection herewith and therewith, each without delay and without causing Buyer to become insolvent or declare insolvency.

Section 6.8 Regulatory. Buyer is now, and hereafter shall continue to be, qualified per all regulations of applicable Governmental Authorities and other Laws to own the Transferred Interests; and the consummation of the transactions contemplated in this Agreement will not cause Buyer to be disqualified as such an owner.

Section 6.9 Independent Evaluation. Buyer is sophisticated in the evaluation, purchase, ownership and operation of crude oil pipeline assets and facilities. In making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, except for its reliance on Seller's representations and warranties in Article IV and Article V, Buyer (a) has relied or shall rely solely on its own independent investigation and evaluation of the Company, the Subsidiaries and the Assets and the advice of its own legal, Tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and the Transaction Documents and not on any comments, statements, projections or other materials made or given by Seller or any of its Affiliates or Representatives, and (b) has satisfied or will satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Company, the Subsidiaries and the Assets. Without limiting the generality of the foregoing, Buyer acknowledges that, except to the extent expressly set forth in this Agreement or the Transaction Documents, none of Seller, the Company, the Subsidiaries nor any of their Representatives or Affiliates make any representation or warranty with respect to (a) any projections, estimates or budgets delivered to or made available to Buyer of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Company or the Subsidiaries or the future business and operations of the Company or the Subsidiaries, or (b) any other information or documents made available to Buyer or its Representatives with respect to the Company, the Subsidiaries or their businesses, Assets, liabilities or operations, and, except to the extent expressly set forth in this Agreement or the Transaction Documents, that all such projections, estimates, budgets or other information or documents have been furnished to Buyer solely as an accommodation. Buyer further acknowledges that it has not relied on any representation not expressly set forth in this Agreement.

Section 6.10 Accredited Investor. Buyer is acquiring the Transferred Interests for its own account as an investment without the present intent to sell, transfer or otherwise distribute the same to any other Person in violation of applicable securities Laws. Buyer has made, independently and without reliance on Seller (except to the extent that Buyer

has relied on the representations, warranties, covenants and agreements of Seller in this Agreement), its own analysis of the Transferred Interests and the Assets for the purpose of acquiring the Transferred Interests, and Buyer has had reasonable and sufficient access to documents, other information and materials as it considers appropriate to make its evaluations. Buyer is an “accredited investor,” as such term is defined in Regulation D of the Securities Act of 1933, as amended, and has acquired or will acquire the Transferred Interests for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act of 1933, as amended, and the rules and regulations thereunder, any applicable state blue sky Laws or any other applicable securities Laws.

ARTICLE VII COVENANTS

Section 7.1 Conduct of Business, Operation of Assets.

(a) From the Execution Date until the earlier of the Closing or the termination of this Agreement in accordance with Article XI, except (1) for Emergency Operations or (2) for the actions expressly permitted or required under the terms of this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably delayed, withheld or conditioned), Seller shall, and in its capacity as owner of the Membership Interests, Seller shall cause the Company and each Subsidiary to,:

(i) operate its assets (including the Assets) and its business, and maintain its books of account and Records, in the Ordinary Course of Business;

(ii) give written notice to Buyer as soon as is practicable of any written notice received or given by Seller, the Company or any Subsidiary with respect to any alleged breach by the Company, any Subsidiary or other Person of any Material Contract, Real Property Interest or Permit;

(iii) with respect to Emergency Operations, notify Buyer of such emergency and the related Emergency Operations as soon as reasonably practicable;

(iv) give prompt notice to Buyer of (A) any material damage or any casualty to any of the Assets, (B) any written notice received or made by Seller, the Company or any Subsidiary of any claim asserting any material tort or violation of Law or any new or threatened Proceeding, that (in each case) relates to or affects the Company, the Subsidiaries or the Assets; and (C) any breach by Seller of any representation, warranty, covenant or agreement of Seller contained in this Agreement;

(v) update Schedule 5.4(a) with each Applicable Contract entered into by the Company or any Subsidiary from and after the Execution Date that if such Applicable Contract would have been in place as of the Execution Date would have been required to be listed on Schedule 5.4(a) as permitted under this Agreement and furnish Buyer a copy thereof;

(vi) timely file all Tax Returns required to be filed by the Company or any Subsidiary and timely pay all Taxes due and payable by the Company or any Subsidiary; and

(vii) comply with the obligations set forth in Section 5.1(e) of the Company Agreement.

(b) Without limiting the generality or effect of Section 7.1(a), from the Execution Date until the earlier of the Closing or the termination of this Agreement in accordance with Article XI, except (1) for Emergency Operations or (2) for the actions expressly permitted or required under the terms of this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably delayed, withheld or conditioned), Seller shall not, and in its capacity as owner of the Membership Interests, Seller shall cause the Company and each Subsidiary not to, (i) take any action set forth in Section 5.1(c) or Section 15.6 of the Company Agreement or agree, whether in writing or otherwise, to take any action set forth therein or (ii) make any agreement or settlement with any Governmental Authority in respect of Taxes, file any amended Tax Return or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment.

Section 7.2 Access and Information. From the Execution Date until the earlier of the Closing or the termination of this Agreement in accordance with Article XI, but subject to the other provisions of this Section 7.2 and obtaining any required Consents of Third Parties (with respect to which Consents Seller shall use commercially reasonable efforts to obtain), Seller shall, and in its capacity as owner of the Membership Interests Seller shall cause the Company and each Subsidiary to, (a) afford to Buyer and its Representatives reasonable access, upon reasonable prior notice, during normal business hours, to the Records and (b) make available to Buyer and its Representatives, upon reasonable notice during normal business hours, Seller's and its Affiliates' personnel knowledgeable with respect to the Assets and the other assets of the Company and the Subsidiaries. Buyer shall not be permitted to conduct any physical inspection of the Assets except as, and under terms and conditions, agreed to by Seller; *provided, however*, that any request by Buyer for any such inspection shall not be unreasonably withheld, conditioned or delayed. All review and investigations conducted by Buyer or any of its Representative shall be conducted at Buyer's sole cost, risk and expense and any conclusions made from any examination done by Buyer or any of its Representative shall result from Buyer's own independent review and judgment. In addition, the review and investigations of Buyer shall not unreasonably interfere with the business of the Company or any Subsidiary or the safe commercial operations of the Assets. Buyer shall coordinate Buyer's and its Representatives' access rights (including with respect to Seller's personnel) with Seller to minimize any inconvenience to or interruption of the conduct of business by Seller, the Company and the Subsidiaries. Buyer shall hold in confidence all information reviewed and collected pursuant to this Section 7.2 on the terms and subject to the conditions contained in the Confidentiality Agreements. Notwithstanding anything to the contrary in this Section 7.2, Buyer shall have no right of access to, and neither Seller nor any of its Affiliates shall have any obligation to provide any (1) information the disclosure of which (A) would reasonably be expected to jeopardize any privilege available to Seller or its Affiliates, (B) would cause Seller or its Affiliates to breach a confidentiality obligation (provided that Seller and its Affiliates shall use commercially reasonable efforts to obtain a waiver of any such confidentiality obligation), or (C) would result in

a violation of Law, or (2) bids received from others in connection with the transactions contemplated by this Agreement (or similar transactions) and information and analyses (including financial analyses) relating to such bids.

Section 7.3 Regulatory Filings. From the Execution Date until the Closing:

(a) Buyer and Seller shall, and shall cause their respective Affiliates to, (i) make or cause to be made the filings required of such Party or any of its Affiliates under any Laws with respect to the transactions contemplated by this Agreement and the Transactions and to pay any fees due of it in connection with such filings, as promptly as is reasonably practicable, and in any event within ten (10) Business Days after the Execution Date, (ii) cooperate with the other Party and furnish all information in such Party's possession that is necessary in connection with such other Party's filings, (iii) use commercially reasonable efforts to cause the expiration of the notice or waiting periods under any Laws with respect to the transactions contemplated by this Agreement and the Transactions as promptly as is reasonably practicable, (iv) promptly inform the other Party of any communication from or to, and any proposed understanding or agreement with, any Governmental Authority in respect of such filings, (v) consult and cooperate with the other Party in connection with any analyses, appearances, presentations, memoranda, briefs, arguments and opinions made or submitted by or on behalf of any Party in connection with all meetings, actions and proceedings with Governmental Authorities relating to such filings, (vi) comply, as promptly as is reasonably practicable, with any requests received by such Party or any of its Affiliates under any Laws for additional information, documents or other materials, (vii) use commercially reasonable efforts to resolve any objections as may be asserted by any Governmental Authority with respect to the Transactions, and (viii) use commercially reasonable efforts to contest and resist any action or proceeding instituted (or threatened in writing to be instituted) by any Governmental Authority challenging the transactions contemplated by this Agreement or the Transactions as violative of any Law. If a Party intends to participate in any meeting with any Governmental Authority with respect to such filings, it shall give the other Party reasonable prior notice of, and an opportunity to participate in, such meeting.

(b) In connection with any such filings, Buyer shall cooperate in good faith with Governmental Authorities and, subject to Section 7.3(c), undertake promptly any and all commercially reasonable action required to complete lawfully the transactions contemplated by this Agreement and the Transactions. Buyer shall be entitled to direct any proceedings or negotiations with any Governmental Authority to the extent, and only to the extent, relating to any such actions, provided that it shall allow Seller to participate in each and every communication relating to any such actions.

(c) Notwithstanding anything provided in this Agreement to the contrary, neither Seller nor Buyer nor any of their respective Affiliates shall have any obligation to sell, divest, dispose, license, lease, operate, conduct in a specified manner, hold separate or discontinue or restrict or limit any assets, businesses, product lines, licenses, operations or interests to obtain the approval of any Governmental Authority.

Section 7.4 Consents. With respect to each Required Consent, prior to Closing, Seller shall send to the holder of each such Consent a notice in compliance with the

contractual provisions applicable to such Consent seeking such holder's consent to the transactions contemplated hereby (including the Transactions). Prior to Closing, Seller shall use its commercially reasonable efforts, with reasonable assistance from Buyer, to obtain all Required Consents; *provided, however*, that Seller shall not be required to incur any liability or pay any money in order to obtain any such Consent.

Section 7.5 Amendment of Schedules. Buyer agrees that, with respect to the representations and warranties of Seller contained in this Agreement, Seller shall have the continuing right until Closing to add, supplement or amend the Schedules to its representations and warranties with respect to any matter hereafter first arising which, if existing as of the Execution Date, would have been required to be set forth or described in such Schedules; provided that, Seller shall not have the right to add, supplement or amend any such Schedules for any matter arising out of or as a result of any breach by Seller of this Agreement. For all purposes of this Agreement, including for purposes of determining whether the conditions set forth in Section 8.1 have been fulfilled, the Schedules to Seller's representations and warranties contained in this Agreement shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any addition, supplement or amendment thereto (the "**Post-Signing Information**"); *provided, however*, that if Closing shall occur, and if Buyer would have had the right to terminate this Agreement on account of a breach of Seller's representations, warranties, covenants or agreements under this Agreement relating to the Post-Signing Information (such right having been confirmed in writing by Seller prior to Closing), then all Post-Signing Information disclosed pursuant to any such addition, supplement or amendment at or prior to Closing shall be waived and Buyer shall not be entitled to make a claim with respect thereto pursuant to the terms of this Agreement or otherwise.

Section 7.6 Further Assurances. Subject to the terms and conditions of this Agreement, through the Closing Date, each Party shall use its commercially reasonable efforts to take, or cause to be taken, all actions required by the terms of this Agreement of such Party that are reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement and the Transactions. Subject to the terms and conditions of this Agreement, at any time or from time to time after the Closing, at any Party's request and without further consideration, the other Party shall (and in the case of Buyer and Seller, each such Party shall use commercially reasonable efforts to cause the applicable members of the Company to) execute and deliver to such Party such other instruments of sale, transfer, conveyance, assignment and confirmation, provide such materials and information and take such other actions as such Party may reasonably request in order to consummate the transactions contemplated by this Agreement and the Transactions.

Section 7.7 Exclusivity. From the Execution Date until the earlier of the Closing or the termination of this Agreement in accordance with Article XI, Seller shall not, and shall not authorize or permit any of its Affiliates (including the Company and the Subsidiaries) or any of its or their Representatives to, directly or indirectly, (a) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (b) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (c) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. From the Execution Date until the earlier of the Closing or

the termination of this Agreement in accordance with Article XI, Seller shall immediately cease and cause to be terminated, and shall cause its Affiliates (including the Company and the Subsidiaries) and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, “*Acquisition Proposal*” shall mean any inquiry, proposal or offer from any Person (other than Buyer or any of its Affiliates) concerning (A) a merger, consolidation, liquidation, recapitalization or other business combination transaction involving Seller, the Company or any of the Subsidiaries; (B) the issuance or acquisition of membership interests in Seller, the Company or any of the Subsidiaries; or (C) the sale, lease, exchange or other disposition of any significant portion of the assets of Seller, the Company or any of the Subsidiaries.

Section 7.8 Senior Secured Credit Facility. Seller shall, and shall cause the Development Companies to, use reasonable best efforts to diligently take all necessary actions and other measures to effect the timely satisfaction of each of the conditions precedent to the advancement of Loans under the applicable requirements of the Senior Secured Credit Facility.

ARTICLE VIII CONDITIONS TO CLOSING

Section 8.1 Buyer’s Conditions to Closing. The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions, any one or more of which may be waived in writing by Buyer:

(a) *Representations*. Each of the representations and warranties of Seller contained in this Agreement shall be true and correct as of the Closing, as if made at and as of that time (other than such representations and warranties that expressly address matters only as of a certain date, which need only be true and correct as of such certain date) without giving effect to the words “material,” or “Material Adverse Effect” or words of similar import contained in such representations and warranties, except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; provided that (i) the Fundamental Representations shall be true and correct as of the Closing, as if made at and as of that time, in all respects and (ii) for purposes of this Section 8.1(a), the reference to “as of the Execution Date” in the lead in to Article IV and Article V, which precedes respectively Sections 4.1 and 5.1, shall be disregarded.

(b) *Performance*. Seller shall have performed or complied in all material respects with all of the covenants and agreements required by this Agreement to be performed or complied with by Seller prior to the Closing.

(c) *Closing Certificate*. Seller shall have delivered to Buyer an officer’s certificate dated the Closing Date certifying that the conditions specified in Section 8.1(a), if applicable, and Section 8.1(b) have been fulfilled.

(d) *No Action*. There shall not be in force any Law or Order restraining or prohibiting the consummation of the transactions contemplated by this Agreement and no Proceeding (excluding any Proceeding initiated by Buyer or any of its Affiliates) shall be

pending before any court or other Governmental Authority seeking to temporarily restrain, enjoin or otherwise prohibit or make illegal the consummation of the transactions contemplated by this Agreement or recover damages from Buyer, the Company, or any of the Subsidiaries resulting therefrom.

(e) *Deliveries*. Seller shall have delivered (or be ready, willing and able to deliver at Closing) the documents and other items required to be delivered by Seller under Section 9.2.

(f) *ACOE Release Date*. The “ACOE Release Date” (as defined in the Senior Secured Credit Facility) shall have occurred.

(g) *Consents and Approvals*. The Required Consents shall have been duly obtained, made or given and shall be in the full force and effect.

(h) *Material Adverse Effect*. A Material Adverse Effect shall not have occurred since the Execution Date.

Section 8.2 Conditions to the Obligations of Seller. The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions, any one or more of which may be waived in writing by Seller:

(a) *Representations*. Each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects (and in all respects, in the case of representations and warranties qualified by materiality qualifiers contained therein) as of the Closing, as if made at and as of that time (other than such representations and warranties that expressly address matters only as of a certain date, which need only be true and correct in all material respects (and in all respects, in the case of representations and warranties qualified by materiality qualifiers contained therein) as of such certain date; provided that, for purposes of this Section 8.2(a), the reference to “as of the Execution Date” in the lead in to Article VI, which precedes Section 6.1, shall be disregarded).

(b) *Performance*. Buyer shall have performed or complied in all material respects with all of the covenants and agreements required by this Agreement to be performed or complied with by Buyer prior to the Closing.

(c) *Closing Certificate*. Buyer shall have delivered to Seller an officer’s certificate dated the Closing Date certifying that the conditions specified in Section 8.2(a) and Section 8.2(b) have been fulfilled.

(d) *No Action*. There shall not be in force any Law or Order restraining or prohibiting the consummation of the transactions contemplated by this Agreement and no Proceeding (excluding any Proceeding initiated by Seller or any of its Affiliates) shall be pending before any court or other Governmental Authority seeking to temporarily restrain, enjoin or otherwise prohibit or make illegal the consummation of the transactions contemplated by this Agreement or recover damages from Seller, the Company, or any of the Subsidiaries resulting therefrom.

(e) *Deliveries*. Buyer shall have delivered (or be ready, willing and able to deliver at Closing) the documents and other items required to be delivered by Buyer under Section 9.3.

ARTICLE IX CLOSING

Section 9.1 Closing. The closing of the transactions contemplated by this Agreement (the “*Closing*”) shall take place at the offices of Porter Hedges LLP, 1000 Main Street, Houston, Texas 77002, commencing at 9:00 a.m. local time the fifth (5th) Business Day after all conditions to Closing in Section 8.1 or Section 8.2 have been satisfied or waived, or such other date as Buyer and Seller may mutually determine (the “*Closing Date*”).

Section 9.2 Seller Deliverables. At the Closing, Seller will execute and deliver, or cause to be executed and delivered, the following documents and deliverables to Buyer:

- (a) the Assignment;
- (b) the Company Agreement;
- (c) the Seller Parent Guaranties;
- (d) an executed statement(s) described in Section 1.1445-2(b)(2) of the Treasury Regulations certifying that Seller is not a disregarded entity nor a foreign person within the meaning of the Code and the Treasury Regulations promulgated thereunder;
- (e) the certificate referenced in Section 8.1(c); and
- (f) any other Transaction Documents that are required by other terms of this Agreement to be executed or delivered by Seller at the Closing.

Section 9.3 Buyer Deliverables. At the Closing, Buyer will execute (as appropriate) and deliver, or cause to be executed and delivered, the following documents and deliverables to Seller:

- (a) the Assignment;
- (b) the Company Agreement;
- (c) the Buyer Parent Guaranties;
- (d) to the accounts as designated by Seller prior to Closing, by direct bank or wire transfer in same day funds, the Purchase Price;
- (e) the certificate referenced in Section 8.2(c); and
- (f) any other Transaction Documents that are required by other terms of this Agreement to be executed or delivered by Buyer at the Closing.

ARTICLE X INDEMNIFICATION

Section 10.1 Survival.

(a) Subject to Section 10.1(b), (i) the representations and warranties of Seller contained in Article IV and Article V and in the certificate delivered pursuant to Section 8.1(c) and the representations and warranties of Buyer contained in Article VI and in the certificate delivered pursuant to Section 8.2(c) and (ii) the covenants and agreements of Seller and Buyer contained in this Agreement shall survive the Closing and shall, in each case, continue in force and effect until eighteen (18) months after the Closing Date, except that (A) the representations and warranties of (1) Seller contained in Section 4.1, Section 4.2, Section 4.3, Section 4.4, Section 4.5, Section 4.6, Section 5.1, Section 5.2, Section 5.3, Section 5.9 and Section 5.16 (collectively the “**Fundamental Representations**”) and (2) Buyer contained in Section 6.1, Section 6.2, Section 6.3, Section 6.4 and Section 6.6, shall survive indefinitely; (B) the representations and warranties of Seller contained in Section 5.6 (the “**Tax Representations**”) shall survive the Closing until thirty (30) days following the expiration of the applicable statute of limitations; and (C) any covenant or agreement which by its terms contemplates performance after the Closing Date, shall survive until the date that is 60 days after the earlier of (i) the date that such covenant or agreement expires by its terms or (ii) the expiration of any applicable statute of limitations. Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration, provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant or agreement prior to its expiration date.

(b) The indemnities in Section 10.2(a)(i), Section 10.2(a)(ii), Section 10.2(a)(iii), Section 10.3(a) and Section 10.3(b) shall terminate as of the termination date of each respective representation, warranty, covenant or agreement that is subject to indemnification. Notwithstanding the foregoing, there shall be no termination of any bona fide claim asserted pursuant to the indemnities in this Article X if a bona fide claim is asserted prior to the date of termination for the applicable indemnity.

Section 10.2 Indemnification Provisions for Benefit of Buyer.

(a) From and after the Closing and subject to the terms and conditions hereof, Seller shall indemnify, defend and hold harmless Buyer and its Affiliates and each of their respective members, managers, partners and Representatives (the “**Buyer Indemnified Parties**”) from and against any and all Damages incurred or suffered as a result of, relating to or arising out of:

(i) any breach prior to or as of the Closing Date of any representation or warranty made by Seller in Article IV; *provided, however*, in determining the amount of Damages arising out of, resulting therefrom or relating thereto, any materiality, Material Adverse Effect or other similar qualification contained therein shall be disregarded in its entirety;

(ii) any breach prior to or as of the Closing Date of any representation or warranty made by Seller in Article V; *provided, however*, in determining the amount of Damages arising out of, resulting therefrom or relating thereto, any materiality, Material Adverse Effect or other similar qualification contained therein shall be disregarded in its entirety;

(iii) any breach by Seller of any covenant or agreement made or to be performed by Seller pursuant to this Agreement; and

(iv) Seller Taxes.

Section 10.3 Indemnification Provisions for Benefit of Seller. From and after the Closing, Buyer shall indemnify, defend and hold harmless Seller and its Affiliates and each of their members, managers, partners and Representatives (the “***Seller Indemnified Parties***”) from and against any and all Damages incurred or suffered as a result of, relating to or arising out of:

(a) any breach of any representation or warranty prior to or as of the Closing Date made by Buyer in Article VI; and

(b) any breach by Buyer of any covenant or agreement made or to be performed by Buyer pursuant to this Agreement.

Section 10.4 Limitation on Liability.

(a) Notwithstanding anything herein to the contrary, (a) Seller will not be liable for any claim (or series of claims arising out of the same or related facts, events or circumstances) under Section 10.2(a)(i) or Section 10.2(a)(ii) for any Damages asserted against Seller thereunder unless such Damages for such claim (or series of claims arising out of the same or related facts, events or circumstances) exceed \$250,000 (the “***Indemnity Claim Threshold***”); (b) Seller will not be liable for any claim under Section 10.2(a)(i) or Section 10.2(a)(ii) until the Buyer Indemnified Parties have suffered aggregate Damages for claims under Section 10.2(a)(i) and Section 10.2(a)(ii) in excess of 1.0% of the Purchase Price paid to Seller (the “***Deductible***”); and (c) in no event shall Seller’s aggregate liability arising out of or related to this Agreement, whether relating to a breach of representation and warranty, covenant, agreement or obligation in this Agreement or otherwise and whether based on contract, tort, strict liability, other Laws or otherwise, exceed 10% of the Purchase Price paid to Seller, *provided however*, that the limitations in clauses (a), (b) and (c) shall not apply to any breach by Seller of any Fundamental Representation or Tax Representations and the limitations in clause (c) shall not apply to Seller’s obligations under Section 10.2(a)(iv). For the avoidance of doubt, (A) any Damages asserted against Seller hereunder that do not exceed the Indemnity Claim Threshold shall not be counted in determining the Deductible for Seller, and (B) the Buyer Indemnified Parties shall only be entitled to recover Damages from Seller in excess of the Deductible.

(b) Seller shall have no liability pursuant to this Article X in respect and to the extent of any item or any losses that have been reflected as a liability or reserve reflected on the Balance Sheet.

(c) Seller shall have no liability for any losses that represent the cost of remediations, repairs, replacements or improvements which enhance the value of the remediated, repaired, replaced or improved asset above its value on the Closing Date (assuming, solely for purposes of determining the value of such asset as of the Closing Date, that no such remediation, repair, replacement or improvement were necessary) or which represent the cost of remediation, repair or replacement exceeding the lowest reasonable cost of remediation, repair or replacement.

(d) The Parties shall have a duty to mitigate any loss for which indemnity is sought in connection with this Agreement. The Seller Indemnified Parties and the Buyer Indemnified Parties, as applicable, shall use their commercially reasonable efforts to seek Third Party and insurance recoveries in respect of losses. In the event any insurance proceeds or other recoveries from Third Parties are actually realized (in each case calculated net of reasonable Third Party out-of-pocket costs and expenses of such recoveries but not including any costs or expenses attributable to increases in insurance premiums) by a Seller Indemnified Party or a Buyer Indemnified Party subsequent to the receipt by such Indemnified Party of an indemnification or other payment hereunder in respect of the claims to which such insurance proceedings or Third Party recoveries relate, appropriate refunds shall be made promptly to the Indemnifying Party regarding the amount of such payment.

(e) Under no circumstance shall any Buyer Indemnified Party be permitted to offset any amounts owed by Seller to such Buyer Indemnified Party in respect of any indemnification obligation hereunder against any amounts owed by such Buyer Indemnified Party to Seller. Under no circumstance shall any Seller Indemnified Party be permitted to offset any amounts owed by Buyer to such Seller Indemnified Party in respect of any indemnification obligation hereunder against any amounts owed by such Seller Indemnified Party to Buyer.

Section 10.5 Procedures. Claims for indemnification under this Agreement shall be asserted and resolved as follows:

(a) If any Person entitled to seek indemnification under Section 10.2 or Section 10.3 (an “*Indemnified Party*”) receives notice of the assertion or commencement of any claim asserted against an Indemnified Party by a Third Party (“*Third Party Claim*”) in respect of any matter that is subject to indemnification under Section 10.2 or Section 10.3 the Indemnified Party shall promptly (i) notify the Party against whom indemnification is sought (the “*Indemnifying Party*”) of the Third Party Claim and (ii) transmit to the Indemnifying Party a written notice (“*Claim Notice*”) describing in reasonable detail the nature of the Third Party Claim, a copy of all papers served with respect to such claim (if any), the Indemnified Party’s best estimate of the amount of Damages attributable to the Third Party Claim, if known, and the basis of the Indemnified Party’s request for indemnification under this Agreement. Failure to timely provide such Claim Notice shall not affect the right of the Indemnified Party’s indemnification hereunder, except to the extent (and then only to the extent) the Indemnifying Party is prejudiced by such failure.

(b) The Indemnifying Party shall defend a Third Party Claim with counsel selected by the Indemnifying Party (who shall be reasonably satisfactory to the Indemnified Party), by all appropriate proceedings, to a final conclusion or settlement at the discretion of the Indemnifying Party in accordance with this Section 10.5(b). The Indemnifying Party shall have

full control of such defense and proceedings, including any compromise or settlement thereof; *provided that* the prior written consent of the Indemnified Party shall be required with respect to any such compromise or settlement if (A) the Indemnified Party or any of its Affiliates would be required to pay any monetary damages as a result of such compromise or settlement, (B) such compromise or settlement requires any admission of guilt or wrongdoing on the part of the Indemnified Party or contains any sanction, restriction or relief that would adversely affect the conduct of any business of the Indemnified Party or its Affiliates in any material respect or (C) such compromise or settlement does not fully and unconditionally release the Indemnified Party with respect to such Third Party Claim. If requested by the Indemnifying Party, the Indemnified Party agrees, at the sole cost and expense of the Indemnifying Party, to reasonably cooperate with the Indemnifying Party and its counsel in contesting any Third Party Claim which the Indemnifying Party elects to contest, including the making of any related counterclaim against the Person asserting the Third Party Claim or any cross complaint against any Person. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 10.5(b), and the Indemnified Party shall bear its own costs and expenses with respect to such participation; *provided that* notwithstanding the foregoing, the Indemnifying Party shall pay the reasonable costs and expenses of such defense (including reasonable attorneys' fees and expenses) of the Indemnified Party if (x) the Indemnified Party's outside counsel shall have reasonably concluded and advised in writing (with a copy to the Indemnifying Party) that there are defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party or (y) the Indemnified Party's outside counsel shall have advised in writing (with a copy to the Indemnifying Party) that there is a conflict of interest that would make it inappropriate under applicable standards of professional conduct to have common counsel for the Indemnifying Party and the Indemnified Party.

(c) Any claim by an Indemnified Party on account of Damages that does not result from a Third Party Claim (a "**Direct Claim**") must be asserted by giving the Indemnifying Party written notice thereof prior to the expiration of the applicable survival period set forth in Section 10.1. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, include copies of all available material written evidence thereof and indicate the estimated amount, if reasonably practicable, of Damages that have been or may be sustained by the Indemnified Party. The Indemnifying Party will have a period of twenty (20) Business Days within which to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such twenty (20) Business Day period, the Indemnifying Party will be deemed to have rejected such claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

(d) Any indemnification payment made pursuant to this Agreement shall be net of any insurance proceeds realized by and paid to the Indemnified Party in respect of such claim.

Section 10.6 Express Negligence. **TO THE FULLEST EXTENT PERMITTED BY LAW, AN INDEMNIFIED PERSON SHALL BE ENTITLED TO INDEMNIFICATION HEREUNDER IN ACCORDANCE WITH THE TERMS HEREOF, REGARDLESS OF WHETHER THE INDEMNIFIABLE DAMAGE GIVING**

RISE TO ANY SUCH INDEMNIFICATION OBLIGATION IS THE RESULT OF (IN WHOLE OR IN PART) THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY, OTHER FAULT OR THE VIOLATION OF LAW, IN EACH CASE, OF OR BY ANY SUCH INDEMNIFIED PERSON. BUYER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.

Section 10.7 Waiver of Right to Rescission. **SELLER AND BUYER ACKNOWLEDGE THAT THE PAYMENT OF MONEY, AS LIMITED BY THE TERMS OF THIS AGREEMENT, SHALL BE ADEQUATE COMPENSATION FOR BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT CONTAINED HEREIN OR FOR ANY OTHER CLAIM ARISING IN CONNECTION WITH OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT. AS THE PAYMENT OF MONEY SHALL BE ADEQUATE COMPENSATION, BUYER AND SELLER WAIVE ANY RIGHT TO RESCIND THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY FOLLOWING THE CLOSING.**

Section 10.8 Exclusive Remedy.

(a) Other than for instances of fraud and without limiting any recourse pursuant to the terms of the Company Agreement, the Parties hereby acknowledge and agree that the indemnification provisions and remedies set forth in this Article X shall, from and after the Closing, constitute the sole and exclusive remedies of the Parties with respect to this Agreement and the transactions contemplated hereby and the Parties acknowledge and agree that the remedies available in this Article X supersede any other remedies available at Law or in equity.

(b) Notwithstanding anything in this Agreement to the contrary, (i) no Representative or Affiliate of Seller (nor any Representative of any such Affiliate or any Person directly or indirectly owning any interest in Seller) shall have any liability to Buyer or any other Person as a result of the breach of any representation, warranty, covenant, agreement or obligation of Seller in this Agreement or in any certificate delivered pursuant to this Agreement, and (ii) no Representative or Affiliate of Buyer (nor any Representative of any such Affiliate or any Person directly or indirectly owning any interest in Buyer) shall have any liability to Seller or any other Person as a result of the breach of any representation, warranty, covenant, agreement or obligation of Buyer in this Agreement or in any certificate delivered pursuant to this Agreement.

Section 10.9 Non-Compensatory Damages. None of the Buyer Indemnified Parties or Seller Indemnified Parties shall be entitled to recover from any other Party, or their respective Affiliates, any indirect, special, incidental, consequential, punitive, exemplary, remote or speculative damages or damages for lost profits of any kind to the extent not constituting actual or direct damages arising under or in connection with this Agreement or the transactions contemplated hereby, except to the extent any such Party suffers such damages to a Third 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, Buyer, on behalf of each

of the Buyer Indemnified Parties and Seller, on behalf of each applicable Seller Indemnified Party, waive any right to recover punitive, special, indirect, exemplary, consequential damages, remote or speculative, including damages for lost profits of any kind to the extent not constituting actual or direct damages arising in connection with or with respect to this Agreement or the transactions contemplated hereby.

Section 10.10 Tax Treatment of Payments. Any payments made to any Party pursuant to this Article X shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by Buyer and Seller on their Tax Returns to the extent permitted by Law.

ARTICLE XI TERMINATION

Section 11.1 Termination. At any time prior to the Closing, this Agreement may be terminated and the transactions contemplated hereby abandoned:

(a) by the mutual consent of Buyer and Seller as evidenced in writing and signed by each of Buyer and Seller;

(b) by Buyer, (i) by written notice to Seller, if (A) Seller has breached its representations, warranties, covenants or obligations hereunder and such breach would or does result in the failure of any condition expressly set forth in Article IX, and (B) such breach has not been cured within 30 days following written notification to Seller thereof; provided, however, that if, at the end of such 30 day period, Seller is endeavoring in good faith, and proceeding diligently, to cure such breach, Seller shall have an additional 30 days in which to effect such cure, or (ii) if the conditions to the obligations of Seller at the Closing have been satisfied, and Seller fails to close;

(c) by Seller, (i) by written notice to Buyer, if (A) Buyer has breached its representations, warranties, covenants or obligations hereunder and such breach would or does result in the failure of any condition expressly set forth in Article IX, and (B) such breach has not been cured within 30 days following written notification to Buyer thereof; provided, however, that if, at the end of such 30 day period, Buyer is endeavoring in good faith, and proceeding diligently, to cure such breach, Buyer shall have an additional 30 days in which to effect such cure or (ii) if the conditions to the obligations of Buyer at the Closing have been satisfied, and Buyer fails to close;

(d) at any time before the Closing, by either Seller or Buyer, by written notice to the other Party, in the event that any Law or final, non-appealable Order restrains, enjoins or otherwise prohibits or makes illegal the sale of the Transferred Interests pursuant to this Agreement; or

(e) by either Party, at such Party's option, at any time following two (2) Business Days after the Outside Termination Date;

provided, however, that no Party shall have the right to terminate this Agreement pursuant to subsections (b), (c), (d) or (e) above if such Party or its Affiliates are at such time in material breach of any provision of this Agreement.

Section 11.2 Effect of Termination. If this Agreement is terminated under Section 11.1, except for the provisions of Article I, Section 10.9, this Section 11.2, Section 11.3, Article XII and Article XIV, this Agreement will terminate and the Parties shall have no liability or obligation to the other Party hereunder, and Seller and its Affiliates shall be free immediately to enjoy all rights of ownership of the interests contemplated to be sold hereunder and to sell, transfer, encumber or otherwise dispose of any such interests or direct or indirect interests in the Company, any Subsidiary or the Assets to any Person without any restriction under this Agreement; *provided, however*, except to the extent otherwise provided herein, no Party will be released from liability for any breach of this Agreement accruing prior to such termination. The Confidentiality Agreements shall not be affected by a termination of this Agreement.

(a) If Seller has terminated this Agreement pursuant to Section 11.1(c), then, upon such termination, as Seller's sole and exclusive remedy (all other remedies being expressly waived by Seller), Seller shall be entitled to promptly receive from Buyer an amount equal to the Termination Fee as liquidated damages.

(b) If Buyer has terminated this Agreement pursuant to Section 11.1(b), then Buyer shall have the right to seek any remedy available to it at law on account of the breach by Seller of this Agreement.

(c) The Parties agree that (i) in the event of the termination of this Agreement by Seller pursuant to Section 11.1(c), Seller's damages would be uncertain and difficult to quantify, (ii) the amount of liquidated damages specified in Section 11.2(a) is reasonable and considers the actual or anticipated harm that could be caused by the termination of this Agreement due to Buyer's breach, the difficulty of proving the loss arising from any such breach and the difficulty of finding another, adequate remedy at law, and (iii) the liquidated damages payment specified in Section 11.2(a) is structured to function as damages arising from the termination of this Agreement due to Buyer's breach and not as a penalty.

Section 11.3 Return of Documentation and Confidentiality. Upon termination of this Agreement, Buyer, at its sole option, shall return to Seller or shall destroy all title, engineering, environmental assessments or reports, maps and other information furnished by or on behalf of Seller to Buyer or prepared by or on behalf of Buyer in connection with its due diligence investigation of the Assets, in each case, in accordance with the Confidentiality Agreements (and subject to such retention rights as are provided in the Confidentiality Agreements) and an officer of Buyer shall certify same to Seller in writing.

ARTICLE XII DISCLAIMERS

Section 12.1 Disclaimer - Representations and Warranties. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE LIMITED EXTENT

EXPRESSLY SET FORTH IN ARTICLE IV AND ARTICLE V AND IN ANY TRANSACTION DOCUMENT, (A) NEITHER SELLER NOR ANY OF SELLER'S AFFILIATES MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY, IMPLIED, WRITTEN, ORAL OR OTHERWISE AND (B) SELLER, FOR ITSELF AND ITS AFFILIATES, HEREBY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS, STATUTORY, IMPLIED, WRITTEN, ORAL OR OTHERWISE, INCLUDING ANY REPRESENTATION OR WARRANTY REGARDING: (I) TITLE, (II) ANY COSTS, EXPENSES, REVENUES, RECEIPTS, ACCOUNTS RECEIVABLE OR ACCOUNTS PAYABLE, (III) ANY CONTRACTUAL, ECONOMIC OR FINANCIAL INFORMATION AND DATA ASSOCIATED WITH THE COMPANY OR ANY SUBSIDIARY, (IV) THE CONTINUED FINANCIAL VIABILITY OR PRODUCTIVITY OF THE ASSETS OR TRANSPORTABILITY OF ANY PRODUCT IN CONNECTION THEREWITH, (V) THE ENVIRONMENTAL OR PHYSICAL CONDITION OF THE ASSETS OR ANY ENVIRONMENTAL LIABILITY, (VI) ANY FEDERAL, STATE, LOCAL OR TRIBAL INCOME OR OTHER TAX CONSEQUENCES ASSOCIATED WITH THE ASSETS OR THE MEMBERSHIP INTERESTS, (VII) THE ABSENCE OF PATENT OR LATENT DEFECTS, (VIII) THE STATE OF REPAIR OF THE ASSETS, (IX) MERCHANTABILITY OR CONFORMITY TO MODELS, (X) ANY RIGHTS OF ANY MEMBER OF THE BUYER INDEMNIFIED PARTIES UNDER APPROPRIATE LAWS TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (XI) FREEDOM FROM PATENTS, COPYRIGHT OR TRADEMARK INFRINGEMENT, (XII) FITNESS FOR A PARTICULAR PURPOSE, AND (XIII) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES OR DECLINE RATES WITH RESPECT TO ANY OF THE PROPERTIES UPSTREAM OF THE APPLICABLE FACILITIES, OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, UPSTREAM OF THE APPLICABLE FACILITIES.

EXCEPT THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN ARTICLE IV AND ARTICLE V AND IN ANY TRANSACTION DOCUMENT, THE TRANSFERRED INTERESTS (AND THE INDIRECT TRANSFER OF AN INTEREST IN THE ASSETS RESULTING THEREFROM) ARE BEING TRANSFERRED "AS IS, WHERE IS, WITH ALL FAULTS," AND SELLER AND ITS AFFILIATES AND THEIR RESPECTIVE REPRESENTATIVES EXPRESSLY DISCLAIM, AND BUYER AND ITS AFFILIATES AND ITS REPRESENTATIVES EXPRESSLY DISCLAIM RELIANCE UPON, ANY OTHER REPRESENTATIONS OR WARRANTIES, OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION, VALUE OR QUALITY OF THE COMPANY, ANY SUBSIDIARY AND THE ASSETS OR THE PROSPECTS (FINANCIAL OR OTHERWISE), RISKS AND OTHER INCIDENTS OF THE COMPANY, THE SUBSIDIARIES AND THE ASSETS.

Section 12.2 Disclaimer - Statements and Information. SELLER, FOR ITSELF AND ITS AFFILIATES, EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXCEPT TO THE LIMITED EXTENT EXPRESSLY SET FORTH IN ARTICLE IV AND ARTICLE V AND IN ANY TRANSACTION DOCUMENT, ASSOCIATED WITH THE QUALITY, ACCURACY, COMPLETENESS OR MATERIALITY OF THE INFORMATION, DATA AND

MATERIALS FURNISHED (WHETHER ELECTRONICALLY, ORALLY, BY VIDEO, IN WRITING OR ANY OTHER MEDIUM, BY COMPACT DISC, IN THE DATA ROOM OR OTHERWISE) AT ANY TIME TO THE BUYER INDEMNIFIED PARTIES ASSOCIATED WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, ALL OF WHICH HAS BEEN FURNISHED SOLELY AS AN ACCOMMODATION, INCLUDING, INFORMATION, DATA OR MATERIALS REGARDING: (A) TITLE TO THE ASSETS, (B) COSTS, EXPENSES, REVENUES, RECEIPTS, ACCOUNTS RECEIVABLE OR ACCOUNTS PAYABLE ASSOCIATED WITH THE ASSETS, (C) CONTRACTUAL, ECONOMIC OR FINANCIAL INFORMATION ASSOCIATED WITH THE ASSETS, (D) ANY PROJECTIONS, FORECASTS, BUSINESS PLANS OR BUDGET INFORMATION, (E) THE CONTINUED FINANCIAL VIABILITY OR PRODUCTIVITY OF THE ASSETS OR TRANSPORTABILITY OF PRODUCT, (F) THE ENVIRONMENTAL OR PHYSICAL CONDITION OF THE ASSETS OR ANY ENVIRONMENTAL LIABILITY, (G) FEDERAL, STATE, LOCAL OR TRIBAL INCOME OR OTHER TAX CONSEQUENCES ASSOCIATED WITH THE ASSETS, (H) THE ABSENCE OF PATENT OR LATENT DEFECTS, (I) THE STATE OF REPAIR OF THE ASSETS, (J) ANY WARRANTY REGARDING MERCHANTABILITY OR CONFORMITY TO MODELS, (K) ANY RIGHTS OF ANY MEMBER OF THE BUYER INDEMNIFIED PARTIES UNDER APPROPRIATE LAWS TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (L) ANY WARRANTY OF FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, (M) WARRANTIES EXISTING UNDER LAW NOW OR HEREAFTER IN EFFECT, (N) ANY WARRANTY REGARDING FITNESS FOR A PARTICULAR PURPOSE, AND (O) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES OR DECLINE RATES WITH RESPECT TO ANY OF THE PROPERTIES UPSTREAM OF THE APPLICABLE FACILITIES, OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, UPSTREAM OF THE APPLICABLE FACILITIES.

ARTICLE XIII TAX MATTERS

Section 13.1 Liability for Transfer Taxes. The Parties do not anticipate that any transfer, sales, use, value added, excise, filing, recording, documentary, stamp or other similar Taxes will arise as a result of the consummation of the transactions contemplated by this Agreement (“**Transfer Taxes**”). Notwithstanding the foregoing, if any Transfer Taxes arise as a result of the consummation of the transactions contemplated by this Agreement, the payment of any and all such Transfer Taxes shall be borne by Buyer. The Parties agree to cooperate fully with each other to minimize any such liability for Transfer Taxes to the extent legally permissible, and the Parties shall cooperate in the preparation, execution and filing of all Tax Returns regarding any Transfer Taxes that become payable in connection with the transactions contemplated by this Agreement.

Section 13.2 Company Tax Returns. With respect to Tax Returns required to be filed by or with respect to the Company or the Subsidiaries (“**Company Returns**”), Seller shall cause the Company to prepare all such Company Returns that are required to be filed prior to the Closing Date and shall cause the Company (or applicable Subsidiary) to pay all Taxes shown to be due on such Tax Returns. The Company shall prepare all Company Returns

that are required to be filed on or after the Closing Date and shall pay or cause the Company (or applicable Subsidiary) to pay all Taxes shown to be due on such Tax Returns.

Section 13.3 Cooperation on Tax Matters. In connection with the preparation of Company Returns, payment of Taxes related to the Company, audit examinations related to the Company, and any administrative or judicial proceedings regarding Tax liabilities that are imposed on Seller or Buyer and related to the Company, Buyer and Seller shall, and shall cause the Company to, cooperate fully with each other, including with respect to the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney or other materials necessary or helpful for the preparation of such Company Returns, the payment of such Taxes, the conduct of such audit examinations or the defense of claims by Governmental Authorities as to the imposition of such Taxes.

Section 13.4 Straddle Period. The portion of Taxes attributable to a Straddle Period that are allocated to the portion of the period ending on the Closing Date shall be determined as follows:

(a) In the case of any real property, personal property, ad valorem and similar Taxes (collectively, “*Property Taxes*”), the amount of such Property Taxes attributable to the portion of the period ending on and including the Closing Date shall be deemed to be the amount of such Property Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on and including the Closing Date and the denominator of which is the number of days in the entire Straddle Tax Period; and

(b) In the case of any Taxes based upon or related to income, sales, revenue, receipts, payroll or similar items, or imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) or other Taxes not described in Section 13.4(a), but specifically excluding any Taxes described in Section 13.1 the amount of any such Taxes that are attributable to the portion of the period ending on and including the Closing Date shall be determined based on an interim closing of the books.

Section 13.5 Tax Classification Elections. Seller shall not, and shall not permit any Company or any other Person to, file or make any election to have the Company or any Subsidiary classified as an association taxable as a corporation for U.S. federal income tax purposes (or state, local, or foreign income Tax purposes where applicable).

Section 13.6 754 Election. If a Development Company does not have in effect an election under Section 754 of the Code relating to the adjustment of the tax bases of its assets as provided in Sections 734 and 743 of the Code (a “*Section 754 Election*”) that would be applicable for the Tax year of such Development Company that includes the Closing Date, Seller shall cause such Development Company to make a Section 754 Election on its U.S. federal income tax return for the Tax year of such Development Company that includes the Closing Date.

Section 13.7 Intended Tax Treatment. As a result of the Company and each of the Holding Companies being disregarded as entities separate from Seller and each of the Development Companies being treated as a partnership for U.S. federal income tax purposes

immediately prior to the consummation of the transactions contemplated by this Agreement, the Parties agree to report on their U.S. federal income Tax Returns (and applicable state and local Tax Returns) the sale and purchase of the Transferred Interests as a transaction described in Rev. Rul. 99-5 (Situation 1), 1999-1 CB 434, with (a) Buyer being treated as purchasing from Seller, and Seller being treated as selling to Buyer, 49% of the partnership interest in each Development Company, and immediately thereafter, (b) Buyer and Seller being treated as contributing their respective shares of the partnership interest in each Development Company to the Company in exchange for partnership interest in the Company, with the Company's classification changing from an entity that is disregarded as separate from Seller to a partnership.

Section 13.8 Allocation of Purchase Price. Buyer and Seller shall use commercially reasonable efforts to agree to an allocation among the assets of each of the Development Companies in accordance with Treasury Regulation Section 1.755-1(a)(2) within sixty (60) days after the Closing Date. If Seller and Buyer reach an agreement with respect to the allocation, (i) Buyer and Seller shall use commercially reasonable efforts to update such allocation following any adjustment to the Purchase Price pursuant to this Agreement, (ii) Buyer and Seller shall cause each Development Company to use such allocation for purposes of Section 755 and the Treasury Regulations promulgated thereunder, and (iii) Buyer and Seller shall, and shall cause their Affiliates to, report consistently with the allocation, as adjusted, on all Tax Returns (including, but not limited to, the statements required to be filed under Treasury Regulations Sections 1.743-1(k) and 1.751-1(a)(3)), and neither Seller nor Buyer shall take any position on any Tax Return that is inconsistent with the allocation, as adjusted, unless otherwise required by applicable Laws; *provided, however*, that no Party shall be unreasonably impeded in its ability and discretion to negotiate, compromise, and/or settle any Tax audit, claim, or similar proceedings in connection with such allocation.

ARTICLE XIV MISCELLANEOUS

Section 14.1 Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and will be deemed to be received: (a) if mailed by registered or certified mail, return receipt requested, on the day such notice is received, and if such day is not a Business Day, on the next subsequent Business Day; (b) if sent by overnight courier, one Business Day after being sent via a reputable nationwide overnight courier service guaranteeing next business day delivery, (c) if personally delivered, on the date of receipt of such delivery. All notices, requests and consents shall be sent as follows:

If to Seller, to:

Bakken Holdings Company LLC
1300 Main Street
Houston, TX 77002
Attention: General Counsel

with copies to:

Porter Hedges LLP
1000 Main Street, 35th Floor
Houston, TX 77002
Attention: Robert H. Thomas

If to Buyer, to:

MarEn Bakken Company LLC
c/o Enbridge Holdings (DakTex) L.L.C.
1100 Louisiana, Suite 3300
Houston, Texas 77002
Attn: Director, Merchant Terminals, Rail and M&A

With a copy to:

MarEn Bakken Company LLC
c/o Enbridge Holdings (DakTex) L.L.C.
1100 Louisiana, Suite 3300
Houston, Texas 77002
Attn: Director, US Law – Liquids

and

MarEn Bakken Company LLC
c/o Marathon Petroleum Corporation
539 South Main Street
Findlay, Ohio 45840
Attn: General Counsel

Each Party may change its address by notifying the other Party in writing of such address change.

Section 14.2 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign this Agreement or any rights, interest, obligations or other parts hereof without the prior written consent of the other Party, which consent and approval may be denied in such other Party's sole discretion. Any assignment in violation of this Section 14.2 shall be void.

Section 14.3 Rights of Third Parties. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer upon any Person other than the Parties or their successors and permitted assigns, or the Parties' respective related Indemnified Parties hereunder any rights, remedies, obligations or liabilities under or by reason of this Agreement; *provided that* only a Party and its respective successors and permitted assigns will have the right to enforce the provisions of this Agreement on its own behalf or on behalf of any of its related Indemnified Parties (but shall not be obligated to do so).

Section 14.4 Expenses. Except as otherwise expressly provided herein, each Party shall bear its own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby whether or not such transactions shall be consummated, including all fees of its legal counsel, financial advisers and accountants.

Section 14.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any facsimile or other electronic copies hereof or signature hereon shall, for all purposes, be deemed originals.

Section 14.6 Entire Agreement. This Agreement (together with the Appendixes, Exhibits and Schedules hereto), the Transaction Documents and the Confidentiality Agreements, constitute the entire agreement among the Parties and supersede any other agreements or representations, whether written or oral, that may have been made or entered into by or among any of the Parties or any of their respective Affiliates relating in any way to the transactions contemplated hereby or the subject matter of this Agreement.

Section 14.7 No Partnership. Except to the extent contemplated by the Company Agreement, this Agreement does not give rise now or in the future to an agency or partnership relationship among Seller and its Affiliates, on one hand, and Buyer and its Affiliates, on the other hand. Except to the extent contemplated by the Company Agreement, it is not the intention of the Parties to form, and nothing in this Agreement shall be construed as forming, a partnership or joint venture among Buyer and Seller. Except to the extent contemplated by the Company Agreement, each Party agrees that Seller, on one hand, and Buyer, on the other hand, have not been, are not and will not be a fiduciary, partner or joint venturer to the other or to any of Buyer's or Seller's Affiliates, as applicable, and each Party agrees not to assert that Seller, on one hand, and Buyer, on the other hand, have ever acted as a fiduciary with respect to any aspect of the activities contemplated here. Each Party agrees not to assert that it did not understand this Agreement, that it mistakenly signed it, that it signed under duress or coercion, that it lacks mental or other capacity, that one Party has discriminated against the other Party in any way or that it has made any representations or has any understanding or agreement other than as set forth in this Agreement, which fully recites all agreements the Parties have.

Section 14.8 Amendments. This Agreement may be amended or modified in whole or in part, and terms and conditions may be waived, only by a duly authorized agreement in writing which makes reference to this Agreement executed by all of the Parties.

Section 14.9 Publicity. All press releases or other public communications of any nature whatsoever relating to the transactions contemplated by this Agreement, and the method of the release for publication thereof, shall be subject to the prior written consent of Buyer and Seller, which consent shall not be unreasonably withheld, conditioned or delayed by such Party; *provided, however*, that nothing herein shall prevent a Party from publishing such press releases or other public communications as is necessary to satisfy such Party's obligations at Law or under the applicable rules of any stock or commodities exchange after consultation with the other Party and such other Party's reasonable review and comment.

Section 14.10 Non-Waiver. No waiver by any Party of any default by the other Party in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Party from, performance of any other provision, condition or requirement herein, nor shall such waiver be deemed to be a waiver of, or in any manner a release of, the other Party from future performance of the same provision, condition or requirement. Any delay or omission of either Party to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter. The failure of either Party to perform its obligations hereunder shall not release the other Party from the performance of such obligations.

Section 14.11 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The Parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the Laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by Law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the Parties to the greatest extent legally permissible in order that the transactions contemplated herein are consummated as originally contemplated to the fullest extent possible.

Section 14.12 Governing Law; Jurisdiction.

(a) This Agreement and any claim, controversy or dispute arising under or related to this Agreement or the transactions contemplated hereby or the rights, duties and relationship of the Parties, shall be governed by and construed and enforced in accordance with the Laws of the State of Texas, excluding any conflicts of law, rule or principle that might refer construction of provisions to the Laws of another jurisdiction.

(b) The Parties agree that the appropriate, exclusive and convenient forum for any disputes between any of the Parties hereto arising out of this Agreement, the Transaction Documents (other than disputes arising out of the Company Agreement, which shall be governed by the terms thereof) or the transactions contemplated hereby shall be in any state or federal court in Houston, Texas and each of the Parties irrevocably submits to the jurisdiction of such courts solely in respect of any Proceeding arising out of or related to this Agreement. The Parties further agree that the Parties shall not bring suit with respect to any disputes arising out of this Agreement, the Transaction Documents (other than disputes arising out of the Company Agreement, which shall be governed by the terms thereof) or the transactions contemplated hereby in any court or jurisdiction other than the above specified courts. The Parties further agree, to the extent permitted by Law, that a final and nonappealable judgment against a Party in any action or Proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) To the extent that any Party or any of its Affiliates has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party (on its own behalf and on behalf of its Affiliates) hereby irrevocably (i) waives such immunity in respect of its obligations with respect to this Agreement and (ii) submits to the personal jurisdiction of any court described in Section 14.12(b).

(d) THE PARTIES AGREE THAT THEY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, THE TRANSACTION DOCUMENTS (OTHER THAN DISPUTES ARISING OUT OF THE COMPANY AGREEMENT, WHICH SHALL BE GOVERNED BY THE TERMS THEREOF) OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 14.13 Schedules. Seller may, at its option, include in the Schedules items that are not material, and any such inclusion, or any references to dollar amounts, shall not be deemed to be an acknowledgment or representation that such items are material, to establish any standard of materiality or to define further the meaning of such terms for purposes of this Agreement. The Schedules hereto are qualified in their entirety by reference to specific provisions of the Agreement, and are not intended to constitute, and shall not be construed as constituting, representations or warranties of Seller except to the extent expressly provided in the Agreement. Matters reflected in the Schedules are not necessarily limited to matters required by the Agreement to be reflected in the Schedules. To the extent any such additional matters are included, they are included for informational purposes and do not necessarily include other matters of a similar nature. Neither the specification of any Dollar amount in the representations and warranties contained in the Agreement nor the inclusion of any specific item in any Schedule hereto is intended to imply that such amounts (or any higher or lower amounts), or the items so included in such Schedule (or any other items), in each case, are or are not material or within or outside the Ordinary Course of Business.

[signature page follows]

IN WITNESS WHEREOF this Agreement has been duly executed and delivered by each Party as of the date first above written.

SELLER:

BAKKEN HOLDINGS COMPANY LLC

By: /s/ Kelcy L. Warren
Kelcy L. Warren
Chief Executive Officer

BUYER:

MAREN BAKKEN COMPANY LLC

By: /s/ Mark A. Maki
Mark A. Maki
President

Signature Page
Membership Interest Purchase Agreement

APPENDIX I

DEFINITIONS

“*Acquisition Proposal*” has the meaning provided such term in Section 7.7.

“*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.

“*Agreement*” has the meaning provided such term in the preamble.

“*Applicable Contracts*” means all Contracts to which the Company or any Subsidiary is a party or by which the Assets or any other assets of the Company or any Subsidiary is subject or bound, including all transportation and marketing agreements; hydrocarbon storage agreements; operating agreements; balancing agreements; facilities or equipment leases; interconnection agreements; service and parts agreements; and other similar contracts and agreements held by the Company or any Subsidiary and relating to the Assets or any other assets of the Company or any Subsidiary or by which any such assets are bound.

“*Applicable Facilities*” has the meaning, with respect to each Development Company, provided in the CMA to which such Development Company is a party.

“*Assets*” means all of the right, title and interest of:

(a) the applicable Development Company in and to the following:

(i) The Applicable Facilities, in each case, including all equipment, machinery, fixtures, inventory and supplies and other real, personal and mixed property, operational or nonoperational, primarily used or held for use in connection with the Applicable Facilities, and including all pumps, pipes, spare parts, valves, meters, motors, traps, cathodic protection units, structures and materials used or held for use in connection with the Applicable Facilities (the “*Personal Property*”);

(ii) all Real Property Interests primarily used or held for use in connection with, the Applicable Facilities; and

(iii) all Permits relating in any way to the Applicable Facilities; and

(b) Dakota Truck and EGCA, as applicable, in and to all assets, including all Personal Property, Real Property Interests and Permits, of such Person.

“*Assignment*” means that certain assignment of membership interest, to be entered into at Closing by Seller and Buyer, substantially in the form of Exhibit A.

“*Balance Sheet*” means the unaudited consolidated balance sheet of the Company as of the Balance Sheet Date.

“**Balance Sheet Date**” means June 30, 2016.

“**Benefit Plan**” means each (a) “employee benefit plan,” as such term is defined in Section 3(3) of ERISA (whether or not the plan is subject to ERISA), (b) incentive compensation, bonus or deferred compensation plan or arrangement, (c) employment, consulting, severance or change in control plan, arrangement or policy, (d) vacation practice or other paid-time off program and (e) each other employee benefit, fringe benefit or compensation plan, arrangement, policy or commitment.

“**Business Day**” means any day that is not a Saturday, Sunday or legal holiday in the State of Texas and that is not otherwise a federal holiday in the United States.

“**Buyer**” has the meaning provided such term in the preamble.

“**Buyer Indemnified Parties**” has the meaning provided such term in Section 10.2(a).

“**Buyer Parent Guaranties**” means (i) that certain guaranty agreement entered into at Closing from Enbridge Energy Partners, L.P., in favor of Seller and the Company, in respect of an undivided seventy-five percent (75%) of Buyer’s obligations under the Company Agreement and (ii) that certain guaranty agreement entered into at Closing from Marathon Petroleum Corporation, in favor of Seller and the Company, in respect of an undivided twenty-five percent (25%) of Buyer’s obligations under the Company Agreement, each substantially in the form of Exhibit D.

“**Claim Notice**” has the meaning provided such term in Section 10.5(a).

“**Closing**” has the meaning provided such term in Section 9.1.

“**Closing Date**” has the meaning provided such term in Section 9.1.

“**CMAs**” means (a) that certain Construction Management Agreement, dated as of October 15, 2014, between Dakota Access and the Construction Manager and (b) that certain Construction Management Agreement, dated as of October 15, 2014, between ETCO and the Construction Manager.

“**Code**” means the Internal Revenue Code of 1986, as it may have been and may be amended from time to time.

“**Company**” has the meaning provided such term in the Recitals.

“**Company Agreement**” means that certain amended and restated limited liability company agreement of the Company, to be entered into at Closing by Seller and Buyer, substantially in the form of Exhibit B.

“**Company Returns**” has the meaning provided such term in Section 13.2.

“Confidentiality Agreements” means that certain (a) Confidentiality Agreement dated March 29, 2016, by and between Enbridge Energy Company, Inc. and Seller, and (b) Confidentiality Agreement dated February 10, 2016, by and between Marathon Petroleum Company L.P. and Seller, as amended.

“Consent” means any consent to assign, approval, filing, waiver, authorization, notice or similar restriction held by a Governmental Authority or other Third Party that is applicable to the transactions contemplated hereby.

“Consolidated Group” means any affiliated, combined, consolidated, unitary, or similar group with respect to any Taxes, including any affiliated group within the meaning of Section 1504 of the Code electing to file consolidated federal income Tax Returns and any similar group under foreign, state, or local Law.

“Construction Manager” means DAPL-ETCO Construction Management, LLC, a Delaware limited liability company.

“Contract” means any written or oral contract, agreement, purchase order, binding bid, commitment or any other legally binding arrangement, but excluding, however, any lease, deed, easement, Permit or other instrument (other than acquisition or similar sales or purchase agreements) creating, assigning or evidencing an interest in any real property (including any Real Property Interest) related to or used in connection with the assets of the Company or any Subsidiary.

“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.

“Customary Post-Closing Consents” means the consents and approvals from Governmental Authorities for assignment that are customarily obtained in transactions of this nature after assignment of properties or membership interests.

“Dakota Access” has the meaning provided such term in the Recitals.

“Dakota Access Holdings” has the meaning provided such term in the Recitals.

“Dakota Truck” has the meaning provided to such term in the Recitals.

“Damages” means all Proceedings, claims, demands, awards, damages, penalties, fines, costs, liabilities, losses, expenses, Taxes and fees (whether criminal, civil, commercial or related to claims for personal injury or death or property damage and whether accrued or unaccrued or liquidated or unliquidated), including court costs and attorneys’ and experts’ fees and expenses.

“Data Room” means the online e-data room established by Seller and any files, records, information and documents otherwise furnished by Seller to Buyer or its Representatives in connection with the transactions contemplate hereby.

“**Deductible**” has the meaning provided such term in Section 10.4(a).

“**Development Company**” or “**Development Companies**” has the meaning provided such term in the Recitals.

“**Development Company Agreements**” means (a) the Amended and Restated Limited Liability Company Agreement of Dakota Access dated October 15, 2014 and (b) the Amended and Restated Limited Liability Company Agreement of ETCO dated October 15, 2014.

“**Direct Claim**” has the meaning provided such term in Section 10.5(c).

“**Dollars**” and “**\$**” mean the lawful currency of the United States of America.

“**Emergency Operations**” means operations necessary to respond to or alleviate the eminent or immediate endangerment of (a) the health or safety of any Person or the environment or (b) the safety or operational condition of any of the assets of the Company or the Subsidiaries, including the Assets.

“**EGCA**” has the meaning provided to such term in the Recitals.

“**Environmental Law**” means any and all Laws in effect as of the Execution Date pertaining to or regulating pollution, environmental protection, natural resource damages, conservation of resources, wildlife, waste management, or the use, storage, generation, production, treatment, emission, discharge, release, remediation, removal, disposal, or transport of Hazardous Substances, including: the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Federal Water Pollution Control Act (which includes the Federal Clean Water Act), the Federal Clean Air Act, the Federal Solid Waste Disposal Act (which includes the Resource Conservation and Recovery Act), the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Safe Drinking Water Act of 1974, the Emergency Planning and Community Right-to-Know Act of 1986, the Occupational Safety and Health Act of 1970, the Hazardous Liquid Pipeline Safety Act, the Oil Pollution Act of 1990, and the Pipeline Safety Improvement Act of 2002, and similar state laws and common laws, each as amended.

“**Environmental Liabilities**” means any and all environmental response costs (including costs of investigation, removal and remediation), damages, natural resource damages, settlements, consulting fees, expenses, penalties, fines, orphan share, prejudgment and post-judgment interest, court costs, attorneys’ fees and other liabilities incurred, imposed under or related to Environmental Laws, including liabilities imposed or incurred (i) pursuant to any order, notice of responsibility, directive or obligation (including requirements embodied in Environmental Laws), injunction, judgment or similar act (including settlements) by any Governmental Authority or court of competent jurisdiction under, any Environmental Laws or (ii) pursuant to any claim or cause of action by a Governmental Authority or other Person for personal injury, property damage, damage to natural resources, remediation or response costs to

the extent arising out of any violation of, or any remediation obligation under, any Environmental Laws.

“**Environmental Permits**” means all Permits of Governmental Authorities issued pursuant to or required by Environmental Laws and necessary for or held in connection with the ownership, construction, operation or maintenance of the assets of the Company and the Subsidiaries, including the Assets.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**ETCO**” has the meaning provided such term in the Recitals.

“**ETCO Holdings**” has the meaning provided such term in the Recitals.

“**Execution Date**” has the meaning provided such term in the preamble.

“**Fundamental Representations**” has the meaning provided such term in [Section 10.1\(a\)](#).

“**GAAP**” means generally accepted accounting principles of the United States, consistently applied.

“**Governmental Authority**” means any federal, state, county, municipal or local government or any regulatory or administrative agency, authority, board, department, division, commission, court or arbitral body, or other similar recognized organization or body of any federal, state, tribal, municipal, or local governmental authority or of any foreign government or other similar recognized organization or body exercising similar powers or authority.

“**Hazardous Substances**” means any substance, waste, or material that is required under Environmental Laws or defined, designated, or listed as a “hazardous substance,” “solid waste,” “hazardous waste,” “hazardous material,” “pollutant,” “contaminant,” “toxic substance” or similar term under Environmental Laws.

“**Holding Company**” or “**Holding Companies**” has the meaning provided such term in the Recitals.

“**Indebtedness**” of any Person means, without duplication, (a) the principal of and, accrued and unpaid interest, prepayment premiums or penalties and fees and expenses in respect of indebtedness of such Person for borrowed money; (b) all obligations (contingent or otherwise) of such Person issued or assumed as the deferred purchase price of property or services, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable incurred in the ordinary and usual course of business of normal day-to-day operations of the business consistent with past practice); (c) all capitalized lease obligations; (d) any off-balance sheet financing of such Person; (e) all other obligations of a Person which would be required to be shown as indebtedness on a balance sheet of such Person prepared in accordance with GAAP; (f) all obligations of the type referred to in clauses (a) through (e) of any Persons the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise; and (g) all obligations of

the type referred to in clauses (a) through (f) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person).

“**Indemnified Party**” has the meaning provided such term in Section 10.5(a).

“**Indemnifying Party**” has the meaning provided such term in Section 10.5(a).

“**Indemnity Claim Threshold**” has the meaning provided such term in Section 10.4(a).

“**Interest**” means, with respect to any Person, (a) capital stock, member interests, partnership interests, other equity interests, rights to profits or revenue and any other similar interest of such Person, (b) any security or other interest convertible into or exchangeable or exercisable for any of the foregoing, and (c) any right (contingent or otherwise) to acquire any of the foregoing.

“**Knowledge**” means, with respect to Seller, the actual knowledge of the persons identified on Schedule 1.1(a) without investigation and, with respect to Buyer, the actual knowledge of the persons identified on Schedule 1.1(b) without investigation.

“**Law**” means any applicable statute, writ, law, common law, rule, regulation, ordinance, code (including the Code), Order, or determination of a Governmental Authority, or any requirement under the common law.

“**Lien**” means any liens, pledges, mortgages, deeds of trust, security interests, leases, licenses, charges, claims, encroachments, easements or other encumbrances of any kind.

“**LLC Agreement**” means the Limited Liability Company Agreement of the Company dated as of July 26, 2016.

“**Loans**” has the meaning provided such term in the Senior Secured Credit Facility.

“**Material Adverse Effect**” means (a) a circumstance, change, effect or event that is or could be reasonably expected to become, individually or in the aggregate with all other circumstances, changes, effects or events, materially adverse to the ownership, use, condition (including financial condition) or operations (including results of operation), of or related to the Company, the Subsidiaries and their respective assets, including the Assets, taken as a whole, or (b) a circumstance, change, effect or event that individually or in the aggregate with all other circumstances, changes, effects or events prevents or materially impedes the ability of Seller to consummate the transactions contemplated by this Agreement and the Transaction Documents, and to perform its obligations hereunder and thereunder; excluding, in each case, any such circumstance, change, effect or event resulting from or related to (i) changes or conditions affecting the oil and gas industries generally (including changes in hydrocarbon pricing and the depletion of reserves), (ii) changes in the financial, banking, credit, securities or capital markets (including any suspension of trading in, or limitation on prices for, securities on any stock exchange or any changes in interest rates) or any change in the general national or regional economic or financial conditions, (iii) changes in economic (including credit markets), regulatory, social or political conditions generally, (iv) changes in Law, (v) conditions caused by

acts of terrorism or war (whether or not declared) or any manmade disaster or acts of God, (vi) any effects of weather, geological or meteorological events or other natural disaster; (vii) any change caused by the pending sale of the Transferred Interests to Buyer, including changes due to the credit rating of Buyer; (viii) any changes in the costs of commodities or supplies; (ix) any change in any market that is downstream of the outlet flange of any of the Assets; (x) any decrease in inlet volumes into the Applicable Facilities or any curtailment in transportation volumes of the Applicable Facilities that are not directly related to any breach of any agreement by Seller or its Affiliates; (xi) any failure, in and of itself, by the Company or any Subsidiary to meet internal or published projections, schedules, forecasts, estimates or plans in respect of financial, development or operating metrics for any period; or (xii) conditions or effects resulting from the announcement of the existence of this Agreement.

“**Material Contract**” has the meaning provided such term in Section 5.4(a).

“**Membership Interests**” has the meaning provided such term in the Recitals.

“**Operator**” means DAPL-ETCO Operations Management, LLC, a Delaware limited liability company.

“**Operating Agreements**” means (a) that certain Operating Agreement, dated as of October 15, 2014, between Dakota Access and the Operator and (b) that certain Operating Agreement, dated as of October 15, 2014, between ETCO and the Operator.

“**Order**” means any order, writ, injunction, decree, award, judgment, ruling, compliance or consent order or decree, settlement agreement, or similar binding legal agreement issued by or entered into with a Governmental Authority.

“**Ordinary Course of Business**” means the ordinary conduct of the Company’s and the Subsidiaries’ normal day to day business related to its assets (including the Assets) in a manner consistent with the past practices and customs of the Company and the Subsidiaries.

“**Organizational Documents**” means any charter, certificate of incorporation, articles of association, partnership agreements, limited liability company agreements, bylaws, operating agreements or similar formation or governing documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of a Person, including any amendments thereto.

“**Outside Termination Date**” means December 31, 2016.

“**Party**” or “**Parties**” has the meaning provided such term in the preamble.

“**Permits**” means all permits, licenses, orders, approvals, variances, waivers, franchises, rights, registrations and other authorizations issued by any Governmental Authority.

“**Permitted Liens**” means with respect to any Asset:

(a) Consents and similar contractual provisions affecting such Asset, including the Required Consents and Customary Post-Closing Consents, that are not triggered by the execution of this Agreement or the consummation of the transactions contemplated hereby;

(b) preferential purchase rights and similar contractual provisions affecting such Asset that are not triggered by the execution of this Agreement or the consummation of the transactions contemplated hereby;

(c) all Material Contracts listed on Schedule 5.4(a);

(d) required notices to and filings with a Governmental Authority in connection with the consummation of the transactions contemplated by this Agreement that constitute Required Consents;

(e) rights reserved to or vested in a Governmental Authority having jurisdiction to control or regulate such Asset in any manner whatsoever that are not violated by current contemplated use of such Asset and all Laws of such Governmental Authorities;

(f) Liens for Taxes that are (i) not yet due and payable or (ii) being contested in good faith by appropriate proceedings and are listed on Schedule 5.6;

(g) mechanic's, materialman's, carrier's, repairer's, vendor's, warehousemen's, workmen's and other similar Liens that are (i) not yet due and payable or (ii) being contested in good faith by appropriate proceedings and are listed on Schedule 1.1(c);

(h) rights of use, easements, rights-of-way, Permits, licenses, surface leases, sub-surface leases, grazing rights, logging rights, ponds, lakes, waterways, canals, ditches, reservoirs, equipment, pipelines, utility lines, railways, streets, roads and structures on, over or through such Asset, in each case, to the extent the same do not materially affect or impair the ownership, operation or use of such Asset (either as currently owned, operated or used, or as contemplated to be owned, operated or used in accordance with all plans relating to the Applicable Facility);

(i) any undetermined or inchoate liens or charges constituting or securing the payment of expenses that were incurred incidental to operation or use of such Asset and are not yet due and payable;

(j) the terms and conditions of the instruments creating the Assets;

(k) Liens placed by the owner of the lands underlying the Real Property Interests;

(l) any Lien which is discharged or released by the Company, any Subsidiary or their Affiliates at or prior to Closing

(m) other Liens that do not impair in any material respect the ownership, operation or use of such Asset (as currently owned, operated or used, or as contemplated to be owned, operated or used in accordance with all plans relating to the Applicable Facilities); and

(n) Any matters shown on Schedule 5.9.

“**Person**” means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other entity of any kind.

“**Personal Property**” has the meaning provided such term in the definition of Assets.

“**Post-Signing Information**” has the meaning provided such term in Section 7.5.

“**Pre-Closing Tax Period**” means any Tax period that ends on or before the Closing Date.

“**Proceeding**” means any action, arbitration, audit, cause, complaint, charge, hearing, inquiry, investigation, litigation, proceeding, review or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before any Governmental Authority or arbitrator.

“**Property Taxes**” has the meaning provided such term in Section 13.4(a).

“**Purchase Price**” has the meaning provided such term in Section 3.1.

“**Real Property Interests**” means all surface fee interests, surface leases, easements, rights-of-way and other similar surface rights.

“**Records**” means all agreements, documents, maps, books, records, accounts and files relating to the Assets or the business or assets of the Company or any Subsidiary, to the extent (a) in Seller’s or its Affiliates’ (including the Company’s or any Subsidiary’s) possession or (b) to which Seller has the right but are in the possession of a Third Party, including the following: (i) land and title records (including abstracts of title and title opinions), (ii) contract files, (iii) correspondence, (iv) maps, operations, environmental, throughput and accounting records, (v) facility and engineering files, (vi) environmental files, (vii) permitting files, (viii) membership interest registries and minute books of the Company or any Subsidiary and (ix) all Applicable Contracts.

“**Release**” means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, seeping, dumping, or disposing into the environment.

“**Representatives**” means a Person’s directors, officers, employees, agents or advisors (including attorneys, accountants, auditors, consultants, bankers, financial advisors and any representatives of those advisors)

“**Required Consents**” means all Consents set forth on Schedule 5.3.

“**Section 754 Election**” has the meaning provided such term in Section 13.6.

“**Seller**” has the meaning provided such term in the Preamble.

“***Seller Indemnified Parties***” has the meaning provided such term in Section 10.3.

“***Seller Parent Guaranties***” means (i) that certain guaranty agreement entered into at Closing from Energy Transfer Partners, L.P., in favor of Buyer and the Company, in respect of an undivided sixty percent (60%) of Seller’s obligations under the Company Agreement and (ii) that certain guaranty agreement entered into at Closing from Sunoco Logistics Partners L.P., in favor of Buyer and the Company, in respect of an undivided forty percent (40%) of Seller’s obligations under the Company Agreement, each substantially in the form of Exhibit C.

“***Seller Taxes***” means (a) any and all Taxes (i) imposed on the Company or any Subsidiary for any Pre-Closing Tax Period and for the portion of any Straddle Period ending on and including the Closing Date (as determined in Section 13.4); (ii) of any member of any Consolidated Group of which the Company or any Subsidiary is or was a member on or prior to the Closing Date (other than the member of a Consolidated Group comprised solely of two or more of the Company and the Subsidiaries); (iii) resulting from or attributable to (x) a breach of any representation or warranty set forth in Section 5.6 (determined without regard to any materiality or Knowledge qualifier or scheduled item) or (y) a breach by Seller of any covenant relating to Taxes; and (iv) of any other Person for which the Company or any Subsidiary is or has been liable as a transferee or successor, by contract, conversion, merger, or otherwise, in each case pursuant to an event, occurrence or transaction that happens or is entered into prior to the Closing and (b) any payment required to be made by the Company or any Subsidiary to any other member of a Development Company as a result of the consummation of the transactions contemplated by this Agreement resulting in a termination of such Development Company under Section 708 of the Code.

“***Senior Secured Credit Facility***” means that certain Credit and Guaranty Agreement dated as of August 2, 2016 among the Development Companies, Citibank, N.A., as administrative agent on behalf of the lenders, the lenders party thereto, and others, and all other documents executed and delivered by the Company and its Subsidiaries in connection with or as contemplated by such agreement.

“***Straddle Period***” means any Tax period beginning on or before and ending after the Closing Date.

“***Subsidiary***” or “***Subsidiaries***” has the meaning provided such term in the Recitals.

“***Support Instruments***” has the meaning provided such term in Section 5.13.

“***Tax***” and “***Taxes***” means all taxes, assessments, charges, duties, fees, levies, imposts or other similar charges imposed by a Governmental Authority, including all income, franchise, profits, capital gains, capital stock, transfer, gross receipts, sales, use, transfer, service, occupation, ad valorem, property, excise, severance, windfall profits, premium, stamp, license, payroll, employment, social security, unemployment, disability, environmental, alternative minimum, add-on, value-added, withholding and other taxes, assessments, charges, duties, fees, levies, imposts or other similar charges of any kind, and all estimated taxes, deficiency assessments, additions to tax, penalties and interest.

“**Tax Representations**” has the meaning provided such term in Section 10.1(a).

“**Tax Return**” means any report, return, election, document, estimated tax filing, declaration or other filing provided to any Governmental Authority including any attachments thereto and amendments thereof.

“**Termination Fee**” means an amount equal to three percent (3%) of the Purchase Price.

“**Third Party**” means any Person other than a Party to this Agreement or an Affiliate of a Party to this Agreement.

“**Third Party Claim**” has the meaning provided such term in Section 10.5(a).

“**Transaction Documents**” means the Assignment, the Company Agreement and the other documents executed and delivered by the Parties at the Closing in consummation of the transactions contemplated by this Agreement and any other Contract, agreement or document by and among the Parties that is expressly agreed by the Parties to constitute a Transaction Document for purposes of this Agreement.

“**Transactions**” means the transactions contemplated by the Transaction Documents.

“**Transfer Taxes**” has the meaning provided such term in Section 13.1.

“**Transferred Interests**” has the meaning provided such term in the Recitals.

“**Treasury Regulations**” shall mean the regulations promulgated by the United States 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, temporary, or final Treasury Regulations.

“**United States**” means United States of America.

**STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)**

		Nine Months Ended September 30, 2016
		<u>(in millions)</u>
Fixed Charges:		
Interest cost and debt expense	\$	198
Interest allocable to rental expense ⁽¹⁾		5
Total	\$	<u>203</u>
Earnings:		
Income before income tax expense ⁽²⁾	\$	522
Income before income tax expense attributable to noncontrolling interests		(3)
Income before income tax expense attributable to redeemable noncontrolling interests		(1)
Equity in income of 50 percent or less owned affiliated companies		(29)
Dividends received from 50 percent or less owned affiliated companies ⁽³⁾		15
Fixed charges		203
Interest capitalized		(80)
Amortization of previously capitalized interest		3
Total	\$	<u>630</u>
Ratio of Earnings to Fixed Charges		<u>3.1</u>

- ⁽¹⁾ Represents one-third of the total operating lease rental expense which is the portion deemed to be interest.
- ⁽²⁾ Represents income before income tax expense for all consolidated entities.
- ⁽³⁾ Represents dividends received from equity-method investments.

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Hennigan, President and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q;
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(s) 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 entities, 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(s) 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.

Date: November 9, 2016

/s/ MICHAEL J. HENNIGAN

Name: Michael J. Hennigan

Title: President and Chief Executive Officer

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter J. Gvazdauskas, Chief Financial Officer and Treasurer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q;
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(s) 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 entities, 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(s) 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.

Date: November 9, 2016

/s/ PETER J. GVAZDAUSKAS

Name: Peter J. Gvazdauskas

Title: Chief Financial Officer and Treasurer

**Certification of President and Chief Executive Officer of Sunoco Partners LLC
18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with this Quarterly Report on Form 10-Q of Sunoco Logistics Partners L.P. for the quarter ended September 30, 2016, I, Michael J. Hennigan, President and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: November 9, 2016

/s/ MICHAEL J. HENNIGAN

Michael J. Hennigan
President and Chief Executive Officer

**Certification of Chief Financial Officer of Sunoco Partners LLC
18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with this Quarterly Report on Form 10-Q of Sunoco Logistics Partners L.P. for the quarter ended September 30, 2016, I, Peter J. Gvazdauskas, Chief Financial Officer and Treasurer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: November 9, 2016

/s/ PETER J. GVAZDAUSKAS

Name: Peter J. Gvazdauskas
Chief Financial Officer and Treasurer

