Energy Transfer Partners, L.P.
Form 424B5
April 20, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-221411

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Offering Price per Unit	Aggregate Offering Price	Amount of Registration Fee(1)(2)
7.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units	$25.00	$450,000,000	$56,025

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.
(2) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the Partnership s Registration Statement on Form S-3 (File No. 333-221411) in accordance with Rules 456(b) and 457(r) under the Securities Act.

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Prospectus Supplement

(To Prospectus dated November 8, 2017)

18,000,000 7.375% Series C Fixed-to-Floating Rate

Cumulative Redeemable Perpetual Preferred Units

(Liquidation Preference $25.00 per Series C Preferred Unit)

Energy Transfer Partners, L.P.

We are offering 18,000,000 of our 7.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per unit (the Series C Preferred Units).

Distributions on the Series C Preferred Units are cumulative from and including the date of original issue and will be payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2018, in each case when, as, and if declared by our general partner. A pro-rated initial distribution on the Series C Preferred Units offered hereby will be payable on August 15, 2018 in an amount equal to approximately $0.56337 per Series C Preferred Unit. Distributions on the Series C Preferred Units will be payable out of amounts legally available therefor from and including the date of original issue to, but excluding, May 15, 2023, at a rate equal to 7.375% per annum of the stated liquidation preference. On and after May 15, 2023, distributions on the Series C Preferred Units will accumulate for each distribution period at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 4.530% per annum.

At any time on or after May 15, 2023, we may redeem the Series C Preferred Units, in whole or in part, out of amounts legally available therefor, at a redemption price of $25.00 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. In addition, upon the occurrence of certain ratings agency events as described under Description of Series C Preferred Units Redemption Optional Redemption Upon a Rating Event, we may redeem the Series C Preferred Units, in whole but not in part, out of amounts legally available therefor, at a price of $25.50 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared.

The Series C Preferred Units will rank on parity to our 6.250% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $1,000 per unit (Series A Preferred Units), and our 6.625% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $1,000 per unit (Series B Preferred Units), with respect to distributions and, generally, with respect to distributions upon a liquidation event.

We intend to apply to have the Series C Preferred Units listed on the New York Stock Exchange (the NYSE) under the symbol ETPprC. If the application is approved, we expect trading of the Series C Preferred Units on the NYSE to begin within 30 days after their original issue date. Currently, there is no public market for the Series C Preferred Units.

We have granted the underwriters a 30-day option to purchase up to an additional 2,700,000 Series C Preferred Units from us on the same terms and conditions as set forth above.

Investing in our Series C Preferred Units involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 7 of the accompanying base prospectus.

	Per Series C Preferred Unit	Total
Public offering price	$ 25.0000	$ 450,000,000
Underwriting discounts and commissions (1)	$ 0.7532	$ 13,557,500
Proceeds to Energy Transfer Partners, L.P. (before expenses) (1)	$ 24.2468	$ 436,442,500

(1) For sales to retail investors, an underwriting discount of $0.7875 per Series C Preferred Unit sold in this offering (or up to $14,175,000 for all Series C Preferred Units) will be deducted from the proceeds paid to us by the underwriters. For sales to institutions, the discount will be $0.3125 per Series C Preferred Unit. As a result of sales to certain institutions, the total underwriting discount and the total proceeds to us (after deducting such discount but before offering expenses) will equal $13,557,500 and $436,442,500, respectively. We refer you to Underwriting beginning on page S-46 of this prospectus supplement for additional information regarding underwriter compensation.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series C Preferred Units to the purchasers in book-entry form through the facilities of The Depository Trust Company (DTC) and its direct participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), and Clearstream Banking, a société anonyme (Clearstream), on or about April 25, 2018.

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley** **RBC Capital Markets** **Wells Fargo Securities**

Prospectus Supplement dated April 18, 2018.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Series C Preferred Units. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of Series C Preferred Units. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the information about the Series C Preferred Unit offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

This prospectus supplement, the accompanying base prospectus and any free writing prospectus that we prepare or authorize contain and incorporate by reference information that you should consider when making your investment decision. We and the underwriters have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the Series C Preferred Units, and seeking offers to buy the Series C Preferred Units, only in jurisdictions where offers and sales are permitted. You should not assume that the information included in this prospectus supplement, the accompanying base prospectus or any free writing prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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We expect that delivery of the Series C Preferred Units will be made to investors on or about April 25, 2018, which will be the fifth business day following the date of this prospectus supplement (such settlement being referred to as T+5). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Series C Preferred Units on any date prior to two business days before delivery will be required, by virtue of the fact that the Series C Preferred Units initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Series C Preferred Units who wish to trade the Series C Preferred Units on any date prior to two business days before delivery should consult their advisors.

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FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, included or incorporated by reference into this prospectus supplement, the accompanying base prospectus and the documents we incorporate by reference constitute forward-looking statements. These forward-looking statements discuss our goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state 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, intends, projects, similar phrases or expressions identify forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus supplement, the accompanying base prospectus and the documents we incorporate by reference.

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 also 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:

- the volumes transported on our pipelines and gathering systems;
- the level of throughput in our processing and treating facilities;
- the fees we charge and the margins we realize for our gathering, treating, processing, storage and transportation services;
- changes in the supply of, or demand for crude oil, natural gas, natural gas liquids, or NGLs, and refined products that impact demand for our services;
- energy prices generally;
- the prices of crude oil, natural gas and NGLs compared to the price of alternative and competing fuels;
- the general level of petroleum product demand and the availability and price of NGL supplies;
- the availability of imported crude oil, natural gas and NGLs;
- changes in the general economic conditions in the United States;

actions taken by foreign oil and gas producing nations;

the political and economic stability of petroleum producing nations;

global and domestic economic repercussions, including disruptions in the crude oil, natural gas, NGLs and refined products markets, from terrorist activities, international hostilities and other events, and the government s response thereto;

the effect of weather conditions on demand for crude oil, natural gas and NGLs;

availability of local, intrastate and interstate transportation systems;

the continued ability to find and contract for new sources of natural gas supply;

availability and marketing of competitive fuels;

the impact of energy conservation efforts;

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improvements in energy efficiency and development of technology resulting in decreased demand for natural gas or refined petroleum products;

governmental regulation and taxation;

changes to, and the application of, federal or state regulation of our tariff rates and operational requirements related to our assets;

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;

competition encountered by our pipelines, terminals and other operations;

loss of key personnel;

loss of key natural gas producers or the providers of fractionation services;

reductions in the capacity or allocations of third-party pipelines that connect with our pipelines and facilities;

the effectiveness of risk-management policies and procedures, including the use of derivative financial instruments to hedge commodity risks, and the ability of our liquids marketing counterparties to satisfy their financial commitments;

the nonpayment or nonperformance by, or disputes with our customers, suppliers or other business partners;

regulatory, environmental, political and legal uncertainties that may affect the timing and cost of our internal growth projects, such as our construction of additional pipeline systems and other facilities;

risks associated with the construction of new facilities or additions to our existing facilities, including difficulties in obtaining permits and rights-of-way or other regulatory approvals and the performance by third-party contractors;

changes in the expected level of capital, operating, or remediation spending related to environmental matters;

risks related to labor relations and workplace safety;

the availability and cost of capital and our ability to access certain capital sources;

a deterioration of the credit and capital markets;

changes in our or Energy Transfer Equity, L.P. s credit ratings, as assigned by ratings agencies;

risks associated with the assets and operations of entities in which we own less than a controlling interest, including risks related to management actions at such entities that we may not be able to control or exert influence;

the ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to our financial results and to successfully integrate acquired businesses;

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- our ability to manage growth and control costs;

- changes in laws and regulations to which we are subject, including tax, environmental, transportation and employment regulations or new interpretations by regulatory agencies concerning such laws and regulations; and

- the costs and effects of legal and administrative proceedings.

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.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference for a more complete understanding of this offering. Please read Risk Factors beginning on page S-13 of this prospectus supplement and page 7 of the accompanying base prospectus for more information about important risks that you should consider before buying our Series C Preferred Units.

As used in this prospectus supplement, unless the context otherwise indicates, all references in this prospectus supplement to we, us, Energy Transfer, ETP, the Partnership and our refer to Energy Transfer Partners, L.P., and its operating partnerships and their subsidiaries, including Energy Transfer, LP and Sunoco Logistics Partners Operations L.P. (SXL Operating Partnership). With respect to the cover page and in the sections entitled Summary The Offering and Underwriting, we, our and us refer only to Energy Transfer Partners, L.P. and not to any of its subsidiaries. References to ETP GP, our general partner or the general partner refer to Energy Transfer Partners GP, L.P. References to ETP LLC refer to Energy Transfer Partners, L.L.C., the general partner of our general partner. References to ETE refer to Energy Transfer Equity, L.P., the owner of ETP LLC. Unless the context otherwise indicates, the information presented in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional Series C Preferred Units.

The Partnership

Overview

We are one of the largest publicly traded master limited partnerships in the United States in terms of equity market capitalization (approximately $23.31 billion as of January 31, 2018). We are managed by our general partner, ETP GP, and ETP GP is managed by its general partner, ETP LLC. ETP LLC is owned by ETE, another publicly traded master limited partnership. The primary activities in which we are engaged, all of which are in the United States, and the operating subsidiaries through which we conduct those activities are as follows:

- Natural gas operations, including the following:
  - natural gas midstream and intrastate transportation and storage; and
  - interstate natural gas transportation and storage.
- Crude oil, NGLs and refined product transportation, terminalling services and acquisition and marketing activities, as well as NGL storage and fractionation services.

Recent Developments

Disposition of CDM Business

On April 2, 2018, we and certain of our affiliates completed our contribution to USA Compression Partners, LP (USAC) of all of the issued and outstanding membership interests of CDM Resource Management LLC and CDM Environmental & Technical Services LLC, in exchange for aggregate consideration of approximately $1.7 billion, consisting of (i) 19,191,351 common units representing limited partner interests in USAC (USAC Common Units), (ii) 6,397,965 Class B units representing limited partner interests in USAC (USAC Class B Units) and (iii) $1.232 billion in cash (the Contribution). The USAC Class B Units issued to us will not pay quarterly cash distributions for the first four quarters following closing and will convert into

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USAC Common Units on a one-for-one basis after such time. As of the closing of the Contribution, we owned approximately 21.4% of the outstanding USAC Common Units. We used the cash proceeds from the Contribution to repay amounts outstanding under our revolving credit facility.

Repurchase of Sunoco Common Units

On February 7, 2018, we completed the sale of 17,286,859 common units representing limited partner interests in Sunoco LP to Sunoco LP for aggregate cash consideration of approximately $540 million (the Sunoco Unit Repurchase). We used the proceeds from the Sunoco Unit Repurchase to repay amounts outstanding under our revolving credit facility.

Our Principal Executive Offices

We are a limited partnership formed under the laws of the State of Delaware. Our principal executive offices are located at 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, and our telephone number at that location is (214) 981-0700. We maintain a website at *http://www.energytransfer.com* that provides information about our business and operations. Information contained on this website, however, is not incorporated into or otherwise a part of this prospectus supplement or the accompanying base prospectus.

Our Ownership, Structure and Management

The following chart depicts the ownership of us and our subsidiaries after giving effect to this offering, and assumes no exercise of the underwriters option to purchase additional Series C Preferred Units.

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The Offering

Issuer	Energy Transfer Partners, L.P.
Securities offered by us	18,000,000 of our 7.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per Series C Preferred Unit (or 20,700,000 of our Series C Preferred Units if the underwriters exercise in full their option to purchase additional Series C Preferred Units). For a detailed description of the Series C Preferred Units, see Description of Series C Preferred Units.
Price per Series C Preferred Unit	$25.00.
Maturity	Perpetual (unless redeemed by us on or after May 15, 2023 or in connection with a Rating Event (as defined below)). See Optional Redemption Upon a Rating Event and Optional Redemption on or After May 15, 2023.
Distributions	Distributions on the Series C Preferred Units will accrue and be cumulative from the date that the Series C Preferred Units are originally issued and will be payable on each Distribution Payment Date (as defined below) when, as, and if declared by our general partner out of legally available funds for such purpose. Unless otherwise determined by our general partner, distributions on the Series C Preferred Units will be deemed to have been paid out of our available cash with respect to the quarter ended immediately preceding the quarter in which the distribution is made.
Distribution Payment Dates and Record Dates	Quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2018 (each, a Distribution Payment Date) to holders of record as of the close of business on the first Business Day (as defined under Description of Series C Preferred Units) of the month of the applicable Distribution Payment Date. A pro-rated initial distribution on the Series C Preferred Units offered hereby will be payable on August 15, 2018 in an amount equal to approximately $0.56337 per Series C Preferred Unit. If any Distribution Payment Date otherwise would fall on a day that is not a business day, declared distributions will be paid on the immediately succeeding business day without the accumulation of additional distributions.

Distribution Rate	The initial distribution rate for the Series C Preferred Units from and including the date of original issue to, but not including, May 15, 2023 will be 7.375% per annum of the $25.00 liquidation preference per unit (equal to $1.84375 per unit per annum). On and after May 15, 2023, distributions on the Series C Preferred Units will accumulate for each distribution period at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 4.530% per annum.

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Ranking	The Series C Preferred Units will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date.
	The Series C Preferred Units will rank:
	senior to our common units, Class E Units, Class G Units, Class K Units, general partner interest and incentive distribution rights (IDRs) and to each other class or series of limited partner interests or other equity securities established after the original issue date of the Series C Preferred Units that is not expressly made senior to or on parity with the Series C Preferred Units as to the payment of distributions and amounts payable on a liquidation event (the Junior Securities);
	on parity with each other, our Series A Preferred Units, Series B Preferred Units and any class or series of limited partner interests or other equity securities established after the original issue date of the Series C Preferred Units with terms expressly providing that such class or series ranks on parity with the Series C Preferred Units as to the payment of distributions and amounts payable upon a liquidation event (the Parity Securities);
	junior to any class or series of limited partner interests or equity securities established after the original issue date of the Series C Preferred Units with terms expressly made senior to the Series C Preferred Units as to the payment of distributions and amounts payable upon a liquidation event (Senior Securities); and
	junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.
Restrictions on Distributions	No distribution may be declared or paid or set apart for payment on any Junior Securities (other than a distribution payable solely in Junior Securities) unless full cumulative distributions have been or contemporaneously are being paid or provided for on all outstanding Series C Preferred Units and any Parity Securities through the most recent respective distribution periods. To the extent a distribution period applicable to a class of Junior Securities or Parity Securities is shorter than the distribution period applicable to the Series C Preferred Units (e.g., monthly rather than quarterly), the general partner may declare and pay regular distributions with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such distribution, the

	general partner expects to have sufficient funds to pay the full distribution in respect of the Series C Preferred Units on the next successive Distribution Payment Date.
Optional Redemption Upon a Rating Event	At any time within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Rating

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	Event (as defined below), we may, at our option, redeem the Series C Preferred Units in whole, but not in part, at a redemption price in cash per Series C Preferred Unit equal to $25.50 (102% of the liquidation preference of $25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date fixed for redemption, whether or not declared. Any such redemption would be effected only out of funds legally available for such purpose and would be subject to compliance with the provisions of the instruments governing our outstanding indebtedness.
	Rating Event means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act, that publishes a rating for us (a rating agency) to its equity credit criteria for securities such as the Series C Preferred Units, as such criteria are in effect as of the original issue date of the Series C Preferred Units (the current criteria), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series C Preferred Units, or (ii) a lower Equity Credit being given to the Series C Preferred Units than the Equity Credit that would have been assigned to the Series C Preferred Units by such rating agency pursuant to the current criteria. Equity Credit for the purposes of the Series C Preferred Units means the dollar amount or percentage in relation to the stated liquidation preference amount of $25.00 per Series C Preferred Unit assigned to the Series C Preferred Units as equity, rather than debt, by a rating agency in evaluating the capital structure of an entity.
Optional Redemption on or After May 15, 2023	At any time on or after May 15, 2023, we may redeem, in whole or in part, the Series C Preferred Units at a redemption price in cash of $25.00 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. Any such redemption would be effected only out of funds legally available for such purpose and would be subject to compliance with the provisions of the instruments governing our outstanding indebtedness. We must provide not less than 30 days and not more than 60 days written notice of any such redemption. We may undertake multiple partial redemptions.
Conversion; Exchange and Preemptive Rights	The Series C Preferred Units will not be entitled or subject to preemptive rights or be convertible into or exchangeable for any other securities or property at the option of the holder.
Voting Rights	Holders of the Series C Preferred Units generally will have no voting rights. In connection with the closing of this offering, we expect to

amend our Fourth Amended and Restated Agreement of Limited Partnership (as amended, the Partnership Agreement) to reflect the

	issuance and terms of the Series C Preferred Units. Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a separate class, we may not adopt any amendment to our Partnership Agreement that would have a material adverse effect on the terms of the Series C Preferred Units.
	In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not (i) create or issue any Parity Securities (including any additional Series C Preferred Units) if the cumulative distributions payable on then outstanding Series C Preferred Units (or Parity Securities, if applicable) are in arrears, or (ii) create or issue any Senior Securities.
Fixed Liquidation Preference	In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of the Series C Preferred Units will generally, subject to the discussion under Description of Series C Preferred Units Liquidation Rights, have the right to receive the liquidation preference of $25.00 per Series C Preferred Unit (subject to adjustment for any splits, combinations or similar adjustment to the Series C Preferred Units) plus an amount equal to all accumulated and unpaid distributions thereon to the date of payment, whether or not declared. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed to be a liquidation, dissolution or winding up of our affairs.
Sinking Fund	The Series C Preferred Units will not be entitled or subject to any sinking fund requirements.
No Fiduciary Duties	We, our general partner, ETP LLC and its officers and directors will not owe any duties, including fiduciary duties, to the holders of Series C Preferred Units other than an implied contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.
Use of Proceeds	We intend to use the net proceeds from the sale of the 18,000,000 Series C Preferred Units offered hereby, which are expected to total approximately $436.4 million, after deducting the underwriters discount but before offering expenses, to repay amounts outstanding under our revolving credit facility and for general partnership purposes. We intend to use the net proceeds from any exercise of the underwriters option to

purchase additional Series C Preferred Units to repay amounts outstanding under our revolving credit facility and for general partnership purposes. See Use of Proceeds.

Affiliates of each of the underwriters are lenders under our revolving credit facility and, accordingly, may receive a portion of the net proceeds from this offering. See Underwriting.

Material Federal Income Tax Consequences	For a discussion of material federal income tax considerations that may be relevant to prospective holders of Series C Preferred Units who are individual citizens or residents of the United States, see Material Federal Income Tax Consequences of Series C Preferred Units in this prospectus supplement and Material Federal Income Tax Consequences in the accompanying base prospectus.
Form	The Series C Preferred Units will be issued and maintained in book-entry form registered in the name of DTC or its nominee, except under limited circumstances. See Description of Series C Preferred Units Book-Entry System.
Listing	We intend to file an application to list the Series C Preferred Units on the NYSE. If the application is approved, trading of the Series C Preferred Units on the NYSE is expected to begin within 30 days after the original issue date of the Series C Preferred Units. The underwriters have advised us that they intend to make a market in the Series C Preferred Units prior to commencement of any trading on the NYSE. However, the underwriters will have no obligation to do so, and no assurance can be given that a market for the Series C Preferred Units will develop prior to commencement of trading on the NYSE or, if developed, will be maintained.
Risk Factors	Investing in our Series C Preferred Units involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 7 of the accompanying base prospectus, and in our Annual Report on Form 10-K for the year ended December 31, 2017, together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying base prospectus before investing in our Series C Preferred Units.
Settlement	The underwriters expect to deliver the Series C Preferred Units to the purchasers in book-entry form through the facilities of DTC and its direct participants, including Euroclear and Clearstream, on or about April 25, 2018.

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RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED UNIT DISTRIBUTIONS

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Ratio of earnings to fixed charges	1.6	1.4	1.8	2.1	1.8
Ratio of earnings to combined fixed charges and preferred unit distributions (1)	1.6				

(1) Because no preferred units received cash distributions for any of the years ended December 31, 2016, 2015, 2014 and 2013, no historical ratio of earnings to combined fixed charges and preferred unit distributions are presented for these periods.

For purposes of calculating the ratios of earnings to fixed charges:

- fixed charges represent interest expense (including amounts capitalized), amortization of debt costs and the portion of rental expense representing the interest factor; and

- earnings represent the aggregate of income from continuing operations (before adjustment for minority interest, extraordinary loss and equity earnings), fixed charges and distributions from equity investments, less capitalized interest.

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RISK FACTORS

An investment in our Series C Preferred Units involves risks. You should carefully consider all of the information contained in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference as provided under Incorporation by Reference, including our Annual Report on Form 10-K for the year ended December 31, 2017, and the risk factors described under Risk Factors therein. This prospectus supplement, the accompanying base prospectus and the documents incorporated by reference also contain forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described elsewhere in this prospectus supplement, in the accompanying base prospectus and in the documents incorporated by reference. If any of these risks occur, our business, financial condition or results of operation could be adversely affected.

Risks Related to the Series C Preferred Units

The Series C Preferred Units represent perpetual equity interests in us, and investors should not expect us to redeem any Series C Preferred Units on the date the Series C Preferred Units become redeemable by us, at our option, or on any particular date thereafter.

The Series C Preferred Units represent perpetual equity interests in us, and they have no maturity or mandatory redemption date and are not redeemable at the option of investors under any circumstances. As a result, unlike our indebtedness, none of the Series C Preferred Units will give rise to a claim for payment of a principal amount at a particular date. Instead, the Series C Preferred Units may be redeemed by us at our option (i) following the occurrence of a Rating Event, in whole but not in part, out of funds legally available for such redemption, at a redemption price in cash of $25.50 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared, or (ii) at any time on or after May 15, 2023, in whole or in part, out of funds legally available for such redemption, at a redemption price in cash of $25.00 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. Any decision we may make at any time to redeem the Series C Preferred Units will depend upon, among other things, our evaluation of our capital position and general market conditions at that time. In addition, the instruments governing our outstanding indebtedness may limit our ability to redeem the Series C Preferred Units. As a result, the holders of the Series C Preferred Units may be required to bear the financial risks of an investment in the Series C Preferred Units for an indefinite period of time. Moreover, the Series C Preferred Units will rank junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

We distribute all of our available cash to our limited partners and are not required to accumulate cash for the purpose of meeting our future obligations to the holders of the Series C Preferred Units, which, along with the agreements governing our indebtedness, may limit the cash available to make distributions on the Series C Preferred Units.

Pursuant to our Partnership Agreement, we distribute all of our available cash each quarter to our limited partners. Upon the closing of this offering, our Partnership Agreement will define Available Cash to generally mean, for each fiscal quarter, all cash and cash equivalents on hand at the end of such quarter and all cash and cash equivalents on hand on the date of determination of available cash for that quarter resulting from working capital borrowings subsequent to the end of such quarter, less the amount of any cash reserves established by our general partner to:

provide for the proper conduct of our business, including reserves for future capital expenditures and anticipated credit needs;

comply with applicable law or any debt instrument or other agreement or obligation;

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provide funds to make distributions on the Series A Preferred Units, Series B Preferred Units or Series C Preferred Units; or

provide funds for distributions to our common unitholders and other limited partners entitled to distributions under our Partnership Agreement and to our general partner for any one or more of the next four quarters.

As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make distributions on the Series C Preferred Units.

The Series C Preferred Units are subordinated to our existing and future debt obligations, and your interests could be diluted by the issuance of additional units, including additional Series C Preferred Units, and by other transactions.

The Series C Preferred Units are subordinated to all of our existing and future indebtedness. As of December 31, 2017, our total consolidated debt was approximately $33.1 billion, and we had the ability to borrow an additional $2.5 billion under our revolving credit facility, subject to certain limitations. We may incur additional debt under our revolving credit facility, or other existing or future debt arrangements. The payment of principal and interest on our debt reduces cash available for distribution to our limited partners, including the holders of the Series C Preferred Units.

The issuance of any Senior Securities or additional Parity Securities (including additional Series C Preferred Units) would dilute the interests of the holders of the Series C Preferred Units and could affect our ability to pay distributions on, redeem, or pay the liquidation preference on the Series C Preferred Units. Future issuances and sales of Senior Securities, Parity Securities or Junior Securities, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series C Preferred Units to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

The Series C Preferred Units have extremely limited voting rights.

The voting rights of the holders of the Series C Preferred Units will be extremely limited. Except as set forth in our Partnership Agreement or as otherwise required by Delaware law, holders of the Series C Preferred Units generally will have no voting rights (including in connection with certain change of control or simplification transactions). Although the holders of the Series C Preferred Units are entitled to limited protective voting rights with respect to certain matters, as described in Description of Series C Preferred Units Voting Rights, the Series C Preferred Units will generally vote separately as a class along with our Series A Preferred Units, Series B Preferred Units and all other series of our Parity Securities that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series C Preferred Units may be significantly diluted, and the holders of such other series of Parity Securities that we may issue may be able to control or significantly influence the outcome of any vote.

Your ability to transfer the Series C Preferred Units at a time or price you desire may be limited by the absence of an active trading market, which may not develop.

The Series C Preferred Units are a new class of our securities and do not have an established trading market. In addition, since the Series C Preferred Units have no stated maturity date, investors seeking liquidity will be limited to selling their Series C Preferred Units in the secondary market absent redemption by us. We intend to apply to list the

Series C Preferred Units on the NYSE, but there can be no assurance that the NYSE will accept the Series C Preferred Units for listing. Even if the Series C Preferred Units are approved for listing by the NYSE, an active trading market on the NYSE for the Series C Preferred Units may not develop or, even if it develops, may not last, in which case the trading price of the Series C Preferred Units could be adversely affected

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and your ability to transfer your Series C Preferred Units will be limited. If an active trading market does develop on the NYSE, the Series C Preferred Units may trade at prices lower than the offering price. The trading price of the Series C Preferred Units would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial market conditions;
- our issuance of debt or other preferred equity securities; and
- our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in the Series C Preferred Units pending any listing of the Series C Preferred Units on the NYSE, but they are not obligated to do so and may discontinue market-making at any time without notice.

Market interest rates may adversely affect the value of the Series C Preferred Units, and the distribution payable on the Series C Preferred Units will vary on and after May 15, 2023 based on market interest rates.

One of the factors that will influence the price of the Series C Preferred Units will be the distribution yield on the Series C Preferred Units (as a percentage of the price of the Series C Preferred Units) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series C Preferred Units to expect a higher distribution yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution to our limited partners, including the holders of the Series C Preferred Units. Accordingly, higher market interest rates could cause the market price of the Series C Preferred Units to decrease.

In addition, on and after May 15, 2023, the Series C Preferred Units will have a floating distribution rate set each quarterly distribution period at a percentage of the $25.00 liquidation preference equal to a floating rate of the then-current three-month LIBOR plus a spread of 4.530% per annum. The per annum distribution rate that is determined on the relevant determination date will apply to the entire quarterly distribution period following such determination date even if LIBOR increases during that period. As a result, the holders of the Series C Preferred Units will be subject to risks associated with fluctuation in interest rates and the possibility that holders will receive distributions that are lower than expected. We have no control over a number of factors, including economic, financial and political events, that impact market fluctuations in interest rates, which have in the past and may in the future experience volatility.

Increased regulatory oversight, changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may adversely affect the value of the Series C Preferred Units.

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers Association (the BBA) in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. On July 27, 2017, the Financial Conduct Authority (the FCA) announced that it will no longer persuade or compel banks to submit LIBOR rates after 2021 (the FCA Announcement). Based on the FCA Announcement, it appears likely that LIBOR will be discontinued or modified by 2021.

Under the terms of the Series C Preferred Units, the distribution rate on the Series C Preferred Units for each distribution period during the Floating Rate Period (as defined under Description of Series C Preferred Units Distributions Distribution Rate) is based on three-month LIBOR. If the calculation agent is unable to determine three-month LIBOR based on screen-based reporting of that base rate, and if the calculation agent is also unable to obtain suitable quotations for three-month LIBOR from reference banks, then the calculation agent will determine three-month LIBOR after consulting such sources as it deems comparable or reasonable. In addition, if the calculation agent determines that three-month LIBOR has been discontinued, then the calculation agent will determine whether to calculate the relevant distribution rate using a substitute or successor base rate that it has determined in its sole discretion is most comparable to three-month LIBOR, provided that if the calculation agent determines there is an industry-accepted successor base rate, the calculation agent will use that successor base rate. In such instances, the calculation agent in its sole discretion may determine what business day convention to use, the definition of business day, the distribution determination date to be used and any other relevant methodology for calculating such substitute or successor base rate with respect to the calculation of distributions on the Series C Preferred Units during the Floating Rate Period in a manner that is consistent with industry-accepted practices for such substitute or successor base rate. Any of the foregoing determinations or actions by the calculation agent could result in adverse consequences to the applicable distribution rate on the Series C Preferred Units during the Floating Rate Period which could adversely affect the return on, value of and market for the Series C Preferred Units. We will appoint a calculation agent (other than the Partnership or its affiliates) for the Series C Preferred Units prior to the commencement of the Floating Rate Period and will keep a record of such appointment at our principal offices, which will be available to any unitholder upon request.

Our ability to issue Parity Securities in the future could adversely affect the rights of holders of our Series C Preferred Units.

We are allowed to issue Parity Securities without any vote of the holders of the Series C Preferred Units, except where the cumulative distributions on the Series C Preferred Units or any Parity Securities (including our Series A Preferred Units and our Series B Preferred Units) are in arrears. The issuance of any Parity Securities would have the effect of reducing the amounts available to the holders of the Series C Preferred Units issued in this offering upon our liquidation, dissolution or winding up if we do not have sufficient funds to pay all liquidation preferences of the Series C Preferred Units and Parity Securities in full. It also would reduce amounts available to make distributions on the Series C Preferred Units issued in this offering if we do not have sufficient funds to pay distributions on all outstanding Series C Preferred Units and Parity Securities. In addition, future issuances and sales of Parity Securities, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series C Preferred Units to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

A change in the rating of the Series C Preferred Units could adversely affect the market price of the Series C Preferred Units.

In connection with this offering, we expect that the Series C Preferred Units will receive a below-investment-grade credit rating from Moody s, S&P and Fitch. Rating agencies revise their ratings from time to time and could lower or withdraw any rating issued with respect to the Series C Preferred Units. Any real or anticipated downgrade or withdrawal of any ratings of the Series C Preferred Units could have an adverse effect on the market price or liquidity of the Series C Preferred Units.

Ratings reflect only the views of the issuing rating agency or agencies and are not recommendations to purchase, sell or hold any particular security, including the Series C Preferred Units. In addition, ratings do not reflect market prices or suitability of a security for a particular investor, and any future rating of the Series C Preferred Units may not reflect all risks related to the Partnership and its business or the structure or market value of the Series C Preferred Units.

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None of the Series C Preferred Units are convertible into our common units at any time and do not have any protection in the event of a change of control.

None of the Series C Preferred Units are convertible into our common units at any time. In addition, the terms of the Series C Preferred Units will not contain any provisions that protect the holders of the Series C Preferred Units in the event that we experience a change of control.

Holders of Series C Preferred Units may have liability to repay distributions.

Under certain circumstances, the holders of the Series C Preferred Units may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution if the distribution would cause our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to us are not counted for purposes of determining whether a distribution is permitted.

Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. A purchaser of Series C Preferred Units who becomes a limited partner is liable for the obligations of the transferring limited partner to make contributions to us that are known to such purchaser of Series C Preferred Units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from our Partnership Agreement.

Tax Risks

Treatment of distributions on our Series C Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of Series C Preferred Units than the holders of our common units.

The tax treatment of distributions on our Series C Preferred Units is uncertain. We will treat the holders of the Series C Preferred Units as partners for tax purposes and will treat distributions on the Series C Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of the Series C Preferred Units as ordinary income. Although a holder of Series C Preferred Units will recognize taxable income from the accrual of such a guaranteed payment (even in the absence of a contemporaneous cash distribution), we anticipate accruing and making the guaranteed payment distributions quarterly. Otherwise, except in the case of our liquidation, the holders of Series C Preferred Units are generally not anticipated to share in our items of income, gain, loss or deduction, nor will we allocate any share of our nonrecourse liabilities to the holders of Series C Preferred Units. See Description of Series C Preferred Units Liquidation Rights. If the Series C Preferred Units were treated as indebtedness for tax purposes, rather than as guaranteed payments for the use of capital, distributions likely would be treated as payments of interest by us to the holders of Series C Preferred Units.

A holder of Series C Preferred Units will be required to recognize gain or loss on a sale of Series C Preferred Units equal to the difference between the amount realized by such holder and such holder s tax basis in the Series C Preferred Units sold. The amount realized generally will equal the sum of the cash and the fair market value of other property such holder receives in exchange for such Series C Preferred Units. Subject to general rules requiring a blended basis among multiple partnership interests, the tax basis of a Series C Preferred Unit will generally be equal to the sum of the cash and the fair market value of other property paid by the holder of such Series C Preferred Units to acquire such Series C Preferred Unit. Gain or loss recognized by a holder of Series C Preferred Units on the sale or exchange of a Series C Preferred Unit held for more than one year generally will be taxable as long-term capital gain or loss. Because holders of Series C Preferred Units will generally not be allocated a share of our items of depreciation, depletion or amortization, it is not anticipated that

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such holders would be required to recharacterize any portion of their gain as ordinary income as a result of the recapture rules.

Investment in the Series C Preferred Units by tax-exempt investors, such as employee benefit plans and individual retirement accounts (IRAs), and non-U.S. persons raises issues unique to them. The treatment of guaranteed payments for the use of capital to tax exempt investors is not certain and such payments may be treated as unrelated business taxable income for federal income tax purposes.

Distributions to non-U.S. holders of Series C Preferred Units will be subject to withholding taxes. If the amount of withholding exceeds the amount of U.S. federal income tax actually due, non-U.S. holders of Series C Preferred Units may be required to file U.S. federal income tax returns in order to seek a refund of such excess. The treatment of guaranteed payments for the use of capital to tax exempt investors is not certain and such payments may be treated as unrelated business taxable income for federal income tax purposes. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor with respect to the consequences of owning our Series C Preferred Units.

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USE OF PROCEEDS

We will receive net proceeds of approximately $436.4 million from the sale of the 18,000,000 Series C Preferred Units offered hereby after deducting the underwriting discounts but before offering expenses. We intend to use the net proceeds from this offering, including the net proceeds from any exercise of the underwriters option to purchase additional Series C Preferred Units, to repay amounts outstanding under our revolving credit facility and for general partnership purposes.

As of April 13, 2018, there was $1.9 billion of outstanding borrowings at a weighted average interest rate of 2.86% under our revolving credit facility (including $1.8 billion of commercial paper) and no outstanding borrowings under our 364-day facility. Our revolving credit facility matures in December 2022 and our 364-day facility matures in November 2018.

Affiliates of each of the underwriters are lenders under our revolving credit facility and, accordingly, may receive a portion of the net proceeds of this offering through any repayment of borrowings under such facility. Please read Underwriting.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2017, on an actual basis, as adjusted basis giving effect to the use of proceeds from the Contribution and the Sunoco Unit Repurchase and as further adjusted to give effect to the sale of the Series C Preferred Units offered by this prospectus supplement and the application of the net proceeds therefrom in the manner described under Use of Proceeds.

This table should be read together with our historical financial statements and the accompanying notes incorporated by reference into this prospectus supplement and the accompanying base prospectus.

	December 31, 2017		
	Actual	As Adjusted	As Further Adjusted
	(in millions)		
Cash and cash equivalents	$ 306	$ 306	$ 306
Debt:			
Credit Facilities			
Our existing revolving credit facility (1)	2,342	570	134
Subsidiaries credit facilities (2)	2,500	2,500	2,500
Senior Notes			
Our senior notes	26,940	26,940	26,940
Subsidiaries senior notes and other debt (3)	1,430	1,430	1,430
Unamortized premiums, net of discounts and fair value adjustments	61	61	61
Less deferred debt issuance costs	(179)	(179)	(179)
Total debt	33,094	31,322	30,886
Equity:			
Limited partners	26,531	26,531	26,531
Series A Preferred Units	944	944	944
Series B Preferred Units	547	547	547
Series C Preferred Units			436
General partner	244	244	244
Accumulated Other Comprehensive Income	3	3	3
Total Energy Transfer Partners, L.P. Equity	28,269	28,269	28,705
Noncontrolling interests	5,882	5,882	5,882
Total equity	34,151	34,151	34,587
Total capitalization	$ 67,245	$ 65,473	$ 65,473

(1) Includes $2.01 billion of commercial paper and $284 million revolver borrowings outstanding under our $4.0 billion revolving credit facility and $50 million of revolver borrowings outstanding at December 31, 2017 under our $1.0 billion 364-day facility. As of April 13, 2018, we had $1.9 billion outstanding under our revolving credit facility (including $1.8 billion of commercial paper) and no outstanding borrowings under our 364-day facility.

(2) As of April 13, 2018, our subsidiaries had approximately $2.88 billion outstanding under their respective credit facilities.

(3) As of April 13, 2018, Panhandle Eastern Pipe Line Company, LP had $785 million of senior notes outstanding and Transwestern Pipeline Company, LLC had $575 million of senior notes outstanding.

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DESCRIPTION OF SERIES C PREFERRED UNITS

The following description of the Series C Preferred Units does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of our Fourth Amended and Restated Agreement of Limited Partnership, as amended by Amendments No. 1 and No. 2 thereto, which will be entered into in connection with the closing of this offering and will be filed as an exhibit to a Current Report on Form 8-K.

General

The Series C Preferred Units offered hereby are a new series of preferred units. Upon completion of this offering, there will be 18,000,000 Series C Preferred Units issued and outstanding. We may, without notice to or consent of the holders of the then-outstanding Series C Preferred Units, authorize and issue additional Series C Preferred Units and Junior Securities (as defined under Summary The Offering Ranking) and, subject to the limitations described under Voting Rights, Senior Securities and Parity Securities (each, as defined under Summary The Offering Ranking).

The holders of our common units, Series C Preferred Units, IDRs and other partnership securities (including the Series A Preferred Units, the Series B Preferred Units, Class E Units, Class G Units and Class K Units) are entitled to receive, to the extent permitted by law and as provided in our Partnership Agreement, such distributions as may from time to time be declared by our general partner. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common units, Series C Preferred Units, IDRs, general partner interest and other partnership securities (including the Series A Preferred Units, the Series B Preferred Units, Class E Units, Class G Units, Class I Units, Class J Units and Class K Units) are entitled to receive distributions of our assets as provided in our Partnership Agreement, after we have satisfied or made provision for our outstanding indebtedness and other obligations and after payment to the holders of any class or series of limited partner interests (including the Series C Preferred Units, Series A Preferred Units, the Series B Preferred Units, Class E Units, Class G Units, Class I Units, Class J Units and Class K Units) having preferential rights to receive distributions of our assets over each such class of limited partner interests.

When issued and paid for in the manner described in this prospectus supplement and the accompanying base prospectus, the Series C Preferred Units offered hereby will be fully paid and nonassessable (except as such nonassessability may be affected by Section 17-303(a), 17-607 and 17-804 of the Delaware Revised Uniform Limited Partnership Act). Subject to the matters described under Liquidation Rights, each Series C Preferred Unit will generally have a fixed liquidation preference of $25.00 per Series C Preferred Unit (subject to adjustment for any splits, combinations or similar adjustment to the Series C Preferred Units) plus an amount equal to accumulated and unpaid distributions thereon to, but excluding, the date fixed for payment, whether or not declared.

The Series C Preferred Units will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series C Preferred Units will rank junior to all of our current and future indebtedness and other liabilities with respect to assets available to satisfy claims against us. The rights of the holders of Series C Preferred Units to receive the liquidation preference will be subject to the rights of the holders of any Senior Securities and the proportional rights of holders of Parity Securities.

All of the Series C Preferred Units offered hereby will be represented by one or more certificates issued to DTC (and its successors or assigns or any other securities depositary selected by us) (the Securities Depositary) and registered in the name of its nominee, for credit to an account of a direct or indirect participant in the Securities Depositary (including, if applicable, Euroclear and Clearstream). So long as a Securities Depositary has been appointed and is serving, no person acquiring Series C Preferred Units will be entitled to receive a certificate representing such Series C Preferred Units unless applicable law otherwise requires or the Securities Depositary resigns or is no longer eligible to act as such and a successor is not appointed. See Book-Entry System.

The Series C Preferred Units will not be convertible into common units or any other securities and will not have exchange rights or be entitled or subject to any preemptive or similar rights. The Series C Preferred Units will not be entitled or subject to mandatory redemption or to any sinking fund requirements. The Series C Preferred Units will be subject to redemption, in whole or in part, at our option commencing on May 15, 2023 or upon occurrence of a Rating Event. See Redemption.

We have appointed American Stock Transfer & Trust Company, LLC as the paying agent (the Paying Agent), and the registrar and transfer agent (the Registrar and Transfer Agent), for the Series C Preferred Units. The address of the Paying Agent and the Registrar and Transfer Agent is 6201 15th Avenue, Brooklyn, New York, 11219.

Ranking

The Series C Preferred Units will, with respect to anticipated quarterly distributions and distributions upon the liquidation, winding-up and dissolution of our affairs, rank:

- senior to the Junior Securities (including our common units, Class E Units, Class G Units, Class K Units, general partner interest and IDRs);
- on parity with the Parity Securities, including our Series A Preferred Units and Series B Preferred Units;
- junior to any Senior Securities; and
- junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Under our Partnership Agreement, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series C Preferred Units. Our general partner has the authority to determine the designations, preferences, rights, powers, and duties of any such series before the issuance of any units of that series. Our general partner will also determine the number of units constituting each series of securities. Our ability to issue additional Parity Securities in certain circumstances or Senior Securities is limited as described under Voting Rights.

Liquidation Rights

Any distributions made upon our liquidation will be made to our partners in accordance with their respective positive capital account balances. The holders of outstanding Series C Preferred Units will first be specially allocated items of our gross income and gain in a manner designed to cause, in the event of any liquidation, dissolution, or winding up of our affairs (whether voluntary or involuntary), such holders to have a positive capital balance equal to the liquidation preference of $25.00 per Series C Preferred Unit. If the amount of our gross income and gain available to be specially allocated to the holders of outstanding Series C Preferred Units is not sufficient to cause the capital account of a Series C Preferred Unit to equal the liquidation preference of a Series C Preferred Unit, then the amount that a holder of Series C Preferred Units would receive upon liquidation may be less than the Series C Preferred Unit liquidation preference. Any accumulated and unpaid distributions on the Series C Preferred Units will be paid prior to any distributions in liquidation made in accordance with capital account balances. The rights of the holders of Series C Preferred Units to receive the liquidation preference will be subject to the rights of the holders of any Senior Securities and the proportional rights of holders of Parity Securities.

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Voting Rights

Except as set forth in our Partnership Agreement (as described below) or as otherwise required by Delaware law, the Series C Preferred Units will have no voting rights (including in connection with certain change of control or simplification transactions).

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a separate class, we may not adopt any amendment to our Partnership Agreement that has a material adverse effect on the terms of the Series C Preferred Units. For the avoidance of doubt, for purposes of this voting requirement, any amendment to our Partnership Agreement (i) relating to the issuance of additional limited partner interests (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities discussed below) and (ii) in connection with a merger or another transaction in which we are the surviving entity and the Series C Preferred Units remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders of Series C Preferred Units, will be deemed to not materially adversely affect the terms of the holders of Series C Preferred Units.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a class together with holders of any Series A Preferred Units, Series B Preferred Units or other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- create or issue any Parity Securities (including any additional Series C Preferred Units) if the cumulative distributions payable on then outstanding Series C Preferred Units (or Parity Securities, if applicable) are in arrears; or

- create or issue any Senior Securities.

On any matter on which the holders of the Series C Preferred Units are entitled to vote as a class, such holders will be entitled to one vote per Series C Preferred Unit. Accordingly, after the issuance of 18,000,000 Series C Preferred Units in this offering (assuming the underwriters do not exercise their option to purchase additional Series C Preferred Units), the Series C Preferred Units will represent approximately 92.3% of the total voting power of the Parity Securities for purposes of any vote in which the Series A Preferred Units and Series B Preferred Units vote together with the Series C Preferred Units. If the underwriters exercise their option to purchase additional Series C Preferred Units in full, the Series C Preferred Units will represent approximately 93.2% of the total voting power of the Parity Securities. The Series C Preferred Units held by us or any of our subsidiaries or controlled affiliates will not be entitled to vote.

Series C Preferred Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Distributions

General

Holders of Series C Preferred Units will be entitled to receive, when, as, and if declared by our general partner out of legally available funds for such purpose, cumulative quarterly cash distributions. Unless otherwise determined by our general partner, distributions on the Series C Preferred Units will be deemed to have been paid out of our available cash with respect to the quarter ended immediately preceding the quarter in which the distribution is made.

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Distribution Rate

Distributions on Series C Preferred Units will be cumulative from the date of original issue and will be payable quarterly in arrears (as described under Distribution Payment Dates) commencing on August 15, 2018, when, as, and if declared by our general partner out of legally available funds for such purpose. A pro-rated initial distribution on the Series C Preferred Units will be paid on August 15, 2018 in an amount equal to approximately $0.56337 per unit.

The initial distribution rate for the Series C Preferred Units from and including the date of original issue to, but excluding, May 15, 2023 (the Fixed Rate Period) will be 7.375% per annum of the $25.00 liquidation preference per unit (equal to $1.84375 per unit per annum). On and after May 15, 2023 (the Floating Rate Period), distributions on the Series C Preferred Units will accumulate for each distribution period at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 4.530% per annum.

The distribution rate for each distribution period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the distribution period, which date is the distribution determination date for the distribution period. The calculation agent then will add the spread of 4.530% per annum to three-month LIBOR as determined on the distribution determination date. Absent manifest error, the calculation agent s determination of the distribution rate for a distribution period for the Series C Preferred Units will be binding and conclusive on you, the transfer agent, and us. A London banking day is any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

The term three-month LIBOR means the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000, as that rate appears on the display designated on the Reuters Screen LIBOR01 Page (or any successor or replacement page) at approximately 11:00 a.m., London time, on the relevant distribution determination date, provided that:

(i) If no offered rate appears on the Reuters screen page on the relevant distribution determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest 0.00001 of 1%) of the quotations provided.

(ii) Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the distribution determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable distribution period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest 0.00001 of 1%) of the quotations provided.

(iii) Otherwise, the calculation agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate three-month LIBOR or any of the foregoing lending rates, shall determine three-month LIBOR for the applicable distribution period in its sole discretion.

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Notwithstanding the foregoing clauses (i), (ii) and (iii):

(a) If the calculation agent determines on the relevant distribution determination date that the LIBOR base rate has been discontinued, then the calculation agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the LIBOR base rate, provided that if the calculation agent determines there is an industry-accepted substitute or successor base rate, then the calculation agent shall use such substitute or successor base rate; and

(b) If the calculation agent has determined a substitute or successor base rate in accordance with the foregoing, the calculation agent in its sole discretion may determine what business day convention to use, the definition of business day, the distribution determination date to be used and any other relevant methodology for calculating such substitute or successor base rate.

We will appoint a calculation agent (other than the Partnership or its affiliates) for the Series C Preferred Units prior to the commencement of the Floating Rate Period and will keep a record of such appointment at our principal offices, which will be available to any unitholder upon request.

Distribution Payment Dates

The Distribution Payment Dates for the Series C Preferred Units will be the 15th day of February, May, August and November, commencing on August 15, 2018. Distributions will accumulate in each such period from and including the preceding Distribution Payment Date or the initial issue date, as the case may be, to but excluding the applicable Distribution Payment Date for such period, and distributions will accrue on accumulated distributions at the applicable distribution rate. If any Distribution Payment Date otherwise would fall on a day that is not a Business Day, declared distributions will be paid on the immediately succeeding Business Day without the accumulation of additional distributions. During the Fixed Rate Period, distributions on the Series C Preferred Units will be payable based on a 360-day year consisting of twelve 30-day months. During the Floating Rate Period, distributions on the Series C Preferred Units will be computed by multiplying the floating rate for that distribution period by a fraction, the numerator of which will be the actual number of days elapsed during that distribution period (determined by including the first day of the distribution period and excluding the last day, which is the Distribution Payment Date), and the denominator of which will be 360, and by multiplying the result by the aggregate liquidation preference of the Series C Preferred Units. Business Day means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the States of Texas or New York shall not be regarded as a Business Day.

Payment of Distributions

Not later than 5:00 p.m., New York City time, on each Distribution Payment Date, we will pay quarterly distributions, if any, on the Series C Preferred Units that have been declared by our general partner to the holders of such Series C Preferred Units as such holders names appear on our unit transfer books maintained by the Registrar and Transfer Agent on the applicable record date. The record date for each distribution on our Series C Preferred Units will be the first Business Day of the month of the applicable Distribution Payment Date, except that in the case of payments of distributions in arrears, the record date with respect to a Distribution Payment Date will be such date as may be designated by our general partner in accordance with our Partnership Agreement.

So long as the Series C Preferred Units are held of record by the nominee of the Securities Depositary, declared distributions will be paid to the Securities Depositary in same-day funds on each Distribution Payment Date. The Securities Depositary will credit accounts of its participants in accordance with the Securities Depositary s normal procedures. The participants will be responsible for holding or disbursing such payments to beneficial owners of the Series C Preferred Units in accordance with the instructions of such beneficial owners.

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No distribution may be declared or paid or set apart for payment on any Junior Securities (other than a distribution payable solely in Junior Securities) unless full cumulative distributions have been or contemporaneously are being paid or provided for on all outstanding Series C Preferred Units and any Parity Securities through the most recent respective Distribution Payment Dates. Accumulated distributions in arrears for any past distribution period may be declared by the general partner and paid on any date fixed by the general partner, whether or not a Distribution Payment Date, to holders of the Series C Preferred Units on the record date for such payment, which may not be less than 10 days before such distribution periods. To the extent a distribution period applicable to a class of Junior Securities or Parity Securities is shorter than the distribution period applicable to the Series C Preferred Units (e.g., monthly rather than quarterly), the general partner may declare and pay regular distributions with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such distribution, the general partner expects to have sufficient funds to pay the full distribution in respect of the Series C Preferred Units on the next successive Distribution Payment Date.

Subject to the next succeeding sentence, if all accumulated distributions in arrears on all outstanding Series C Preferred Units and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated distributions in arrears will be made in order of their respective Distribution Payment Dates, commencing with the earliest Distribution Payment Date. If less than all distributions payable with respect to all Series C Preferred Units and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series C Preferred Units and any Parity Securities entitled to a distribution payment at such time in proportion to the aggregate amounts remaining due in respect of such Series C Preferred Units and Parity Securities at such time. Holders of the Series C Preferred Units will not be entitled to any distribution, whether payable in cash, property or units, in excess of full cumulative distributions. Except insofar as distributions accrue on the amount of any accumulated and unpaid distributions no interest or sum of money in lieu of interest will be payable in respect of any distribution payment which may be in arrears on the Series C Preferred Units.

Redemption

Optional Redemption Upon a Rating Event

At any time within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Rating Event (as defined below), we may, at our option, redeem the Series C Preferred Units in whole, but not in part, at a redemption price in cash per Series C Preferred Unit equal to $25.50 (102% of the liquidation preference of $25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date fixed for redemption, whether or not declared. Any such redemption would be effected only out of funds legally available for such purpose and would be subject to compliance with the provisions of the instruments governing our outstanding indebtedness.

Rating Event means a change by any rating agency to the current criteria, which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series C Preferred Units, or (ii) a lower Equity Credit being given to the Series C Preferred Units than the Equity Credit that would have been assigned to the Series C Preferred Units by such rating agency pursuant to the current criteria. Equity Credit for the purposes of the Series C Preferred Units means the dollar amount or percentage in relation to the stated liquidation preference amount of $25.00 per Series C Preferred Unit assigned to the Series C Preferred Units as equity, rather than debt, by a rating agency in evaluating the capital structure of an entity.

Optional Redemption on or after May 15, 2023

Any time on or after May 15, 2023, we may redeem, at our option, in whole or in part, the Series C Preferred Units at a redemption price in cash equal to $25.00 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. We may undertake multiple partial redemptions. Any such redemption would be effected only out of

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funds legally available for such purpose and would be subject to compliance with the provisions of the instruments governing our outstanding indebtedness.

Redemption Procedures

Any optional redemption shall be effected only out of funds legally available for such purpose. We will give notice of any redemption not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any Series C Preferred Units to be redeemed as such holders names appear on our unit transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (i) the redemption date, (ii) the number of Series C Preferred Units to be redeemed and, if less than all outstanding Series C Preferred Units are to be redeemed, the number (and, in the case of Series C Preferred Units in certificated form, the identification) of Series C Preferred Units to be redeemed from such holder, (iii) the redemption price, (iv) the place where any Series C Preferred Units in certificated form are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor, and (v) that distributions on the Series C Preferred Units to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding Series C Preferred Units are to be redeemed, the number of Series C Preferred Units to be redeemed will be determined by us, and such Series C Preferred Units will be redeemed by such method of selection as the Securities Depositary shall determine, pro rata or by lot, with adjustments to avoid redemption of fractional units. So long as all Series C Preferred Units are held of record by the nominee of the Securities Depositary, we will give notice, or cause notice to be given, to the Securities Depositary of the number of Series C Preferred Units to be redeemed, and the Securities Depositary will determine the number of Series C Preferred Units to be redeemed from the account of each of its participants holding such Series C Preferred Units in its participant account. Thereafter, each participant will select the number of Series C Preferred Units to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds Series C Preferred Units for its own account). A participant may determine to redeem Series C Preferred Units from some beneficial owners (including the participant itself) without redeeming Series C Preferred Units from the accounts of other beneficial owners.

So long as the Series C Preferred Units are held of record by the nominee of the Securities Depositary, the redemption price will be paid by the Paying Agent to the Securities Depositary on the redemption date. The Securities Depositary s normal procedures provide for it to distribute the amount of the redemption price in same-day funds to its participants who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series C Preferred Units as to which notice has been given by 10:00 a.m., New York City time, on the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such Series C Preferred Units is issued in the name of the Securities Depositary or its nominee) of the certificates therefor. If a notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all distributions on such Series C Preferred Units will cease to accumulate and all rights of holders of such Series C Preferred Units as limited partners will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid distributions to the date fixed for redemption, whether or not declared. The holders of Series C Preferred Units will have no claim to the interest income, if any, earned on such funds deposited with the Paying Agent. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Series C Preferred Units, that remain unclaimed or unpaid after one year after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series C Preferred

Units entitled to such redemption or other payment shall have recourse only to us.

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If only a portion of the Series C Preferred Units represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such Series C Preferred Units is registered in the name of the Securities Depositary or its nominee), we will issue and the Paying Agent will deliver to the holder of such Series C Preferred Units a new certificate (or adjust the applicable book-entry account) representing the number of Series C Preferred Units represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series C Preferred Units called for redemption until funds sufficient to pay the full redemption price of such Series C Preferred Units, including all accumulated and unpaid distributions to, but excluding, the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We may from time to time purchase Series C Preferred Units, subject to compliance with all applicable securities and other laws. We have no obligation, or any present plan or intention, to purchase any Series C Preferred Units. Any Series C Preferred Units that we redeem or otherwise acquire will be cancelled.

Notwithstanding the foregoing, in the event that full cumulative distributions on the Series C Preferred Units and any Parity Securities (including the Series A Preferred Units and the Series B Preferred Units) have not been paid or declared and set apart for payment, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Series C Preferred Units or Parity Securities (including the Series A Preferred Units and the Series B Preferred Units) except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series C Preferred Units and any Parity Securities (including the Series A Preferred Units and the Series B Preferred Units). Common units, Class E Units, Class G Units, Class K Units, the general partner interest and the IDRs and any other Junior Securities may not be redeemed, repurchased or otherwise acquired by us unless full cumulative distributions on the Series C Preferred Units and any Parity Securities (including the Series A Preferred Units and the Series B Preferred Units) for all prior and the then-ending distribution periods have been paid or declared and set apart for payment.

No Sinking Fund

The Series C Preferred Units will not have the benefit of any sinking fund.

No Fiduciary Duty

We, and the officers and directors of our general partner, will not owe any duties, including fiduciary duties, to holders of the Series C Preferred Units other than an implied contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.

Book-Entry System

All Series C Preferred Units offered hereby will be represented by a single certificate issued to the Securities Depositary, and registered in the name of its nominee (initially, Cede & Co.), for credit to an account of a direct or indirect participant in the Securities Depositary (including, if applicable, Euroclear and Clearstream). The Series C Preferred Units offered hereby will continue to be represented by a single certificate registered in the name of the Securities Depositary or its nominee, and no holder of the Series C Preferred Units offered hereby will be entitled to receive a certificate evidencing such Series C Preferred Units unless otherwise required by law or the Securities Depositary gives notice of its intention to resign or is no longer eligible to act as such and we have not selected a substitute Securities Depositary within 60 calendar days thereafter. Payments and communications made by us to holders of the Series C Preferred Units will be duly made by making payments to, and communicating with, the

Securities Depositary. Accordingly, unless certificates are available to holders of the Series C Preferred Units, each purchaser of Series C Preferred Units must rely on (i) the procedures of the Securities Depositary and its participants (including, if applicable, Euroclear and Clearstream) to receive distributions, any redemption price, liquidation preference and notices, and to direct the exercise of any voting rights, with respect to such Series C Preferred Units and (ii) the records of the Securities Depositary and its participants (including, if applicable, Euroclear and Clearstream) to evidence its ownership of such Series C Preferred Units.

So long as the Securities Depositary (or its nominee) is the sole holder of the Series C Preferred Units, no beneficial holder of the Series C Preferred Units will be deemed to be a holder of Series C Preferred Units. DTC, the initial Securities Depositary, is a New York-chartered limited purpose trust company that performs services for its participants, some of whom (and/or their representatives) own DTC. The Securities Depositary maintains lists of its participants and will maintain the positions (i.e., ownership interests) held by its participants in the Series C Preferred Units, whether as a holder of the Series C Preferred Units for its own account or as a nominee for another holder of the Series C Preferred Units.

Calculation Agent

We will appoint a calculation agent (other than the Partnership or its affiliates) for the Series C Preferred Units prior to the commencement of the Floating Rate Period and will keep a record of such appointment at our principal offices, which will be available to any unitholder upon request.

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MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The tax consequences to you of an investment in our Series C Preferred Units will depend in part on your own tax circumstances. This section adds information related to certain tax considerations with respect to the Series C Preferred Units and should be read in conjunction with the risk factor included under the caption Tax Risks in this prospectus supplement. This section also updates certain information related to the U.S. federal income tax considerations associated with the purchase, ownership and disposition of our common units. For a discussion of the principal U.S. federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, see Material Federal Income Tax Consequences in the accompanying base prospectus and Tax Risks to Unitholders in our most recent Annual Report on Form 10-K, deemed to be incorporated herein by reference. The following discussion is limited as described herein and under the caption Material Federal Income Tax Consequences in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

This section is a summary of the material U.S. federal income tax consequences that may be relevant to prospective holders of Series C Preferred Units who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Latham & Watkins LLP, counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), existing and proposed Treasury regulations promulgated under the Internal Revenue Code (the Treasury Regulations) and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to us or we are references to Energy Transfer Partners, L.P. and our operating subsidiaries.

The following discussion does not comment on all federal income tax matters affecting us or prospective holders of Series C Preferred Units and does not describe the application of the alternative minimum tax that may be applicable to certain prospective holders of Series C Preferred Units. Moreover, the discussion focuses on prospective holders of Series C Preferred Units who are individual citizens or residents of the United States and has only limited application to corporations, estates, entities treated as partnerships for U.S. federal income tax purposes, trusts, nonresident aliens, U.S. expatriates and former citizens or long-term residents of the United States or other unitholders subject to specialized tax treatment, such as banks, insurance companies and other financial institutions, tax-exempt institutions, foreign persons (including, without limitation, controlled foreign corporations, passive foreign investment companies and foreign persons eligible for the benefits of an applicable income tax treaty with the United States), individual retirement accounts (IRAs), real estate investment trusts (REITs) or mutual funds, dealers in securities or currencies, traders in securities, U.S. persons whose functional currency is not the U.S. dollar, persons holding their Series C Preferred Units as part of a straddle, hedge, conversion transaction or other risk reduction transaction, persons subject to special tax accounting rules as a result of any item of gross income with respect to our common units being taken into account in an applicable financial statement and persons deemed to sell their Series C Preferred Units under the constructive sale provisions of the Internal Revenue Code. In addition, the discussion only comments, to a limited extent, on state, local, and foreign tax consequences. Accordingly, we encourage each prospective holder of Series C Preferred Units to consult his own tax advisor in analyzing the state, local and foreign tax consequences particular to him of the ownership or disposition of Series C Preferred Units and potential changes in applicable laws, including the impact of recently enacted U.S. tax reform legislation.

No ruling has been requested from the Internal Revenue Service (the IRS) regarding our characterization as a partnership for tax purposes. Instead, we will rely on opinions of Latham & Watkins LLP. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for our Series C Preferred Units, including the prices at which such units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution and thus will be borne indirectly by our unitholders (including holders of our Series C Preferred Units) and our general partner. Furthermore, the tax treatment of us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of U.S. federal income tax law and legal conclusions with respect thereto, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Latham & Watkins LLP and are based on the accuracy of the representations made by us and our general partner.

Notwithstanding the above, and for the reasons described below, Latham & Watkins LLP has not rendered an opinion with respect to the following specific federal income tax issues: (i) the treatment of a holder of Series C Preferred Units whose Series C Preferred Units are loaned to a short seller to cover a short sale of Series C Preferred Units (see Tax Consequences of Unit Ownership Treatment of Short Sales); (ii) whether holders of Series C Preferred Units will be treated as partners that receive guaranteed payments for the use of capital on their Series C Preferred Units (see Limited Partner Status); and (iii) whether distributions with respect to the Series C Preferred Units will be treated as unrelated business taxable income (see Tax-Exempt Organizations and Other Investors).

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable to the partnership or the partner unless the amount of cash distributed to him is in excess of the partner s adjusted basis in his partnership interest. Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of qualifying income. Qualifying income includes income and gains derived from the transportation and processing of certain minerals and natural resources, including crude oil, natural gas and other products of a type that are produced in a petroleum refinery or natural gas processing plant, the retail and wholesale marketing of propane, the transportation of propane and natural gas liquids, certain related hedging activities, certain activities that are intrinsic to other qualifying activities, and our allocable share of our subsidiaries income from these sources. Other types of qualifying income include interest (other than from a financial business), dividends, real property rents, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than 3% of our current gross income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner and a review of the applicable legal authorities, Latham & Watkins LLP is of the opinion that at least 90% of our current gross income constitutes qualifying income. The portion of our income that is qualifying income may change from time to time.

The IRS has made no determination as to our status or the status of our operating subsidiaries for federal income tax purposes. Instead, we will rely on the opinion of Latham & Watkins LLP on such matters. It is the opinion of Latham & Watkins LLP that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below that:

We will be classified as a partnership for federal income tax purposes;

Each of our operating subsidiaries will, except as otherwise identified to Latham & Watkins LLP, be disregarded as an entity separate from us or will be treated as a partnership for federal income tax purposes; and

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Each commodity hedging transaction that we treat as resulting in qualifying income has been and will be appropriately identified as a hedging transaction pursuant to applicable Treasury Regulations, and has been and will be associated with oil, gas or products thereof that are held or to be held by us in activities that Latham & Watkins LLP has opined or will opine result in qualifying income.

In rendering its opinion, Latham & Watkins LLP has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which Latham & Watkins LLP has relied include:

Neither we nor any of our partnership or limited liability company subsidiaries, other than those identified as such to Latham & Watkins LLP, have elected or will elect to be treated as a corporation for U.S. federal income tax purposes

For each taxable year, more than 90% of our gross income has been and will be income of the type that Latham & Watkins LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code.

We believe that these representations have been true in the past, are true as of the date hereof and expect that these representations will continue to be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to unitholders and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder s tax basis in his Series C Preferred Units, or taxable capital gain, after the unitholder s tax basis in his Series C Preferred Units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a unitholder s cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the Series C Preferred Units.

The discussion below is based on Latham & Watkins LLP s opinion that we will be classified as a partnership for federal income tax purposes.

Limited Partner Status

The tax treatment of our Series C Preferred Units is uncertain. As such, Latham & Watkins LLP is unable to opine as to the tax treatment of the Series C Preferred Units. Although the IRS may disagree with this treatment, we will treat holders of Series C Preferred Units as partners entitled to a guaranteed payment for the use of capital on their Series C

Preferred Units. If the Series C Preferred Units are not partnership interests, they would likely constitute indebtedness for federal income tax purposes and distributions on the Series C Preferred Units would constitute ordinary interest income to holders of Series C Preferred Units. The remainder of this discussion assumes that our Series C Preferred Units are partnership interests for federal income tax purposes.

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A beneficial owner of Series C Preferred Units whose Series C Preferred Units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those Series C Preferred Units for federal income tax purposes. Please read Tax Consequences of Unit Ownership Treatment of Short Sales.

Tax Consequences of Unit Ownership

Treatment of Distributions on Series C Preferred Units

We will treat distributions on the Series C Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of Series C Preferred Units as ordinary income and will be deductible by us. Although a holder of Series C Preferred Units will recognize taxable income from the accrual of such a guaranteed payment (even in the absence of a contemporaneous cash distribution), the partnership anticipates accruing and making the guaranteed payment distributions quarterly. Except in the case of our liquidation, the holders of Series C Preferred Units are generally not anticipated to share in the partnership s items of income, gain, loss or deduction, nor will we allocate any share of the partnership s nonrecourse liabilities to such holders. See Description of Series C Preferred Units Liquidation Rights.

If the distributions to the Series C Preferred Units are not respected as guaranteed payments for the use of capital, holders of Series C Preferred Units may be treated as receiving an allocable share of gross income from the Partnership equal to their cash distributions, to the extent the Partnership has sufficient gross income to make such allocations of gross income. In the event there is not sufficient gross income to match such distributions, the distributions to the Series C Preferred Units would reduce the capital accounts of the Series C Preferred Units, requiring a subsequent allocation of income or gain to provide the Series C Preferred Units with their liquidation preference, if possible.

Basis of Units

The tax basis of a holder of Series C Preferred Units in his Series C Preferred Units initially will be the amount paid for such Series C Preferred Units. If the distributions on the Series C Preferred Units are respected as guaranteed payments for the use of capital, the tax basis of such a holder in his Series C Preferred Units will, generally, not be affected by distributions made with respect to such Series C Preferred Units. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests. If you own both common units and Series C Preferred Units, please consult your tax advisor with respect to determining the consequences of a guaranteed payment on your basis in your units.

In the case of our common units, a unitholder s initial tax basis for his units will be the amount he paid for the common units plus his share of our nonrecourse liabilities. That basis will be increased by his share of our income, by any increases in his share of our nonrecourse liabilities and, on the disposition of a common unit, by his share of certain items related to business interest not yet deductible by him due to applicable limitations. Please read Limitations on Interest Deductions. That basis will be decreased, but not below zero, by distributions from us, by the common unitholder s share of our losses, by any decreases in his share of our nonrecourse liabilities, by his share of our excess business interest (generally, the excess of our business interest over the amount that is deductible) and by his share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A common unitholder will have no share of our debt that is recourse to our general partner to the extent of the general partner s net value as defined in the Treasury Regulations promulgated under Section 752 of the Internal Revenue Code, but will have a share, generally based on his share of profits, of our nonrecourse liabilities. Please read Disposition of Common Units Recognition of Gain or Loss in the accompanying base prospectus.

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Limitations on Deductibility of Losses

Holders of Series C Preferred Units will only be allocated loss once the capital accounts of the common unitholders have been reduced to zero. Although it is not anticipated that a holder of Series C Preferred Units would be allocated loss, the deductibility of any such loss allocation may be limited for various reasons. In the event that you are allocated loss as a holder of Series C Preferred Units, please consult your tax advisor as to the application of any limitation to the deductibility of that loss.

The deduction by a common unitholder of his share of our losses will be limited to the tax basis in his units and, in the case of an individual common unitholder, estate, trust, or corporate unitholder (if more than 50% of the value of the corporate unitholder s stock is owned directly or indirectly by or for five or fewer individuals or some tax-exempt organizations), to the amount for which the common unitholder is considered to be at risk with respect to our activities, if that is less than his tax basis. A common unitholder subject to these limitations must recapture losses deducted in previous years to the extent that distributions cause his at-risk amount to be less than zero at the end of any taxable year. Losses disallowed to a common unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction to the extent that his at-risk amount is subsequently increased, provided such losses do not exceed such common unitholder s tax basis in his common units. Upon the taxable disposition of a common unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at-risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at-risk limitation in excess of that gain would no longer be utilizable.

In general, a common unitholder will be at risk to the extent of the tax basis of his units, excluding any portion of that basis attributable to his share of our nonrecourse liabilities, reduced by (i) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or other similar arrangement and (ii) any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the common unitholder or can look only to the common units for repayment. A common unitholder s at-risk amount will increase or decrease as the tax basis of the unitholder s common units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.

In addition to the basis and at-risk limitations on the deductibility of losses, the passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer s income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or a common unitholder s investments in other publicly traded partnerships, or the common unitholder s salary, active business or other income. Passive losses that are not deductible because they exceed a common unitholder s share of income we generate may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at-risk rules and the basis limitation.

A common unitholder s share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

An additional loss limitation may apply to certain of our common unitholders for taxable years beginning after December 31, 2017, and before January 1, 2026. A non-corporate common unitholder will not be allowed to take a deduction for certain excess business losses in such taxable years. An excess business loss is the excess (if any) of a taxpayer s aggregate deductions for the taxable year that are attributable to the trades or businesses of such taxpayer (determined without regard to the excess business loss limitation) over the aggregate gross income or gain of such taxpayer for the taxable year that is attributable to such trades or businesses plus a threshold amount. The threshold amount is equal to $250,000, or $500,000 for taxpayers filing a joint return. Any losses disallowed in a taxable year due to the excess business loss limitation may be used by the applicable unitholder in the following taxable year if certain conditions are met. Common unitholders to which this excess business loss limitation applies will take their allocable share of our items of income, gain, loss and deduction into account in determining this limitation. This excess business loss limitation will be applied to a non-corporate unitholder after the passive loss limitations and may limit such common unitholders ability to utilize any losses we generate allocable to such common unitholder that are not otherwise limited by the basis, at-risk and passive loss limitations described above.

Limitations on Interest Deductions

Our ability to deduct interest paid or accrued on indebtedness properly allocable to a trade or business, business interest, may be limited in certain circumstances. Should our ability to deduct business interest be limited, the amount of taxable income allocated to our common unitholders in the taxable year in which the limitation is in effect may increase. However, in certain circumstances, a common unitholder may be able to utilize a portion of a business interest deduction subject to this limitation in future taxable years.

In addition, the deductibility of a non-corporate taxpayer s investment interest expense is generally limited to the amount of that taxpayer s net investment income. Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- our interest expense attributed to portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a common unitholder s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a common unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment or (if applicable) qualified dividend income. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, the common unitholder s share of our portfolio income will be treated as investment income.

Entity-Level Collections

If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any unitholder or our general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder or, in the case of the Series C Preferred Units, as an advance on a guaranteed payment to the holder of Series C Preferred Units on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

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Allocation of Income, Gain, Loss and Deduction

After giving effect to special allocation provisions with respect to our other classes of units, our items of income, gain, loss and deduction generally will be allocated amongst our common unitholders and our general partner in accordance with their percentage interests in us. At any time that incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of such distributions. If the capital accounts of the common unitholders have been reduced to zero, losses will be allocated to the Series C Preferred Units until the capital accounts of the Series C Preferred Units are reduced to zero. If Series C Preferred Units are allocated losses in any taxable period, gross income from a subsequent taxable period, if any, would be allocated to the Series C Preferred Units in a manner designed to provide their liquidation preferences.

Generally, holders of Series C Preferred Units will have a capital account equal to the liquidation preference of each Series C Preferred Unit, or $25, without regard to the price paid for such Series C Preferred Units, but will have an initial tax basis with respect to the Series C Preferred Units equal to the price paid for such Series C Preferred Units. To the extent the purchase price paid for a Series C Preferred Unit in this offering exceeds the liquidation preference of such Series C Preferred Unit, we will allocate an amount of income equal to the cumulative amount paid in excess of the liquidation preference of all Series C Preferred Units sold in this offering to our unitholders (other than holders of Series C Preferred Units) in accordance with their percentage interest in us.

Treatment of Short Sales

A unitholder whose Series C Preferred Units are loaned to a short seller to cover a short sale of Series C Preferred Units may be considered as having disposed of such units. If so, he would no longer be treated for tax purposes as a partner with respect to those Series C Preferred Units during the period of the loan and may recognize gain or loss from the disposition.

Because there is no direct or indirect controlling authority on the issue relating to partnership interests, Latham & Watkins LLP has not rendered an opinion regarding the tax treatment of a unitholder whose Series C Preferred Units are loaned to a short seller to cover a short sale of Series C Preferred Units; therefore, holders of Series C Preferred Units desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their Series C Preferred Units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read Disposition of Series C Preferred Units Recognition of Gain or Loss.

Tax Rates

Currently, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 37.0% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than twelve months) of individuals is 20%. Such rates are subject to change by new legislation at any time.

In addition, a 3.8% Medicare tax (NIIT) is imposed on certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes a unitholder s allocable share of our income and gain realized by a unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (i) the unitholder s net investment income or (ii) the amount by which the unitholder s modified adjusted gross income exceeds $250,000 (if the unitholder is married and filing jointly or a surviving spouse), $125,000 (if the unitholder is married and filing separately) or $200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins for such taxable year. The U.S. Department of the Treasury and the IRS have issued

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Treasury Regulations that provide guidance regarding the NIIT. Prospective unitholders are urged to consult with their tax advisors as to the impact of the NIIT on an investment in our Series C Preferred Units.

For taxable years beginning after December 31, 2017, and ending on or before December 31, 2025, a non-corporate unitholder is entitled to a deduction equal to 20% of its qualified business income attributable to us, subject to certain limitations. For purposes of this deduction, a unitholder s qualified business income attributable to us is equal to the sum of:

- the net amount of such unitholder s allocable share of certain of our items of income, gain, deduction and loss (generally excluding certain items related to our investment activities, including capital gains and dividends, which are subject to a federal income tax rate of 20%); and

- any gain recognized by such unitholder on the disposition of its units to the extent such gain is attributable to certain Section 751 assets, including depreciation recapture and inventory items we own.

Prospective unitholders should consult their tax advisors regarding the application of this deduction and its interaction with the overall deduction for qualified business income.

Section 754 Election

We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election generally permits us to adjust a common unit purchaser s tax basis in our assets (inside basis) under Section 743(b) of the Internal Revenue Code to reflect his purchase price. This election does not apply with respect to a person who purchases common units directly from us. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, the inside basis in our assets with respect to a unitholder will be considered to have two components: (i) his share of our tax basis in our assets (common basis) and (ii) his Section 743(b) adjustment to that basis.

We have adopted the remedial allocation method as to all our properties. Where the remedial allocation method is adopted, the Treasury Regulations under Section 743 of the Internal Revenue Code require a portion of the Section 743(b) adjustment that is attributable to recovery property that is subject to depreciation under Section 168 of the Internal Revenue Code and whose book basis is in excess of its tax basis to be depreciated over the remaining cost recovery period for the property s unamortized Book-Tax Disparity. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code, rather than cost recovery deductions under Section 168, is generally required to be depreciated using either the straight-line method or the 150% declining balance method.

Under our partnership agreement, our general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these and any other Treasury Regulations. Please read Uniformity of Units in the accompanying base prospectus.

We depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property s unamortized Book-Tax Disparity, or treat that portion as non-amortizable to the extent attributable to property that is not amortizable. This method is consistent with the methods employed by other publicly traded partnerships but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets. To the extent this Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring common units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some common unitholders. Please read Uniformity of Units in the accompanying base prospectus. A unitholder s tax basis for his common units is reduced by his share of our deductions (whether or not such deductions were claimed on an individual s income tax return) so that any position we take that understates deductions will overstate such unitholder s basis in his common units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Common Units Recognition of Gain or Loss in the accompanying base prospectus. Latham & Watkins LLP is unable to opine as to whether our method for taking into account Section 743 adjustments is sustainable for property subject to depreciation under Section 167 of the Internal Revenue Code or if we use an aggregate approach as described above, as there is no direct or indirect controlling authority addressing the validity of these positions. Moreover, the IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

A Section 754 election is advantageous if the transferee s tax basis in his common units is higher than the units share of the aggregate tax basis of our assets immediately prior to the transfer. Conversely, a Section 754 election is disadvantageous if the transferee s tax basis in his common units is lower than those units share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the common units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in us if we have a substantial built-in loss immediately after the transfer. Generally, a built-in loss is substantial if (i) it exceeds $250,000 or (ii) the transferee would be allocated a net loss in excess of $250,000 on a hypothetical sale of our assets for their fair market value immediately after a transfer of the interest at issue. In addition, a basis adjustment is required regardless of whether a Section 754 election is made if we distribute property and have a substantial basis reduction. A substantial basis reduction exists if, on a liquidating distribution of property to a unitholder, there would be a negative basis adjustment to our assets in excess of $250,000 if a Section 754 election were in place.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of common units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year

We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each holder of Series C Preferred Units will be required to include in its tax return its income from our guaranteed payments for each taxable year ending within or with its taxable year. In addition, a holder of Series C

Preferred Units who has a taxable year ending on a date other than December 31 and who disposes of all of his Series C Preferred Units following the close of our taxable year but before the close of his taxable year will be required to include in income for his taxable year his income from more than one year of guaranteed payments.

Disposition of Series C Preferred Units

Recognition of Gain or Loss

Gain or loss will be recognized on a sale of Series C Preferred Units equal to the difference between the amount realized and the tax basis of the holder of Series C Preferred Units for the Series C Preferred Units sold. Such holder s amount realized will be measured by the sum of the cash and the fair market value of other property received by him.

Generally, gain or loss recognized by a holder of Series C Preferred Units, other than a dealer in Series C Preferred Units, on the sale or exchange of a Series C Preferred Unit will be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of Series C Preferred Units held for more than twelve months will generally be taxed at the U.S. federal income tax rate applicable to long-term capital gains. Capital losses may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations. Ordinary income recognized by a unitholder on disposition of our units may be reduced by such unitholder s deduction for qualified business income. Both ordinary income and capital gain recognized on a sale of Series C Preferred Units may be subject to the NIIT in certain circumstances. See Tax Consequences of Unit Ownership Tax Rates.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner s tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify partnership interests transferred with an ascertainable holding period to elect to use the actual holding period of the partnership interests transferred. Thus, according to the ruling discussed above, a holder of Series C Preferred Units will be unable to select high or low basis Series C Preferred Units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, he may designate specific Series C Preferred Units sold for purposes of determining the holding period of units transferred. A unitholder electing to use the actual holding period of Series C Preferred Units transferred must consistently use that identification method for all subsequent sales or exchanges of Series C Preferred Units. A holder of Series C Preferred Units considering the purchase of additional partnership interests or a sale of partnership interests purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

- a short sale;

- an offsetting notional principal contract; or
- a futures or forward contract;

in each case, with respect to the partnership interest or substantially identical property.

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Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Recognition of Gain or Loss on Redemption

The receipt by a holder of amounts in redemption of his Series C Preferred Units generally will result in the recognition of taxable gain to the holder for U.S. federal income tax purposes only if and to the extent the amount of redemption proceeds received exceeds his tax basis in all the units (including common units) held by him immediately before the redemption. Any such redemption of Series C Preferred Units would result in the recognition of taxable loss to the holder for federal income tax purposes only if the holder does not hold any other units (including common units) immediately after the redemption and the holder s tax basis in the redeemed Series C Preferred Units exceeds the amounts received by the holder in redemption thereof. Any taxable gain or loss recognized under the foregoing rules would be treated in the same manner as taxable gain or loss recognized on a sale of Series C Preferred Units as described above in Disposition Series C Preferred Units Recognition of Gain or Loss on Sale.

Allocations Between Transferors and Transferees

Holders of Series C Preferred Units owning Series C Preferred Units as of the applicable record date with respect to a Distribution Payment Date will be entitled to receive the cash distribution with respect to their Series C Preferred Units on the Distribution Payment Date. Purchasers of Series C Preferred Units after such applicable record date will therefore not become entitled to receive a cash distribution on their Series C Preferred Units until the next applicable record date.

Notification Requirements

A unitholder who sells any of his units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of units who purchases units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker who will satisfy such requirements.

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raises issues unique to those investors and, as described below to a limited extent, may have substantially adverse tax consequences to them. If you are a tax-exempt entity or a foreign person, you should consult your tax advisor before investing in our Series C Preferred Units.

Employee benefit plans and most other organizations exempt from federal income tax, including IRAs and other retirement plans, are subject to federal income tax on unrelated business taxable income (UBTI). We will treat distributions on the Series C Preferred Units as guaranteed payments for the use of capital. The treatment of guaranteed payments for the use of capital to tax exempt investors is not certain. Such payments may be treated as UBTI for federal income tax purposes, and Latham & Watkins LLP is unable to opine with respect to whether such payments constitute UBTI for federal income tax purposes. If you are a tax-exempt entity, you should consult your tax advisor with respect to the consequences of owning our Series C Preferred Units.

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Non-resident aliens and foreign corporations, trusts or estates that own units may be considered to be engaged in business in the United States because of the ownership of Series C Preferred Units. As a consequence, they will be required to file federal tax returns to report their income from guaranteed payments and pay federal income tax on such income in a manner similar to a taxable U.S. holder. Moreover, under rules applicable to publicly traded partnerships, distributions to foreign unitholders are subject to withholding at the highest applicable effective tax rate. Each foreign holder of Series C Preferred Units must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN, W-8BEN-E or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns Series C Preferred Units will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our earnings and profits, as adjusted for changes in the foreign corporation s U.S. net equity, that is effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of holder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

A foreign unitholder who sells or otherwise disposes of a Series C Preferred Unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the foreign unitholder. Gain on the sale or disposition of a Series C Preferred Unit will be treated as effectively connected with a U.S. trade or business to the extent that a foreign unitholder would recognize gain effectively connected with a U.S. trade or business upon the hypothetical sale of our assets at fair market value on the date of the sale or exchange of that Series C Preferred Unit. Such gain shall be reduced by certain amounts treated as effectively connected with a U.S. trade or business attributable to certain real property interests, as set forth in the following paragraph.

Under the Foreign Investment in Real Property Tax Act, a foreign holder of Series C Preferred Units (other than certain qualified foreign pension funds (or an entity all of the interests of which are held by such a qualified foreign pension fund), which generally are entities or arrangements that are established and regulated by foreign law to provide retirement or other pension benefits to employees, do not have a single participant or beneficiary that is entitled to more than 5% of the assets or income of the entity or arrangement and are subject to certain preferential tax treatment under the laws of the applicable foreign country), generally will be subject to U.S. federal income tax upon the sale or disposition of a Series C Preferred Unit if (i) he owned (directly or constructively applying certain attribution rules) more than 5% of our Series C Preferred Units at any time during the five-year period ending on the date of such disposition and (ii) 50% or more of the fair market value of all of our assets consisted of U.S. real property interests at any time during the shorter of the period during which such unitholder held the Series C Preferred Units or the five-year period ending on the date of disposition. Currently, more than 50% of our assets consist of U.S. real property interests and we do not expect that to change in the foreseeable future. Therefore, foreign holders of Series C Preferred Units may be subject to federal income tax on gain from the sale or disposition of their units.

Upon the sale, exchange or other disposition of a Series C Preferred Unit by a foreign unitholder, the transferee is generally required to withhold 10% of the amount realized on such sale, exchange or other disposition if any portion of the gain on such sale, exchange or other disposition would be treated as effectively connected with a U.S. trade or business. If the transferee fails to satisfy this withholding requirement, we will be required to deduct and withhold such amount (plus interest) from future distributions to the transferee. Due to our inability to match transferors and transferees of Series C Preferred Units and other uncertainty surrounding the application of these withholding rules, the U.S. Department of the Treasury and the IRS have currently suspended these rules for transfers of certain publicly traded partnership interests, including transfers of our Series C Preferred Units, until regulations or other guidance has been issued. It is unclear when such regulations or other guidance will be issued.

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Additional withholding requirements may also affect certain foreign unitholders. Please read Administrative Matters Additional Withholding Requirements.

Administrative Matters

Information Returns and Audit Procedures

We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of our income, gain, loss and deduction for our preceding taxable year. Notwithstanding the rules described above under Tax Consequences of Unit Ownership Basis of Units requiring aggregation of partnership interests purchased in separate transactions, you may receive two Schedules K-1 if you hold common units and Series C Preferred Units due to administrative reporting limitations. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder s share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Latham & Watkins LLP can assure prospective holders of Series C Preferred Units that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the Series C Preferred Units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year s tax liability, and possibly may result in an audit of his return. Any audit of a unitholder s return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. For taxable years beginning on or before December 31, 2017, the Internal Revenue Code requires that one partner be designated as the Tax Matters Partner for these purposes. Our partnership agreement names our general partner as our Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties

Pursuant to the Bipartisan Budget Act of 2015, for taxable years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. Similarly, for such taxable years, if the IRS makes audit adjustments to income tax returns filed by an entity in which we are a member or partner, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from such entity. Generally, we expect to elect to have our general partner and its unitholders take any such audit adjustment into account in accordance with their interests in us during the taxable year under audit, but there can be no assurance that such election will be effective in all circumstances. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties, and interest, our cash available for distribution to holders of our Series C Preferred Units might be substantially reduced.

Additionally, pursuant to the Bipartisan Budget Act of 2015, the Internal Revenue Code will no longer require that we designate a Tax Matters Partner. Instead, for taxable years beginning after December 31, 2017, we will be required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative (Partnership Representative). The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. We currently anticipate that we will designate our general partner as the Partnership Representative. Further, any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and all of the unitholders.

Additional Withholding Requirements

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Internal Revenue Code) and certain other foreign entities. Specifically, a 30% withholding tax may be imposed on interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States (FDAP Income), or gross proceeds from the sale or other disposition of any property of a type that can produce interest or dividends from sources within the United States (Gross Proceeds), paid to a foreign financial institution or to a non-financial foreign entity (as specially defined in the Internal Revenue Code), unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these requirements may be subject to different rules.

These rules generally apply to payments of FDAP Income currently and generally will apply to payments of relevant Gross Proceeds made on or after January 1, 2019. Thus, to the extent we have FDAP Income or have Gross Proceeds on or after January 1, 2019 that are not treated as effectively connected with a U.S. trade or business (please read Tax-Exempt Organizations and Other Investors), unitholders who are foreign financial institutions or certain other foreign entities, or persons that hold their Series C Preferred Units through such foreign entities, may be subject to withholding on distributions they receive from us, or their distributive share of our income, pursuant to the rules described above.

Prospective unitholders should consult their own tax advisors regarding the potential application of these withholding provisions to their investment in our Series C Preferred Units.

Nominee Reporting

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

- the name, address and taxpayer identification number of the beneficial owner and the nominee;
- whether the beneficial owner is:
  - o a person that is not a U.S. person;
  - o a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or
  - o a tax-exempt entity;
- the amount and description of units held, acquired or transferred for the beneficial owner; and
- specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from dispositions.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $260 per failure, up to a maximum of $3,218,500 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Accuracy-Related Penalties

Certain penalties may be imposed on taxpayers as a result of an underpayment of tax that is attributable to one or more specified causes, including: (i) negligence or disregard of rules or regulations, (ii) substantial understatements of income tax, (iii) substantial valuation misstatements and (iv) the disallowance of claimed tax benefits by reason of a transaction lacking economic substance or failing to meet the requirements of any similar rule of law. Except with respect to the disallowance of claimed tax benefits by reason of a transaction lacking economic substance or failing to meet the requirements of any similar rule of law, however, no penalty will be imposed for any portion of any such underpayment if it is shown that there was a reasonable cause for the underpayment of that portion and that the taxpayer acted in good faith regarding the underpayment of that portion. With respect to substantial understatements of income tax, the amount of any understatement subject to penalty generally is reduced by that portion of the understatement which is attributable to a position adopted on the return (A) for which there is, or was, substantial authority or (B) as to which there is a reasonable basis and the relevant facts of that position are adequately disclosed on the return. If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an understatement of income for which no substantial authority exists, we must adequately disclose the relevant facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit unitholders to avoid liability for this penalty.

Recent Legislative Developments

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our Series C Preferred Units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress and the President propose and consider substantive changes to the existing federal income tax laws that affect the tax treatment of publicly traded partnerships.

Recently, the President signed into law comprehensive U.S. federal tax reform legislation that significantly reforms the Internal Revenue Code. This legislation, among other things, contains significant changes to the taxation of our operations and an investment in our Series C Preferred Units, including a partial limitation on the deductibility of certain business interest expenses, a deduction for our unitholders relating to certain income from partnerships, immediate deductions for certain new investments instead of deductions for depreciation over time and the modification or repeal of many business deductions and credits. We continue to examine the impact of this tax reform legislation, and as its overall impact is uncertain, we note that this tax reform legislation could adversely affect the value of an investment in our Series C Preferred Units. Prospective holders of Series C Preferred Units are urged to consult their tax advisors regarding the impact of this tax reform legislation on an investment in our Series C Preferred Units.

Additional modifications to the federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for federal income tax purposes. Please read Partnership Status. We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us, and any such changes could negatively impact the value of an investment in our Series C Preferred Units.

State, Local, Foreign and Other Tax Considerations

In addition to federal income taxes, you will likely be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on his investment in us. We currently own property or do business in many states. Several of these states impose a personal income tax on individuals; certain of these states also impose an income tax on corporations and other entities. We may also own property or do business in other jurisdictions in the future. Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder s income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read Tax Consequences of Unit Ownership Entity-Level Collections. Based on current law and our estimate of our future operations, our general partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each holder of Series C Preferred Units to investigate the legal and tax consequences, under the laws of pertinent states, localities and foreign jurisdictions, of his investment in us. Accordingly, each prospective holder of Series C Preferred Units is urged to consult his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each holder of Series C Preferred Units to file all state, local and foreign, as well as U.S. federal tax returns, that may be required of him. Latham & Watkins LLP has not rendered an opinion on the state tax, local tax, alternative minimum tax or foreign tax consequences of an investment in us.

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UNDERWRITING

We are offering the securities described in this prospectus supplement through Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC as underwriters and the joint book-running managers of the offering. Subject to the terms and conditions of the underwriting agreement dated the date of this prospectus supplement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts set forth on the cover page of this prospectus supplement, the number of Series C Preferred Units listed next to its name in the following table:

Underwriter	Number of Series C Preferred Units
Merrill Lynch, Pierce, Fenner & Smith Incorporated	4,500,000
Morgan Stanley & Co. LLC	4,500,000
RBC Capital Markets, LLC	4,500,000
Wells Fargo Securities, LLC	4,500,000
Total	18,000,000

The underwriters are committed to purchase all the Series C Preferred Units offered by us if they purchase any Series C Preferred Units. However, the underwriters are not required to take or pay for the Series C Preferred Units covered by the underwriters option to purchase additional Series C Preferred Units described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated. The offering of the Series C Preferred Units by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

The underwriters propose to offer the Series C Preferred Units directly to the public at the public offering price set forth on the cover page of this prospectus supplement and may offer the Series C Preferred Units to dealers at the public offering price less a concession not to exceed $0.50 per Series C Preferred Unit; provided, that the concession will be $0.20 per Series C Preferred Unit sold to institutions. The underwriters may allow, and dealers may reallow, a concession not to exceed $0.45 per Series C Preferred Unit on sales to other dealers. After the initial offering of the Series C Preferred Units to the public, the representatives may change the public offering price, concessions and other selling terms.

The following table shows the per Series C Preferred Unit and the total underwriting discount to be paid to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional Series C Preferred Units.

	Total

	Per Series C Preferred Unit	No Exercise	Full Exercise (2)
Public Offering Price	$ 25.00	$ 450,000,000	$ 517,500,000
Underwriting Discount	$ 0.7532 (1)	$ 13,557,500 (1)	$ 15,683,750
Proceeds to Energy Transfer Partners, L.P. (before expenses)	$ 24.2468	$ 436,442,500	$ 501,816,250

(1) For sales to retail investors, the underwriting discount will be $0.7875 per Series C Preferred Unit, resulting in proceeds, before expenses, to us of $24.2125 per Series C Preferred Unit. For sales to institutions, the underwriting discount will be $0.3125 per Series C Preferred Unit, resulting in proceeds, before expenses, to us of $24.6875 per Series C Preferred Unit.

(2) Reflects full exercise of the underwriters option to purchase up to 2,700,000 additional Series C Preferred Units and assumes the sale of all over-allotment Series C Preferred Units to retail investors for which the underwriters would receive an underwriting discount of $0.7875 per Series C Preferred Unit.

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts, will be approximately $400,000.

We have agreed that, for a period commencing on the date of this prospectus supplement and ending on the 30th day after the date of this prospectus supplement, and subject to certain exceptions, we will not, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC (i) offer for sale, sell, pledge or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Series C Preferred Units or securities convertible into or exchangeable for Series C Preferred Units, or in either case, any securities that are substantially similar to the Series C Preferred Units, or sell grant options, rights, or warrants with respect to any Series C Preferred Units or securities convertible or exchangeable for Series C Preferred Units or any securities that are substantially similar to the Series C Preferred Units, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such Series C Preferred Units or securities convertible into or exchangeable for Series C Preferred Units, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common units, Series C Preferred Units or other securities, in cash or otherwise, (iii) file or cause to be filed a registration statement, including any amendments, to register any Series C Preferred Units or securities convertible, exercisable or exchangeable into Series C Preferred Units or other substantially similar securities or any securities convertible into or exercisable or exchangeable for Series C Preferred Units or other substantially similar securities of us, or (iv) publicly disclose the intention to do any of the foregoing.

We have agreed to indemnify the several underwriters against, or contribute to payments that the underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933, as amended (the Securities Act).

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling Series C Preferred Units in the open market for the purpose of preventing or retarding a decline in the market price of the Series C Preferred Units while this offering is in progress. These stabilizing transactions may include making short sales of the Series C Preferred Units, which involves the sale by the underwriters of a greater number of Series C Preferred Units than they are required to purchase in this offering, and purchasing Series C Preferred Units on the open market to cover positions created by short sales.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the Series C Preferred Units, including the imposition of penalty bids. This means that if the underwriters purchase any Series C Preferred Units in the open market in stabilizing transactions or to cover short sales, the other underwriters can require that the underwriters that sold those Series C Preferred Units as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the Series C Preferred Units or preventing or retarding a decline in the market price of the Series C Preferred Units, and, as a result, the price of the Series C Preferred Units may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time without notice.

The Series C Preferred Units are a new issue of securities with no established trading market. We intend to apply to list the Series C Preferred Units on the NYSE under the symbol ETPprC. If the application is approved,

trading of the Series C Preferred Units on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series C Preferred Units. The underwriters have advised us that they intend to make a market in the Series C Preferred Units before commencement of trading on the NYSE. They will have no obligation to make a market in the Series C Preferred Units, however, and may cease market-making activities, if commenced, at any time without notice. Accordingly, an active trading market on the NYSE for the Series C Preferred Units may not develop or, even if one develops, may not last, in which case the liquidity and market price of the Series C Preferred Units could be adversely affected, the difference between bid and asked prices could be substantial and your ability to transfer Series C Preferred Units at the time and price desired will be limited.

We expect that delivery of the Series C Preferred Units will be made to investors on or about April 25, 2018, which will be the fifth business day following the date of this prospectus supplement (such settlement being referred to as T+5). Under Rule 15c6-1 under Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Series C Preferred Units on any date prior to two business days before delivery will be required, by virtue of the fact that the Series C Preferred Units initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Series C Preferred Units who wish to trade the Series C Preferred Units on any date prior to two business days before delivery should consult their advisors.

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of business, the underwriters and their affiliates have from time to time performed and may in the future perform various financial advisory, commercial banking, investment banking, asset leasing and treasury services for us and our affiliates, for which they received, or will continue to receive, customary fees or compensation. In particular, affiliates of each of the underwriters are lenders under our revolving credit facility and, accordingly, may receive a portion of the net proceeds of this offering through our repayment of borrowings under such facility.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the underwriters or their affiliates have lending relationships with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Option to Purchase Additional Series C Preferred Units

We have granted the underwriters an option, exercisable for 30 days after the date of the underwriting agreement, to purchase up to 2,700,000 additional Series C Preferred Units at the public offering price, less the underwriting discount. Any Series C Preferred Units issued or sold under the option will be issued and sold on the same terms and conditions as the other Series C Preferred Units that are subject to this offering.

Selling Restrictions

Notice to Prospective Investors in Hong Kong

The Series C Preferred Units may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance

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(Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Series C Preferred Units may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Series C Preferred Units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder

Notice to Prospective Investors in Japan

The Series C Preferred Units offered in this prospectus supplement have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The Series C Preferred Units have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Series C Preferred Units may not be circulated or distributed, nor may the Series C Preferred Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Series C Preferred Units are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired such Series C Preferred Units pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in those the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein, and has no responsibility for the prospectus supplement. The Series C Preferred Units which are the subject of the offering contemplated by this prospectus supplement may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Series C Preferred Units offered should conduct their own due diligence on the Series C Preferred Units. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

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LEGAL

The validity of the Series C Preferred Units will be passed upon for us by our counsel, Latham & Watkins LLP, Houston, Texas. Certain legal matters relating to the offering of the Series C Preferred Units will be passed upon for the underwriters by Hunton Andrews Kurth LLP, Houston, Texas.

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EXPERTS

The consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting incorporated by reference in this prospectus supplement and elsewhere in the registration statement have been so incorporated by reference in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC under the Securities Act that registers the securities offered by this prospectus supplement. The registration statement, including the attached exhibits, contains additional relevant information about us. In addition, we file annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on their public reference room. Our SEC filings are also available at the SEC s web site at http://www.sec.gov. You can also obtain information about us at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus supplement or the accompanying base prospectus by referring you to those documents. These other documents contain important information about us, our financial condition and our results of operations.

The information incorporated by reference is an important part of this prospectus supplement and the accompanying base prospectus. Information that we file later with the SEC and that is deemed to be filed with the SEC will automatically update and supersede information contained in this prospectus supplement, the accompanying base prospectus and in the other documents previously filed with the SEC, and may replace information contained in this prospectus supplement and the accompanying base prospectus.

We incorporate the documents listed below and any of our future filings with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Items 2.02 or 7.01 on any Current Report on Form 8-K) after the date of this prospectus supplement and until the termination of this offering. These reports contain important information about us, our financial condition and our results of operations.

- Our annual report on Form 10-K for the year ended December 31, 2017; and

- Our current reports on Form 8-K filed on January 16, 2018, January 30, 2018, February 6, 2018, February 15, 2018 and April 3, 2018.

We make available free of charge on or through our Internet website, www.energytransfer.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our Internet website is not part of this prospectus supplement or the accompanying base prospectus (unless specifically incorporated by reference into this prospectus supplement or the accompanying base prospectus as described above).

You may request a copy of any document incorporated by reference into this prospectus, at no cost, by writing or calling us at the following address:

Energy Transfer Partners, L.P.

8111 Westchester Drive, Suite 600

Dallas, TX 75225

Attention: General Counsel

Telephone: (214) 981-0700

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PROSPECTUS

Energy Transfer Partners, L.P.

Common Units Representing Limited Partner Interests

Preferred Units Representing Limited Partner Interests

Debt Securities

We may offer and sell the securities identified above from time to time in one or more classes or series and in amounts, at prices and on terms to be determined by market conditions at the time of our offerings. This prospectus provides you with a general description of the securities.

Each time we offer and sell securities, we will provide a supplement to this prospectus that contains specific information about the offering and the amounts, prices and terms of the securities. The supplement may also add, update or change information contained in this prospectus with respect to that offering. You should carefully read this prospectus and the applicable prospectus supplement before you invest in any of our securities.

We may offer and sell the securities described in this prospectus and any prospectus supplement to or through one or more underwriters, dealers and agents, or directly to purchasers, or through a combination of these methods on a continuous or delayed basis. If any underwriters, dealers or agents are involved in the sale of any of the securities, their names and any applicable purchase price, fee, commission or discount arrangement between or among them will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. See the sections of this prospectus entitled About this Prospectus and Plan of Distribution for more information. No securities may be sold without delivery of this prospectus and the applicable prospectus supplement describing the method and terms of the offering of such securities.

INVESTING IN OUR SECURITIES INVOLVES RISKS. SEE THE RISK FACTORS ON PAGE 7 OF THIS PROSPECTUS AND ANY SIMILAR SECTION CONTAINED IN THE APPLICABLE PROSPECTUS SUPPLEMENT CONCERNING FACTORS YOU SHOULD CONSIDER BEFORE INVESTING IN OUR SECURITIES.

Our common units are listed on the New York Stock Exchange under the symbol ETP. We will provide information in the related prospectus supplement for the trading market, if any, for any preferred units or debt securities we may offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 8, 2017.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the SEC, using a shelf registration process. By using a shelf registration statement, we may sell securities from time to time and in one or more offerings any combination of the securities described in this prospectus. Each time that we offer and sell securities, we will provide a prospectus supplement to this prospectus that contains specific information about the securities being offered and sold and the specific terms of that offering. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. The prospectus supplement or free writing prospectus may also add, update or change information contained in this prospectus with respect to that offering. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement or free writing prospectus, you should rely on the prospectus supplement or free writing prospectus, as applicable. Before purchasing any securities, you should carefully read both this prospectus and the applicable prospectus supplement (and any applicable free writing prospectuses), together with the additional information described under the heading Where You Can Find More Information; Incorporation by Reference.

We have not authorized anyone to provide you with any information or to make any representations other than those contained in this prospectus, any applicable prospectus supplement or any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the applicable prospectus supplement to this prospectus is accurate only as of the date on its respective cover, that the information appearing in any applicable free writing prospectus is accurate only as of the date of that free writing prospectus, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates. This prospectus incorporates by reference, and any prospectus supplement or free writing prospectus may contain and incorporate by reference, market data and industry statistics and forecasts that are based on independent industry publications and other publicly available information. Although we believe these sources are reliable, we do not guarantee the accuracy or completeness of this information and we have not independently verified this information. In addition, the market and industry data and forecasts that may be included or incorporated by reference in this prospectus, any prospectus supplement or any applicable free writing prospectus may involve estimates, assumptions and other risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors contained in this prospectus, the applicable prospectus supplement and any applicable free writing prospectus, and under similar headings in other documents that are incorporated by reference into this prospectus. Accordingly, investors should not place undue reliance on this information.

As used in this prospectus, unless the context otherwise indicates, all references in this prospectus to we, us, Energy Transfer, ETP, the Partnership and our refer to Energy Transfer Partners, L.P., and its operating partnerships and their subsidiaries, including Energy Transfer, LP and Sunoco Logistics Partners Operations L.P. (Operating Partnership). References to ETP GP, our general partner or the general partner refer to Energy Transfer Partners GP, L.P. References to ETP LLC refer to Energy Transfer Partners, L.L.C., the general partner of our general partner. References to ETE refer to Energy Transfer Equity, L.P., the owner of ETP LLC.

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WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

Available Information

We file reports, proxy statements and other information with the SEC. Information filed with the SEC by us can be inspected and copied at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Room of the SEC at prescribed rates. Further information on the operation of the SEC s Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains reports, proxy and information statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is *http://www.sec.gov*.

Our website address is *http://www.energytransfer.com*. The information on our website, however, is not, and should not be deemed to be, a part of this prospectus.

This prospectus and any prospectus supplement are part of a registration statement that we filed with the SEC and do not contain all of the information in the registration statement. The full registration statement may be obtained from the SEC or us, as provided below. Forms of the indenture and other documents establishing the terms of the offered securities are or may be filed as exhibits to the registration statement or documents incorporated by reference in the registration statement. Statements in this prospectus or any prospectus supplement about these documents are summaries and each statement is qualified in all respects by reference to the document to which it refers. You should refer to the actual documents for a more complete description of the relevant matters. You may inspect a copy of the registration statement at the SEC s Public Reference Room in Washington, D.C. or through the SEC s website, as provided above.

Incorporation by Reference

The SEC s rules allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and subsequent information that we file with the SEC will automatically update and supersede that information. Any statement contained in this prospectus or a previously filed document incorporated by reference will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or a subsequently filed document incorporated by reference modifies or replaces that statement.

This prospectus and any accompanying prospectus supplement incorporate by reference the documents set forth below that have previously been filed with the SEC:

Our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 24, 2017;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, filed with the SEC on May 4, 2017, August 9, 2017 and November 8, 2017;

Our Current Reports on Form 8-K filed with the SEC on January 5, 2017, January 27, 2017, March 27, 2017, April 26, 2017, April 28, 2017, May 8, 2017, May 10, 2017, May 31, 2017, August 2, 2017, August 14, 2017, August 18, 2017, September 21, 2017 and September 25, 2017; and

The description of our common units contained in our Registration Statement on Form 8-A (File No. 001-31219), as filed with the SEC on January 28, 2002 and any amendment or report filed with the SEC for the purpose of updating the description.

All reports and other documents we subsequently file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, which we refer to as the Exchange Act in this prospectus, prior to the termination of this offering, including all such documents we may file with the SEC after the date of the initial registration statement but excluding any information furnished to, rather than filed with, the SEC, will also be incorporated by reference into this prospectus and deemed to be part of this prospectus from the date of the filing of such reports and documents.

You may request a free copy of any of the documents incorporated by reference in this prospectus by writing or telephoning us at the following address:

Energy Transfer Partners, L.P.

8111 Westchester Drive, Suite 600

Dallas, TX 75225

Attention: James M. Wright, Jr.

Telephone: (214) 981-0700

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus or any accompanying prospectus supplement.

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FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, included or incorporated by reference into this prospectus and the documents we incorporate by reference constitute forward-looking statements. These forward-looking statements discuss our goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state 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, intends, projects, scheduled or similar phrases or expressions identif forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus and the documents we incorporate by reference.

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 also 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:

the volumes transported on our pipelines and gathering systems;

the level of throughput in our processing and treating facilities;

the fees we charge and the margins we realize for our gathering, treating, processing, storage and transportation services;

changes in the supply of, or demand for crude oil, natural gas, natural gas liquids, or NGLs, and refined products that impact demand for our services;

energy prices generally;

the prices of crude oil, natural gas and NGLs compared to the price of alternative and competing fuels;

the general level of petroleum product demand and the availability and price of NGL supplies;

the availability of imported crude oil, natural gas and NGLs;

changes in the general economic conditions in the United States;

actions taken by foreign oil and gas producing nations;

the political and economic stability of petroleum producing nations;

global and domestic economic repercussions, including disruptions in the crude oil, natural gas, NGLs and refined products markets, from terrorist activities, international hostilities and other events, and the government s response thereto;

the effect of weather conditions on demand for crude oil, natural gas and NGLs;

availability of local, intrastate and interstate transportation systems;

the continued ability to find and contract for new sources of natural gas supply;

availability and marketing of competitive fuels;

the impact of energy conservation efforts;

improvements in energy efficiency and development of technology resulting in decreased demand for natural gas or refined petroleum products;

governmental regulation and taxation;

changes to, and the application of, federal or state regulation of our tariff rates and operational requirements related to our assets;

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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;

competition encountered by our pipelines, terminals and other operations;

loss of key personnel;

loss of key natural gas producers or the providers of fractionation services;

reductions in the capacity or allocations of third-party pipelines that connect with our pipelines and facilities;

the effectiveness of risk-management policies and procedures, including the use of derivative financial instruments to hedge commodity risks, and the ability of our liquids marketing counterparties to satisfy their financial commitments;

the nonpayment or non-performance by or disputes with our customers, suppliers or other business partners;

regulatory, environmental, political and legal uncertainties that may affect the timing and cost of our internal growth projects, such as our construction of additional pipeline systems and other facilities;

risks associated with the construction of new facilities or additions to our existing facilities, including difficulties in obtaining permits and rights-of-way or other regulatory approvals and the performance by third-party contractors;

changes in the expected level of capital, operating, or remediation spending related to environmental matters;

risks related to labor relations and workplace safety;

the availability and cost of capital and our ability to access certain capital sources;

a deterioration of the credit and capital markets;

changes in our, Energy Transfer Partners, L.P. s, Energy Transfer, LP s or Energy Transfer Equity, L.P. s credit ratings, as assigned by ratings agencies;

risks associated with the assets and operations of entities in which we own less than a controlling interests, including risks related to management actions at such entities that we may not be able to control or exert influence;

the ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to our financial results and to successfully integrate acquired businesses;

our ability to manage growth and/or control costs;

changes in laws and regulations to which we are subject, including tax, environmental, transportation and employment regulations or new interpretations by regulatory agencies concerning such laws and regulations; and

the costs and effects of legal and administrative proceedings.

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.

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SUMMARY

The Partnership

We are one of the largest publicly traded master limited partnerships in the United States in terms of equity market capitalization (approximately $19.9 billion as of November 6, 2017). We are managed by our general partner, ETP GP, and ETP GP is managed by its general partner, ETP LLC, which is owned by ETE, another publicly traded master limited partnership. The primary activities in which we are engaged, and operating subsidiaries through which we conduct those activities, all of which are in the United States, are as follows:

- Natural gas operations, including the following:
  - natural gas midstream and intrastate transportation and storage; and
  - interstate natural gas transportation and storage.
- Natural gas liquids operations, including NGL transportation, storage and fractionation services.
- Crude oil gathering and transportation.
- Complementary pipeline, terminalling and acquisition and marketing operations, including the purchase and sale of crude oil, NGLs and refined products.

Our Principal Executive Offices

We are a limited partnership formed under the laws of the State of Delaware. Our principal executive offices are located at 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, and our telephone number at that location is (214) 981-0700. We maintain a website at *http://www.energytransfer.com* that provides information about our business and operations. Information contained on this website, however, is not incorporated into or otherwise a part of this prospectus.

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RISK FACTORS

Investment in any securities offered pursuant to this prospectus and the applicable prospectus supplement involves risks. You should carefully consider the risk factors incorporated by reference as provided under Incorporation by Reference, including our Annual Report on Form 10-K for the year ended December 31, 2016 and the risk factors described under Risk Factors therein, as updated by our subsequent Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017 and our Current Reports on Form 8-K filed on May 8, 2017 and August 14, 2017 and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other information contained or incorporated by reference into this prospectus, as updated by our subsequent filings under the Exchange Act, and the risk factors and other information contained in the applicable prospectus supplement and any applicable free writing prospectus before acquiring any of such securities. The occurrence of any of these risks might cause you to lose all or part of your investment in the offered securities. Please also see Forward-looking Statements.

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USE OF PROCEEDS

We intend to use the net proceeds from the sale of the securities as set forth in the applicable prospectus supplement.

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RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for Energy Transfer Partners, L.P. for each of the periods indicated is as follows:

	Year Ended December 31,					Nine Months Ended September 30,
	2012	2013	2014	2015	2016	2017
Ratio of Earnings to Fixed Charges	2.9	1.8	2.1	1.8	1.4	2.2

For the periods indicated above, we have no outstanding preferred units with required distributions. Therefore, the ratios of earnings to combined fixed charges and preferred unit distributions are identical to the ratios presented in the tables above.

For purposes of calculating the ratios of earnings to fixed charges:

fixed charges represent interest expense (including amounts capitalized), amortization of debt costs and the portion of rental expense representing the interest factor; and

earnings represent the aggregate of income from continuing operations (before adjustment for minority interest, extraordinary loss and equity earnings), fixed charges and distributions from equity investments, less capitalized interest.

DESCRIPTION OF OUR COMMON UNITS

The following description of our common units is not complete and may not contain all the information you should consider before investing in our common units. This description is summarized from, and qualified in its entirety by reference to, our partnership agreement, which has been publicly filed with the SEC. See Where You Can Find More Information.

Our common units represent limited partner interests that entitle the holders to participate in our cash distributions and to exercise the rights and privileges available to limited partners under our partnership agreement. For a description of the rights of holders of our common units to cash distributions, please read Cash Distributions in this prospectus. We urge you to read our partnership agreement, as our partnership agreement, and not this description, governs our common units.

Number of Common Units

As of November 1, 2017, we had 1,155,493,524 common units outstanding, 1,127,958,397 of which are held by the public and 27,535,127 of which are held by ETE, which is the controlling owner of our general partner.

Timing of Distributions

We pay distributions no later than 45 days after March 31, June 30, September 30 and December 31 to holders of record on the applicable record date. For additional information, please read Cash Distributions.

Issuance of Additional Partnership Securities; Preemptive Rights

In general, we may issue additional partnership securities for any partnership purpose at any time and from time to time to such persons for such consideration and on such terms and conditions as shall be established by our general partner in its sole discretion, all without the approval of any limited partners. The holders of our common units do not have preemptive rights to acquire additional common units or other partnership securities. For additional information, please read Description of Our Partnership Agreement Issuance of Additional Partnership Securities; Preemptive Rights.

Voting Rights

Unlike the holders of common stock in a corporation, our limited partners have only limited voting rights on matters affecting our business. Our limited partners have no right to elect our general partner or the directors of our general partner on an annual or other continuing basis. Our general partner may not be removed except by the vote of the holders of at least 66 2/3% of the outstanding common units, including common units owned by our general partner and its affiliates. Each holder of common units is entitled to one vote for each common unit on all matters submitted to a vote of the unitholders. For additional information, please read Description of Our Partnership Agreement Meetings; Voting.

Limited Call Right

If at any time our general partner and its affiliates hold more than 80% of the total limited partner interests of any class then outstanding, our general partner will then have the right, which right it may assign and transfer in whole or in part to us or any affiliate of our general partner, exercisable at its option, to purchase all, but not less than all, of such limited partner interests of such class then outstanding held by persons other than our general partner and its affiliates, at the greater of:

(1) the current market price as of the date three days prior to the date that notice of the election to purchase is mailed; and

(2) the highest price paid by our general partner or any of its affiliates for any such limited partner interest of such class purchased during the 90-day period preceding the date that notice of the election to purchase is mailed.

As a result of our general partner s right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or at a price that may be lower than market prices at various times prior to such purchase or lower than a unitholder may anticipate the market price to be in the future. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market.

Exchange Listing

Our common units are listed on the New York Stock Exchange under the symbol ETP.

Transfer Agent and Registrar Duties

American Stock Transfer & Trust Company serves as registrar and transfer agent for our common units. We pay all fees charged by the transfer agent for transfers of common units, except the following that must be paid by unitholders:

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;
- special charges for services requested by a holder of common units; and
- other similar fees or charges.

There is no charge to unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities as transfer agent, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Transfer of Common Units

Any transfers of a common unit will not be recorded by the transfer agent or recognized by us unless the transferee executes and delivers a transfer application. By executing and delivering a transfer application, the transferee of common units:

- becomes the record holder of the common units and is an assignee until admitted as a substituted limited partner;
- automatically requests admission as a substituted limited partner;

- agrees to comply with and be bound by and to have executed our partnership agreement;
- represents and warrants that such transferee has the right, power and authority and, if an individual, the capacity to enter into our partnership agreement;
- grants the powers of attorney set forth in our partnership agreement; and
- gives the consents and approvals and makes the waivers contained in our partnership agreement.

An assignee will become a substituted limited partner for the transferred common units upon the consent of our general partner and the recording of the name of the assignee on our books and records. Our general partner may withhold its consent in its sole discretion.

A transferee s broker, agent or nominee may complete, execute and deliver a transfer application. We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder s rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

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Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon admission as a substituted limited partner for the transferred common units, a purchaser or transferee of common units who does not execute and deliver a transfer application obtains only:

- the right to assign the common units to a purchaser or other transferee; and
- the right to transfer the right to seek admission as a substituted limited partner for the transferred common units.

Thus, a purchaser or transferee of common units who does not execute and deliver a transfer application:

- will not receive cash distributions or federal income tax allocations, unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application; and
- may not receive some federal income tax information or reports furnished to record holders of common units.

The transferor of common units has a duty to provide the transferee with all information that may be necessary to transfer the common units. The transferor does not have a duty to insure the execution of the transfer application by the transferee and has no liability or responsibility if the transferee neglects or chooses not to execute and forward the transfer application to the transfer agent.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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DESCRIPTION OF PREFERRED UNITS

Our partnership agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities on the terms and conditions established by our general partner without the approval of any of our limited partners. In accordance with Delaware law and the provisions of our partnership agreement, we may issue additional partnership interests that have special voting rights to which our common units are not entitled, which we refer to in this prospectus as preferred units. As of the date of this prospectus, we have no preferred units outstanding.

If we offer preferred units under this prospectus, a prospectus supplement relating to the particular series of preferred units offered will include the specific terms of those preferred units, including, among other things, the following:

- the designation, stated value, and liquidation preference of the preferred units and the number of preferred units offered;
- the initial public offering price at which the preferred units will be issued;
- any conversion or exchange provisions of the preferred units;
- any redemption or sinking fund provisions of the preferred units;
- the distribution rights of the preferred units, if any;
- a discussion of any additional material federal income tax considerations regarding the preferred units; and
- any additional rights, preferences, privileges, limitations, and restrictions of the preferred units.

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DESCRIPTION OF DEBT SECURITIES

The following description, together with the additional information we include in any applicable prospectus supplement or free writing prospectus, summarizes certain general terms and provisions of the debt securities that we may offer under this prospectus. When we offer to sell a particular series of debt securities, we will describe the specific terms of the series in a supplement to this prospectus. We will also indicate in the supplement to what extent the general terms and provisions described in this prospectus apply to a particular series of debt securities.

We may issue debt securities either separately, or together with, or upon the conversion or exercise of or in exchange for, other securities described in this prospectus. Debt securities may be our senior, senior subordinated or subordinated obligations and, unless otherwise specified in a supplement to this prospectus, the debt securities will be our direct, unsecured obligations and may be issued in one or more series.

The debt securities will be issued under an indenture between us, as issuer and U.S. Bank National Association, as trustee. We have summarized select portions of the indenture below. The summary is not complete. The form of the indenture has been filed as an exhibit to the registration statement and you should read the indenture for provisions that may be important to you. In the summary below, we have included references to the section numbers of the indenture so that you can easily locate these provisions. Capitalized terms used in the summary and not defined herein have the meanings specified in the indenture.

General

The terms of each series of debt securities will be established by or pursuant to a resolution of our board of directors and set forth or determined in the manner provided in a resolution of our board of directors, in an officer s certificate or by a supplemental indenture. The particular terms of each series of debt securities will be described in a prospectus supplement relating to such series (including any pricing supplement or term sheet).

We can issue an unlimited amount of debt securities under the indenture that may be in one or more series with the same or various maturities, at par, at a premium, or at a discount. We will set forth in a prospectus supplement (including any pricing supplement or term sheet) relating to any series of debt securities being offered, the aggregate principal amount and the following terms of the debt securities, if applicable:

- the title and ranking of the debt securities (including the terms of any subordination provisions);
- the price or prices (expressed as a percentage of the principal amount) at which we will sell the debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the date or dates on which the principal of the securities of the series is payable;

the rate or rates (which may be fixed or variable) per annum or the method used to determine the rate or rates (including any commodity, commodity index, stock exchange index or financial index) at which the debt securities will bear interest, the date or dates from which interest will accrue, the date or dates on which interest will commence and be payable and any regular record date for the interest payable on any interest payment date;

the place or places where principal of, and interest, if any, on the debt securities will be payable (and the method of such payment), where the securities of such series may be surrendered for registration of transfer or exchange, and where notices and demands to us in respect of the debt securities may be delivered;

the period or periods within which, the price or prices at which and the terms and conditions upon which we may redeem the debt securities;

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any obligation we have to redeem or purchase the debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder of debt securities and the period or periods within which, the price or prices at which and in the terms and conditions upon which securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

the dates on which and the price or prices at which we will repurchase debt securities at the option of the holders of debt securities and other detailed terms and provisions of these repurchase obligations;

the denominations in which the debt securities will be issued, if other than denominations of $1,000 and any integral multiple thereof;

whether the debt securities will be issued in the form of certificated debt securities or global debt securities;

the portion of principal amount of the debt securities payable upon declaration of acceleration of the maturity date, if other than the principal amount;

the currency of denomination of the debt securities, which may be United States Dollars or any foreign currency, and if such currency of denomination is a composite currency, the agency or organization, if any, responsible for overseeing such composite currency;

the designation of the currency, currencies or currency units in which payment of principal of, premium and interest on the debt securities will be made;

if payments of principal of, premium or interest on the debt securities will be made in one or more currencies or currency units other than that or those in which the debt securities are denominated, the manner in which the exchange rate with respect to these payments will be determined;

the manner in which the amounts of payment of principal of, premium, if any, or interest on the debt securities will be determined, if these amounts may be determined by reference to an index based on a currency or currencies or by reference to a commodity, commodity index, stock exchange index or financial index;

any provisions relating to any security provided for the debt securities;

any addition to, deletion of or change in the Events of Default described in this prospectus or in the indenture with respect to the debt securities and any change in the acceleration provisions described in this prospectus or in the indenture with respect to the debt securities;

- any addition to, deletion of or change in the covenants described in this prospectus or in the indenture with respect to the debt securities;

- any depositaries, interest rate calculation agents, exchange rate calculation agents or other agents with respect to the debt securities;

- the provisions, if any, relating to conversion or exchange of any debt securities of such series, including if applicable, the conversion or exchange price and period, provisions as to whether conversion or exchange will be mandatory, the events requiring an adjustment of the conversion or exchange price and provisions affecting conversion or exchange;

- any other terms of the debt securities, which may supplement, modify or delete any provision of the indenture as it applies to that series, including any terms that may be required under applicable law or regulations or advisable in connection with the marketing of the securities; and

- whether any of our direct or indirect subsidiaries will guarantee the debt securities of that series, including the terms of subordination, if any, of such guarantees.

We may issue debt securities that provide for an amount less than their stated principal amount to be due and payable upon declaration of acceleration of their maturity pursuant to the terms of the indenture. We will provide you with information on the federal income tax considerations and other special considerations applicable to any of these debt securities in the applicable prospectus supplement.

If we denominate the purchase price of any of the debt securities in a foreign currency or currencies or a foreign currency unit or units, or if the principal of and any premium and interest on any series of debt securities is payable in a foreign currency or currencies or a foreign currency unit or units, we will provide you with information on the restrictions, elections, general tax considerations, specific terms and other information with respect to that issue of debt securities and such foreign currency or currencies or foreign currency unit or units in the applicable prospectus supplement.

The Subsidiary Guarantees

Our payment obligations under any series of debt securities may be jointly and severally, fully and unconditionally guaranteed by one or more Subsidiary Guarantors. If a series of debt securities are so guaranteed, the Subsidiary Guarantors will execute a notation of guarantee as further evidence of their guarantee. The applicable prospectus supplement will describe the terms of any guarantee by the Subsidiary Guarantors. If a series of debt securities is guaranteed by the Subsidiary Guarantors and is designated as subordinate to our Senior Indebtedness, then the guarantees by the Subsidiary Guarantors will be subordinated to the Senior Indebtedness of the Subsidiary Guarantors to substantially the same extent as the series is subordinated to our Senior Indebtedness. Please read Subordination.

Transfer and Exchange

Each debt security will be represented by either one or more global securities registered in the name of The Depository Trust Company, or the Depositary, or a nominee of the Depositary (we will refer to any debt security represented by a global debt security as a book-entry debt security), or a certificate issued in definitive registered form (we will refer to any debt security represented by a certificated security as a certificated debt security) as set forth in the applicable prospectus supplement. Except as set forth under the heading Global Debt Securities and Book-Entry System below, book-entry debt securities will not be issuable in certificated form.

Certificated Debt Securities. You may transfer or exchange certificated debt securities at any office we maintain for this purpose in accordance with the terms of the indenture. No service charge will be made for any transfer or exchange of certificated debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with a transfer or exchange.

You may effect the transfer of certificated debt securities and the right to receive the principal of, premium and interest on certificated debt securities only by surrendering the certificate representing those certificated debt securities and either reissuance by us or the trustee of the certificate to the new holder or the issuance by us or the trustee of a new certificate to the new holder.

Global Debt Securities and Book-Entry System. Each global debt security representing book-entry debt securities will be deposited with, or on behalf of, the Depositary, and registered in the name of the Depositary or a nominee of the Depositary. Please see Global Securities.

Covenants

We will set forth in the applicable prospectus supplement any restrictive covenants applicable to any issue of debt securities.

No Protection in the Event of a Change of Control

Unless we state otherwise in the applicable prospectus supplement, the debt securities will not contain any provisions which may afford holders of the debt securities protection in the event we have a change in control or in the event of a highly leveraged transaction (whether or not such transaction results in a change in control) which could adversely affect holders of debt securities.

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Consolidation, Merger and Sale of Assets

We may not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to any person (a successor person) unless:

- we are the surviving person in the case of a merger or the surviving person:
  - is a partnership, limited liability company or corporation organized and validly existing under the laws of the United States, a state thereof or the District of Columbia; and
  - expressly assumes our obligations on the debt securities and under the indenture;
- immediately after giving effect to the transaction, no Default or Event of Default, shall have occurred and be continuing;
- if we are not the surviving person, then any Subsidiary Guarantor, unless it is the person with which we have consummated a transaction under this provision, shall have confirmed that its guarantee of the notes shall continue to apply to the obligations under the debt securities and the Indenture; and
- we have delivered to the trustee an officers certificate and opinion of counsel, each stating that the merger, amalgamation, consolidation, sale, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required, the supplemental indenture, comply with the Indenture.

Thereafter, the surviving person will be substituted for us under the Indenture. If we sell or otherwise dispose of (except by lease) all or substantially all of our assets and the above stated requirements are satisfied, we will be released from all our liabilities and obligations under the Indenture and the debt securities.

A series of debt securities may contain additional financial and other covenants. The applicable prospectus supplement will contain a description of any such covenants that are added to the Indenture specifically for the benefit of holders of a particular series.

Notwithstanding the above, any of our subsidiaries may consolidate with, merge into or transfer all or part of its properties to us.

Events of Default

Event of Default means with respect to any series of debt securities, any of the following:

- default in the payment of any interest upon any debt security of that series when it becomes due and payable, and continuance of such default for a period of 30 days (unless the entire amount of the payment is deposited by us with the trustee or with a paying agent prior to the expiration of the 30-day period);

default in the payment of principal of any security of that series at its maturity;

default in the performance or breach of any other covenant or warranty by us, or if the series of debit securities is guaranteed by any Subsidiary Guarantor, by such Subsidiary Guarantor, in the indenture (other than a covenant or warranty that has been included in the indenture solely for the benefit of a series of debt securities other than that series), which default continues uncured for a period of 60 days after we receive written notice from the trustee or we and the trustee receive written notice from the holders of not less than 25% in principal amount of the outstanding debt securities of that series as provided in the indenture;

certain voluntary or involuntary events of bankruptcy, insolvency or reorganization of us, or, if the series of debt securities is guaranteed by any Subsidiary Guarantor, of such Subsidiary Guarantor;

if the series of debt securities is guaranteed by any Subsidiary Guarantor, any of the subsidiary guarantees;

ceases to be in full force and effect, except as otherwise provided in the indenture; or is declared null and void in a judicial proceeding; or

any Subsidiary Guarantor denies or disaffirms its obligations under the indenture or its guarantee; or

any other Event of Default provided with respect to debt securities of that series that is described in the applicable prospectus supplement.

No Event of Default with respect to a particular series of debt securities (except as to certain events of bankruptcy, insolvency or reorganization) necessarily constitutes an Event of Default with respect to any other series of debt securities. The occurrence of certain Events of Default or an acceleration under the indenture may constitute an event of default under certain indebtedness of ours or our subsidiaries outstanding from time to time.

We will provide the trustee written notice of any Default or Event of Default within 30 days of becoming aware of the occurrence of such Default or Event of Default, which notice will describe in reasonable detail the status of such Default or Event of Default and what action we are taking or propose to take in respect thereof.

If an Event of Default with respect to debt securities of any series at the time outstanding occurs and is continuing, then the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may, by a notice in writing to us (and to the trustee if given by the holders), declare to be due and payable immediately the principal of (or, if the debt securities of that series are discount securities, that portion of the principal amount as may be specified in the terms of that series) and accrued and unpaid interest, if any, on all debt securities of that series. In the case of an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization, the principal (or such specified amount) of and accrued and unpaid interest, if any, on all outstanding debt securities will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of outstanding debt securities. At any time after a declaration of acceleration with respect to debt securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul the acceleration if all Events of Default, other than the non-payment of accelerated principal and interest, if any, with respect to debt securities of that series, have been cured or waived as provided in the indenture. We refer you to the prospectus supplement relating to any series of debt securities that are discount securities for the particular provisions relating to acceleration of a portion of the principal amount of such discount securities upon the occurrence of an Event of Default.

The indenture provides that the trustee may refuse to perform any duty or exercise any of its rights or powers under the indenture unless the trustee receives indemnity satisfactory to it against any cost, liability or expense which might be incurred by it in performing such duty or exercising such right or power. Subject to certain rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series.

No holder of any debt security of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture or for the appointment of a receiver or trustee, or for any remedy under the indenture, unless:

that holder has previously given to the trustee written notice of a continuing Event of Default with respect to debt securities of that series; and the holders of not less than 25% in principal amount of the outstanding debt securities of that series have made written request, and offered indemnity or security satisfactory to the trustee, to the trustee to institute the proceeding as trustee, and the trustee has not received from the holders of not less than a majority in principal amount of the outstanding debt securities of that series a direction inconsistent with that request and has failed to institute the proceeding within 60 days.

Notwithstanding any other provision in the indenture, the holder of any debt security will have an absolute and unconditional right to receive payment of the principal of, premium and any interest on that debt security on or after the due dates expressed in that debt security and to institute suit for the enforcement of payment.

The indenture requires us, within 120 days after the end of our fiscal year, to furnish to the trustee a statement as to compliance with the indenture. If a Default or Event of Default occurs and is continuing with respect to the securities of any series and if it is known to a responsible officer of the trustee, the trustee shall mail to each Securityholder of the securities of that series notice of a Default or Event of Default within 90 days after it occurs or, if later, after a responsible officer of the trustee has knowledge of such Default or Event of Default. The indenture provides that the trustee may withhold notice to the holders of debt securities of any series of any Default or Event of Default (except in payment on any debt securities of that series) with respect to debt securities of that series if the trustee determines in good faith that withholding notice is in the interest of the holders of those debt securities.

Modification and Waiver

We and the trustee may modify, amend or supplement the indenture or the debt securities of any series without the consent of any holder of any debt security:

to cure any ambiguity, defect or inconsistency;

to comply with covenants in the indenture described above under the heading Consolidation, Merger and Sale of Assets ;

add any Subsidiary Guarantor with respect to the debt securities;

to provide for uncertificated securities in addition to or in place of certificated securities;

to add guarantees with respect to debt securities of any series or secure debt securities of any series;

to surrender any of our rights or powers under the indenture;

to add covenants or events of default for the benefit of the holders of debt securities of any series;

to comply with the applicable procedures of the applicable depositary;

to make any change that does not adversely affect the rights of any holder of debt securities;

- to provide for the issuance of and establish the form and terms and conditions of debt securities of any series as permitted by the indenture;

- to effect the appointment of a successor trustee with respect to the debt securities of any series and to add to or change any of the provisions of the indenture to provide for or facilitate administration by more than one trustee; or

- to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act.

We may also modify and amend the indenture with the consent of the holders of at least a majority in principal amount of the outstanding debt securities of each series affected by the modifications or amendments. We may not make any modification or amendment without the consent of the holders of each affected debt security then outstanding if that amendment will:

- reduce the amount of debt securities whose holders must consent to an amendment, supplement or waiver;

- reduce the rate of or extend the time for payment of interest (including default interest) on any debt security;

- reduce the principal of or premium on or change the fixed maturity of any debt security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation with respect to any series of debt securities;

- reduce the principal amount of discount securities payable upon acceleration of maturity;

- waive a default in the payment of the principal of, premium or interest on any debt security (except a rescission of acceleration of the debt securities of any series by the holders of at least a majority in aggregate principal amount of the then outstanding debt securities of that series and a waiver of the payment default that resulted from such acceleration);

- make the principal of or premium or interest on any debt security payable in currency other than that stated in the debt security;

- make any change to certain provisions of the indenture relating to, among other things, the right of holders of debt securities to receive payment of the principal of, premium and interest on those debt securities and to institute suit for the enforcement of any such payment and to waivers or amendments; or

- waive a redemption payment with respect to any debt security.

Except for certain specified provisions, the holders of at least a majority in principal amount of the outstanding debt securities of any series may on behalf of the holders of all debt securities of that series waive our compliance with provisions of the indenture. The holders of a majority in principal amount of the outstanding debt securities of any series may on behalf of the holders of all the debt securities of such series waive any past default under the indenture with respect to that series and its consequences, except a default in the payment of the principal of, premium or any interest on any debt security of that series; provided, however, that the holders of a majority in principal amount of the outstanding debt securities of any series may rescind an acceleration and its consequences, including any related payment default that resulted from the acceleration.

Defeasance of Debt Securities and Certain Covenants in Certain Circumstances

Legal Defeasance. The indenture provides that, unless otherwise provided by the terms of the applicable series of debt securities, we may be discharged from any and all obligations in respect of the debt securities of any series (subject to certain exceptions). We will be so discharged upon the irrevocable deposit with the trustee, in trust, of money and/or U.S. government obligations or, in the case of debt securities denominated in a single currency other than U.S. Dollars, government obligations of the government that issued or caused to be issued such currency, that, through the payment of interest and principal in accordance with their terms, will provide money or U.S. government obligations in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants or investment bank to pay and discharge each installment of principal, premium and interest on and any mandatory sinking fund payments in respect of the debt securities of that series on the stated maturity of those payments in accordance with the terms of the indenture and those debt securities.

This discharge may occur only if, among other things, we have delivered to the trustee an opinion of counsel stating that we have received from, or there has been published by, the United States Internal Revenue Service a ruling or, since the date of execution of the indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the debt securities of that series will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit, defeasance and discharge and will be subject to United States federal income tax on the same amounts and in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge had not occurred.

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Defeasance of Certain Covenants. The indenture provides that, unless otherwise provided by the terms of the applicable series of debt securities, upon compliance with certain conditions:

- we may omit to comply with the covenant described under the heading Consolidation, Merger and Sale of Assets and certain other covenants set forth in the indenture, as well as any additional covenants which may be set forth in the applicable prospectus supplement; and

- any omission to comply with those covenants will not constitute a Default or an Event of Default with respect to the debt securities of that series (covenant defeasance).

The conditions include:

- depositing with the trustee money and/or U.S. government obligations or, in the case of debt securities denominated in a single currency other than U.S. Dollars, government obligations of the government that issued or caused to be issued such currency, that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants or investment bank to pay and discharge each installment of principal of, premium and interest on and any mandatory sinking fund payments in respect of the debt securities of that series on the stated maturity of those payments in accordance with the terms of the indenture and those debt securities; and

- delivering to the trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling or, since the date of execution of the indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the debt securities of that series will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit and related covenant defeasance and will be subject to United States federal income tax on the same amounts and in the same manner and at the same times as would have been the case if the deposit and related covenant defeasance had not occurred.

No Personal Liability of General Partner

Energy Transfer Partners, L.L.C., the general partner of our general partner, and its directors, officers, employees and members, as such, will not be liable for:

- any of our obligations or the obligations of any Subsidiary Guarantors under the debt securities, the indentures or the guarantees; or

- any claim based on, in respect of, or by reason of, such obligations or their creation.

By accepting a debt security, each holder will be deemed to have waived and released all such liability. This waiver and release are part of the consideration for our issuance of the debt securities. This waiver may not be effective, however, to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Subordination

Debt securities of a series may be subordinated to our Senior Indebtedness, which we define generally to include any obligation created or assumed by us for the repayment of borrowed money and any guarantee thereof, whether outstanding or hereafter issued, unless, by the terms of the instrument creating or evidencing such obligation, it is provided that such obligation is subordinate or not superior in right of payment to the debt securities or to other obligations which are pari passu with or subordinated to the debt securities. Subordinated debt securities and the related guarantees will be subordinate in right of payment, to the extent and in the manner set forth in the Indenture and the prospectus supplement relating to such series, to the prior payment of all of our indebtedness and that of, if applicable, any Subsidiary Guarantor that is designated as Senior Indebtedness with respect to the series.

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The holders of Senior Indebtedness of ours or, if applicable, a Subsidiary Guarantor will receive payment in full of the Senior Indebtedness before holders of subordinated debt securities will receive any payment of principal, premium, if any, or interest with respect to the subordinated debt securities upon any payment or distribution of our assets or, if applicable to any series of outstanding debt securities, a Subsidiary Guarantor s assets, to creditors:

- upon a liquidation or dissolution of us or, if applicable to any series of outstanding debt securities, the Subsidiary Guarantors; or
- in a bankruptcy, receivership or similar proceeding relating to us or, if applicable to any series of outstanding debt securities, to the Subsidiary Guarantors.

Until the Senior Indebtedness is paid in full, any distribution to which holders of subordinated debt securities would otherwise be entitled will be made to the holders of Senior Indebtedness, except that the holders of subordinated debt securities may receive units representing limited partner interests in us and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the subordinated debt securities.

If we do not pay any principal, premium, if any, or interest with respect to Senior Indebtedness within any applicable grace period (including at maturity), or any other default on Senior Indebtedness occurs and the maturity of the Senior Indebtedness is accelerated in accordance with its terms, we may not:

- make any payments of principal, premium, if any, or interest with respect to subordinated debt securities;
- make any deposit for the purpose of defeasance or discharge of the subordinated debt securities; or
- repurchase, redeem or otherwise retire any subordinated debt securities, except that in the case of subordinated debt securities that provide for a mandatory sinking fund, we may deliver subordinated debt securities to the trustee in satisfaction of our sinking fund obligation,

unless, in either case:

- the default has been cured or waived and any declaration or acceleration has been rescinded;
- the Senior Indebtedness has bene paid in full in cash; or
- we and the trustee receive written notice approving the payment from the representatives of each issue of Designated Senior Indebtedness.

Generally, Designated Senior Indebtedness will include:

any specified issue of Senior Indebtedness of at least $100 million; and

any other Senior Indebtedness that we may designate in respect of any series of subordinated debt securities.

During the continuance of any default, other than a default described in the immediately preceding paragraph, that may cause the maturity of any Designated Senior Indebtedness to be accelerated immediately without further notice, other than any notice required to effect such acceleration, or the expiration of any applicable grace periods, we may not pay the subordinated debt securities for a period called the Payment Blockage Period. A Payment Blockage Period will commence on the receipt by us and the trustee of written notice of the default, called a Blockage Notice, from the representative of any Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and will end 179 days thereafter.

The Payment Blockage Period may be terminated before its expiration:

by written notice from the person or persons who gave the Blockage Notice;

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by repayment in full in cash of the Designated Senior Indebtedness with respect to which the Blockage Notice was given; or

if the default giving rise to the Payment Blockage Period is no longer continuing.

Unless the holders of the Designated Senior Indebtedness have accelerated the maturity of the Designated Senior Indebtedness, we may resume payments on the subordinated debt securities after the expiration of the Payment Blockage Period.

Generally, not more than one Blockage Notice may be given in any period of 360 consecutive days. The total number of days during which any one or more Payment Blockage Periods are in effect, however, may not exceed an aggregate of 179 days during any period of 360 consecutive days.

After all Senior Indebtedness is paid in full and until the subordinated debt securities are paid in full, holders of the subordinated debt securities shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness.

As a result of the subordination provisions described above, in the event of insolvency, the holders of Senior Indebtedness, as well as certain of our general creditors, may recover more, ratably, than the holders of the subordinated debt securities.

Governing Law

The indenture and the debt securities, including any claim or controversy arising out of or relating to the indenture or the securities, will be governed by the laws of the State of New York.

The indenture will provide that we, the trustee and the holders of the debt securities (by their acceptance of the debt securities) irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the indenture, the debt securities or the transactions contemplated thereby.

The indenture will provide that any legal suit, action or proceeding arising out of or based upon the indenture or the transactions contemplated thereby may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the City of New York, and we, the trustee and the holder of the debt securities (by their acceptance of the debt securities) irrevocably submit to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. The indenture will further provide that service of any process, summons, notice or document by mail (to the extent allowed under any applicable statute or rule of court) to such party s address set forth in the indenture will be effective service of process for any suit, action or other proceeding brought in any such court. The indenture will further provide that we, the trustee and the holders of the debt securities (by their acceptance of the debt securities) irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the courts specified above and irrevocably and unconditionally waive and agree not to plead or claim any such suit, action or other proceeding has been brought in an inconvenient forum.

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CASH DISTRIBUTIONS

Set forth below is a summary of the significant provisions of our partnership agreement that relate to cash distributions.

Distributions of Available Cash

General. Our partnership agreement provides that we will distribute all of our available cash to unitholders of record on the applicable record date within 45 days after the end of each quarter. We intend to make distributions of available cash to the holders of common units and our other classes of units on a quarterly basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, as described below. However, there is no guarantee that we will pay quarterly distributions on the common units in any quarter, and we will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is existing, under our credit facilities or debt securities.

Definition of Available Cash. Available cash generally means, for any calendar quarter, all cash on hand at the end of such quarter:

- less the amount of cash that our general partner determines in good faith is necessary or appropriate to:
  - provide for the proper conduct of business;
  - comply with applicable law, any of our debt instruments or other agreements; or
  - provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter.

Working capital borrowings are generally borrowings that are made under our credit facilities and in all cases are used solely for working capital purposes or to pay distributions to partners.

Operating Surplus and Capital Surplus

General. All cash distributed to unitholders will be characterized as either operating surplus or capital surplus. We distribute available cash from operating surplus differently than available cash from capital surplus.

Definition of Operating Surplus. Operating surplus for any period generally means:

- our cash balance on the closing date of our initial public offering; plus

$15.0 million (as described below); plus

all of our cash receipts after the closing of our initial public offering, excluding cash from borrowings that are not working capital borrowings, sales of equity and other debt securities and sales or other dispositions of assets outside the ordinary course of business; plus

working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter; plus

an amount equal to the accumulated and undistributed operating surplus of Legacy ETP immediately prior to the closing of the merger between us and Legacy ETP (including $10.0 million of cash received from non-operating sources that Legacy ETP may distribute as operating surplus under the Legacy ETP partnership agreement in effect immediately prior to the merger); less

all of our operating expenditures after the closing of our initial public offering, including the repayment of working capital borrowings, but not the repayment of other borrowings, and including maintenance capital expenditures; less the amount of cash reserves established by our general partner in good faith to provide funds for future operating expenditures.

Definition of Capital Surplus. Capital surplus will generally be generated only by:

borrowings other than working capital borrowings;

sales of debt and equity securities; and

sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.

Characterization of Cash Distributions. We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus.

Distributions of Available Cash from Operating Surplus

We will make distributions of available cash from operating surplus for any quarter in the following manner:

First, 100% to all holders of our common units, Class E units and Class G units and the general partner, in accordance with their percentage interests, until such unitholders have received $0.075 per unit for such quarter, also known as the minimum quarterly distribution;

Second, 100% to all holders of our common units, Class E units and Class G units and the general partner, in accordance with their respective percentage interests, until such unitholders unit have received $0.0833 per unit for such quarter, also known as the first target distribution; and

Thereafter, in the manner described in Incentive Distribution Rights below.

Notwithstanding the foregoing, the distributions on our Class E units may not exceed $1.41 per year and distributions on our Class G units may not exceed $3.75 per year. In addition, the distributions to the holders of the incentive distribution rights will not exceed the amount such holders would otherwise receive if the available cash for distribution were reduced to the extent it constitutes amounts previously distributed with respect to our Class G units.

Our partnership agreement also provides that our Class I units and Class K units do not have a percentage interest and holders are not entitled to receive distributions of cash from operating surplus or capital surplus. However, each Class K unit is entitled to a quarterly cash distribution in an amount equal to $0.67275 per Class K unit, which distribution must be made prior to any distribution of available cash to any class of units.

Our partnership agreement also provides that no portion of any partnership cash distribution attributable to (i) any distribution or dividend received by us from ETP Holdco Corporation, a Delaware corporation (ETP Holdco), or the proceeds of any sale of the capital stock of ETP Holdco or (ii) any interest payments received by the Partnership with respect to the indebtedness of ETP Holdco or its subsidiaries, will be distributed to our Class E units, Class G units or Class K units.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution has been paid. Our general partner currently holds all of the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement.

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If for any quarter we have distributed available cash from operating surplus to the unitholders in an amount equal to the minimum quarterly distribution, then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and the general partner in the following manner:

First, (i) to the general partner in accordance with its percentage interest, (ii) 13% to the holders of the incentive distribution rights, pro rata, and (iii) to all of our common unitholders, Class E unitholders and Class G unitholders, pro rata, a percentage equal to 100% less the percentages applicable to the general partner and holders of the incentive distribution rights, until each common unit has received $0.0958 per unit for such quarter, also known as the second target distribution;

Second, (i) to the general partner in accordance with its percentage interest, (ii) 35% to the holders of the incentive distribution rights, pro rata, and (iii) to all of our common unitholders, Class E unitholders and Class G unitholders, pro rata, a percentage equal to 100% less the percentages applicable to the general partner and holders of the incentive distribution rights, until each common unit has received $0.2638 per unit for such quarter, also known as the third target distribution; and

Thereafter, (i) to the general partner in accordance with its percentage interest, (ii) 48% to the holders of the incentive distribution rights, pro rata, and (iii) to all of our common unitholders, Class E unitholders and Class G unitholders, pro rata, a percentage equal to 100% less the percentages applicable to the general partner and holders of the incentive distribution rights.

Our general partner has agreed to relinquish its right to the following amounts of incentive distributions in future periods, including distributions on the Class I Units:

	Total Year (in millions)
2017 (remainder)	$ 173
2018	153
2019	128
Each year beyond 2019	33

Distributions from Capital Surplus

We will make distributions of available cash from capital surplus, if any, in the following manner:

First, to all unitholders and our general partner, in accordance with their respective percentage interests, until we distribute for each outstanding common unit, an amount of available cash from capital surplus equal to the initial public offering price of our common units; and

Thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

If we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution;
- target distribution levels; and
- the unrecovered initial unit price.

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For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels by multiplying the same by one minus the sum of the highest marginal federal corporate income tax rate that could apply and any increase in the effective overall state and local income tax rates.

Distributions of Cash upon Liquidation

General. If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

Manner of Adjustments for Gain. The manner of the adjustment for gain is set forth in our partnership agreement. We generally allocate any gain to the partners in the following manner:

- *First*, to our general partner and the holders of units who have negative balances in their capital accounts to the extent of and in proportion to any such negative balances;

- *Second*, to the unitholders and our general partner, in accordance with their percentage interests, until the capital account for each common unit is equal to the sum of:

  - the unrecovered initial unit price; and

  - the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

- *Third*, to the unitholders and our general partner, in accordance with their percentage interests, until we allocate under this paragraph an amount per unit equal to:

  - the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; less

  - the cumulative amount per unit of any distributions from operating surplus in excess of the minimum quarterly distribution per unit for each quarter of our existence that we distributed to the unitholders and to our general partner in accordance with their percentage interests;

Fourth, 13% to the holders of the incentive distribution rights, pro rata, and the remainder to the unitholders and our general partner in accordance with their percentage interests, pro rata, until we allocate under this paragraph an amount per unit equal to:

the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; less

the cumulative amount per unit of any distributions from operating surplus in excess of the first target distribution per unit for each quarter of our existence distributed 13% to the holders of the incentive distribution rights, pro rata, and the remainder to our unitholders and to our general partner in accordance with their percentage interests, pro rata;

Fifth, 23% to the holders of the incentive distribution rights, pro rata, and the remainder to the unitholders and our general partner in accordance with their percentage interests, pro rata, until we allocate under this paragraph an amount per unit equal to:

the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; less the cumulative amount per unit of any distributions from operating surplus in excess of the second target distribution per unit for each quarter of our existence distributed to the holders of the incentive distribution rights, pro rata, and the remainder to the unitholders and our general partner in accordance with their percentage interests, pro rata; and

Thereafter, 48% to the holders of the incentive distribution rights, pro rata, and the remainder to the unitholders and our general partner in accordance with their percentage interests, pro rata.

Adjustments to Capital Accounts upon the Issuance of Partnership Interests

We will make adjustments to capital accounts upon the issuance of additional partnership interests. In doing so, we will allocate any unrealized and, for tax purposes, unrecognized gain or loss resulting from the adjustments to the unitholders and our general partner in the same manner as we allocate gain or loss upon liquidation. In the event that we make positive adjustments to the capital accounts upon the issuance of additional partnership interests, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional partnership interests or upon our liquidation in a manner that results, to the extent possible, in our general partner s capital account balances equaling the amount that they would have been if no earlier positive adjustments to the capital accounts had been made.

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DESCRIPTION OF OUR PARTNERSHIP AGREEMENT

This description is a summary of the material provisions of our partnership agreement. The following provisions of our partnership agreement are summarized elsewhere in this prospectus:

- distributions of our available cash are described under Cash Distributions ;
- allocations of taxable income and other tax matters are described under Material Federal Income Tax Consequences ; and
- a general description of our common units is contained under Description of the Common Units.

The description of our partnership agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the complete text of our Fourth Amended and Restated Agreement of Limited Partnership, a copy of which is filed as Exhibit 3.4 to our Current Report on Form 8-K filed with the SEC on April 28, 2017, which is incorporated by reference into this prospectus. We urge you to read our partnership agreement, as our partnership agreement, and not this description, governs our common units.

References in this Description of Our Partnership Agreement to we, us and our mean Energy Transfer Partners, L.P

Organization and Duration

We were organized on October 15, 2001 and will continue in existence until we are dissolved pursuant to our partnership agreement and our certificate of limited partnership is cancelled.

Purpose

Under our partnership agreement, the purpose and nature of the business to be conducted by us is to:

(i) serve as a partner of the Operating Partnership and, in connection therewith, to exercise all the rights and powers conferred upon us as a partner of the Operating Partnership pursuant to the Operating Partnership s partnership agreement (the Operating Partnership Agreement) or otherwise;

(ii) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnership is permitted to engage in by the Operating Partnership Agreement or that its subsidiaries are permitted to engage in by their limited liability company or partnership agreements and, in connection therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreements relating to such business activity;

(iii) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by our general partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Revised Uniform Limited Partnership Act (the Delaware Act) and, in connection therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreements relating to such business activity; provided, however, that our general partner determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates qualifying income (as such term is defined pursuant to Section 7704 of the Internal Revenue Code of 1986, as amended (the Code)) or a subsidiary or our activity that generates qualifying income or (ii) enhances the operations of an activity of the Operating Partnership; and

(iv) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a member of the partnership group.

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Under the Operating Partnership Agreement, the purpose and nature of the business to be conducted by the Operating Partnership is to (a) acquire, manage, operate and sell the assets or properties now or hereafter acquired by the Operating Partnership, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnership is permitted to engage in, and, in connection therewith, to exercise all of the rights and powers conferred upon the Operating Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the Operating Partnership s general partner and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Operating Partnership pursuant to the agreements relating to such business activity; *provided, however,* that the Operating Partnership s general partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates qualifying income (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Operating Partnership that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a member of the partnership group, the Partnership or any subsidiary of the Partnership.

Our general partner has no duty or obligation to propose or approve, and may decline to propose or approve, the conduct by us of any business free of any fiduciary duty or obligation whatsoever to us, any limited partner or assignee and, in declining to so propose or approve, is not required to act in good faith or pursuant to any other standard imposed by our partnership agreement, any governing agreement of a member of the partnership group, any other agreement contemplated by our partnership agreement or under the Delaware Act or any other law, rule or regulation.

Board of Directors

Our general partner manages our operations and activities on our behalf through its directors and officers. Our general partner is not elected by our common unitholders and will not be subject to re-election in the future. Common unitholders will not be entitled to elect the directors of our general partner on an annual or other continuing basis. The board of directors of our general partner is chosen by ETE, its sole member, and only ETE has the right to remove directors.

Power of Attorney

Each limited partner, and each person who acquires a common unit from a unitholder and executes and delivers a transfer application, grants to our general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants our general partner the authority to amend, and to make consents and waivers under, our partnership agreement.

Capital Contributions

Except as described below under Limited Liability, the common units will be fully paid, and common unitholders will not be required to make additional capital contributions to us.

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that it otherwise acts in conformity with the provisions of our partnership agreement, the limited partner s liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital such limited partner is obligated to contribute to us for its common units plus such limited partner s share

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of any undistributed profits and assets and any funds wrongfully distributed to it as described below. If it were determined, however, that the right, or exercise of the right, by our limited partners as a group:

- to remove or replace our general partner;
- to approve certain amendments to our partnership agreement; or
- to take any other action under our partnership agreement;

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that a limited partner is a general partner based on such limited partner s conduct. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the limited partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act will be liable to the limited partnership for the amount of the distribution; *provided, however,* that such limited partner will have no liability for the amount of the distribution after the expiration of three years from the date of the distribution. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of its assignor to make contributions to the limited partnership, excluding any obligations of the assignor with respect to wrongful distributions, as described above, except the assignee is not obligated for liabilities unknown to it at the time it became a limited partner and that could not be ascertained from the partnership agreement.

Our subsidiaries conduct business in multiple states. Maintenance of our limited liability as a limited partner or member of our subsidiaries formed as limited partnerships or limited liability companies, respectively, may require compliance with legal requirements in the jurisdictions in which such subsidiaries conduct business, including qualifying our subsidiaries to do business there. Limitations on the liability of a limited partner or member for the obligations of a limited partnership or limited liability company, respectively, have not been clearly established in many jurisdictions. If it were determined that we were, by virtue of our limited partner interest or limited liability company interest in our subsidiaries or otherwise, conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by our limited partners as a group to remove or replace our general partner, to approve certain amendments to our partnership agreement or to take other action under our partnership agreement constituted participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then our limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We will operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Partnership Securities; Preemptive Rights

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to the partnership securities for any partnership purpose at any time and from time to time to such persons, for such consideration and on such terms and conditions as our general partner determines, all without the approval of any limited partners.

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It is possible that we will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units we issue will be entitled to share equally with the then existing holders of common units in our distributions of available cash. In addition, the issuance of additional partnership interests may dilute (i) the percentage interests of the then-existing holders of common units in our net assets and (ii) the voting rights of the then-existing holders of common units under our partnership agreement.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership securities that have special voting rights to which the common units are not entitled.

Upon issuance of additional partnership securities, our general partner will have the right to make additional capital contributions to the extent necessary to maintain its then-current general partner interest in us; provided, however, that the capital contributions of our general partner will be offset to the extent contributions received by us in exchange for the issuance of additional partnership securities are used by us concurrently with such contributions to redeem or repurchase from any person outstanding partnership securities of the same class as the partnership securities that were issued. Moreover, our general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other partnership securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain its percentage interest, including its interest represented by common units, that existed immediately prior to each issuance.

The holders of our common units do not have preemptive rights to acquire additional common units or other partnership securities.

Amendment of the Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by our general partner. Our general partner has no duty or obligation to propose any amendment to our partnership agreement and may decline to do so free of any fiduciary duty or obligation whatsoever to us, any limited partner or assignee and, in declining to propose an amendment, is not required to act in good faith or pursuant to any other standard imposed by our partnership agreement, any governing agreement of a member of the partnership group, any other agreement contemplated under our partnership agreement or under the Delaware Act or any other law, rule or regulation. A proposed amendment will be effective upon its approval by the holders of a majority of the outstanding common units (a unit majority), unless a greater or different percentage is required under our partnership agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of outstanding units will be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, our general partner will seek the written approval of the requisite percentage of outstanding units or call a meeting of the unitholders to consider and vote on such proposed amendment. Our general partner will notify all record holders upon final adoption of any such proposed amendments.

Restrictions on Certain Amendments

Our partnership agreement provides that:

(a)

no provision of our partnership agreement that establishes a percentage of outstanding units (including units deemed owned by our general partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of outstanding units whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced;

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(b) no amendment to our partnership agreement may (a) enlarge the obligations of any limited partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to clause (3) below, (b) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, our general partner or any of its affiliates without its consent, which consent may be given or withheld at its option, (c) change the provision of our partnership agreement providing for our dissolution upon an election to dissolve our partnership by our general partner that is approved by a unit majority (the election to dissolve provision), or (d) change the term of our partnership or, except as set forth in the election to dissolve provision, give any person the right to dissolve our partnership;

(c) except for mergers or consolidations approved pursuant to the partnership agreement, and without limitation of our general partner s authority to adopt amendments to our partnership agreement described below under No Unitholder Approval, any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests must be approved by the holders of not less than a majority of the outstanding partnership interests of the class affected;

(d) except for amendments described below under No Unitholder Approval and except in connection with unitholder approval of a merger or consolidation, no amendments shall become effective without the approval of the holders of at least 90% of the outstanding units voting as a single class unless we obtain an opinion of counsel to the effect that such amendment will not affect the limited liability of any limited partner under applicable law; and

(e) except for amendments described below under No Unitholder Approval, the provisions set forth in clauses (1) through (4) above may only be amended with the approval of the holders of at least 90% of the outstanding units.

No Unitholder Approval

Our general partner, without the approval of any limited partner, may amend any provision of our partnership agreement to reflect:

(a) a change in our name, the location of our principal place of business, our registered agent or our registered office;

(b) admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;

(c) a change that our general partner determines to be necessary or appropriate to qualify or continue the qualification of our partnership as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that the members of the partnership group will not be treated as associations taxable as corporations or otherwise taxed as entities for federal income tax purposes;

(d) a change that our general partner determines (a) does not adversely affect the limited partners (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect, (b) to be necessary or appropriate to (i) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (ii) facilitate the trading of our units (including the division of any class or classes of outstanding units into different classes to facilitate uniformity of tax consequences within such classes of units) or comply with any rule, regulation, guideline or requirement of any national securities exchange on which the units are or will be listed for trading, (c) to be necessary or appropriate in connection with action taken by our general partner pursuant to the provisions of our partnership agreement governing distributions, subdivisions and combinations of partnership securities or (d) is

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required to effect the intent of the provisions of our partnership agreement or is otherwise contemplated by our partnership agreement;

(e) a change in our fiscal year or taxable year and any other changes that our general partner determines to be necessary or appropriate as a result of a change in our fiscal year or taxable year, including, if our general partner shall so determine, a change in the definition of Quarter under our partnership agreement and the dates on which distributions are to be made by us;

(f) an amendment that is necessary, in the opinion of counsel, to prevent us, or our general partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to certain limitations, an amendment that our general partner determines to be necessary or appropriate in connection with the authorization of issuance of any class or series of partnership securities pursuant to our partnership agreement;

(h) any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone;

(i) an amendment effected, necessitated or contemplated by a merger agreement approved in accordance with the provisions of our partnership agreement;

(j) an amendment that our general partner determines to be necessary or appropriate to reflect and account for the formation by us of, or investment by us in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by us of activities permitted by the terms of our partnership agreement;

(k) a merger or conveyance pursuant to which (a) our general partner has received an opinion of counsel that the conversion, merger or conveyance, as the case may be, would not result in the loss of the limited liability of any limited partner or any member of the partnership group or cause us or any member of the partnership group to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (b) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of us into another limited liability entity and (c) the governing instruments of the new entity provide the limited partners and our general partner with the same rights and obligations as are contained in our partnership agreement; or

(l) any other amendments substantially similar to the foregoing.

Action Relating to the Operating Partnership Agreement

Without the approval of holders of a unit majority, our general partner may not, on our behalf as a limited partner of the Operating Partnership, consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by our partnership agreement, take any action permitted to be taken by a partner of the Operating Partnership, in either case, that would adversely affect our limited partners (including any particular class of partnership interests as compared to any other class of partnership interests) in any material respect.

Merger, Sale or Other Disposition of Assets

Our partnership agreement generally prohibits our general partner, without the prior approval of a unit majority, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership. The general partner may, however, mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets or the Operating Partnership s assets without the approval of a unit majority. The general partner may also sell all or substantially all of our assets or the Operating Partnership s assets under a foreclosure or other realization upon those encumbrances without the approval of a unit majority.

If certain conditions specified in our partnership agreement are satisfied and without the prior approval of our limited partners, our general partner may convert us or any of our subsidiaries into a limited liability entity, merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to change our legal form into another limited liability entity.

Our unitholders are not entitled to dissenters rights of appraisal under the partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets, or any other transaction or event.

Reimbursement of Our General Partner

Our general partner is not compensated for its services as a general partner or managing member of any member of the partnership group. Our general partner is reimbursed on a monthly basis, or such other basis as our general partner may determine, for (i) all direct and indirect expenses it incurs or payments it makes on our behalf (including salary, bonus, incentive compensation and other amounts paid to any person including affiliates of our general partner to perform services for us or for our general partner in the discharge of its duties to us), and (ii) all other expenses allocable to us or otherwise incurred by our general partner in connection with operating our business (including expenses allocated to our general partner by its affiliates). Our general partner determines the expenses that are allocable to us.

Withdrawal or Removal of Our General Partner

Our general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days notice to our unitholders, and that withdrawal will not constitute a breach of our partnership agreement. In addition, our partnership agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders.

If our general partner gives a notice of withdrawal, the holders of a unit majority, may, prior to the effective date of such withdrawal, elect a successor general partner. The person so elected as successor general partner will automatically become the successor general partner or managing member, to the extent applicable, of the other members of the partnership group of which our general partner is a general partner or a managing member. If, prior to the effective date of our general partner s withdrawal, a successor is not selected by our unitholders or we do not receive a withdrawal opinion of counsel regarding limited liability and tax matters, our partnership will be dissolved in accordance with our partnership agreement.

Our general partner may be removed if such removal is approved by our unitholders holding at least 66 2/3% of the outstanding units (including units held by our general partner and its affiliates). The right of the holders of outstanding units to remove our general partner may not be exercised unless we have received a withdrawal opinion of counsel regarding limited liability and tax matters. The ownership of more than 33 1/3% of our outstanding units by our general partner and its affiliates would give it the practical ability to prevent its removal.

We will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred in connection with the termination of any employees employed by the departing general partner or its affiliates for the benefit of us or the other members of the partnership group.

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Dissolution and Liquidation

We will continue as a limited partnership until dissolved under our partnership agreement. We will dissolve upon:

(a) the withdrawal, removal, bankruptcy or dissolution of our general partner, unless a successor general partner is elected prior to or on the effective date of such withdrawal, removal, bankruptcy or dissolution and a withdrawal opinion of counsel is received by us;

(b) an election to dissolve us by our general partner that is approved by the holders of a unit majority;

(c) the entry of a decree of judicial dissolution of us pursuant to the provisions of the Delaware Act; or

(d) the sale, exchange or other disposition of all or substantially all of the assets and properties of the partnership group.

Upon (a) our dissolution following the withdrawal or removal of our general partner and the failure of the partners to select a successor general partner, then within 90 days thereafter, or (b) our dissolution upon the bankruptcy or dissolution of our general partner, then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a unit majority may elect to reconstitute us and continue our business on the same terms and conditions set forth in our partnership agreement by forming a new limited partnership on terms identical to those set forth in our partnership agreement and having as the successor general partner a person approved by the holders of a unit majority. Unless such an election is made within the applicable time period as set forth above, we shall conduct only activities necessary to wind up our affairs.

Transfer of the General Partner s General Partner Interest

Our general partner may transfer all or any of its general partner interest without unitholder approval. As a condition to such transfer, (i) the transferee must agree to assume the rights and duties of the general partner under our partnership agreement and to be bound by the provisions of our partnership agreement, (ii) we must receive an opinion of counsel that such transfer would not result in the loss of limited liability of any limited partner or of any limited partner of the Operating Partnership or cause us or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee must also agree to purchase all (or the appropriate portion thereof, if applicable) of the partnership or membership interest of our general partner as the general partner or managing member, if any, of each other member of the partnership group.

Transfer of Ownership Interests in Our General Partner

At any time, the members of our general partner may sell or transfer all or part of their membership interests in our general partner to an affiliate or a third party without the approval of our unitholders.

Transfer of Incentive Distribution Rights

Our general partner or any other holder of our incentive distribution rights may transfer any or all of its incentive distribution rights without unitholder approval. As a condition to such transfer, the transferee must agree to be bound by the provisions of our partnership agreement.

Change of Management Provisions

Our partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove ETP GP as our general partner or otherwise change management. If at any time any person or group (other than our general partner or its affiliates) beneficially owns 20% or more of any outstanding partnership securities of any class then outstanding, all partnership securities owned by such person or group shall not be voted on any matter and shall not be considered to be outstanding when sending notices of a meeting of limited partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under our partnership agreement. The foregoing limitation does not apply (i) to any person or group who acquired 20% or more of any outstanding partnership securities of any class then outstanding directly from our general partner or its affiliates, (ii) to any person or group who acquired 20% or more of any outstanding partnership securities of any class then outstanding directly or indirectly from a person or group described in clause (i) provided that our general partner has notified such person or group in writing that such limitation will not apply, or (iii) to any person or group who acquired 20% or more of any partnership securities issued by us with the prior approval of the board of directors of our general partner.

Limited Call Right

If at any time our general partner and its affiliates hold more than 80% of the total limited partner interests of any class then outstanding, our general partner will then have the right, which right it may assign and transfer in whole or in part to us or any affiliate of our general partner, exercisable at its option, to purchase all, but not less than all, of such limited partner interests of such class then outstanding held by persons other than our general partner and its affiliates, at the greater of:

(a) the current market price as of the date three days prior to the date that notice of the election to purchase is mailed; and

(b) the highest price paid by our general partner or any of its affiliates for any such limited partner interest of such class purchased during the 90-day period preceding the date that notice of the election to purchase is mailed.

Meetings; Voting

Except as described above under Change of Management Provisions, unitholders or assignees who are record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by the general partner at the written direction of the record holder.

Absent direction of this kind, the units will not be voted, except that, in the case of units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting.

Meetings of the unitholders may be called by the general partner or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage.

Each record holder of a unit has a vote according to its percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read Issuance of Additional Partnership Securities; Preemptive Rights above. However, if at any time any person or group, other than the general partner and its affiliates, or a direct or subsequently approved transferee of the general partner or its affiliates, acquires,

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in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Please read Change of Management Provisions above. Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instructions of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

Holders of common units have very limited voting rights and may vote on the following matters:

- a sale or exchange of all or substantially all of our assets;
- the election of a successor general partner in connection with the withdrawal or removal of our general partner;
- dissolution or reconstitution of our partnership;
- a merger of our partnership;
- issuance of limited partner interests in some circumstances; and
- some amendments to the partnership agreement, including any amendment that would cause us to be treated as an association taxable as a corporation.

Removal of our general partner requires:

- a 66 2/3% vote of all outstanding units; and
- the election of a successor general partner by the holders of a unit majority.

Status as Limited Partner or Assignee

An assignee of a common unit, after executing and delivering a transfer application, but pending its admission as a substituted limited partner, is entitled to an interest equivalent to that of a limited partner for the right to share in allocations and distributions from us, including liquidating distributions. Our general partner will vote and exercise other powers attributable to any of our common units owned by an assignee that has not become a substituted limited partner at the written direction of the assignee. Please read Meetings; Voting. Transferees that do not execute and deliver a transfer application will not be treated as assignees or as record holders of our common units and will not receive cash distributions, federal income tax allocations or reports furnished to holders of our common units. Please read Description of the Common Units Transfer of Common Units.

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that, in the reasonable determination of our general partner, create a substantial risk of cancellation or forfeiture of any property that we have an interest in because of the nationality, citizenship or other related status of any limited partner or assignee, we may redeem the units held by the limited partner or assignee at their current market price. In order to avoid any cancellation or forfeiture, our general partner may require each limited partner or assignee to furnish information about its nationality, citizenship or related status. If a limited partner or assignee fails to furnish information about its nationality, citizenship or other related status within 30 days after a request for the information or our general partner determines after receipt of the information that the limited partner or assignee is not an eligible

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citizen, the limited partner or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee that is not a substituted limited partner, a non-citizen assignee does not have the right to direct the voting of its units and may not receive distributions in kind upon our liquidation.

Books and Reports

Our general partner is required to keep appropriate books and records with respect to our business at our principal offices. Our books are maintained, for both federal income tax and financial reporting purposes, on an accrual basis. For both federal income tax and financial reporting purposes, our fiscal year end is December 31.

We will furnish or make available to record holders of common units, no later than 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent registered public accounting firm. Except for the fourth quarter of each fiscal year, we will also furnish or make available unaudited financial statements no later than 90 days after the close of each quarter.

We will furnish each record holder with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year.

Right to Inspect Our Books and Records

Except as described below, each limited partner has the right, for a purpose reasonably related to such limited partner s interest as a limited partner in our partnership, upon reasonable written demand and at such limited partner s own expense:

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Revenues:			
Minimum rents	$ 100,633	$ 373,931	$ 474,564
Percentage rents	1,854	7,817	9,671
Tenant recoveries	34,827	141,875	176,702
Other	4,141	36,857	40,998
Total revenues	141,455	560,480	701,935
Expenses:			
Shopping center and operating expenses	30,062	181,475	211,537
Interest expense	50,291	98,469	148,760
Depreciation and amortization	76,527	187,927	264,454
	156,880	467,871	624,751

Total operating expenses			
(Loss) gain on sale or write down of assets, net	(35)	18,005	17,970
Net (loss) income	$ (15,460)	$ 110,614	$ 95,154
Company's equity in net (loss) income	$ (1,376)	$ 58,148	$ 56,772

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)

5. Derivative Instruments and Hedging Activities:
The Company uses interest rate cap and interest rate swap agreements to manage the interest rate risk of its floating rate debt. The Company recorded other comprehensive income related to the marking-to-market of derivative instruments of $175 and $184 for the three and nine months ended September 30, 2018. There were no derivatives outstanding during the three and nine months ended September 30, 2017.

The following derivatives were outstanding at September 30, 2018:

Property	Notional Amount	Product	LIBOR Rate	Maturity	Fair Value
Santa Monica Place	$300,000	Cap	4.00 %	12/9/2019	$ 1
The Macerich Partnership, L.P.	$400,000	Swap	2.85 %	9/14/2021	$ 173

The above derivative instruments were designated as hedging instruments with an aggregate fair value (Level 2 measurement) and were included in deferred charges and other assets, net. The fair value of the Company's interest rate derivatives was determined using discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its interest rate swap. As a result, the Company determined that its interest rate cap and swap valuations in their entirety are classified in Level 2 of the fair value hierarchy.

6. Property, net:
Property, net consists of the following:

	September 30, 2018	December 31, 2017
Land	$ 1,521,252	$ 1,567,152
Buildings and improvements	6,308,628	6,385,035
Tenant improvements	659,402	620,352
Equipment and furnishings	186,377	187,998
Construction in progress	176,976	366,996
	8,852,635	9,127,533
Less accumulated depreciation	(2,031,597)	(2,018,303)
	$ 6,821,038	$ 7,109,230

Depreciation expense was $69,237 and $69,343 for the three months ended September 30, 2018 and 2017, respectively, and $204,031 and $207,663 for the nine months ended September 30, 2018 and 2017, respectively.
The gain (loss) on sale or write down of assets, net was $46,516 and $(11,854) for the three months ended September 30, 2018 and 2017, respectively, and $(514) and $37,234 for the nine months ended September 30, 2018 and 2017, respectively.

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6. Property, net: (Continued)

The gain (loss) on sale or write down of assets, net for the three and nine months ended September 30, 2018 includes a gain of $46,242 on the sale of a 75% ownership interest in Westside Pavilion (See Note 4—Investments in Unconsolidated Joint Ventures). The gain (loss) on sale or write down of assets, net for the nine months ended September 30, 2018 also includes a loss of $311 on the sale of Promenade at Casa Grande (See Note 15—Dispositions). The gain (loss) on sale or write down of assets, net for the nine months ended September 30, 2017 includes a gain of $59,698 on the sale of Cascade Mall and Northgate Mall (See Note 15—Dispositions) offset in part by a loss of $10,138 on the write down of an investment in non-real estate assets.

The gain (loss) on sale or write down of assets, net for the nine months ended September 30, 2018 includes impairment losses of $36,338 on SouthPark Mall, $7,494 on two freestanding stores, $1,695 on Southridge Center and $1,043 on Promenade at Casa Grande. The gain (loss) on sale or write down of assets, net for the three and nine months ended September 30, 2017 includes an impairment loss of $12,036 on Southridge Center. The impairment losses were due to the reduction of the estimated holding period of the properties.

The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of impairment losses recorded for the nine months ended September 30, 2018 as described above:

	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2018	$ 72,700	$ —	$ 72,700	$ —

The fair values relating to the impairments were based on sales contracts.

7. Tenant and Other Receivables, net:

Included in tenant and other receivables, net is an allowance for doubtful accounts of $3,139 and $2,786 at September 30, 2018 and December 31, 2017, respectively. Also included in tenant and other receivables, net are accrued percentage rents of $2,439 and $8,711 at September 30, 2018 and December 31, 2017, respectively, and a deferred rent receivable due to straight-line rent adjustments of $69,664 and $61,859 at September 30, 2018 and December 31, 2017, respectively.

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8. Deferred Charges and Other Assets, net:
Deferred charges and other assets, net consist of the following:

	September 30, 2018	December 31, 2017
Leasing	$ 223,811	$ 232,819
Intangible assets:		
In-place lease values	95,807	108,432
Leasing commissions and legal costs	24,140	25,958
Above-market leases	149,283	164,040
Deferred tax assets	30,366	29,006
Deferred compensation plan assets	50,939	52,221
Distributions in excess of co-venture obligation(1)	—	31,150
Other assets	60,465	66,990
	634,811	710,616
Less accumulated amortization(2)	(247,362)	(261,426)
	$ 387,449	$ 449,190

(1) See Note 11—Financing Arrangement.
(2) Accumulated amortization includes $70,627 and $74,507 relating to in-place lease values, leasing commissions and legal costs at September 30, 2018 and December 31, 2017, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $3,114 and $4,206 for the three months ended September 30, 2018 and 2017, respectively, and $10,504 and $15,755 for the nine months ended September 30, 2018 and 2017, respectively.

The allocated values of above-market leases and below-market leases consist of the following:

	September 30, 2018	December 31, 2017
Above-Market Leases		
Original allocated value	$ 149,283	$ 164,040
Less accumulated amortization	(54,688)	(60,210)
	$ 94,595	$ 103,830
Below-Market Leases(1)		
Original allocated value	$ 108,568	$ 120,573
Less accumulated amortization	(53,955)	(55,489)
	$ 54,613	$ 65,084

(1) Below-market leases are included in other accrued liabilities.

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9. Mortgage Notes Payable:

Mortgage notes payable at September 30, 2018 and December 31, 2017 consist of the following:

	Carrying Amount of Mortgage Notes(1)						
	September 30, 2018		December 31, 2017				
Property Pledged as Collateral	Related Party	Other	Related Party	Other	Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
Chandler Fashion Center(5)	$—	$199,954	$—	$199,904	3.77 %	$ 625	2019
Danbury Fair Mall	101,977	101,977	104,599	104,598	5.53 %	1,538	2020
Fashion Outlets of Chicago(6)	—	199,541	—	199,298	3.76 %	600	2020
Fashion Outlets of Niagara Falls USA	—	110,448	—	112,770	4.89 %	727	2020
Freehold Raceway Mall(5)	—	398,171	—	398,050	3.94 %	1,300	2029
Fresno Fashion Fair	—	323,410	—	323,261	3.67 %	971	2026
Green Acres Commons(7)	—	127,776	—	107,219	4.81 %	460	2021
Green Acres Mall	—	286,386	—	291,366	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	439,695	—	447,231	3.67 %	2,229	2019
Oaks, The	—	193,229	—	196,732	4.14 %	1,064	2022
Pacific View	—	122,132	—	124,397	4.08 %	668	2022
Queens Center	—	600,000	—	600,000	3.49 %	1,744	2025
Santa Monica Place(8)	—	296,882	—	296,366	3.76 %	865	2022
SanTan Village Regional Center	—	122,376	—	124,703	3.14 %	589	2019
Towne Mall	—	20,842	—	21,161	4.48 %	117	2022
Tucson La Encantada	65,770	—	66,970	—	4.23 %	368	2022
Victor Valley, Mall of	—	114,660	—	114,617	4.00 %	380	2024
Vintage Faire Mall	—	259,635	—	263,818	3.55 %	1,256	2026
Westside Pavilion(9)	—	—	—	141,020			
	$167,747	$3,917,114	$171,569	$4,066,511			

(1) The mortgage notes payable balances includes an unamortized debt premium. Debt premiums represent the excess of the fair value of debt over the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The loan on Fashion Outlets of Niagara Falls USA had a premium of $1,934 and $2,630 at September 30, 2018 and December 31, 2017, respectively.

The mortgage notes payable also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were $14,232 and $17,838 at September 30, 2018 and December 31, 2017, respectively.

(2) The interest rate disclosed represents the effective interest rate, including the impact of debt premium and deferred finance costs.

(3) The monthly debt service represents the payment of principal and interest.

(4) The maturity date assumes that all extension options are fully exercised and that the Company does not opt to refinance the debt prior to these dates. These extension options are at the Company's discretion, subject to certain conditions, which the Company believes will be met.

(5) A 49.9% interest in the loan has been assumed by a third party in connection with the Company's joint venture in Chandler Freehold (See Note 11—Financing Arrangement).

(6)

The loan bears interest at LIBOR plus 1.50%. At September 30, 2018 and December 31, 2017, the total interest rate was 3.76% and 3.02%, respectively.

(7) On March 1, 2018, the Company borrowed the remaining $20,000 available under the loan agreement on the property. The loan bears interest at LIBOR plus 2.15%. At September 30, 2018 and December 31, 2017, the total interest rate was 4.81% and 4.07%, respectively.

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9. Mortgage Notes Payable: (Continued)

(8) The loan bears interest at LIBOR plus 1.35%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2019 (See Note 5—Derivative Instruments and Hedging Activities). At September 30, 2018 and December 31, 2017, the total interest rate was 3.76% and 3.13%, respectively.

(9) On August 31, 2018, a 75% interest in the loan was assumed by a third party in connection with the sale of a 75% ownership interest in the underlying property (See Note 4—Investments in Unconsolidated Joint Ventures).

Most of the mortgage loan agreements contain a prepayment penalty provision for the early extinguishment of the debt.

The Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company.

The Company expects that all loan maturities during the next twelve months will be refinanced, restructured, extended and/or paid-off from the Company's line of credit or with cash on hand.

Total interest expense capitalized was $3,751 and $3,428 for the three months ended September 30, 2018 and 2017, respectively, and $12,752 and $9,405 for the nine months ended September 30, 2018 and 2017, respectively.

Related party mortgage notes payable are amounts due to an affiliate of NML. See Note 17—Related Party Transactions for interest expense associated with loans from NML.

The estimated fair value (Level 2 measurement) of mortgage notes payable at September 30, 2018 and December 31, 2017 was $4,088,227 and $4,250,816, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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10. Bank and Other Notes Payable:
Bank and other notes payable consist of the following:
Line of Credit:
The Company has a $1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2,000,000.
Based on the Company's leverage level as of September 30, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. The Company has an interest rate swap agreement that effectively converts $400,000 of the outstanding balance from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 14, 2021 (See Note 5—Derivative Instruments and Hedging Activities). As of September 30, 2018 and December 31, 2017, borrowings under the line of credit were $790,000 and $935,000, respectively, less unamortized deferred finance costs of $5,781 and $7,548, respectively, at a total interest rate of 4.08% and 3.13%, respectively. As of September 30, 2018 and December 31, 2017, the Company's availability under the line of credit for additional borrowings was $709,720 and $504,412, respectively, The estimated fair value (Level 2 measurement) of the line of credit at September 30, 2018 and December 31, 2017 was $791,233 and $919,158, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.
Prasada Note:
On March 29, 2013, the Company issued a $13,330 note payable that bears interest at 5.25% and matures on May 30, 2021. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At September 30, 2018 and December 31, 2017, the note had a balance of $3,903 and $4,732, respectively. The estimated fair value (Level 2 measurement) of the note at September 30, 2018 and December 31, 2017 was $3,900 and $4,717, respectively, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.
As of September 30, 2018 and December 31, 2017, the Company was in compliance with all applicable financial loan covenants.
11. Financing Arrangement:
On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Chandler Fashion Center, a 1,316,000 square foot regional shopping center in Chandler, Arizona, and Freehold Raceway Mall, a 1,672,000 square foot regional shopping center in Freehold, New Jersey, referred to herein as Chandler Freehold. As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the formation of Chandler Freehold, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction was initially accounted for as a co-venture arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the net cash proceeds received from the third party less costs allocated to a warrant. The co-venture obligation was increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner.
Upon adoption of ASC 606 on January 1, 2018, the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement. Accordingly, the Company replaced its $31,150 distributions in excess of co-venture obligation (See Note 8—Deferred Charges and Other Assets, net) with a financing arrangement liability of $393,709 on its consolidated balance sheets. This resulted in the recognition of a $424,859 increase in the Company’s accumulated deficit as a cumulative effect adjustment under the modified retrospective method of adoption. The fair value (Level 3 measurement) of the financing arrangement obligation was based upon a multiple on net operating income of 21 times, a discount rate of 5.8% and market rents per square foot of $20 to $225. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in

these inputs may result in a significantly higher or lower fair value measurement. Distributions to the partner and subsequent changes in fair value of the financing arrangement obligation are recognized as interest expense in the Company's consolidated statements of operations.

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11. Financing Arrangement: (Continued)

During the three and nine months ended September 30, 2018 and 2017, the Company incurred interest (income) expense in connection with the financing arrangement as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Distributions of the partner's share of net income	$2,111	$ —	$6,577	$ —
Distributions in excess of the partner's share of net income	1,754	—	4,803	—
Adjustment to fair value of financing arrangement obligation	(4,893)	—	(9,279)	—
	$(1,028)	$ —	$2,101	$ —

12. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of September 30, 2018 and December 31, 2017. The remaining 7% limited partnership interest as of September 30, 2018 and December 31, 2017 was owned by certain of the Company's executive officers and directors, certain of their affiliates and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value $0.01 per share, as reported on the New York Stock Exchange for the 10 trading days ending on the respective balance sheet date. Accordingly, as of September 30, 2018 and December 31, 2017, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $579,249 and $671,592, respectively.

The Company issued common and preferred units of MACWH, LP in April 2005 in connection with the acquisition of the Wilmorite portfolio. The common and preferred units of MACWH, LP are redeemable at the election of the holder. The Company may redeem them for cash or shares of the Company's stock at the Company's option and they are classified as permanent equity.

Included in permanent equity are outside ownership interests in various consolidated joint ventures. The joint ventures do not have rights that require the Company to redeem the ownership interests in either cash or stock.

13. Stockholders' Equity:

2017 Stock Buyback Program:

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500,000 of its outstanding common shares as market conditions and the Company’s liquidity warrant. Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements.

During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for $221,428, representing an average price of $61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See Note 15—Dispositions), its share of the proceeds from the sale of ownership interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See Note 4—Investments in Unconsolidated Joint Ventures) and from borrowings under its line of credit. There were no repurchases during the three and nine months ended September 30, 2018.

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13. Stockholders' Equity: (Continued)

At-The-Market Stock Offering Program ("ATM Program"):
On August 20, 2014, the Company entered into an equity distribution agreement with a number of sales agents (the "ATM Program") to issue and sell, from time to time, shares of common stock, par value $0.01 per share, having an aggregate offering price of up to $500,000. The ATM Program expired by its terms in August 2017. No shares were sold under the ATM Program.
14. Collaborative Arrangement:
On March 1, 2018, the Company formed a 25/75 joint venture with a third party, whereby the Company agreed to contribute Westside Pavilion, a 755,000 square foot regional shopping center in Los Angeles, California in exchange for a cash payment of $142,500. The Company completed the transfer on August 31, 2018.
During the period from March 1, 2018 to August 31, 2018, the Company accounted for the operations of Westside Pavilion as a collaborative arrangement. Both partners shared operating control of the property and the Company was reimbursed by the outside partner for 75% of the carrying cost of the property, which were defined in the agreement as operating expenses in excess of revenues, debt service and capital expenditures. Accordingly, the Company reduced minimum rents, percentage rents, tenant recoveries, other revenue, shopping center and operating expenses and interest expense by its partner's 75% share and recorded a receivable due from its partner, which was settled upon completion of the transfer of the property. In addition, the Company was reimbursed by its partner for its 75% share of mortgage loan principal payments and capital expenditures during the period. Since completion of the transfer, the Company has accounted for its investment in Westside Pavilion under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures).
15. Dispositions:
The following are recent dispositions of properties:
On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170,000, resulting in a gain on the sale of assets of $59,698. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).
On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois, for $86,350, resulting in a gain on sale of assets of $14,597. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona, for $26,000, resulting in a loss on sale of assets of $311. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
16. Commitments and Contingencies:
The Company has certain properties that are subject to non-cancelable operating leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Rent expense was $4,571 and $4,301 for the three months ended September 30, 2018 and 2017, respectively, and $13,379 and $12,785 for the nine months ended September 30, 2018 and 2017, respectively.
No contingent rent was incurred during the three and nine months ended September 30, 2018 or 2017.
As of September 30, 2018, the Company was contingently liable for $65,780 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

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16. Commitments and Contingencies: (Continued)

The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the agreements. At September 30, 2018, the Company had $8,894 in outstanding obligations which it believes will be settled in the next twelve months.

17. Related Party Transactions:

Certain unconsolidated joint ventures have engaged the Management Companies to manage the operations of the Centers. Under these arrangements, the Management Companies are reimbursed for compensation paid to on-site employees, leasing agents and project managers at the Centers, as well as insurance costs and other administrative expenses.

The following are fees charged to unconsolidated joint ventures:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Management fees	$4,971	$4,749	$14,366	$13,914
Development and leasing fees	3,970	3,385	10,895	11,376
	$8,941	$8,134	$25,261	$25,290

Certain mortgage notes on the properties are held by NML (See Note 9—Mortgage Notes Payable). Interest expense in connection with these notes was $2,102 and $2,175 for the three months ended September 30, 2018 and 2017, respectively, and $6,380 and $6,567 for the nine months ended September 30, 2018 and 2017, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of $699 and $716 at September 30, 2018 and December 31, 2017, respectively.

Interest (income) expense from related party transactions also includes $(1,028) and $2,101 for the three and nine months ended September 30, 2018 in connection with the Financing Arrangement (See Note 11—Financing Arrangement).

Due from affiliates includes unreimbursed costs and fees from unconsolidated joint ventures due to the Management Companies. As of September 30, 2018 and December 31, 2017, the amounts due from the unconsolidated joint ventures was $9,482 and $5,411, respectively.

In addition, due from affiliates at September 30, 2018 and December 31, 2017 included a note receivable from RED/303 LLC ("RED") that bears interest at 5.25% and matures on May 30, 2021. Interest income earned on this note was $55 and $66 for the three months ended September 30, 2018 and 2017, respectively, and $172 and $204 for the nine months ended September 30, 2018 and 2017, respectively. The balance on this note was $3,903 and $4,796 at September 30, 2018 and December 31, 2017, respectively. RED is considered a related party because it is a partner in a joint venture development project. The note is collateralized by RED's membership interest in the development project.

Also included in due from affiliates is a note receivable from Lennar Corporation that bears interest at LIBOR plus 2% and matures upon the completion of certain milestones in connection with the development of Fashion Outlets of San Francisco. Interest income earned on this note was $808 and $621 for the three months ended September 30, 2018 and 2017, respectively, and $2,330 and $1,839 for the nine months ended September 30, 2018 and 2017, respectively. The balance on this note was $74,285 and $71,955 at September 30, 2018 and December 31, 2017, respectively. Lennar Corporation is considered a related party because it is a joint venture partner in Fashion Outlets of San Francisco.

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(Dollars in thousands, except per share and square foot amounts)

18. Share and Unit-Based Plans:

Under the Long-Term Incentive Plan ("LTIP"), each award recipient is issued a form of units ("LTIP Units") in the Operating Partnership. Upon the occurrence of specified events and subject to the satisfaction of applicable vesting conditions, LTIP Units (after conversion into OP Units) are ultimately redeemable for common stock of the Company, or cash at the Company's option, on a one-unit for one-share basis. LTIP Units receive cash dividends based on the dividend amount paid on the common stock of the Company. The LTIP may include both market-indexed awards and service-based awards.

The market-indexed LTIP Units vest over the service period of the award based on the percentile ranking of the Company in terms of total return to stockholders (the "Total Return") per share of common stock relative to the Total Return of a group of peer REITs, as measured at the end of the measurement period.

During the nine months ended September 30, 2018, the Company granted the following LTIP Units:

Grant Date	Units	Type	Fair Value per LTIP Unit	Vest Date
1/1/2018	65,466	Service-based	$65.68	12/31/2020
1/1/2018	291,326	Market-indexed	$44.28	12/31/2020
1/29/2018	13,632	Service-based	$66.02	2/1/2022
1/29/2018	1,893	Service-based	$66.02	12/31/2020
1/29/2018	7,775	Market-indexed	$48.23	12/31/2020
3/2/2018	99,407	Service-based	$59.04	3/2/2018
4/26/2018	89,637	Service-based	$55.78	4/26/2018
	569,136			

The fair value of the market-indexed LTIP Units (Level 3) granted on January 1, 2018 were estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk free interest rate of 1.98% and an expected volatility of 23.38%. The fair value of the market-indexed LTIP Units granted on January 29, 2018 were estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk free interest rate of 2.25% and an expected volatility of 23.86%.

The following table summarizes the activity of the non-vested LTIP Units, phantom stock units and stock units:

	LTIP Units		Phantom Stock Units		Stock Units	
	Units	Value(1)	Units	Value(1)	Units	Value(1)
Balance at January 1, 2018	636,632	$ 52.36	4,054	$ 79.82	151,355	$ 73.32
Granted	569,136	51.78	8,765	61.46	87,193	58.85
Vested	(189,044)	57.49	(10,581)	54.70	(108,201)	74.21
Forfeited	(23,666)	44.28	(845)	77.91	—	—
Balance at September 30, 2018	993,058	$ 51.24	1,393	$ 66.79	130,347	$ 64.24

(1) Value represents the weighted average grant date fair value.

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18. Share and Unit-Based Plans: (Continued)

The following table summarizes the activity of the stock appreciations rights ("SARs") and stock options outstanding:

	SARs		Stock Options	
	Units	Value(1)	Units	Value(1)
Balance at January 1, 2018	235,439	$ 53.83	35,565	$ 57.32
Granted	—	—	—	—
Exercised	(235,439)	53.83	—	—
Balance at September 30, 2018	—	$ —	35,565	$ 57.32

(1) Value represents the weighted average exercise price.
The following summarizes the compensation cost under the share and unit-based plans:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
LTIP Units	$3,440	$5,269	$21,823	$24,892
Stock units	972	1,002	5,717	4,947
Stock options	32	34	94	53
Phantom stock units	172	185	585	545
	$4,616	$6,490	$28,219	$30,437

The Company capitalized share and unit-based compensation costs of $1,062 and $983 for the three months ended September 30, 2018 and 2017, respectively, and $5,575 and $5,278 for the nine months ended September 30, 2018 and 2017, respectively. Unrecognized compensation costs of share and unit-based plans at September 30, 2018 consisted of $6,882 from LTIP Units, $3,023 from stock units, $83 from stock options and $40 from phantom stock units.
19. Income Taxes:
The Company has made taxable REIT subsidiary elections for all of its corporate subsidiaries other than its qualified REIT subsidiaries. The elections, effective for the year beginning January 1, 2001 and future years, were made pursuant to Section 856(l) of the Code. The Company's taxable REIT subsidiaries ("TRSs") are subject to corporate level income taxes which are provided for in the Company's consolidated financial statements. The Company's primary TRSs include Macerich Management Company and Macerich Arizona Partners LLC.
The income tax provision of the TRSs are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Current	$—	$—	$439	$—
Deferred	(466)	(2,869)	1,360	178
Total income tax (expense) benefit	$(466)	$(2,869)	$1,799	$178

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
19. Income Taxes: (Continued)

The net operating loss carryforwards are currently scheduled to expire through 2037, beginning in 2025. Net deferred tax assets of $30,366 and $29,006 were included in deferred charges and other assets, net at September 30, 2018 and December 31, 2017, respectively.

The tax years 2014 through 2017 remain open to examination by the taxing jurisdictions to which the Company is subject. The Company does not expect that the total amount of unrecognized tax benefit will materially change within the next twelve months.

20. Subsequent Events:

On October 25, 2018, the Company announced a dividend/distribution of $0.75 per share for common stockholders and OP Unit holders of record on November 9, 2018. All dividends/distributions will be paid 100% in cash on December 3, 2018.

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

IMPORTANT INFORMATION RELATED TO FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of The Macerich Company (the "Company") contains or incorporates statements that constitute forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "should," "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," "scheduled" and variations of these words and similar expressions. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Forward-looking statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters:

- expectations regarding the Company's growth;
- the Company's beliefs regarding its acquisition, redevelopment, development, leasing and operational activities and opportunities, including the performance of its retailers;
- the Company's acquisition, disposition and other strategies;
- regulatory matters pertaining to compliance with governmental regulations;
- the Company's capital expenditure plans and expectations for obtaining capital for expenditures;
- the Company's expectations regarding income tax benefits;
- the Company's expectations regarding its financial condition or results of operations; and
- the Company's expectations for refinancing its indebtedness, entering into and servicing debt obligations and entering into joint venture arrangements.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors. You are urged to carefully review the disclosures we make concerning these risks and other factors that may affect our business and operating results, under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, as well as our other reports filed with the Securities and Exchange Commission (the "SEC"), which disclosures are incorporated herein by reference. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless required by law to do so.

Management's Overview and Summary

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P. (the "Operating Partnership"). As of September 30, 2018, the Operating Partnership owned or had an ownership interest in 48 regional shopping centers and five community/power shopping centers aggregating approximately 52 million square feet of gross leasable area. These 53 regional and community/power shopping centers are referred to hereinafter as the "Centers," unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Management Companies.

The following discussion is based primarily on the consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017. It compares the results of operations for the three months ended September 30, 2018 to the results of operations for the three months ended September 30, 2017. It also compares the results of operations and cash flows for the nine months ended September 30, 2018 to the results of operations and cash flows for the nine months ended September 30, 2017.

This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.
Acquisitions and Dispositions:
The financial statements reflect the following acquisitions, dispositions and changes in ownership subsequent to the occurrence of each transaction.
On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170.0 million, resulting in a gain on the sale of assets of $59.7 million. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events").
On March 17, 2017, the Company's joint venture in Country Club Plaza sold an office building for $78.0 million, resulting in a gain on sale of assets of $4.6 million. The Company's pro rata share of the gain on sale of assets of $2.3 million was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").
On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold its share of an office building for $61.5 million, resulting in a gain on sale of assets of $13.4 million. The Company's pro rata share of the gain on sale of assets of $6.7 million was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").
On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois, for $86.4 million, resulting in a gain on sale of assets of $14.6 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
On December 14, 2017, the Company’s joint venture in Westcor/Queen Creek LLC sold land for $30.5 million, resulting in a gain on sale of assets of $14.9 million. The Company’s share of the gain on sale was $5.4 million, which was included in equity in income of unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.
On February 16, 2018, the Company's joint venture in Fashion District Philadelphia sold its share of an office building for $41.8 million, resulting in a gain on sale of assets of $5.5 million. The Company's pro rata share of the gain on the sale of assets of $2.8 million was included in equity in income from unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.
On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona for $26.0 million, resulting in a loss on sale of assets of $0.3 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49.1 million, resulting in a gain on sale of assets of $12.6 million. The Company's share of the gain of $3.0 million was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the $24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.
On August 31, 2018, the Company completed the sale of a 75% ownership interest in Westside Pavilion, a 755,000 square foot regional shopping center in Los Angeles, California, for $142.5 million, resulting in a gain on sale of assets of $46.2 million. The sales price was funded by a cash payment of $36.9 million and the assumption of a pro rata share of the mortgage note payable on the property of $105.6 million. From March 1, 2018 to the completion of the sale, the Company accounted for its interest in Westside Pavilion as a collaborative arrangement (See Note 14—Collaborative Arrangement of the Company's consolidated financial statements). Upon completion of the sale, the Company has accounted for its ownership interest in Westside Pavilion under the equity method of accounting.
On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a 400,000 square foot outlet center in Carson, California. The joint venture expects to complete the first phase of the development in fall 2021.

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Financing Activities:
On February 1, 2017, the Company's joint venture in West Acres replaced the existing loan on the property with a new $80.0 million loan that bears interest at an effective rate of 4.61% and matures on March 1, 2032. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On March 16, 2017, the Company's joint venture in Kierland Commons replaced the existing loan on the property with a new $225.0 million loan that bears interest at an effective rate of 3.98% and matures on April 1, 2027. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On September 29, 2017, the Company placed a new $110.0 million loan on Green Acres Commons that bears interest at LIBOR plus 2.15% and matures on March 29, 2021. The Company expanded the loan and borrowed the additional $20.0 million available on the loan on March 1, 2018. The Company used the proceeds to pay down its line of credit and for general corporate purposes.
On October 19, 2017, the Company's joint venture in Chandler Fashion Center and Freehold Raceway Mall ("Chandler Freehold") replaced the existing loan on Freehold Raceway Mall with a new $400.0 million loan that bears interest at an effective rate of 3.94% and matures on November 1, 2029. The Company used its share of the net proceeds to pay down its line of credit and for general corporate purposes.
On November 1, 2017, the Company paid off the $95.0 million mortgage loan payable on Stonewood Center. The Company funded the repayment of the mortgage loan payable from borrowings under its line of credit.
On December 4, 2017, the Company replaced the existing loan on Santa Monica Place with a new $300.0 million loan that bears interest at LIBOR plus 1.35% and matures on December 9, 2022, including three one-year extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.00%. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.
On January 22, 2018, the Company's joint venture in Fashion District Philadelphia obtained a $250.0 million term loan that bears interest at LIBOR plus 2.0% and matures on January 22, 2023. Concurrent with the loan closing, the joint venture borrowed $150.0 million on the term loan and borrowed the remaining $100.0 million on March 26, 2018. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.
On March 29, 2018, the Company's joint venture in Broadway Plaza placed a $450.0 million loan on the property that bears interest at an effective rate of 4.19% and matures on April 1, 2030. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.
Redevelopment and Development Activities:
The Company's joint venture is proceeding with the redevelopment of Fashion District Philadelphia, an 850,000 square foot shopping center in Philadelphia, Pennsylvania. The project is expected to be completed in September 2019. The total cost of the project is estimated to be between $400.0 million and $420.0 million, with $200.0 million to $210.0 million estimated to be the Company's pro rata share. The Company has funded $145.4 million of the total $290.8 million incurred by the joint venture as of September 30, 2018.
The Company's joint venture in Scottsdale Fashion Square is redeveloping a former Barney's store that will include a 80,000 square foot exterior expansion. The project is expected to be completed in 2019. The total cost of the project is estimated to be between $140.0 million and $160.0 million, with $70.0 million to $80.0 million estimated to be the Company's pro rata share. The Company has funded $21.6 million of the total $43.3 million incurred by the joint venture as of September 30, 2018.
The Company completed the redevelopment of a 250,000 square foot former Sears store at Kings Plaza Shopping Center in July 2018 for a total cost of $113.8 million.
Other Transactions and Events:
On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500.0 million of its outstanding common shares as market conditions and the Company’s liquidity warrant. Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements. During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for $221.4 million, representing an average price of $61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See "Dispositions"), its

share of the proceeds from the sale of ownership

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interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See "Dispositions") and from borrowings under its line of credit. No repurchases were made during the three and nine months ended September 30, 2018.

On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement ("Financing Arrangement"). As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

On February 1 and 2, 2018, the Company reduced its workforce by approximately 10 percent. The Company incurred a one-time charge of $12.7 million in connection with the workforce reduction during the three months ended March 31, 2018. As a result of the workforce reduction, the Company anticipates expenses, exclusive of the one-time charge, will be reduced by approximately $10.0 million during the year ending December 31, 2019.

During the three months ended June 30, 2018, the Company incurred $19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

Inflation:

In the last five years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically throughout the lease term. These rent increases are either in fixed increments or based on using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, approximately 5% to 15% of the leases for spaces 10,000 square feet and under expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. The Company has generally entered into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center, which places the burden of cost control on the Company. Additionally, certain leases require the tenants to pay their pro rata share of operating expenses.

Seasonality:

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season and the majority of percentage rent is recognized in the fourth quarter. As a result of the above, earnings are generally higher in the fourth quarter.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, capitalization of costs and fair value measurements. The Company's significant accounting policies are described in more detail in Note 2—Summary of Significant Accounting Policies in the Company's Notes to the Consolidated Financial Statements. However, the following policies are deemed to be critical.

Acquisitions:

The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an “as if vacant” methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the

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time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. Above or below-market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below-market, and the asset or liability is amortized to minimum rents over the remaining terms of the leases. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company's relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs.

Remeasurement gains are recognized when the Company obtains control of an existing equity method investment to the extent that the fair value of the existing equity investment exceeds the carrying value of the investment.

Asset Impairment:

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis or a contracted sales price, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.

The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.

Fair Value of Financial Instruments:

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

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Results of Operations
Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting the Company's properties described in Management's Overview and Summary above, including the Redevelopment Properties, the JV Transition Center and the Disposition Properties (as defined below).
For purposes of the discussion below, the Company defines "Same Centers" as those Centers that are substantially complete and in operation for the entirety of both periods of the comparison. Non-Same Centers for comparison purposes include those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center (“Redevelopment Properties”), those properties that have recently transitioned to or from equity method joint ventures to or from consolidated assets ("JV Transition Centers") and properties that have been disposed of ("Disposition Properties"). The Company moves a Center in and out of Same Centers based on whether the Center is substantially complete and in operation for the entirety of both periods of the comparison. Accordingly, the Same Centers consist of all consolidated Centers, excluding the Redevelopment Properties, JV Transition Centers and the Disposition Properties, for the periods of comparison.
For the comparison of the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2017, the Redevelopment Properties are Paradise Valley Mall and certain ground up developments. For the comparison of the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2017, the JV Transition Center is Westside Pavilion. For the comparison of the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2017, the Disposition Properties are Promenade at Casa Grande, 500 North Michigan Avenue, Cascade Mall and Northgate Mall.
Unconsolidated joint ventures are reflected using the equity method of accounting. The Company's pro rata share of the results from these Centers is reflected in the Consolidated Statements of Operations as equity in income of unconsolidated joint ventures.
The Company considers tenant annual sales per square foot (for tenants in place for a minimum of twelve months or longer and 10,000 square feet and under), occupancy rates (excluding large retail stores or "Anchors") and releasing spreads (i.e. a comparison of initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the trailing twelve months based on the spaces 10,000 square feet and under) to be key performance indicators of the Company's internal growth.
Tenant sales per square foot increased from $659 for the twelve months ended September 30, 2017 to $707 for the twelve months ended September 30, 2018. Occupancy rate increased from 94.3% at September 30, 2017 to 95.1% at September 30, 2018. Releasing spreads remained positive as the Company was able to lease available space at higher average rents than the expiring rental rates, resulting in a releasing spread of $5.61 per square foot ($57.32 on new and renewal leases executed compared to $51.71 on leases expiring), representing a 10.8% increase for the trailing twelve months ended September 30, 2018. The Company expects that releasing spreads will continue to be positive for the remainder of 2018 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire in the next twelve months represent 1.0 million square feet of the Centers, accounting for 13.3% of the gross leasable area ("GLA") of mall stores and freestanding stores, for spaces 10,000 square feet and under, as of September 30, 2018. These calculations exclude Centers under development or redevelopment and property dispositions (See "Acquisitions and Dispositions" and "Redevelopment and Development Activities" in Management's Overview and Summary).
During the trailing twelve months ended September 30, 2018, the Company signed 225 new leases and 323 renewal leases comprising approximately 0.9 million square feet of GLA, of which 0.6 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was $57.32 per square foot for the trailing twelve months ended September 30, 2018 with an average tenant allowance of $29.73 per square foot.
In recent years a number of companies in the retail industry, including some of the Company’s tenants, have declared bankruptcy, gone out of business or significantly reduced the number of their retail stores. These events have not had a material impact on the Company’s results of operations to date and, as noted above, the Company’s key performance indicators all were trending in a positive direction for the quarter ended September 30, 2018.
On October 15, 2018, Sears Holdings Corporation (“Sears”) filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code and announced additional store closings. As of September 30, 2018, the Company had 21

Sears stores totaling approximately 3.1 million square feet of gross leasable area within the Company's portfolio, which were responsible for approximately 1% of the Company's total annualized base minimum rents. The Company owns seven of the stores, Sears owns one of the stores, Seritage Growth Properties ("Seritage") owns four stores and the Company indirectly owns an interest in the remaining nine stores through MS Portfolio LLC, the Company's joint venture with Seritage.

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Although there is a risk of lost base minimum rent and the triggering of co-tenancy clauses from such a tenant, there is also the potential to create additional value through the recapturing of space and releasing that space to new tenants at higher rent per square foot, which the Company has demonstrated through its joint venture with Seritage and the completed redevelopment of a former Sears store at Kings Plaza Shopping Center in July 2018 (See “Redevelopment and Development Activities” in Management’s Overview and Summary).

Comparison of Three Months Ended September 30, 2018 and 2017

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") increased by $1.8 million, or 1.2%, from 2017 to 2018. The increase in rental revenue is attributed to an increase of $6.6 million from the Same Centers and $0.7 million from the Redevelopment Properties offset in part by decreases of $3.0 million from the Disposition Properties and $2.5 million from the JV Transition Center. Rental revenue includes the amortization of above and below-market leases, the amortization of straight-line rents and lease termination income. The amortization of above and below-market leases changed from a charge of $0.7 million in 2017 to a credit of $0.7 million in 2018. The amortization of straight-line rents increased from $3.0 million in 2017 to $3.5 million in 2018. Lease termination income increased from $3.1 million in 2017 to $3.7 million in 2018. The increase in rental revenue at the Same Centers was primarily due to an increase in lease termination income and improved leasing spreads.

Tenant recoveries decreased $4.9 million, or 6.7%, from 2017 to 2018. This decrease in tenant recoveries is attributed to decreases of $2.6 million from the Same Centers, $1.8 million from the JV Transition Center and $0.5 million from the Disposition Properties.

Management Companies' revenue increased from $10.1 million in 2017 to $11.1 million in 2018. The increase in Management Companies' revenue is primarily due to an increase in development fees from unconsolidated joint ventures.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $3.5 million, or 4.6%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to decreases of $1.9 million from the Disposition Properties, $1.6 million from the JV Transition Center and $1.1 million from the Same Centers offset in part by an increase of $1.1 million from the Redevelopment Properties.

Management Companies' Operating Expenses:

Management Companies' operating expenses decreased $0.5 million from 2017 to 2018.

REIT General and Administrative Expenses:

REIT general and administrative expenses increased $0.2 million from 2017 to 2018.

Depreciation and Amortization:

Depreciation and amortization decreased $1.3 million from 2017 to 2018. The decrease in depreciation and amortization is attributed to decreases of $1.4 million from the JV Transition Center, $1.3 million from the Disposition Properties and $0.1 million from the Redevelopment Properties offset in part by an increase of $1.5 million from the Same Centers.

Interest Expense:

Interest expense increased $1.7 million from 2017 to 2018. The increase in interest expense is attributed to increases of $3.3 million from the Same Centers, $0.6 million from the Redevelopment Properties, $0.1 million from the borrowings under the Company's line of credit and $0.1 million from the Disposition Properties offset in part by decreases of $1.4 million from the JV Transition Center and $1.0 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary). The increase in interest expense at the Same Centers is primarily due to the new loans on Green Acres Commons and Freehold Raceway Mall (See "Financing Activities" in Management's Overview and Summary).

The above interest expense items are net of capitalized interest, which increased from $3.4 million in 2017 to $3.8 million in 2018.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased $5.2 million from 2017 to 2018.

Gain (Loss) on Sale or Write Down of Assets, net:

The gain on sale or write down of assets, net increased $58.4 million from 2017 to 2018. The increase in gain on sale or write down of assets, net is primarily due to the gain of $46.2 million on the sale of the 75% ownership interest in Westside Pavilion in 2018 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an impairment loss of $12.0 million on Southridge Center in 2017. The impairment loss was due to the reduction in the estimated holding periods of the property.

Net Income:

Net income increased $62.0 million from 2017 to 2018 primarily due to the $58.4 million increase in the gain (loss) on sale or write down of assets, net, as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted increased 3.1% from $145.0 million in 2017 to $149.6 million in 2018. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.

Comparison of Nine Months Ended September 30, 2018 and 2017

Revenues:

Rental revenue decreased by $12.0 million, or 2.7%, from 2017 to 2018. The decrease in rental revenue is attributed to decreases of $8.2 million from the Disposition Properties, $6.6 million from the JV Transition Center and $0.1 million from the Redevelopment Properties offset in part by an increase of $2.9 million from the Same Centers. The amortization of above and below-market leases increased from $0.4 million in 2017 to $2.5 million in 2018. The amortization of straight-line rents increased from $7.5 million in 2017 to $9.0 million in 2018. Lease termination income decreased from $13.5 million in 2017 to $7.2 million in 2018. The increase in rental revenue at the Same Centers was primarily due to an increase in lease termination income and improved leasing spreads.

Tenant recoveries decreased $11.4 million, or 5.3%, from 2017 to 2018. The decrease in tenant recoveries is attributed to decreases of $7.0 million from the Same Centers, $3.3 million from the JV Transition Center, $0.9 million from the Disposition Properties and $0.2 million from the Redevelopment Properties.

Management Companies' revenue increased from $32.0 million in 2017 to $32.1 million in 2018.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $7.8 million, or 3.5%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to decreases of $5.9 million from the Disposition Properties and $4.0 million from the JV Transition Center offset in part by an increase of $1.1 million from the Redevelopment Properties and $1.0 million from the Same Centers.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased $4.0 million from 2017 to 2018. The increase is attributed to a one-time charge of $12.7 million in connection with the Company's reduction in work force in 2018 (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a reduction in payroll and share and unit-based compensation costs.

REIT General and Administrative Expenses:

REIT general and administrative expenses decreased $2.8 million from 2017 to 2018 due to a reduction in compensation costs.

Costs Related to Shareholder Activism

The Company incurred $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary).

Depreciation and Amortization:
Depreciation and amortization decreased $8.9 million from 2017 to 2018. The decrease in depreciation and amortization is attributed to decreases of $3.4 million from the JV Transition Center, $3.4 million from the Disposition Properties, $2.0 million from the Same Centers and $0.1 million from the Redevelopment Properties.
Interest Expense:
Interest expense increased $9.6 million from 2017 to 2018. The increase in interest expense was attributed to an increase of $8.1 million from the Same Centers, $2.3 million from borrowings under the Company's line of credit, $2.1 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary), $0.4 million from the Disposition Properties and $0.2 million from the Redevelopment Properties offset in part by a decrease of $3.5 million from the JV Transition Center. The increase in interest expense at the Same Centers is primarily due to the new loans on Green Acres Commons and Freehold Raceway Mall (See "Financing Activities" in Management's Overview and Summary).
The above interest expense items are net of capitalized interest, which increased from $9.4 million in 2017 to $12.8 million in 2018.
Equity in Income of Unconsolidated Joint Ventures:
Equity in income of unconsolidated joint ventures decreased $5.4 million from 2017 to 2018.
Gain (Loss) on Sale or Write Down of Assets, net:
The change in gain (loss) on sale or write down of assets, net was $37.7 million, resulting from a gain of $37.2 million in 2017 and a loss of $0.5 million in 2018. The change in gain (loss) on sale or write down of assets, net is primarily due to the gain of $59.7 million on the sale of Cascade Mall and Northgate Mall in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an impairment loss of $36.3 million on SouthPark Mall in 2018 offset in part by the gain of $46.2 million on the sale of a 75% ownership interest in Westside Pavilion in 2018 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an impairment loss of $12.0 million on Southridge Center in 2017. The impairment losses were due to the reduction in the estimated holding periods of the properties.
Net Income:
Net income decreased $67.4 million from 2017 to 2018, primarily due to the $37.7 million change in gain (loss) on sale or write down of assets, net and the $19.4 million costs related to shareholder activism in 2018, as discussed above.
Funds From Operations ("FFO"):
Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted decreased 6.7% from $427.3 million in 2017 to $398.8 million in 2018. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.
Operating Activities:
Cash provided by operating activities decreased $52.7 million from 2017 to 2018. The decrease is primarily due to the $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary), changes in assets and liabilities and the results as discussed above.
Investing Activities:
Cash provided by investing activities increased $91.5 million from 2017 to 2018. The increase in cash provided by investing activities is primarily attributed to an increase in distributions from unconsolidated joint ventures of $315.2 million and a decrease in property improvements of $1.6 million offset in part by an increase in contributions to unconsolidated joint ventures of $98.7 million, a decrease in cash proceeds from the sale of assets of $85.4 million and an increase in development, redevelopment, expansion and renovation of properties costs of $42.6 million.
The increase in distributions from unconsolidated joint ventures is primarily due to the distribution of the Company's share of proceeds from the loans placed on Broadway Plaza and Fashion District Philadelphia (See "Financing Activities" in Management's Overview and Summary) and the sale of The Market at Estrella Falls and the sale of an ownership interest in an office building at Fashion District Philadelphia (See "Acquisitions and Dispositions" in

Management's Overview and Summary) in 2018. The decrease in cash proceeds from the sale of assets is attributed to the sales of Cascade Mall and

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Northgate Mall in 2017 offset in part by the proceeds from the sale of Promenade at Casa Grande and an ownership interest in Westside Pavilion in 2018 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

Financing Activities:

Cash used in financing activities increased $15.6 million from 2017 to 2018. The increase in cash used in financing activities is primarily due to a decrease in proceeds from mortgages, bank and other notes payable of $215.0 million and an increase in payments on mortgages, bank and other notes payable of $33.3 million offset in part by repurchases of the Company's common stock of $221.4 million in 2017 (See "Other Transactions and Events" in Management's Overview and Summary) and a decrease in distributions to co-venture partner of $11.0 million (See "Other Transactions and Events" in Management's Overview and Summary).

Liquidity and Capital Resources

The Company anticipates meeting its liquidity needs for its operating expenses, debt service and dividend requirements for the next twelve months through cash generated from operations, distributions from unconsolidated joint ventures, working capital reserves and/or borrowings under its unsecured line of credit. The following tables summarize capital expenditures incurred at the Centers (at the Company's pro rata share):

	For the Nine Months Ended September 30,	
(Dollars in thousands)	2018	2017
Consolidated Centers:		
Acquisitions of property and equipment	$31,055	$19,712
Development, redevelopment, expansion and renovation of Centers	128,654	86,287
Tenant allowances	9,059	9,081
Deferred leasing charges	13,836	19,243
	$182,604	$134,323
Joint Venture Centers:		
Acquisitions of property and equipment	$8,801	$6,549
Development, redevelopment, expansion and renovation of Centers	103,581	92,514
Tenant allowances	4,596	4,650
Deferred leasing charges	6,841	4,666
	$123,819	$108,379

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable or less than 2017 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings.

The Company expects to incur between $200 million and $300 million during the next twelve months for development, redevelopment, expansion and renovations. Capital for these major expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from a combination of debt or equity financings, which are expected to include borrowings under the Company's line of credit and construction loans.

The Company has also generated liquidity in the past, and may continue to do so in the future, through equity offerings and issuances, property refinancings, joint venture transactions and the sale of non-core assets. For example, the Company's recently completed sales of ownership interests in Westside Pavilion and office buildings at Fashion District Philadelphia and Country Club Plaza (See "Acquisitions and Dispositions" in Management's Overview and Summary), the sales of The Market at Estrella Falls, Promenade at Casa Grande, Cascade Mall, Northgate Mall and 500 North Michigan Avenue and the financing of Fashion District Philadelphia and Broadway Plaza (See "Financing Activities" in Management's Overview and Summary). The Company used the proceeds from these transactions to pay down its line of credit and for other general corporate purposes, which included the repurchases of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events" in Management's Overview and Summary). Furthermore, the Company has filed a shelf registration statement, which registered an unspecified amount of common stock, preferred stock, depositary shares, debt securities, warrants, rights, stock purchase contracts and units that may be sold from time to time by the Company. The Company expects any additional repurchases of the Company's common stock under the 2017 Stock Buyback Program to be funded by future sales of non-core assets, borrowings under its line of credit and/or refinancing transactions.

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The capital and credit markets can fluctuate and, at times, limit access to debt and equity financing for companies. As demonstrated by the Company's recent activity as discussed below, the Company has been able to access capital; however, there is no assurance the Company will be able to do so in future periods or on similar terms and conditions. Many factors impact the Company's ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions. In the event that the Company has significant tenant defaults as a result of the overall economy and general market conditions, the Company could have a decrease in cash flow from operations, which could result in increased borrowings under its line of credit. These events could result in an increase in the Company's proportion of floating rate debt, which would cause it to be subject to interest rate fluctuations in the future.

The Company's total outstanding loan indebtedness at September 30, 2018 was $7.7 billion (consisting of $4.9 billion of consolidated debt, less $318.9 million of noncontrolling interests, plus $3.2 billion of its pro rata share of unconsolidated joint venture debt). The majority of the Company's debt consists of fixed-rate conventional mortgage notes collateralized by individual properties. The Company expects that all of the maturities during the next twelve months will be refinanced, restructured, extended and/or paid off from the Company's line of credit or cash on hand.

The Company believes that the pro rata debt provides useful information to investors regarding its financial condition because it includes the Company’s share of debt from unconsolidated joint ventures and, for consolidated debt, excludes the Company’s partners’ share from consolidated joint ventures, in each case presented on the same basis. The Company has several significant joint ventures and presenting its pro rata share of debt in this manner can help investors better understand the Company’s financial condition after taking into account our economic interest in these joint ventures. The Company’s pro rata share of debt should not be considered as a substitute for the Company’s total consolidated debt determined in accordance with GAAP or any other GAAP financial measures and should only be considered together with and as a supplement to the Company’s financial information prepared in accordance with GAAP.

The Company has a $1.5 billion revolving line of credit facility that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2.0 billion. All obligations under the facility are unconditionally guaranteed only by the Company. Based on the Company's leverage level as of September 30, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. The Company has an interest rate swap agreement that effectively converts $400.0 million of the outstanding balance from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 14, 2021. At September 30, 2018, total borrowings under the line of credit were $790.0 million less unamortized deferred finance costs of $5.8 million with a total interest rate of 4.08%. The Company's availability under the line of credit was $709.7 million at September 30, 2018.

Cash dividends and distributions for the nine months ended September 30, 2018 were $339.4 million. A total of $247.2 million was funded by operations. The remaining $92.3 million was funded from distributions from unconsolidated joint ventures, which were included in the cash flows from investing activities section of the Company's Consolidated Statement of Cash Flows.

At September 30, 2018, the Company was in compliance with all applicable loan covenants under its agreements.

At September 30, 2018, the Company had cash and cash equivalents of $93.5 million.

Off-Balance Sheet Arrangements:

The Company accounts for its investments in joint ventures that it does not have a controlling interest or is not the primary beneficiary using the equity method of accounting and those investments are reflected on the consolidated balance sheets of the Company as investments in unconsolidated joint ventures.

Additionally, as of September 30, 2018, the Company was contingently liable for $65.8 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

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Contractual Obligations:
The following is a schedule of contractual obligations as of September 30, 2018 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

Contractual Obligations	Payment Due by Period Total	Less than 1 year	1 - 3 years	3 - 5 years	More than five years
Long-term debt obligations (includes expected interest payments)(1)	$5,552,316	$522,361	$2,426,891	$822,649	$1,780,415
Operating lease obligations(2)	303,091	16,095	33,394	29,460	224,142
Purchase obligations(2)	8,894	8,894	—	—	—
Other long-term liabilities	295,475	213,749	23,102	14,626	43,998
	$6,159,776	$761,099	$2,483,387	$866,735	$2,048,555

(1) Interest payments on floating rate debt were based on rates in effect at September 30, 2018.
(2) See Note 16—Commitments and Contingencies in the Company's Notes to Consolidated Financial Statements.

Funds From Operations ("FFO")
The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO -diluted as supplemental measures for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts ("Nareit") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. As a result of changes in the accounting standard ASC 606 effective January 1, 2018, the Company began treating its joint venture in Chandler Freehold as a Financing Arrangement for accounting purposes. In connection with this treatment, the Company recognizes financing expense on (i) the changes in fair value of the financing arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income. The Company excludes from its definition of FFO the noted expense related to the changes in fair value and for the payments to the joint venture partner less than or in excess of their pro rata share of net income. Although the Nareit definition of FFO predates this guidance for accounting for financing arrangements, the Company believes that excluding the noted expense resulting from the Financing Arrangement is consistent with the key objective of FFO as a performance measure and it allows the Company’s current FFO to be comparable with the Company’s FFO from prior quarters. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.The Company also presents FFO excluding costs associated with shareholder activism.
FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes that such a presentation also provides investors with a meaningful measure of its operating results in comparison to the operating results of other REITs. In addition, the Company believes that FFO excluding non-routine costs associated with shareholder activism provides useful supplemental information regarding the Company’s performance as it shows a more meaningful and consistent comparison of the Company’s operating performance and allows investors to more easily compare the Company’s results. The Company further believes that FFO on a diluted basis is a measure investors find most useful in measuring the dilutive impact of outstanding convertible securities.
The Company believes that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO, as presented, may not be comparable to similarly titled measures reported by other REITs.

Management compensates for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net income to FFO and FFO-diluted. Management believes that to further understand the Company's performance, FFO should be compared with the Company's reported net income and considered in addition to cash flows in accordance with GAAP, as presented in the Company's consolidated financial statements.

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Funds From Operations ("FFO") (Continued)

The following reconciles net income (loss) attributable to the Company to FFO and FFO-diluted attributable to common stockholders and unit holders-basic and diluted, excluding costs related to shareholder activism for the three and nine months ended September 30, 2018 and 2017 (dollars and shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income attributable to the Company	$74,028	$17,498	$48,271	$113,379
Adjustments to reconcile net income (loss) attributable to the Company to FFO attributable to common stockholders and unit holders—basic and diluted:				
Noncontrolling interests in the Operating Partnership	5,432	1,256	3,544	8,351
(Gain) loss on sale or write down of assets, net—consolidated assets	(46,516)	11,854	514	(37,234)
Add: noncontrolling interests share of gain on sale or write down of assets—consolidated assets	—	—	580	—
Add: gain on sale of undepreciated assets—consolidated assets	2,060	727	3,415	727
Less: loss on write-down of non-real estate assets—consolidated assets	—	—	—	(10,138)
Gain on sale or write down of assets—unconsolidated joint ventures, net(1)	(2,968)	(6,712)	(3,014)	(8,981)
Add: gain on sale of undepreciated assets—unconsolidated joint ventures(1)	2,151	—	373	660
Depreciation and amortization—consolidated assets	81,803	83,147	240,608	249,463
Less: noncontrolling interests in depreciation and amortization—consolidated assets	(3,670)	(3,717)	(10,946)	(11,325)
Depreciation and amortization—unconsolidated joint ventures(1)	43,850	44,493	130,030	132,708
Less: depreciation on personal property	(3,453)	(3,499)	(10,120)	(10,326)
Financing expense in connection with the adoption of ASC 606 (Chandler Freehold)	(3,139)	—	(4,476)	—
FFO attributable to common stockholders and unit holders—basic and diluted	149,578	145,047	398,779	427,284
Costs related to shareholder activism	—	—	19,369	—
FFO attributable to common stockholders and unit holders, excluding costs related to shareholder activism—basic and diluted	$149,578	$145,047	$418,148	$427,284
Weighted average number of FFO shares outstanding for:				
FFO attributable to common stockholders and unit holders—basic(2)	151,574	151,624	151,476	152,668
Adjustments for impact of dilutive securities in computing FFO—diluted:				
Share and unit based compensation plans	—	11	5	35
FFO attributable to common stockholders and unit holders—diluted (3)	151,574	151,635	151,481	152,703

(1) Unconsolidated joint ventures are presented at the Company's pro rata share.

(2) Calculated based upon basic net income as adjusted to reach basic FFO. Includes 10.4 million and 10.3 million OP Units for the three months ended September 30, 2018 and 2017, respectively, and 10.4 million and 10.5 million OP Units for the nine months ended September 30, 2018 and 2017, respectively.

(3) The computation of FFO—diluted shares outstanding includes the effect of share and unit-based compensation plans using the treasury stock method. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the FFO—diluted computation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a ratio of fixed rate, long-term debt to total debt such that floating rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term floating rate debt through the use of interest rate caps and/or swaps with matching maturities where appropriate, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of September 30, 2018 concerning the Company's long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value (dollars in thousands):

	Expected Maturity Date							
	For the twelve months ended September 30,							
	2019	2020	2021	2022	2023	Thereafter	Total	Fair Va
CONSOLIDATED CENTERS:								
Long-term debt:								
Fixed rate	$368,205	$465,056	$584,818	$358,202	$25,768	$1,669,013	$3,471,062	$3,474,
Average interest rate	3.57 %	3.51 %	4.56 %	4.08 %	4.15 %	3.64 %	3.82 %	
Floating rate	—	200,000	920,000	300,000	—	—	1,420,000	1,408,5
Average interest rate	— %	3.60 %	4.07 %	3.51 %	— %	— %	3.89 %	
Total debt—Consolidated Centers	$368,205	$665,056	$1,504,818	$658,202	$25,768	$1,669,013	$4,891,062	$4,883,
UNCONSOLIDATED JOINT VENTURE CENTERS:								
Long-term debt (at Company's pro rata share):								
Fixed rate	$30,534	$39,085	$149,815	$49,593	$638,088	$2,078,062	$2,985,177	$3,015,
Average interest rate	3.68 %	3.70 %	3.81 %	3.74 %	3.47 %	3.95 %	3.85 %	
Floating rate	9,191	—	41,993	15,000	155,000	—	221,184	215,914
Average interest rate	3.82 %	— %	3.74 %	3.31 %	3.95 %	— %	3.89 %	
Total debt—Unconsolidated Joint Venture Centers	$39,725	$39,085	$191,808	$64,593	$793,088	$2,078,062	$3,206,361	$3,231,

The consolidated Centers' total fixed rate debt at September 30, 2018 and December 31, 2017 was $3.5 billion and $3.6 billion, respectively. The average interest rate on such fixed rate debt at September 30, 2018 and December 31, 2017 was 3.82% and 3.85%, respectively. The consolidated Centers' total floating rate debt at September 30, 2018 and December 31, 2017 was $1.4 billion and $1.5 billion, respectively. The average interest rate on such floating rate debt at September 30, 2018 and December 31, 2017 was 3.89% and 2.98%, respectively.

The Company's pro rata share of the unconsolidated joint venture Centers' fixed rate debt at September 30, 2018 and December 31, 2017 was $3.0 billion and $2.7 billion, respectively. The average interest rate on such fixed rate debt at September 30, 2018 and December 31, 2017 was 3.85%, and 3.79% respectively. The Company's pro rata share of the unconsolidated joint venture Centers' floating rate debt at September 30, 2018 and December 31, 2017 was $221.2 million and $106.3 million, respectively. The average interest rate on such floating rate debt at September 30, 2018 and December 31, 2017 was 3.89% and 2.86%, respectively.

In addition, the Company has assessed the market risk for its floating rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately $16.4 million per year based on $1.6

billion of floating rate debt outstanding at September 30, 2018.

The fair value of the Company's long-term debt is estimated based on a present value model utilizing interest rates that reflect the risks associated with long-term debt of similar risk and duration. In addition, the method of computing fair value for mortgage notes payable included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt (See Note 9—Mortgage Notes Payable and Note 10—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

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Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation as of September 30, 2018, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (a) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In addition, there has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates are currently involved in any material legal proceedings, although from time-to-time they are involved in various legal proceedings that arise in the ordinary course of business.

Item 1A. Risk Factors

There have been no material changes to the risk factors relating to the Company set forth under the caption "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

On July 23, 2018, the Company, as general partner of the Operating Partnership, issued 12,007 shares of common stock of the Company upon the redemption of 12,007 OP Units by a limited partner of the Operating Partnership. These shares of common stock were issued in a private placement to the limited partner, who is an accredited investor pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2018 to July 31, 2018	—	$	——	$278,707,048
August 1, 2018 to August 31, 2018	—	—	—	$278,707,048
September 1, 2018 to September 30, 2018	—	—	—	$278,707,048
	—	$	——	

(1) On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500.0 million of the Company's outstanding common shares from time to time as market conditions warrant.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

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Item 6. Exhibits

Exhibit Number	Description
2.1	Master Agreement, dated November 14, 2014, by and among Pacific Premier Retail LP, MACPT LLC, Macerich PPR GP LLC, Queens JV LP, Macerich Queens JV LP, Queens JV GP LLC, 1700480 Ontario Inc. and the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 14, 2014).
3.1	Articles of Amendment and Restatement of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964)) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T).
3.1.1	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T).
3.1.2	Articles Supplementary of the Company (with respect to the first paragraph) (incorporated by reference as an exhibit to the Company's 1998 Form 10-K).
3.1.3	Articles Supplementary of the Company (Series D Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002).
3.1.4	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-3, as amended (No. 333-88718)).
3.1.5	Articles of Amendment of the Company (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).
3.1.6	Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date February 5, 2009).
3.1.7	Articles of Amendment of the Company (increased authorized shares) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
3.1.8	Articles of Amendment of the Company (to eliminate the supermajority vote requirement to amend the charter and to clarify a reference in Article NINTH) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 2014).
3.1.9	Articles Supplementary of the Company (election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 17, 2015).
3.1.10	Articles Supplementary of the Company (Series E Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 18, 2015).
3.1.11	Articles Supplementary of the Company (reclassification of Series E Preferred Stock to Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 7, 2015).
3.1.12	Articles Supplementary of the Company (repeal of election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 28, 2015).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 17, 2018).
31.1	Section 302 Certification of Arthur Coppola, Chief Executive Officer
31.2	Section 302 Certification of Thomas O'Hern, Chief Financial Officer
32.1*	Section 906 Certifications of Arthur Coppola and Thomas O'Hern
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document
* Furnished herewith.

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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.

		THE MACERICH COMPANY
		By: /s/ THOMAS E. O'HERN
		Thomas E. O'Hern
		Senior Executive Vice President and Chief Financial Officer
Date:	November 5, 2018	(Principal Financial Officer)

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