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MARCH 2016

MLP SIMPLIFICATIONS, ROLL-UPS AND RECAPITALIZATIONS

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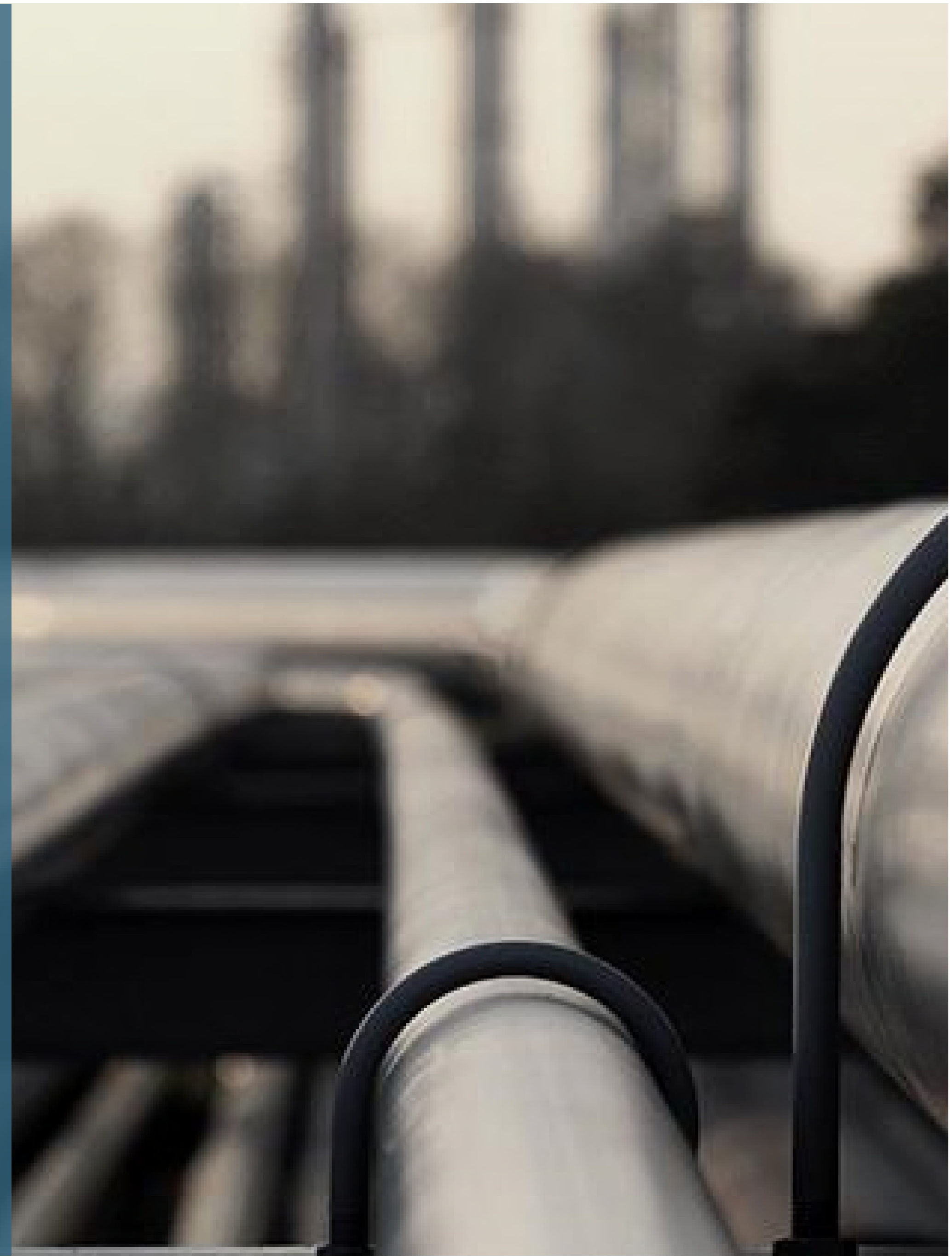

TODAY’S PANEL

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ENERGY FINANCE

Oil & Gas Distress: Bankruptcy Issues Deep Dive

Bryan Loocke; Sarah Morgan; Bill Wallander

Wednesday, April 13, 2016

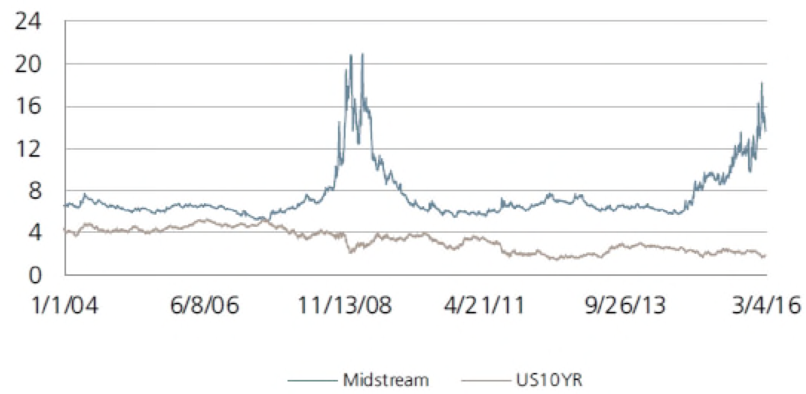
TABLE OF CONTENTS


MLP MARKET UPDATE

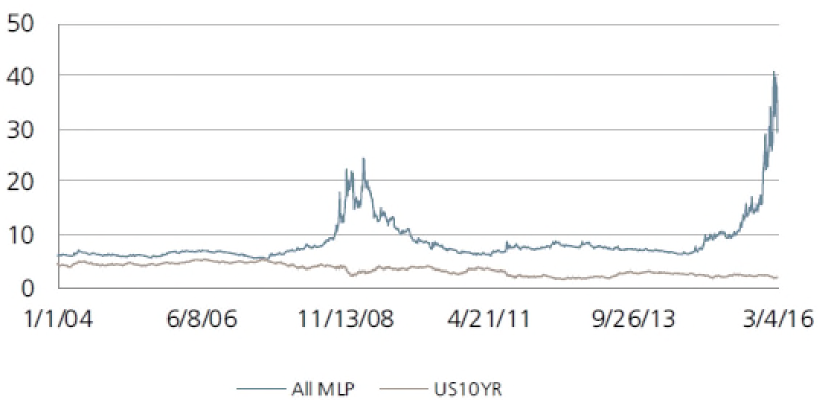
MLP YIELDS

Source: UBS Global Energy Group, Weekly MLP Update, March 4, 2016

Yields of Midstream MLPs and 10-Year US Treasury (%)



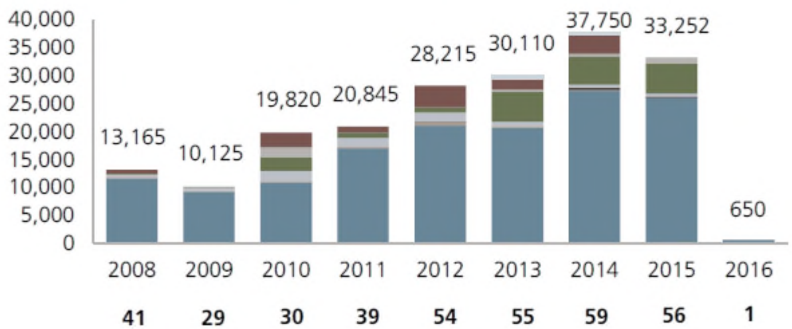
Yields of All MLPs and 10-Year US Treasury (%)



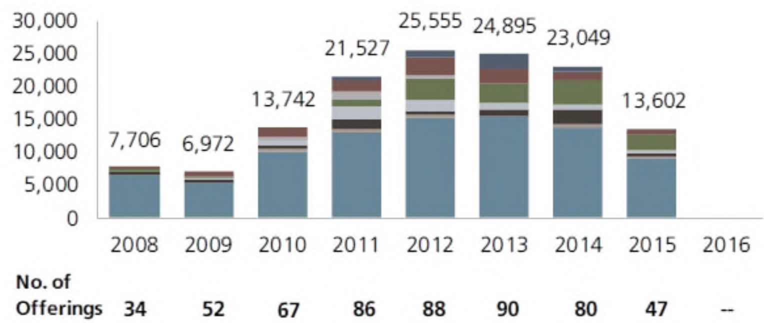
MLP CAPITAL RAISES
2008-2016

Source: UBS Global Energy Group, Weekly MLP Update, March 4, 2016

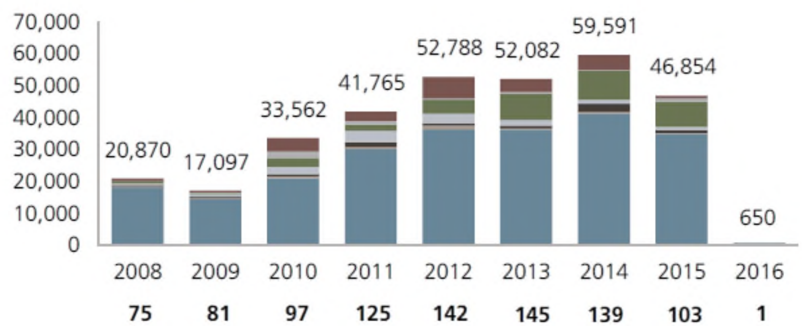
Debt Financings ($mm)



Equity Financings – All Offerings[1] ($mm)



Total Capital Markets Activity ($mm)



Midstream Coal Shipping Propane Other Public GPs E&P Variable

1 Does not include over-allotment options, preferred offerings, issuances under ATM programs or offerings less than $50mm

MLP DISTRIBUTION CUTS

Seadrill Partners LLC

LEGACY RESERVES

EVEP

LINN Energy

BOARDWALK PIPELINE PARTNERS®

TEEKAY LNG PARTNERS L.P.

MIDCON ENERGY

NRP

AZURE MIDSTREAM

VANGUARD NATURAL RESOURCES, LLC

Memorial Production Partners

GLOBAL®

new source

BREITBURN ENERGY PARTNERS LP

Atlas Resource Partners, L.P.

CSI COMPRESSCO LP

RHINO RESOURCE PARTNERS LP

KINDER MORGAN

FORESIGHT ENERGY

TEEKAY OFFSHORE PARTNERS L.P.

HI CRUSH PARTNERS LP

Navios Maritime Partners L.P.

MLP CAPITAL EXPENDITURES

News Release

Enbridge Energy Partners, L.P. Reports Earnings for 2015 and Announces 2016 Financial Guidance

HOUSTON — (February 16, 2016) -

The Partnership expects reduced capital expenditures in 2016, to be at approximately $900 million, and does not expect to access the equity market.

"The Partnership remains focused on prudently managing its balance sheet and maintaining its investment grade credit rating. We expect our growth capital expenditures to be significantly lower in 2016 than recent years largely due to slower spending on our Line 3 Replacement and Sandpiper Pipeline projects. A shift in these projects' in-service dates is expected to result in lower capital spending on these projects in 2016. Our financial flexibility is further enhanced by the timing in which the Partnership may exercise its book value call options to increase its economic interests in the Eastern Access and Mainline Expansion series of expansion projects from Enbridge," Maki noted.

ENERGY TRANSFER

Energy Transfer Partners Announces Quarterly Cash Distribution and 2016 Capital Expenditure Update

DALLAS--(BUSINESS WIRE)--Jan. 27, 2016-- **Energy Transfer Partners, L.P. (NYSE: ETP) ("ETP" or the "Partnership")** today announced its quarterly distribution for the fourth quarter ended December 31, 2015, and updates to its 2016 capital expenditures and funding requirements.

2016 Capital Expenditure Update

ETP has identified approximately $750 million of 2016 growth capital expenditures that can be reduced in 2016. As of today, ETP's current growth capital funding estimates for 2016 are $4.2 billion, compared to $4.95 billion that ETP projected at its November 17, 2015, Analyst Day meetings.

In addition, ETP is evaluating project financing of the Bakken Pipeline. This measure would materially reduce the direct spending required for this project and would substantially further reduce ETP's and Sunoco Logistics Partners' (NYSE: SXL) 2016 growth capital funding requirements.

Williams and Williams Partners Announce 2016 Capital and Financing Plan, Cost Reductions and Fourth Quarter Operational Update

TULSA, Okla.--(BUSINESS WIRE)--Williams (NYSE: WMB) and Williams Partners (NYSE: WPZ) today announced Williams Partners 2016 growth capital funding needs total $2 billion, down approximately $1 billion, or 32 percent, from the partnership's previous plans. The reduction in 2016 capital and investment expenditures reflects project deferrals, delays and cancellations resulting from the current commodity price environment as well as sharply higher costs of capital. On a GAAP-basis, including consolidated joint ventures, planned growth capital has been reduced by $1.2 billion to $2.1 billion.

"Our strategy remains intact and the underlying fundamentals of our business are strong despite the slower growth rates producers currently face"

Kinder Morgan Generates $4.7 Billion of Distributable Cash Flow for 2015

Wednesday, January 20, 2016 4:05 pm EST

"As a result of the current challenging capital markets, we are focused on high-grading our backlog to allocate capital to the highest return opportunities, including efforts to reduce spend, improve returns and selectively joint venture projects where appropriate. We have reduced our expected 2016 spend by approximately $900 million, reduced our backlog by $3.1 billion from the third quarter of 2015 and expect further reductions in the coming months as we continue to high-grade our capital investments.

V&E


SIMPLIFICATIONS
AND ROLL-UPS

DEFINITIONS

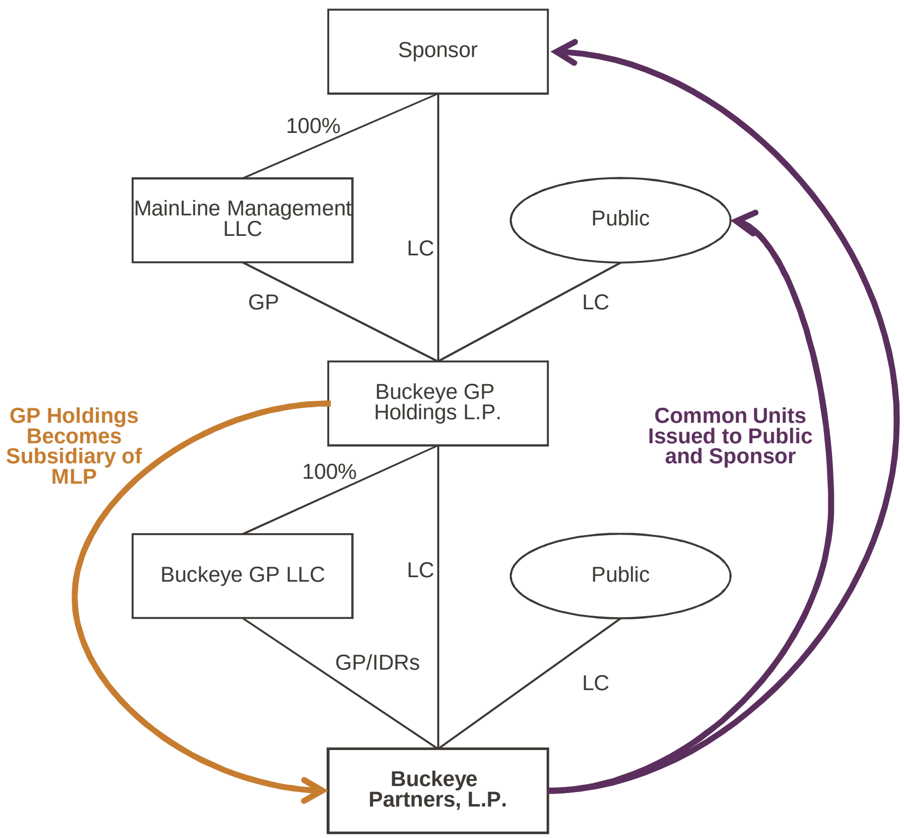
- “Simplification”: An exchange, merger, contribution, or other transaction that results in elimination of the IDRs and the continued trading of the MLP’s common equity
- “Roll-Up”: A merger (primarily with equity consideration) that results in the MLP being combined with (or a wholly owned subsidiary of) the sponsor of the MLP
  - Not necessarily a “roll-up” under SEC rules
  - Also referred to as a “buy-in”

PUBLIC GP SIMPLIFICATION

- With a publicly traded GP, a simplification can take several forms, including (i) a merger of the GP into a subsidiary of the MLP, (ii) an exchange of IDRs for MLP common units and a liquidation of the GP or (iii) the GP acquires the MLP via merger
  - Vote of the GP equityholders to approve the transaction is typically required
  - Vote of the MLP equityholders is typically not necessary, but may be advisable
- Typically the MLP public unitholders obtain voting rights for the board of directors, but there are examples where the sponsor retained control
- Examples:
  - *Crestwood Midstream* (2015): GP buys MLP
  - *Penn Virginia Resource* (2011): MLP buys GP
  - *Enterprise Products Partners* (2010): MLP buys GP
  - *Inergy* (2010): Hybrid, MLP survives merger
  - *Buckeye Partners* (2010): MLP buys GP
  - *Magellan Midstream* (2009): Liquidation
  - *MarkWest Energy* (2008): MLP buys corporate sponsor

PUBLIC GP SIMPLIFICATION – BUCKEYE PARTNERS

BUCKEYE PARTNERS, L.P.



Events

Buckeye GP Holdings L.P. ("GP Holdings") and Buckeye Partners, L.P. (the "MLP") enter into a merger agreement, providing for the merger of GP Holdings into a subsidiary of the MLP

Votes were held at both GP Holdings and the MLP to approve the transaction. Sponsor held sufficient vote at GP Holdings to control the vote

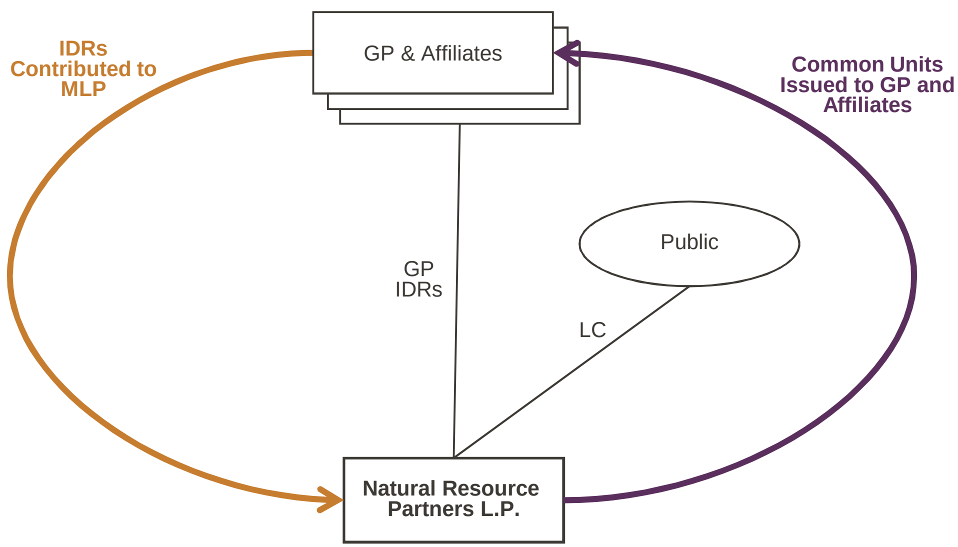
Post-merger, former GP Holdings equityholders owned ~28% of the common units of the MLP

Post-merger, directors are elected by the MLP limited partners, with special minority designation rights for the sponsor

PRIVATE GP SIMPLIFICATION

- With a privately held GP, a simplification can also take several forms, but exchange of IDRs for units is most typical
- Examples:
  - *Natural Resource Partners* (2010)
  - *Genesis Energy* (2010)

PRIVATE GP SIMPLIFICATION – NATURAL RESOURCE PARTNERS



Events

NRP (GP) LP (the "GP"), Natural Resource Partners L.P. (the "MLP"), and certain affiliates of the GP that owned the MLP's IDRs entered into a contribution agreement, providing for the contribution of the IDRs to the MLP for common units

No votes were required due to broad authority in MLP Partnership Agreement to issue new equity

Common units issued in the exchange represented ~30% of post-exchange total common units

Control/board election was not modified

SIMPLIFICATION
TIMING AND CONSIDERATIONS

- For publicly traded GPs, merger (or liquidation) will require unitholder vote under terms of constituent documents
  - Proxy solicitation will likely take several months
  - Where unitholder vote at GP is required, vote at MLP may be advisable (but not required) to obtain approval of conflicts of interest under MLP LPA
- For private GPs, approval can be obtained immediately, obviating need for delayed closing
- Exchange rules do not require MLP unitholder approval for issuance of new equity

SIMPLIFICATION
TAX CONSIDERATIONS

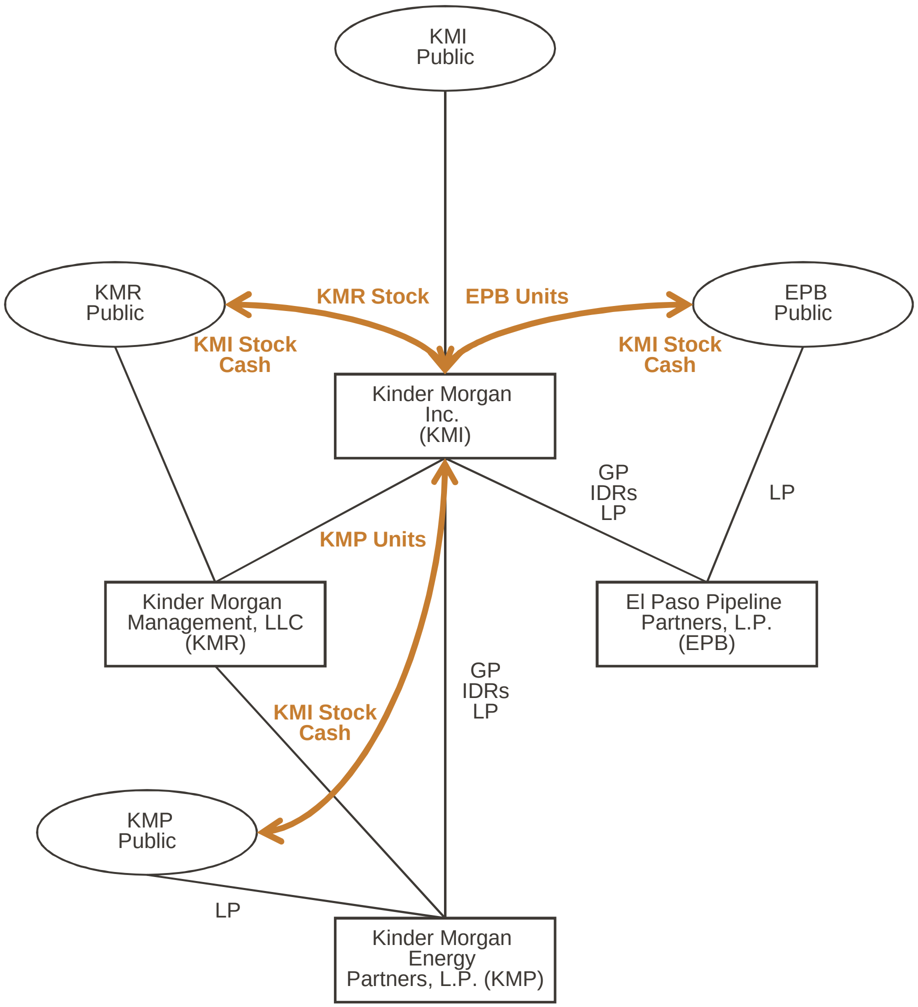
- Simplifications are generally non-taxable except to the extent of cash received
  - Contributions to partnerships are generally non-taxable
  - Exceptions for cash distributions, liability shifts and recent property contributors
  - Public GP simplifications normally include tax opinions to both public groups that no tax will be recognized other than these exceptions
- Regardless of legal survivor, partnership merger rules will determine the "tax survivor" if two tax partnerships become one
  - Can lead to odd results
  - Possible to avoid by maintaining the target as a wholly owned, regarded partnership
- Tax shield impacts

ROLL-UPS

- Some corporate sponsors have found it advisable to merge their MLP into the corporation for equity
- Examples:
  - *Targa Resources Partners – Targa Resources Inc.*
  - *Kinder Morgan Energy Partners – El Paso Energy Partners – Kinder Morgan Inc.*
  - *Pioneer Southwest Energy Partners – Pioneer Natural Resources*
  - *Phosphate Resource Partners – IMC Global*

ROLL-UPS – KINDER MORGAN

KINDER MORGAN



Events

KMI concurrently enters into separate merger agreements providing for the buy-in of KMP/KMR and EPB for a mix of stock and cash, each of which is cross-conditioned on the completion of the other. Aggregate purchase price, including assumed debt, is $71 billion

At announcement in fall 2014, indicates that KMI will operated as YieldCo, and provides 2015 dividend guidance showing 16% increase year-over-year, and 10% annual growth rate for 5 years thereafter. Announces expected $20 billion in cash tax savings over 14 years from the acquisition

Transaction required unitholder votes of KMP and EPB and shareholder votes of KMI and KMR

KMI shares issued in the transaction represented approximately 52% of the combined company's shares

ROLL-UPS
TIMING AND CONSIDERATIONS

- The timeline for roll-up transactions is very similar to the timeline for public company merger transactions generally, 2-4 months from signing to closing depending on the length of SEC review process of disclosure document
  - Typically completed through a reverse triangular merger, with unitholder approval at MLP
    - If the MLP is out of subordination, MLP units held by a sponsor can typically be counted towards majority approval
  - If shares issued at corporate or LLC parent are in excess of 20% of outstanding shares, vote will also be required at parent
- The time between signing and closing, and the fact that there is often a unitholder vote, increases litigation risk during pendency of the transaction
  - Litigation will often challenge:
    - Elements of the process utilized in approving the transaction
    - The price or exchange ratio
    - Alleged omissions in the disclosure document
  - Time between signing and closing provides an opportunity for settlement of litigation, if desired

ROLL-UPS
ADDITIONAL PROCESS CONSIDERATIONS

- If a parent has a Schedule 13D on file with respect to MLP, an offer to take the MLP private may trigger a required amendment
  - This leads many parent companies to make the initial “take private” proposal public
- If the roll-up transaction involves any cash payment or consideration, it may be considered a “take private” transaction governed by Rule 13e-3
  - Would require additional disclosures, including filing of all bank books provided to parent and MLP boards
- In taxable roll-up transactions, special consideration should be paid by the conflicts committee or other body charged with evaluating the transaction on behalf of unaffiliated unitholders
  - Fairness opinions from investment banks typically do not take into account tax implications, but advisors can help in analysis
  - Tax liability may vary significantly from unitholder to unitholder, depending on basis
  - Unitholder views on taxes (including as compared to value of any cash consideration received) may sway voting decisions
  - Recent roll-up complaints have focused on tax impacts on unaffiliated unitholders

ROLL-UPS
TAX CONSIDERATIONS

- Roll-Ups are generally taxable to the unitholders as if they sold their units for cash
  - Contributions to corporations are taxable unless the contributor group is in "control" of the corporation after the contributions
    - Uncertainty with overlapping ownership
    - Possible to ensure that it is taxable
      - Ensures that the sponsor will receive a "step-up" in the tax basis of the assets attributable to the acquired interests
    - Possible to structure non-taxable
      - Don't see this in these transactions, but other example is *Devon/Enlink LLC*
  - Generally no tax opinion given


RECAPITALIZATIONS

EQUITY RECAPITALIZATIONS

- With distribution cuts due to industry changes, an MLP's capitalization may no longer be appropriate for the cash-generating potential of its business
  - "Out of the money" subordinated units may provide a band through which the business (and aggregate distributions) has to grow before common unit distribution growth is realistic
  - IDRs may be so out of the money as to not provide the same incentives for sponsor drop downs
- Several MLPs have revised the terms of their capital structure to eliminate subordinated units and rationalize the IDRs, and in some cases provide new capital for the MLP:
  - *Genesis Energy*
  - *Eagle Rock*
  - *Niska Gas Storage*
  - *American Midstream*
  - *Westmoreland (Oxford)*
  - *BlueKnight (Semgroup)*

EQUITY RECAPITALIZATION — NISKA GAS STORAGE PARTNERS, LLC

- Niska is a gas storage MLP with assets in Canada, California and Oklahoma
- Completed its initial public offering in May 2010 with traditional capital structure of common units, subordinated units and IDRs
- Suspended distributions on subordinated units in November 2011, continued paying MQD on common units
- In April 2013, announced a restructuring whereby Niska's sponsor (affiliates of Carlyle/Riverstone) converted their existing subordinated units and IDRs into "new IDRs"
- New IDRs entitle Carlyle/Riverstone affiliates to receive 48% of all distributions to unitholders in excess of $0.35 per common unit per quarter (the same "MQD" as IPO), after the payment of any arrearages on common units
  - "Old IDRs" had been entitled to receive increasing percentages (ranging from 13% to 48%) of incremental cash distributions after Niska's unitholders (both common and subordinated) exceeded quarterly distributions ranging from $0.4025 per unit to $0.5250 per unit
  - No unitholder approval

NISKA GAS STORAGE PARTNERS, LLC
WATERFALL FOR "OLD IDRS" V. "NEW IDRS"

Niska Gas Storage

- Original waterfall at IPO had traditional tiered IDRs

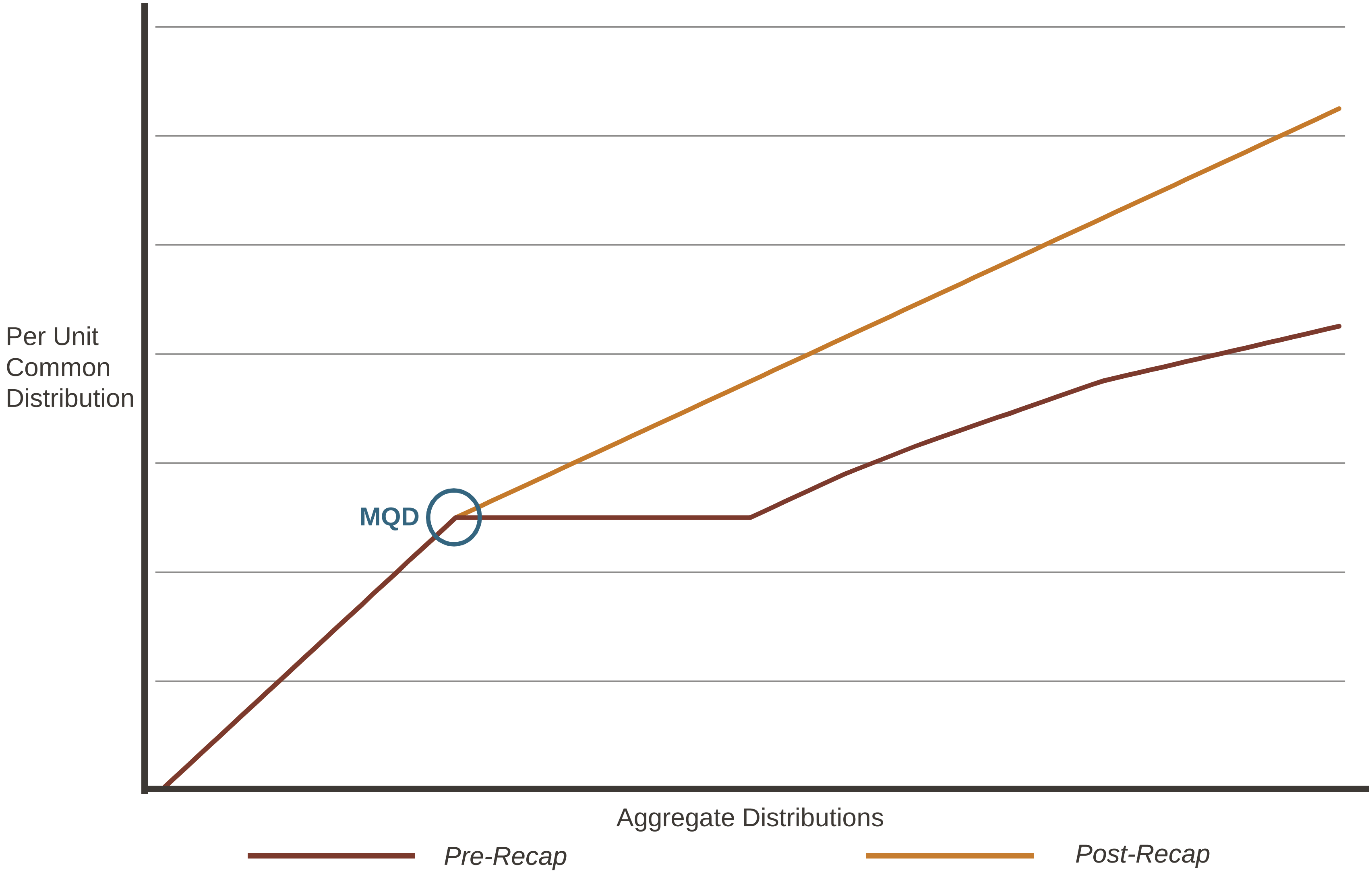
	Total Quarterly Distribution Per Unit Target Amount	Marginal Percentage Interest in Cash Distributions			
		Common Unitholders	Subordinated Units	Managing Member	Incentive Distribution Rights
Minimum Quarterly Distribution	$0.35	49%	49%	2%	—
First Target Distribution	Above $0.35 up to $0.4025	49%	49%	2%	—
Second Target Distribution	Above $0.4025 up to $0.4375	42.5%	42.5%	2%	13%
Third Target Distribution	Above $0.4375 up to $0.5250	37.5%	37.5%	2%	23%
Thereafter	Above $0.5250	25%	25%	2%	48%

- Following restructuring, the waterfall was simplified and IDRs were in the "high splits" at the first penny over the MQD

	Total Quarterly Distribution Per Unit Target Amount	Marginal Percentage Interest in Cash Distributions			
		Common Unitholders	Subordinated Units	Managing Member	Incentive Distribution Rights
Minimum Quarterly Distribution	$0.35	98%	NA	2%	—
Thereafter	Above $0.35	50%	NA	2%	48%

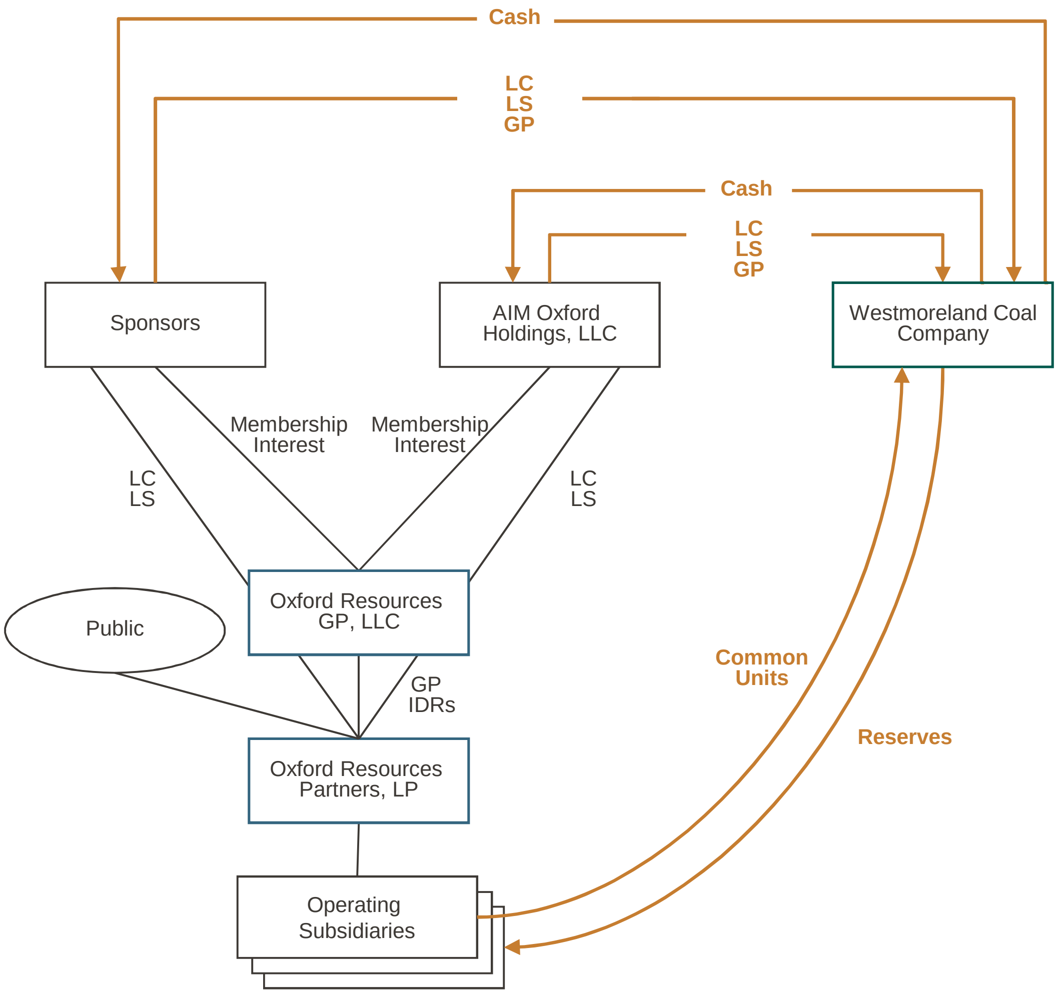
NISKA GAS STORAGE PARTNERS, LLC

ILLUSTRATIVE PER COMMON UNIT ALLOCATION OF INCREMENTAL AGGREGATE DISTRIBUTIONS



WESTMORELAND RESOURCE PARTNERS, LP
CASE STUDY

WESTMORELAND RESOURCE PARTNERS, LP



STEPS

- Westmoreland Coal Company ("WLB") purchased (i) 100% of the membership interests in Oxford Resources GP, LLC ("GP"); (ii) certain common units of Oxford Resources Partners, LP ("MLP"); and (iii) all outstanding subordinated units of the MLP from sponsors for $30 million. WLB also purchased warrants to purchase common and subordinated units from certain of the MLP's lenders
- MLP unitholders held a vote to approve:
  - o A reverse split of common and GP units;
  - o The elimination of subordinated units;
  - o The elimination of then-outstanding arrearages on common units and the elimination of the concept of common unit arrearages from the MLP's LPA;
  - o Cancellation of the warrants; and
  - o IDR restructuring, including a reset of all tiers and the suspension of IDR payments for six quarters
- MLP unitholders received a one-time distribution of an approximately 25% unit dividend
- WLB contributes certain reserves to the MLP in exchange for common units
- Following the deal, WLB owned 77% of the limited partner interests of the MLP and 100% of the general partner and the IDRs

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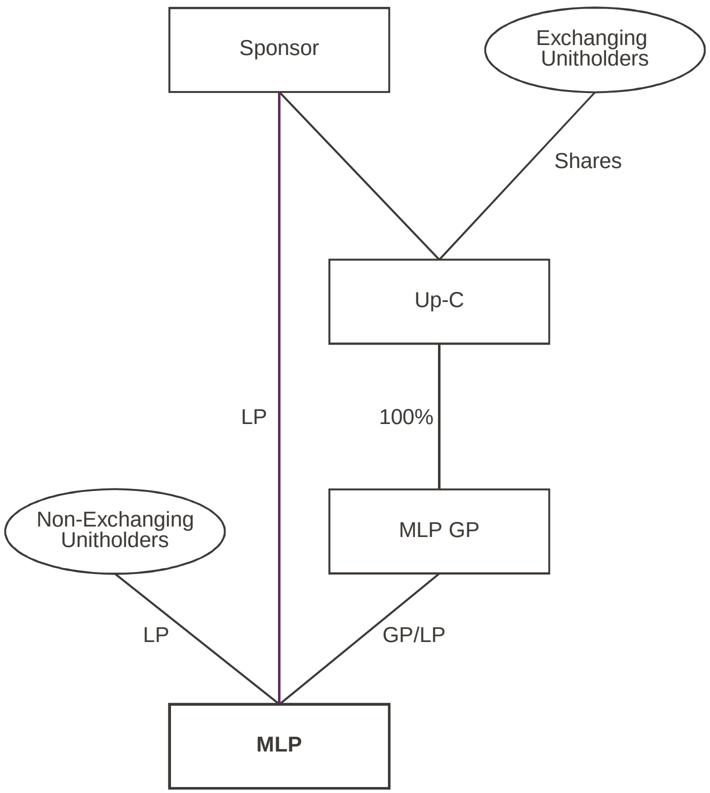
DEBT RESTRUCTURING

- MLPs may pursue transactions that restructure their indebtedness and result in cancellation of indebtedness (“COD”) income, including:
  - Debt repurchases
  - Debt-debt exchanges
  - Debt-equity exchanges
  - Debt modifications
- COD income is ordinary income, and allocated to MLP’s limited partners
- Amount of COD income may be substantial in relation to MLP’s equity value
- Insolvency and bankruptcy exception to payment of tax (available for a corporation) do not apply to a partnership
- Potential solutions include: (i) asset sales at a loss (to generate deductions), (ii) election of corporate taxation and (iii) merger into a corporation
  - All have timing and other considerations

UP-C IMPLEMENTATION



Considerations

- Exchange offer process may be slightly protracted – implementation will require time

Events

- A corporation (or other taxable entity) is formed to hold equity for exchanging MLP holders
- MLP holders are offered right to exchange MLP units for Up-C shares
- Sponsor could control Up-C entity through high vote class of equity, or partnership/GP structure
- Up-C needs to control MLP GP (or otherwise participate in management of MLP)

Benefits

- No partner vote required: Each MLP partner could make their own determination to exchange or remain a partner
- COD income blocked by Up-C and Up-C may be eligible for exception to tax on COD income
- Up-C provides capital raising benefits of C-Corp conversion, as well as flexibility for future acquisitions of corporations
- Ongoing future exchange offers may be possible

PROCEDURAL CONSIDERATIONS FOR CONFLICTED TRANSACTIONS

Snapshot of MLP Litigation Landscape[1]

- Dismissed
- Settled
- Pending
- Trial Verdict

D Defense Oriented Outcome (includes disclosure-only settlement)

P Plaintiff Oriented Outcome (includes large monetary settlements or survival beyond early dismissal)

* Pending

\# Settlement Approval Pending

A On Appeal

1996	2001	2008	2009	2010	2011	2012	2013	2014	2015
								KMP/ KMI/ KMGP (maintenance capex) #	
					El Paso Corp/EPB Dropdown (Brinckerhoff I) ($810 M) D	Energy Transfer/ Sunoco ($5.3 B) D		Enterprise/ Oiltanking ($6 B) D	Targa (NGLS & TRGP) ($9 B) *
				Buckeye ($1.14 B) D	Enbridge ($1.2 B) D	El Paso Corp/EPB Dropdown (Brinckerhoff II) ($1.133 B) P A		Targa/ Atlas ($5.8 B) #	TC Pipelines Dropdown ($446 M) *
				Eagle Rock ($1.2 B) D	ETP Dropdown ($2 B) D	EPB/El Paso Corp (Allen) ($667 M) D	El Paso Corp/EPB Dropdown (Brinckerhoff III) ($877 M) P A	El Paso Corp/EPB Dropdown (Brinckerhoff IV) ($745 M) P A	CMLP/ CEQP ($7.5 B) #
				Enterprise ($9 B) P	Energy Transfer/ Southern Union ($6 B) D	El Paso (Hite Hedge) ($38 B) D	PVR/ Regency ($5.6 B) D	KMI/KMP/ KMR/ EPB ($125 B) D	LRR/ Vanguard ($539 M) *
				Inergy ($2 B) D	Kinder Morgan/ El Paso ($21.1 B) P	Summit Midstream ($835 M) D	Plains All American ($1.41 B) D	QR Energy/ Breitburn ($3 B) D	Eagle Rock/ Vanguard ($614 M) *
Gotham (increased control from 5 to 30%) D			Hiland ($369 M) D	Williams ($12 B) D	K-Sea/ Kirby ($600 M) D	Hi-Crush (state derivative) ($220 M) D	Pioneer ($1.46 B) D	ETP/ Susser ($1.8 B) D	ETE/ Williams ($ 37.7 B) *
Cencom ($15 M) D	Brickell ($170 M) D	Texas Eastern (Teppco) ($3.3 B) P	Atlas ($1.42 B) P	Penn Virginia ($955 M) D	Encore/ Vanguard ($1.05 B) D	Hi-Crush IPO (federal securities) ($220 M) D	Inergy/ Crest-wood ($7 B) D	Eagle Rock/ Regency ($1.3 B) D	ETP/ Regency ($ 18 B) *

[1] Amounts in parentheses reflect deal size.

RECAPITALIZATIONS, SIMPLIFICATIONS AND ROLL-UPS
CONSIDERATIONS IN CONFLICTED TRANSACTIONS

- Most recapitalization, roll-up and simplification transactions will involve some conflicts of interest between affiliates of the general partner, on the one hand, and unaffiliated common unitholders on the other hand
  - Competing economic interests (relative value of IDRs vs. common units; subordinated units vs. common units; equity securities in parent vs. MLP; etc.)
  - Competing interests with respect to ongoing control of MLP
  - Potentially different tax implications
- Conflicts should be evaluated at both MLP level and, if there is a public GP, the public parent level
  - Nature of the transaction, magnitude of the conflicts and the organizational documents of MLP and parent will dictate the amount of potential litigation risk associated with a transaction
  - In high litigation risk scenarios, procedural safeguards to minimize risk should be considered:
    - Conflicts committee approval at MLPs
    - Independent special committee approval at corporations
    - Shareholder or unitholder votes

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RECAPITALIZATIONS, SIMPLIFICATIONS AND ROLL-UPS
BEST PRACTICES

- Key best practices include:
  - Identify conflicts early, and re-evaluate conflicts throughout the process and transaction evolves
  - When utilizing special committees or conflicts committees, let those committees control their own process to recreate “arms’ length” negotiation
  - Select qualified advisors capable of rendering independent advice, and ensure all conflicts are well known and documented throughout the process
  - Carefully review and adhere to the terms of the specific partnership agreement in question
  - Ensure that appropriate time and diligence is devoted to evaluation and negotiation of the transaction, given the larger context of the deal
  - Pay attention to the real-time, written record and ensure it is accurate and complete
    - Board minutes, emails, written materials
    - Don’t raise issues “on the record” and resolve “off the record”

THANK YOU

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