Energy Transfer Operating, L.P.
Form 424B5
January 10, 2019
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-221411

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee[1][2]
4.500% Senior Notes Due 2024	$750,000,000	$90,900
5.250% Senior Notes Due 2029	$1,500,000,000	$181,800
6.250% Senior Notes Due 2049	$1,750,000,000	$212,100
Total	$4,000,000,000	$484,800

(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.

Table of Contents

Prospectus Supplement

(To prospectus dated November 8, 2017)

Energy Transfer Operating, L.P.

$750,000,000 4.500% Senior Notes due 2024

$1,500,000,000 5.250% Senior Notes due 2029

$1,750,000,000 6.250% Senior Notes due 2049

We are offering $4,000,000,000 aggregate principal amount of notes of the following series: $750,000,000 aggregate principal amount of our 4.500% Senior Notes due 2024 (the 2024 notes), $1,500,000,000 aggregate principal amount of our 5.250% Senior Notes due 2029 (the 2029 notes), and $1,750,000,000 aggregate principal amount of our 6.250% Senior Notes due 2049 (the 2049 notes). We refer to the 2024 notes, the 2029 notes and the 2049 notes, collectively, as the notes.

Interest on each series of notes will accrue from January 15, 2019. Interest on each series of notes will be payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2019. The 2024 notes will mature on April 15, 2024, the 2029 notes will mature on April 15, 2029, and the 2049 notes will mature on April 15, 2049.

We may redeem some or all of the notes of each series at our option at any time and from time to time prior to their maturity at the applicable redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest. Please read the section entitled Description of the Notes Optional Redemption. The notes will not be entitled to the benefit of any sinking fund payment.

The notes will be our senior unsecured obligations. If we default, your right to payment under the notes will rank equally with the right to payment of the holders of our other current and future unsecured senior debt, including debt under our revolving credit facility and our existing senior notes, and senior in right of payment to any future subordinated debt that we may incur. The notes of each series will initially be fully and unconditionally guaranteed by our subsidiary, Sunoco Logistics Partners Operations L.P. (Sunoco Logistics), on a senior unsecured basis so long as it guarantees any of our other long-term debt. The guarantee for each series of notes will rank equally in right of payment with all of the existing and future senior debt of Sunoco Logistics, including its senior notes and its guarantees of debt under our revolving credit facility and our existing senior notes.

Each series of notes is a new issue of securities with no established trading market. We do not intend to apply for the listing of the notes on any securities exchange or for the quotation of the notes on any automated dealer quotation system.

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 prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in the notes involves risks. Please read Risk Factors beginning on page S-6 of this prospectus supplement and on page 7 of the accompanying prospectus.

	Per 2024 Note	Total 2024 Notes	Per 2029 Note	Total 2029 Notes	Per 2049 Note	Total 2049 Notes
Public offering price(1)	99.646%	$ 747,345,000	99.789%	$ 1,496,835,000	99.850%	$ 1,747,375,000
Underwriting discount	0.600%	$ 4,500,000	0.650%	$ 9,750,000	0.875%	$ 15,312,500
Proceeds to Energy Transfer Operating, L.P. (before expenses)	99.046%	$ 742,845,000	99.139%	$ 1,487,085,000	98.975%	$ 1,732,062,500

(1) Plus accrued interest from January 15, 2019, if any.

The underwriters expect to deliver the notes in registered book-entry form only through the facilities of The Depository Trust Company, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank N.V./S.A., on or about January 15, 2019.

Joint Book-Running Managers

BofA Merrill Lynch	**Deutsche Bank Securities**	**Goldman Sachs & Co. LLC**
RBC Capital Markets	**SunTrust Robinson Humphrey**	**Barclays**
CIBC Capital Markets	**Citigroup**	**Credit Agricole CIB**
J.P. Morgan	**Mizuho Securities**	**MUFG**
Natixis	**PNC Capital Markets LLC**	**Scotiabank**
SMBC Nikko	**TD Securities**	**US Bancorp**
		Wells Fargo Securities

Co-Managers

BBVA	**BMO Capital Markets**	**Credit Suisse**
Fifth Third Securities	**HSBC**	**Morgan Stanley**

The date of this prospectus supplement is January 8, 2019.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus dated November 8, 2017

We expect that delivery of the notes will be made to investors on or about January 15, 2019, which will be the fifth business day following the date hereof (such settlement being referred to as T+5). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on any date prior to two business days before delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and such purchasers should consult their own advisors.

Table of Contents

EXPLANATORY NOTE

On October 19, 2018, Energy Transfer Equity, L.P. (ETE), Energy Transfer Partners, L.P. (ETP) and certain of their affiliates completed the transactions contemplated by that certain Agreement and Plan of Merger dated August 1, 2018 (the merger agreement), pursuant to which a wholly owned subsidiary of ETE, merged with ETP, with ETP continuing as the surviving entity and a subsidiary of ETE (the merger). Prior to the consummation of the merger, and in accordance with the terms of the merger agreement, ETE, among other things, contributed to ETP all of its and its subsidiaries equity interests in Sunoco LP (SUN), USA Compression Partners, LP (USAC), Lake Charles LNG Company, LLC (Lake Charles LNG) and certain other entities, in exchange for ETP common units. We refer to the transactions contemplated by the merger agreement, including the merger and the contribution of the equity interests described above, and the related financing transactions as the merger transactions.

Concurrently with the closing of the merger, ETP changed its name to Energy Transfer Operating, L.P., and ETE changed its name to Energy Transfer LP. In this prospectus, unless the context otherwise indicates, references to we, us, the Partnership and our refer to Energy Transfer Partners, L.P. and its operating subsidiaries prior to the closing of the merger and Energy Transfer Operating, L.P. and its operating subsidiaries after the closing of the merger.

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, included or incorporated by reference into this prospectus supplement, the accompanying 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 o 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 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;
- the prices and market demand for, and the relationship between, natural gas and natural gas liquids (NGLs);
- energy prices generally;
- the prices of 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 level of domestic oil, natural gas and NGL production;
- the availability of imported oil, natural gas and NGLs;
- actions taken by foreign oil and gas producing nations;

the political and economic stability of petroleum producing nations;

the effect of weather conditions on demand for 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;

energy efficiencies and technological trends;

governmental regulation and taxation;

changes to, and the application of, regulation of tariff rates and operational requirements related to our interstate and intrastate pipelines;

Table of Contents

hazards or operating risks incidental to the gathering, treating, processing and transporting of natural gas and NGLs;

competition from other midstream companies and interstate pipeline companies;

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 and the ability of our liquids marketing counterparties to satisfy their financial commitments;

the nonpayment or non-performance by our customers;

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;

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

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, Sunoco Logistics or Energy Transfer LP 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;

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.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying 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 prospectus and the documents incorporated by reference for a more complete understanding of this offering. Please read Risk Factors beginning on page S-6 of this prospectus supplement and page 7 of the accompanying prospectus for more information about important risks that you should consider before investing in the notes.

As used in this prospectus supplement, unless the context otherwise indicates, the terms Energy Transfer, the Partnership, we, us, our and similar terms mean Energy Transfer Partners, L.P. and its operating subsidiaries prior to the closing of the merger and Energy Transfer Operating, L.P. and its operating subsidiaries after the closing of the merger. References to Sunoco Logistics or the guarantor are to Sunoco Logistics Partners Operations L.P. References to ET are to Energy Transfer LP (formerly known as Energy Transfer Equity, L.P.).

Energy Transfer Operating, L.P.

We are a subsidiary of Energy Transfer LP (formerly known as Energy Transfer Equity, L.P.), a publicly traded master limited partnership. We are managed by our general partner, Energy Transfer Partners GP, L.P., which is managed by its general partner, Energy Transfer Partners, L.L.C., which is owned by ET. 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.

As a result of the merger transactions, we also own the following interests:

- 2,263,158 common units representing limited partner interests in SUN;
- 100% of the limited liability company interests in Sunoco GP LLC, the sole general partner of SUN, and all of the incentive distribution rights in SUN;

12,466,912 common units representing limited partner interests in USAC and 100% of the limited liability company interests in USA Compression GP, LLC, the general partner of USAC; and

a 100% limited liability company interest in each of Lake Charles LNG, Energy Transfer LNG Export, LLC, ET Crude Oil Terminals, LLC and ETC Illinois LLC.

Table of Contents

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 prospectus.

Our Ownership, Structure and Management

The following chart depicts our current ownership.

(1) We currently have outstanding 950,000 Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, 550,000 Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, 18,000,000 Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units and 17,800,000 Series D Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units. The Series C preferred units and Series D preferred units trade on the New York Stock Exchange under the symbols ETPprC and ETPprD, respectively.

Table of Contents

The Offering

We provide the following summary solely for your convenience. This summary is not a complete description of the notes. You should read the full text of, and more specific details contained elsewhere in, this prospectus supplement and the accompanying prospectus. For a more detailed description of the notes, please read the section entitled Description of the Notes in this prospectus supplement and the section entitled Description of Debt Securities in the accompanying prospectus.

Issuer	Energy Transfer Operating, L.P.
Notes Offered	We are offering $4,000,000,000 aggregate principal amount of notes of the following series: $750,000,000 4.500% Senior Notes due 2024; $1,500,000,000 5.250% Senior Notes due 2029; and $1,750,000,000 6.250% Senior Notes due 2049.
Maturity Date	Unless redeemed prior to maturity as described below, (i) the 2024 notes will mature on April 15, 2024, (ii) the 2029 notes will mature on April 15, 2029, and (iii) the 2049 notes will mature on April 15, 2049.
Interest Rate	Interest on the 2024 notes will accrue at the per annum rate of 4.500%, interest on the 2029 notes will accrue at the per annum rate of 5.250%, and interest on the 2049 notes will accrue at the per annum rate of 6.250%.
Interest Payment Dates	Interest is payable semi-annually for each series of notes on April 15 and October 15 of each year, beginning on April 15, 2019.
Mandatory Redemption	We will not be required to make mandatory redemption or sinking fund payments on the notes or to repurchase the notes at the option of the holders.
Optional Redemption	We may redeem some or all of the notes of each series at any time or from time to time prior to maturity. If we elect to redeem the 2024 notes

prior to the date that is one month prior to the maturity date of the 2024 notes, the 2029 notes prior to the date that is three months prior to the maturity date of the 2029 notes, or the 2049 notes prior to the date that is six months prior to the maturity date of the 2049 notes (each such date, with respect to the applicable series of the notes, the Early Call Date), we will pay an amount equal to the greater of (i) 100% of the principal amount of the applicable series of notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on

Table of Contents

	the applicable series of notes to be redeemed that would be due if such series of notes matured on the applicable Early Call Date, plus a make-whole premium. If we elect to redeem the 2024 notes, the 2029 notes or the 2049 notes on or after the applicable Early Call Date, we will pay an amount equal to 100% of the principal amount of such series of notes to be redeemed. We will pay accrued and unpaid interest, if any, on such series of notes redeemed to the redemption date. Please read Description of the Notes Optional Redemption.
Subsidiary Guarantee	The notes will initially be guaranteed by our subsidiary, Sunoco Logistics, on a senior unsecured basis so long as it guarantees any of our other long-term debt. Any of our other subsidiaries that in the future become guarantors or co-issuers of our long-term debt must guarantee the notes on the same basis.
Ranking	The notes will be our general unsecured obligations. The notes will rank equally in right of payment with all our existing and future senior debt, including debt under our revolving credit facility and our existing senior notes, senior in right of payment to any subordinated debt that we may incur and junior to the indebtedness and other obligations, including trade payables, of our subsidiaries that do not guarantee the notes. As of September 30, 2018, after giving effect to the consummation of the merger transactions and this offering and the application of the net proceeds as set forth under Use of Proceeds, we would have had total senior debt of $24.6 billion, including the notes offered hereby, and we would have been able to incur an additional $3.8 billion of debt under our revolving credit facility. In addition, our subsidiaries (other than Sunoco Logistics) would have had an aggregate of $7.9 billion of indebtedness outstanding. Sunoco Logistics guarantee of each series of notes will rank equally in right of payment with Sunoco Logistics existing and future senior debt, including its senior notes and its guarantees of debt under our revolving credit facility and our existing senior notes, and senior in right of payment to any subordinated debt the guarantor may incur. As of September 30, 2018, Sunoco Logistics had $7.6 billion of senior notes outstanding. Neither we nor Sunoco Logistics currently has any secured debt outstanding.

Table of Contents

Certain Covenants	The indenture governing the notes limits our ability and the ability of our subsidiaries to, among other things: create liens without equally and ratably securing the notes; and engage in certain sale and leaseback transactions. The indenture also limits our ability to engage in mergers, consolidations and certain sales of assets. These covenants are subject to important exceptions and qualifications, as described under Description of the Notes Important Covenants.
Use of Proceeds	We expect to receive net proceeds of approximately $3.96 billion after deducting the underwriting discounts and estimated offering expenses. We expect to use the net proceeds from this offering (i) to make an intercompany loan to ET, which will use the proceeds therefrom to repay in full its $1.22 billion term loan due February 2, 2024, (ii) to repay in full our 9.70% senior notes due March 15, 2019, our 9.00% senior notes due April 15, 2019 and our subsidiary s 8.125% senior notes due June 1, 2019, (iii) to repay a portion of the borrowings under our revolving credit facility and (iv) for general partnership purposes. Affiliates of certain of the underwriters participating in this offering are lenders under ET s term loan and/or our revolving credit facility and may hold our 9.70% senior notes due March 15, 2019, our 9.00% senior notes due April 15, 2019 and our subsidiary s 8.125% senior notes due June 1, 2019 and, accordingly, will receive a portion of the net proceeds of this offering. Please read Use of Proceeds, Capitalization and Underwriting.
Trustee	U.S. Bank National Association.
Governing Law	The notes and the indenture will be governed by New York law.
Risk Factors	Please read Risk Factors beginning on page S-6 of this prospectus supplement and on page 7 of the accompanying prospectus for a discussion of factors you should carefully consider before investing in the notes.

Table of Contents

RISK FACTORS

An investment in the notes involves risks. You should carefully consider all of the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference as provided under Where You Can Find More Information and Incorporation by Reference, including our Annual Report on Form 10-K for the year ended December 31, 2017, the subsequent Quarterly Report on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018 and the risk factors described under Risk Factors in such reports. This prospectus supplement, the accompanying 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 below, elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference. If any of these risks occur, our business, financial condition, results of operations, cash flows or prospects could be adversely affected.

Risks Related to the Notes

Each series of notes and the guarantee thereof will be effectively subordinated to any secured debt of ours or the guarantor, and, in the event of our bankruptcy or liquidation, holders of the notes will be paid from any assets remaining after payments to any holders of any secured debt we may have. In addition, each series of notes will be structurally subordinated to any debt of our non-guarantor subsidiaries.

Each series of notes and the guarantee thereof will be our and the guarantor s general unsecured senior obligations, and effectively subordinated to any secured debt that we or the guarantor may have, to the extent of the value of the assets securing that debt. The indenture will permit us and the guarantor to incur secured debt provided certain conditions are met. If we are declared bankrupt or insolvent, or are liquidated, the holders of our secured debt will be entitled to be paid from our assets securing their debt before any payment may be made with respect to the notes. If any of the preceding events occur, we may not have sufficient assets to pay amounts due on our secured debt and the notes.

Although Sunoco Logistics will initially guarantee the notes, in the future the guarantees of Sunoco Logistics may be released under certain circumstances. Further, none of our other subsidiaries will guarantee the notes initially, and as a result, each series of notes will be structurally subordinated to the claims of all creditors, including unsecured indebtedness, trade creditors and tort claimants, of those subsidiaries. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of our subsidiaries (except for Sunoco Logistics), creditors of such subsidiaries would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. As of September 30, 2018, after giving effect to the consummation of the merger transactions and this offering and the application of the net proceeds as set forth under Use of Proceeds, our subsidiaries (other than Sunoco Logistics) would have had an aggregate of $7.9 billion of indebtedness outstanding.

We do not have the same flexibility as other types of organizations to accumulate cash, which may limit cash available to service the notes or to repay them at maturity.

Our partnership agreement requires us to distribute, on a quarterly basis, 100% of our available cash to our unitholders of record within 45 days following the end of every quarter.

Table of Contents

Available cash with respect to any quarter is generally all of our cash on hand at the end of such quarter, less cash reserves for certain purposes. Our general partner will determine the amount and timing of such distributions and have broad discretion to establish and make additions to our reserves or the reserves of our operating subsidiaries as they determine are necessary or appropriate. As a result, we do not have the same flexibility as corporations or other entities that do not pay dividends or that have complete flexibility regarding the amounts they will distribute to their equity holders. Although our payment obligations to our partners are subordinate to our payment obligations to you, the timing and amount of our quarterly distributions to our partners could significantly reduce the cash available to pay the principal, premium (if any) and interest on the notes.

A court may use fraudulent conveyance considerations to avoid or subordinate the Sunoco Logistics guarantees.

Various applicable fraudulent conveyance laws have been enacted for the protection of creditors. A court may use fraudulent conveyance laws to subordinate or avoid Sunoco Logistics guarantees of the notes. It is also possible that under certain circumstances a court could hold that the direct obligations of Sunoco Logistics could be superior to the obligations under its guarantees of the notes.

A court could avoid or subordinate Sunoco Logistics guarantees of the notes in favor of its other debts or liabilities to the extent that the court determined either of the following were true at the time Sunoco Logistics issued the guarantees:

- that Sunoco Logistics incurred the guarantees with the intent to hinder, delay or defraud any of its present or future creditors or that Sunoco Logistics contemplated insolvency with a design to favor one or more creditors to the total or partial exclusion of others; or

- that Sunoco Logistics did not receive fair consideration or reasonably equivalent value for issuing the guarantees and, at the time it issued the guarantees, that Sunoco Logistics (i) was insolvent or rendered insolvent by reason of the issuance of the guarantees, (ii) was engaged or about to engage in a business or transaction for which the remaining assets of Sunoco Logistics constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured.

The measure of insolvency for purposes of the foregoing will vary depending upon the law of the relevant jurisdiction. Generally, however, an entity would be considered insolvent for purposes of the foregoing if the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets at a fair valuation, or if the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and matured. Among other things, a legal challenge of Sunoco Logistics guarantees of the notes on fraudulent conveyance grounds may focus on the benefits, if any, realized by Sunoco Logistics as a result of our issuance of the notes. To the extent Sunoco Logistics guarantees of the notes is avoided as a result of fraudulent conveyance or held unenforceable for any other reason, the note holders would cease to have any claim in respect of the applicable guarantee and the notes would be structurally subordinated to all liabilities of Sunoco Logistics. The indenture governing the notes will contain a savings clause, which limits the liability of Sunoco Logistics on its guarantees to the maximum amount that Sunoco Logistics can incur without risk that its guarantees will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the applicable series of notes in full when

due.

Table of Contents

The notes have no established trading market or history, and liquidity of trading markets for the notes may be limited.

Each series of notes will constitute a new issue of securities with no established trading market. Although the underwriters have indicated that they intend to make a market in the notes, they are not obligated to do so and any of their market-making activities may be terminated or limited at any time. In addition, we do not intend to apply for a listing of the notes on any securities exchange or interdealer quotation system. As a result, there can be no assurance as to the liquidity of markets that may develop for the notes, the ability of noteholders to sell their notes or the prices at which notes could be sold. The notes may trade at prices that are lower than their respective public offering price depending on many factors, including prevailing interest rates and the markets for similar securities. The liquidity of trading markets for the notes may also be adversely affected by general declines or disruptions in the markets for debt securities. Those market declines or disruptions could adversely affect the liquidity of and market for the notes independent of our financial performance or prospects.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds of approximately $3.96 billion after deducting the underwriting discounts and estimated offering expenses.

We expect to use the net proceeds from this offering (i) to make an intercompany loan to ET, which will use the proceeds therefrom to repay in full its $1.22 billion term loan due February 2, 2024, (ii) to repay in full our 9.70% senior notes due March 15, 2019, our 9.00% senior notes due April 15, 2019 and our subsidiary s 8.125% senior notes due June 1, 2019, (iii) to repay a portion of the borrowings under our revolving credit facility and (iv) for general partnership purposes.

As of December 31, 2018, we had $400 million aggregate principal amount of our 9.70% senior notes due March 15, 2019 and $450 million aggregate principal amount of our 9.00% senior notes due April 15, 2019. Additionally, our subsidiary had $150 million aggregate principal amount of 8.125% senior notes due June 1, 2019.

As of December 31, 2018, we had outstanding borrowings of $3.69 billion under our revolving credit facility (including $2.34 billion of commercial paper), and there were $65 million of letters of credit outstanding. The weighted average interest rate on the total amount outstanding at December 31, 2018 was 3.57%. Our revolving credit facility matures on December 1, 2023. We used borrowings under our revolving credit facility to fund growth capital expenditures, working capital requirements and an intercompany loan to ET at the closing of the merger transactions.

Affiliates of certain of the underwriters are lenders under ET s term loan and/or our revolving credit facility and may hold our 9.70% senior notes due March 15, 2019, our 9.00% senior notes due April 15, 2019 and our subsidiary s 8.125% senior notes due June 1, 2019 and, accordingly, will receive a portion of the net proceeds from this offering. Please read Underwriting.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of September 30, 2018, on an:

- actual basis;
- as adjusted basis to give effect to the consummation of the merger transactions; and
- as further adjusted basis to give effect to our offering of the notes 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 prospectus.

	September 30, 2018		
	Actual	As Adjusted	As Further Adjusted
		(in millions)	
Cash and cash equivalents	$ 379	$ 397	$ 397
Debt:			
Credit Facilities			
Our revolving credit facility(1)	1,780	2,730	989
Subsidiaries revolving credit facilities(2)	2,500	3,991	3,991
Notes			
Notes(3)	28,690	28,690	31,840
Subsidiaries senior notes and other debt(4)	1,030	4,065	3,915
Unamortized premiums, net of discounts and fair value adjustments	35	35	23
Deferred debt issuance costs	(188)	(229)	(259)
Total debt	33,847	39,282	40,499
Redeemable noncontrolling interests	22	499	499
Equity:			
Series A Preferred Unitholders	944	944	944
Series B Preferred Unitholders	547	547	547
Series C Preferred Unitholders	439	439	439
Series D Preferred Unitholders	436	436	436
Partnership Equity	25,976	27,650	27,650
Noncontrolling interests	6,334	8,197	8,197
Total equity	34,676	38,213	38,213

Total capitalization	$ 68,545	$ 77,994	$ 79,211

(1) Includes $1.57 billion of commercial paper outstanding at September 30, 2018 under our revolving credit facility. As of December 31, 2018, we had $3.69 billion outstanding under our revolving credit facility (including $2.34 billion of commercial paper) and no borrowings outstanding under our $1.0 billion 364-day facility. The as adjusted amount includes $950 million of borrowings incurred in connection with the closing of the merger transactions and used to fund an intercompany loan to ET, the proceeds from which ET used to repay borrowings under its revolving credit facility prior to terminating the facility.

(2) The actual amount includes $2.5 billion outstanding under the revolving credit facility of Dakota Access, LLC (Dakota Access). The as adjusted and as further adjusted amounts also include $1.0 billion of borrowings outstanding under USAC s revolving credit facility and $493 million outstanding under SUN s revolving credit

Table of Contents

facility. As of December 31, 2018, Dakota Access, USAC and SUN had outstanding borrowings of $2.5 billion, $1.05 billion and $700 million under their respective revolving credit facilities.

(3) Includes $7.6 billion of Sunoco Logistics senior notes and $600 million of our junior subordinated notes.

(4) The as adjusted and as further adjusted amounts include $2.2 billion aggregate principal amount of SUN s senior notes and SUN s $109 million sale leaseback financing obligations, as well as $725 million aggregate principal amount of USAC senior notes.

Table of Contents

DESCRIPTION OF THE NOTES

Energy Transfer will issue the notes under a base indenture among itself, the subsidiaries of Energy Transfer named therein and U.S. Bank National Association, as trustee, as supplemented by a supplemental indenture creating the notes (as so supplemented, the indenture).

This description is a summary of the material provisions of the notes and the indenture. This description does not restate those agreements and instruments in their entirety. You should refer to the notes and the indenture, forms of which are available as set forth below under Where You Can Find More Information, for a complete description of our obligations and your rights.

You can find the definitions of various terms used in this description under Certain Definitions below. In this description, the terms Energy Transfer, we, us and our refer only to Energy Transfer Operating, L.P. and not to any its Subsidiaries.

General

The notes:

- will be general unsecured, senior obligations of Energy Transfer, ranking equally with all other existing and future unsecured and unsubordinated indebtedness of Energy Transfer;
- will initially be issued in an aggregate principal amount of $750,000,000 with respect to the 2024 notes, an aggregate principal amount of $1,500,000,000 with respect to the 2029 notes and an aggregate principal amount of $1,750,000,000 with respect to the 2049 notes;
- will mature on April 15, 2024 with respect to the 2024 notes, April 15, 2029 with respect to the 2029 notes and April 15, 2049 with respect to the 2049 notes;
- will be issued in denominations of $2,000 and integral multiples of $1,000 in excess thereof;
- will bear interest at an annual rate of 4.500% with respect to the 2024 notes, an annual rate of 5.250% with respect to the 2029 notes and an annual rate of 6.250% with respect to the 2049 notes; and
- will be redeemable at any time at our option at the applicable redemption prices described below under Optional Redemption.

The 2024 notes, 2029 notes and 2049 notes each constitute a separate series of debt securities under the indenture. The indenture does not limit the amount of debt securities we may issue under the indenture from time to time in one or more series.

We may in the future issue additional debt securities under the indenture in addition to the notes.

Interest

Interest on each series of notes will accrue from and including January 15, 2019 or from and including the most recent interest payment date to which interest has been paid or provided for.

Table of Contents

We will pay interest on each series of notes semi-annually on April 15 and October 15 of each year, beginning on April 15, 2019 (each, an interest payment date). We will make interest payments on the notes to the persons in whose names the notes are registered at the close of business on April 1 or October 1, as applicable, with respect to each series of notes, in each case, before the next interest payment date.

Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. If any interest payment date falls on a day that is not a business day, the payment will be made on the next business day, and no interest will accrue on the amount of interest due on that interest payment date for the period from and after the interest payment date to the date of payment. Under the indenture, a business day is a day that is not a Saturday, a Sunday or a day on which banking institutions in the City of New York, New York or a place of payment are authorized or obligated by law, regulation or executive order to remain closed.

Further Issuances

We may from time to time, without notice to or the consent of the holders of the notes, create and issue additional notes having the same terms as any of the series of notes offered by this prospectus supplement and accompanying prospectus, except for issue date, issue price and in some cases, the first interest payment date. Additional notes issued in this manner will form a single series with the previously issued and outstanding notes of such series.

Optional Redemption

Prior to March 15, 2024 (the 2024 Notes Early Call Date) with respect to the 2024 notes, January 15, 2029 (the 2029 Notes Early Call Date) with respect to the 2029 notes and October 15, 2048 (the 2049 Notes Early Call Date and, together with the 2024 Notes Early Call Date and the 2029 Notes Early Call Date, the Early Call Dates) with respect to the 2049 notes, the respective series of notes will be redeemable, at our option, at any time in whole, or from time to time in part, at a price equal to the greater of:

- 100% of the principal amount of the applicable series of notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest (at the interest rate in effect on the date of calculation of the redemption price) on the applicable series of notes to be redeemed that would be due after the related redemption date if such notes matured on the applicable Early Call Date but for such redemption (exclusive of interest accrued to, but excluding, the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 30 basis points with respect to the 2024 notes, 40 basis points with respect to the 2029 notes and 50 basis points with respect to the 2049 notes;

plus, in either case, accrued and unpaid interest to, but excluding, the redemption date.

At any time on or after the 2024 Notes Early Call Date with respect to the 2024 notes, the 2029 Notes Early Call Date with respect to the 2029 notes and the 2049 Notes Early Call Date with respect to the 2049 notes, the respective notes will be redeemable in whole or in part, at our option, at a redemption price equal to 100% of the principal amount of the applicable series of notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

Table of Contents

The actual redemption price, calculated as provided below, will be calculated and certified to the trustee and us by the Independent Investment Banker.

Notes called for redemption become due on the redemption date. Notices of redemption will be delivered at least 15 but not more than 60 days before the redemption date to each holder of the notes to be redeemed at its registered address. The notice of redemption for the notes will state, among other things, the amount of notes to be redeemed, the redemption date, the method of calculating the redemption price and each place that payment will be made upon presentation and surrender of notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on any notes that have been called for redemption on the redemption date. If less than all of the notes of a series are redeemed at any time, the trustee will select the notes or any portions thereof in integral multiples of $1,000 to be redeemed on a pro rata basis, by lot or by any other method the trustee deems fair and appropriate and, when the Notes are in the form of global securities, in accordance with the applicable procedures of the Depository Trust Company.

For purposes of determining the redemption price, the following definitions are applicable:

Treasury Yield means, with respect to any redemption date applicable to the notes to be redeemed, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the applicable series of notes to be redeemed (assuming, for this purpose, that the applicable series of notes matured on the applicable Early Call Date) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the applicable series of notes to be redeemed (assuming, for this purpose, that the applicable series of notes matured on the applicable Early Call Date).

Comparable Treasury Price means, with respect to any redemption date, (a) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Independent Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means any of Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and SunTrust Robinson Humphrey, Inc. (and their respective successors) or, if any such firm is not willing and able to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by Energy Transfer.

Reference Treasury Dealer means a primary U.S. government securities dealer in the United States selected by each of Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and SunTrust Robinson Humphrey, Inc. or an affiliate or successor of the foregoing, and, at our option, one or more additional primary U.S. government securities dealer in the United States; *provided, however,* that if any of the foregoing shall resign as a Reference Treasury Dealer or cease to be a U.S. government securities dealer, Energy Transfer will substitute therefor another primary U.S. government securities dealer in the United States.

Table of Contents

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date for the notes, an average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue for the applicable series of notes to be redeemed (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Subsidiary Guarantees

The notes initially will be guaranteed by our Subsidiary, Sunoco Logistics. None of our other Subsidiaries will guarantee the notes upon their issuance; however, if at any time following the issuance of the notes, any Subsidiary of Energy Transfer guarantees, becomes a co-obligor with respect to or otherwise provides direct credit support for any obligations of Energy Transfer or any of its other Subsidiaries under the Credit Agreement, then Energy Transfer will cause such Subsidiary to promptly execute and deliver to the trustee a supplemental indenture in a form satisfactory to the trustee pursuant to which such Subsidiary guarantees Energy Transfer s obligations with respect to the notes on the terms provided for in the indenture.

The guarantee of any Subsidiary Guarantor may be released under certain circumstances. If we exercise our legal or covenant defeasance option with respect to the notes as described below under Defeasance and Discharge, then any Subsidiary Guarantor will be released. Further, if no default has occurred and is continuing under the indenture, and to the extent not otherwise prohibited by the indenture, a Subsidiary Guarantor will be unconditionally released and discharged from its guarantee:

- automatically upon any sale, exchange or transfer, whether by way of merger or otherwise, to any Person that is not our affiliate, of all of our direct or indirect limited partnership or other equity interests in the Subsidiary Guarantor;
- automatically upon the merger of the Subsidiary Guarantor into us or any other Subsidiary Guarantor or the liquidation and dissolution of the Subsidiary Guarantor; or
- following delivery of a written notice by us to the trustee, upon the release of all guarantees or other obligations of the Subsidiary Guarantor with respect to the obligations of Energy Transfer or any of its Subsidiaries under the Credit Agreement.

If at any time following any release of a Subsidiary Guarantor from its guarantee of the notes pursuant to the third bullet point in the preceding paragraph, the Subsidiary Guarantor again guarantees, becomes a co-obligor with respect to or otherwise provides direct credit support for any obligations of Energy Transfer or any of its Subsidiaries under the Credit Agreement, then Energy Transfer will cause the Subsidiary Guarantor to again guarantee the notes in accordance with the indenture.

Ranking

The notes will be unsecured, unless we are required to secure them pursuant to the limitations on liens covenant described below under Certain Covenants Limitations on Liens. The notes will also be the unsubordinated obligations of Energy Transfer and will rank equally with all other existing and future unsubordinated indebtedness of Energy Transfer. The guarantee of the notes by Sunoco Logistics and any guarantee of the notes by any other

Table of Contents

Subsidiary Guarantor will be an unsecured and unsubordinated obligation of Sunoco Logistics or the applicable Subsidiary Guarantor and will rank equally with all other existing and future unsubordinated indebtedness of Sunoco Logistics (including its senior notes and its guarantee of our obligations under the Credit Agreement and our existing senior notes) or the applicable Subsidiary Guarantor. The notes and each guarantee, if any, will effectively rank junior to any future indebtedness of Energy Transfer and Sunoco Logistics or any applicable Subsidiary Guarantor that is both secured and unsubordinated to the extent of the value of the assets securing such indebtedness, and the notes will structurally rank junior to all indebtedness and other liabilities of Energy Transfer s existing and future Subsidiaries that are not Subsidiary Guarantors.

As of September 30, 2018, after giving effect to the consummation of the merger transactions and this offering and the application of the net proceeds as described in Use of Proceeds, Energy Transfer would have had total senior debt of $24.6 billion, including the notes offered hereby, and we would have been able to incur an additional $3.8 billion of debt under our revolving credit facility. Additionally, as of September 30, 2018, we and our subsidiaries had $600 million of junior subordinated notes outstanding. Initially, none of Energy Transfer s Subsidiaries will guarantee the notes, except for Sunoco Logistics. As of September 30, 2018, Sunoco Logistics had $7.6 billion of indebtedness outstanding, all of which was senior unsecured notes, and Sunoco Logistics guaranteed all of Energy Transfer s obligations under its senior unsecured indebtedness. As of September 30, 2018, after giving effect to the consummation of the merger transactions and this offering and the application of the net proceeds as described in Use of Proceeds, the notes would have been structurally subordinated to $7.9 billion of indebtedness of Energy Transfer s Subsidiaries.

No Sinking Fund

We are not required to make any mandatory redemption or sinking fund payments with respect to the notes.

Certain Covenants

Except as set forth below, neither Energy Transfer nor any of its Subsidiaries is restricted by the indenture from incurring any type of indebtedness or other obligation, from paying dividends or making distributions on its partnership or other equity interests or from purchasing or redeeming its partnership or other equity interests. The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the indenture does not contain any provisions that would require Energy Transfer to repurchase or redeem or otherwise modify the terms of the notes upon a change in control or other events involving Energy Transfer that could adversely affect the creditworthiness of Energy Transfer.

Limitations on Liens. Energy Transfer will not, nor will it permit any of its Subsidiaries to, create, assume, incur or suffer to exist any mortgage, lien, security interest, pledge, charge or other encumbrance (liens) upon any Principal Property or upon any capital stock of any Restricted Subsidiary, whether owned on the date of the supplemental indenture creating the notes or thereafter acquired, to secure any Indebtedness of Energy Transfer or any other Person (other than the notes), without in any such case making effective provisions whereby all of the outstanding notes are secured equally and ratably with, or prior to, such Indebtedness so long as such Indebtedness is so secured.

Notwithstanding the foregoing, under the indenture, Energy Transfer may, and may permit any of its Subsidiaries to, create, assume, incur, or suffer to exist without securing the notes

Table of Contents

(a) any Permitted Lien, (b) any lien upon any Principal Property or capital stock of a Restricted Subsidiary to secure Indebtedness of Energy Transfer or any other Person, provided that the aggregate principal amount of all Indebtedness then outstanding secured by such lien and all similar liens under this clause (b), together with all Attributable Indebtedness from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (1) through (4), inclusive, of the first paragraph of the restriction on sale-leasebacks covenant described below), does not exceed 10% of Consolidated Net Tangible Assets or (c) any lien upon (i) any Principal Property that was not owned by Energy Transfer or any of its Subsidiaries on the date of the supplemental indenture creating the notes or (ii) the capital stock of any Restricted Subsidiary that owns no Principal Property that was owned by Energy Transfer or any of its Subsidiaries on the date of the supplemental indenture creating the notes, in each case owned by a Subsidiary of Energy Transfer (an Excluded Subsidiary) that (A) is not, and is not required to be, a Subsidiary Guarantor and (B) has not granted any liens on any of its property securing Indebtedness with recourse to Energy Transfer or any Subsidiary of Energy Transfer other than such Excluded Subsidiary or any other Excluded Subsidiary.

Restriction on Sale-Leasebacks. Energy Transfer will not, and will not permit any Subsidiary to, engage in the sale or transfer by Energy Transfer or any of its Subsidiaries of any Principal Property to a Person (other than Energy Transfer or a Subsidiary) and the taking back by Energy Transfer or its Subsidiary, as the case may be, of a lease of such Principal Property (a Sale-Leaseback Transaction), unless:

(1) such Sale-Leaseback Transaction occurs within one year from the date of completion of the acquisition of the Principal Property subject thereto or the date of the completion of construction, development or substantial repair or improvement, or commencement of full operations on such Principal Property, whichever is later;

(2) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years;

(3) Energy Transfer or such Subsidiary would be entitled to incur Indebtedness secured by a lien on the Principal Property subject thereto in a principal amount equal to or exceeding the Attributable Indebtedness from such Sale-Leaseback Transaction without equally and ratably securing the notes; or

(4) Energy Transfer or such Subsidiary, within a one-year period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the Attributable Indebtedness from such Sale-Leaseback Transaction to (a) the prepayment, repayment, redemption, reduction or retirement of any Indebtedness of Energy Transfer or any of its Subsidiaries that is not subordinated to the notes or any guarantee, or (b) the expenditure or expenditures for Principal Property used or to be used in the ordinary course of business of Energy Transfer or its Subsidiaries.

Notwithstanding the foregoing, Energy Transfer may, and may permit any Subsidiary to, effect any Sale-Leaseback Transaction that is not excepted by clauses (1) through (4), inclusive, of the preceding paragraph provided that the Attributable Indebtedness from such Sale-Leaseback Transaction, together with the aggregate principal amount of outstanding Indebtedness (other than the notes) secured by liens other than Permitted Liens upon Principal Properties, does not exceed 10% of Consolidated Net Tangible Assets.

Table of Contents

Reports. So long as any notes are outstanding, Energy Transfer will:

for as long as it is required to file information with the SEC pursuant to the Exchange Act, file with the trustee, within 15 days after it is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports which it is required to file with the SEC pursuant to the Exchange Act;

if it is not required to file reports with the SEC pursuant to the Exchange Act, file with the trustee, within 15 days after it would have been required to file with the SEC, financial statements (and with respect to annual reports, an auditors report by a firm of established national reputation) and a Management s Discussion and Analysis of Financial Condition and Results of Operations, both comparable to what it would have been required to file with the SEC had it been subject to the reporting requirements of the Exchange Act; and

if it is required to furnish annual or quarterly reports to its equity holders pursuant to the Exchange Act, file these reports with the trustee.

Merger, Consolidation or Sale of Assets. Energy Transfer shall not, in a transaction or series of transactions, consolidate with or merge into any Person or sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets to any Person unless:

(1) the Person formed by or resulting from any such consolidation or merger or to which such assets have been sold, leased, conveyed, transferred or otherwise disposed of (the successor) is Energy Transfer or expressly assumes by supplemental indenture all of Energy Transfer s obligations and liabilities under the indenture and the notes;

(2) the successor is organized under the laws of the United States, any state thereof or the District of Columbia;

(3) immediately after giving effect to the transaction or series of transactions, no Default or Event of Default has occurred and is continuing; and

(4) Energy Transfer has delivered to the trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger or transfer complies with the indenture.

The successor will be substituted for Energy Transfer in the indenture with the same effect as if it had been an original party to the indenture. Thereafter, the successor may exercise the rights and powers of Energy Transfer under the indenture. If Energy Transfer conveys or transfers all or substantially all of its assets, it will be released from all liabilities and obligations under the indenture and under the notes except that no such release will occur in the case of a lease of all or substantially all of its assets.

Events of Default

Each of the following is an Event of Default under the indenture with respect to the notes of each series:

(1) a default in any payment of interest on such notes when due that continues for 30 days;

(2) a default in the payment of principal of or premium, if any, on such notes when due at their stated maturity, upon redemption, by declaration, upon required repurchase or otherwise;

(3) a failure by Energy Transfer or any Subsidiary Guarantor to comply with its other covenants or agreements in the indenture continuing for 60 days after written notice of default given by the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;

(4) certain events of bankruptcy, insolvency or reorganization of Energy Transfer or any Subsidiary Guarantor as more fully described in the indenture (the bankruptcy provisions);

(5) any guarantee of a Subsidiary Guarantor ceases to be in full force and effect, is declared null and void or is found to be invalid in a judicial proceeding or any Subsidiary Guarantor denies or disaffirms its obligations under the indenture or its guarantee; or

(6) any Indebtedness of Energy Transfer or any Subsidiary Guarantor is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $25,000,000.

An Event of Default for a series of the notes will not necessarily constitute an Event of Default for any other series of debt securities issued under the indenture, and an Event of Default for any such other series of debt securities will not necessarily constitute an Event of Default for any series of the notes. Further, an event of default under other indebtedness of Energy Transfer or its Subsidiaries will not necessarily constitute a Default or an Event of Default for the notes. If an Event of Default (other than an Event of Default described in clause (4) above) with respect to the notes of any series occurs and is continuing, the trustee by notice to Energy Transfer, or the holders of at least 25% in principal amount of the outstanding notes of such series by notice to Energy Transfer and the trustee, may, and the trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes of such series to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. The indenture provides that if an Event of Default described in clause (4) above occurs, the principal of, premium, if any, and accrued and unpaid interest on the notes will become and be immediately due and payable without any declaration of acceleration, notice or other act on the part of the trustee or any holders. However, the effect of such provision may be limited by applicable law.

The holders of a majority in principal amount of the outstanding notes of the applicable series may, by written notice to the trustee, rescind any acceleration with respect to the notes of such series and annul its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction and all existing Events of Default with respect to the notes of such series, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by such acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee if an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders of notes, unless such holders have offered to the trustee reasonable indemnity or security against any cost, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder of notes may pursue any remedy with respect to the indenture or the notes, unless:

(1) such holder has previously given the trustee notice that an Event of Default with respect to the notes is continuing;

Table of Contents

(2) holders of at least 25% in principal amount of the outstanding notes of the applicable series have requested in writing that the trustee pursue the remedy;

(3) such holders have offered the trustee reasonable security or indemnity against any cost, liability or expense;

(4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding notes of the applicable series have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes of the applicable series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee with respect to the notes of such series. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder of notes or that would involve the trustee in personal liability.

The indenture provides that if a Default (that is, an event that is, or after notice or the passage of time would be, an Event of Default) with respect to the notes occurs and is continuing and is known to the trustee, the trustee must send to each holder of notes notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, and premium, if any, or interest on the notes, the trustee may withhold such notice, but only if and so long as the trustee in good faith determines that withholding notice is in the interests of the holders of notes. In addition, Energy Transfer is required to deliver to the trustee, within 120 days after the end of each fiscal year, an officers certificate as to compliance with all covenants under the indenture and indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. Energy Transfer also is required to deliver to the trustee, within 30 days after the occurrence thereof, an officers certificate specifying any Default or Event of Default, its status and what action Energy Transfer is taking or proposes to take in respect thereof.

Amendments and Waivers

Amendments of the indenture may be made by Energy Transfer, the Subsidiary Guarantors, if any, and the trustee with the written consent of the holders of a majority in principal amount of the then outstanding notes of the affected series (including consents obtained in connection with a tender offer or exchange offer for debt securities). However, without the consent of each holder of an affected note, no amendment may, among other things:

(1) reduce the percentage in principal amount of notes whose holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any note;

(3) reduce the principal of or extend the stated maturity of any note;

(4) reduce the premium payable upon the redemption of any note as described above under Optional Redemption;

Table of Contents

(5) change any obligation of Energy Transfer or any Subsidiary Guarantor to pay additional amounts with respect to any note;

(6) make any notes payable in money other than U.S. dollars;

(7) impair the right of any holder to receive payment of the principal of and premium, if any, and interest on such holder s note or to institute suit for the enforcement of any payment on or with respect to such holder s note;

(8) waive a continuing Default or Event of Default in the payment of principal and premium, if any, and interest with respect to such holder s note;

(9) make any change in the amendment provisions which require each holder s consent or in the waiver provisions;

(10) release any security that may have been granted in respect of the notes other than in accordance with the indenture; or

(11) release the guarantee of any Subsidiary Guarantor other than in accordance with the indenture or modify its guarantee in any manner adverse to the holders.

The holders of a majority in principal amount of the outstanding notes of any series may waive compliance by Energy Transfer with certain restrictive covenants on behalf of all holders of notes of such series, including those described under Certain Covenants Limitations on Liens and Certain Covenants Restriction on Sale-Leasebacks. The holders o majority in principal amount of the outstanding notes of any series, on behalf of all such holders, may waive any past or existing default or Event of Default with respect to the notes of such series (including any such waiver obtained in connection with a tender offer or exchange offer for the notes), except a default or Event of Default in the payment of principal, premium or interest or in respect of a provision that under the indenture cannot be modified or amended without the consent of the holder of each outstanding note affected. A waiver by the holders of notes of any series of compliance with a covenant, a default or an Event of Default will not constitute a waiver of compliance with such covenant or such default or Event of Default with respect to any other series of debt securities issued under the indenture to which such covenant, default or Event of Default applies.

Without the consent of any holder, Energy Transfer, the Subsidiary Guarantors, if any, and the trustee may amend the indenture to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a successor of the obligations of Energy Transfer under the indenture;

(3) provide for uncertificated notes in addition to or in place of certificated notes;

(4) provide for the addition of any Subsidiary as a Subsidiary Guarantor, or to reflect the release of any Subsidiary Guarantor, in either case as provided in the indenture;

(5) secure the notes or a guarantee;

(6) comply with any requirement in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended (the Trust Indenture Act);

Table of Contents

(7) add to the covenants of Energy Transfer or any Subsidiary Guarantor for the benefit of the holders or surrender any right or power conferred upon Energy Transfer or any Subsidiary Guarantor;

(8) add any additional Events of Default;

(9) make any change that does not adversely affect the rights under the indenture of any holder;

(10) supplement any of the provisions of the indenture to facilitate the defeasance and discharge of notes pursuant to the terms of the indenture;

(11) comply with any requirement of the SEC in connection with the qualification of the indenture under the TIA;

(12) conform the text of the indenture or a guarantee to any provision of this Description of the Notes to the extent that such text of the indenture or the guarantee was intended to reflect such provision of this Description of the Notes; and

(13) provide for a successor trustee.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment with the consent of the holders under the indenture becomes effective, Energy Transfer is required to mail to all holders of notes a notice briefly describing such amendment. However, the failure to give such notice to all such holders, or any defect therein, will not impair or affect the validity of the amendment.

Defeasance and Discharge

Energy Transfer at any time may terminate all its obligations under the indenture as they relate to the notes of any series (legal defeasance), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer of or exchange the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes.

Energy Transfer at any time may terminate its obligations under the covenants described under Certain Covenants (other than Merger, Consolidation or Sale of Assets) and the bankruptcy provisions with respect to each Subsidiary Guarantor, the guarantee provision and the cross-acceleration provision described under Events of Default above with respect to the notes of any series (covenant defeasance).

Energy Transfer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If Energy Transfer exercises its legal defeasance option, payment of the notes of the applicable series may not be accelerated because of an Event of Default. If Energy Transfer exercises its covenant defeasance option for the notes, payment of the notes of the applicable series may not be accelerated because of an Event of Default specified in clause (3), (4) (with respect only to a Subsidiary Guarantor), (5) or (6) under Events of Default above. If Energy Transfer exercises either its legal defeasance option or its covenant defeasance option, each guarantee will terminate with respect to the notes of the applicable series and any security that may have been granted with respect to the notes of the applicable series will be released.

Table of Contents

In order to exercise either defeasance option, Energy Transfer must irrevocably deposit in trust (the defeasance trust) with the trustee money, U.S. Government Obligations (as defined in the indenture) or a combination thereof for the payment of principal, premium, if any, and interest on the notes of the applicable series to redemption or stated maturity, as the case may be, and must comply with certain other conditions, including delivery to the trustee of an opinion of counsel (subject to customary exceptions and exclusions) to the effect that holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such defeasance had not occurred. In the case of legal defeasance only, such opinion of counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

In the event of any legal defeasance, holders of the notes of the applicable series would be entitled to look only to the trust fund for payment of principal of and any premium and interest on their notes until maturity.

Although the amount of money and U.S. Government Obligations on deposit with the trustee would be intended to be sufficient to pay amounts due on the notes at the time of their stated maturity, if Energy Transfer exercises its covenant defeasance option for the notes and the notes are declared due and payable because of the occurrence of an Event of Default, such amount may not be sufficient to pay amounts due on the notes at the time of the acceleration resulting from such Event of Default. Energy Transfer would remain liable for such payments, however.

In addition, Energy Transfer may discharge all its obligations under the indenture with respect to the notes of any series, other than its obligation to register the transfer of and exchange notes, *provided* that either:

- it delivers all outstanding notes of such series to the trustee for cancellation; or
- all such notes not so delivered for cancellation have either become due and payable or will become due and payable at their stated maturity within one year or are called for redemption within one year, and in the case of this bullet point, it has deposited with the trustee in trust an amount of cash sufficient to pay the entire indebtedness of such notes, including interest to the stated maturity or applicable redemption date.

Book-Entry System

We have obtained the information in this section concerning The Depository Trust Company (DTC) and its book-entry systems and procedures from DTC, but we take no responsibility for the accuracy of this information. In addition, the description in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

Each series of the notes will initially be represented by one or more fully registered global notes. Each such global note will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co. (DTC s nominee). You may hold your interests in the global notes through DTC either as a participant in DTC or indirectly through organizations that are participants in DTC.

So long as DTC or its nominee is the registered owner of the global securities representing the notes, DTC or such nominee will be considered the sole owner and holder of the notes for

Table of Contents

all purposes of the notes and the indenture. Except as provided below, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of notes.

The Depository Trust Company. DTC will act as securities depositary for the notes. The notes will be issued as fully registered notes registered in the name of Cede & Co. DTC has advised us as follows: DTC is

a limited-purpose trust company organized under the New York Banking Law;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants. Access to the DTC system is also available to securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in, notes, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of notes under DTC s system must be made by or through direct participants, who will receive a credit for the notes on DTC s records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by

entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the notes, except in the event that use of the book-entry system for the notes is discontinued.

Table of Contents

To facilitate subsequent transfers, all notes deposited by direct participants with DTC are registered in the name of DTC s nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of notes with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes. DTC s records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Euroclear and Clearstream. If the depositary for a global debt security is DTC, you may hold interests in the global debt security through Clearstream Banking, société anonyme, which we refer to as Clearstream, or Euroclear Bank SA/ NV, as operator of the Euroclear System, which we refer to as Euroclear, in each case, as a participant in DTC. Euroclear and Clearstream will hold interests, in each case, on behalf of their participants through customers securities accounts in the names of Euroclear and Clearstream on the books of their respective depositaries, which in turn will hold such interests in customers securities in the depositaries names on DTC s books. Payments, deliveries, transfers, exchanges, notices and other matters relating to the debt securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants, and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and other participants in DTC, on the other hand, would also be subject to DTC s rules and procedures. Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States. In addition, because of time-zone differences, U.S. investors who hold their interests in the debt securities through these systems and wish on a particular day, to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchase or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than transactions within one clearing system. We have obtained the foregoing information concerning Euroclear and Clearstream from sources we believe to be reliable, but we take no responsibility for the accuracy of this information.

Book-Entry Format. Under the book-entry format, the trustee will pay interest or principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to you as the beneficial owner. You may experience some delay in receiving your payments under this system. Neither we, the trustee under the indenture nor any paying agent has any direct responsibility or liability for the payment of principal or interest on the notes to owners of beneficial interests in the notes.

Table of Contents

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to the notes on your behalf. We, the underwriters and the trustee under the indenture have no responsibility for any aspect of the actions of DTC or any of its direct or indirect participants. We, the underwriters and the trustee under the indenture have no responsibility or liability for any aspect of the records kept by DTC or any of its direct or indirect participants relating to, or payments made on account of, beneficial ownership interests in the notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We also do not supervise these systems in any way.

The trustee will not recognize you as a holder under the indenture, and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a note if one or more of the direct participants to whom the note is credited directs DTC to take such action and only in respect of the portion of the aggregate principal amount of the notes as to which that participant or participants has or have given that direction. DTC can only act on behalf of its direct participants. Your ability to pledge notes to non-direct participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your notes.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the notes unless authorized by a direct participant in accordance with DTC s procedures. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date (identified in a listing attached to the omnibus proxy).

DTC has agreed to the foregoing procedures in order to facilitate transfers of the notes among its participants. However, DTC is under no obligation to perform or continue to perform those procedures, and may discontinue those procedures at any time.

Concerning the Trustee

The indenture contains certain limitations on the right of the trustee, should it become our creditor, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. The trustee is permitted to engage in certain other transactions. However, if it acquires any conflicting interest within the meaning of the Trust Indenture Act after a default has occurred and is continuing, it must eliminate the conflict within 90 days, apply to the SEC for permission to continue as trustee or resign.

If an Event of Default occurs and is not cured or waived, the trustee is required to exercise such of the rights and powers vested in it by the indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, the trustee will not be under any obligation to exercise any of its rights or powers under the indenture at the request of any of the holders of notes unless they have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities it may incur.

U.S. Bank National Association is the trustee under the indenture and has been appointed by Energy Transfer as registrar and paying agent with regard to the notes. The trustee s address is 8 Greenway Plaza, Suite 1100, Houston, Texas 77046. The trustee and its affiliates maintain commercial banking and other relationships with Energy Transfer.

Table of Contents

No Personal Liability of Directors, Officers, Employees, Limited Partners and Members

The directors, officers, employees, limited partners and members of Energy Transfer, the General Partner and Energy Transfer Partners, L.L.C. will not have any personal liability for our obligations under the indenture or the notes. Each holder of notes, by accepting a note, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the notes.

Governing Law

The indenture and the notes are governed by, and will be construed in accordance with, the laws of the State of New York.

Certain Definitions

Attributable Indebtedness, when used with respect to any Sale-Leaseback Transaction, means, as at the time of determination, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale-Leaseback Transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon the payment of a penalty or other termination payment, such amount shall be the lesser of the amount determined assuming termination upon the first date such lease may be terminated (in which case the amount shall also include the amount of the penalty or termination payment, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the amount determined assuming no such termination.

Consolidated Net Tangible Assets means, at any date of determination, the total amount of assets of Energy Transfer and its consolidated Subsidiaries after deducting therefrom:

(1) all current liabilities (excluding (A) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than twelve months after the time as of which the amount thereof is being computed, and (B) current maturities of long-term debt); and

(2) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth, or on a pro forma basis would be set forth, on the consolidated balance sheet of Energy Transfer and its consolidated Subsidiaries for Energy Transfer s most recently completed fiscal quarter for which financial statements have been filed with the SEC, prepared in accordance with generally accepted accounting principles.

Credit Agreement means the Credit Agreement, dated as of December 1, 2017, among Energy Transfer, Wells Fargo Bank, National Association, as Administrative Agent, and the other agents and lenders party thereto, and as further amended, restated, refinanced, replaced or refunded from time to time.

Exchange Act means the Securities Exchange Act of 1934, as amended, and any successor statute.

General Partner means Energy Transfer Partners GP, L.P., a Delaware limited partnership, and its successors as general partner of Energy Transfer.

Indebtedness of any Person at any date means any obligation created or assumed by such Person for the repayment of borrowed money or any guaranty thereof.

Permitted Liens means:

(1) liens upon rights-of-way for pipeline purposes;

(2) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto and which do not in the aggregate materially adversely affect the value of the properties encumbered thereby or materially impair their use in the operation of the business of Energy Transfer and its Subsidiaries;

(3) rights reserved to or vested by any provision of law in any municipality or public authority to control or regulate any of the properties of Energy Transfer or any Subsidiary or the use thereof or the rights and interests of Energy Transfer or any Subsidiary therein, in any manner under any and all laws;

(4) rights reserved to the grantors of any properties of Energy Transfer or any Subsidiary, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith;

(5) any statutory or governmental lien or lien arising by operation of law, or any mechanics , repairmen s, materialmen s, suppliers , carriers , landlords , warehousemen s or similar lien incurred in the ordinary course of business which is not more than sixty (60) days past due or which is being contested in good faith by appropriate proceedings and any undetermined lien which is incidental to construction, development, improvement or repair;

(6) any right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;

(7) liens for taxes and assessments which are (a) for the then current year, (b) not at the time delinquent, or (c) delinquent but the validity or amount of which is being contested at the time by Energy Transfer or any of its Subsidiaries in good faith by appropriate proceedings;

(8) liens of, or to secure performance of, leases, other than capital leases;

(9) any lien in favor of Energy Transfer or any Subsidiary;

(10) any lien upon any property or assets of Energy Transfer or any Subsidiary in existence on the date of the initial issuance of the notes;

(11) any lien incurred in the ordinary course of business in connection with workmen s compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

Table of Contents

(12) liens in favor of any person to secure obligations under provisions of any letters of credit, bank guarantees, bonds or surety obligations required or requested by any governmental authority in connection with any contract or statute, provided that such obligations do not constitute Indebtedness; or any lien upon or deposits of any assets to secure performance of bids, trade contracts, leases or statutory obligations, and other obligations of a like nature incurred in the ordinary course of business;

(13) any lien upon any property or assets created at the time of acquisition of such property or assets by Energy Transfer or any of its Subsidiaries or within one year after such time to secure all or a portion of the purchase price for such property or assets or debt incurred to finance such purchase price, whether such debt was incurred prior to, at the time of or within one year after the date of such acquisition;

(14) any lien upon any property or assets to secure all or part of the cost of construction, development, repair or improvements thereon or to secure Indebtedness incurred prior to, at the time of, or within one year after completion of such construction, development, repair or improvements or the commencement of full operations thereof (whichever is later), to provide funds for any such purpose;

(15) any lien upon any property or assets existing thereon at the time of the acquisition thereof by Energy Transfer or any of its Subsidiaries and any lien upon any property or assets of a Person existing thereon at the time such Person becomes a Subsidiary of Energy Transfer by acquisition, merger or otherwise; provided that, in each case, such lien only encumbers the property or assets so acquired or owned by such Person at the time such Person becomes a Subsidiary;

(16) liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith, and liens which secure a judgment or other court-ordered award or settlement as to which Energy Transfer or the applicable Subsidiary has not exhausted its appellate rights;

(17) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refunding or replacements) of liens, in whole or in part, referred to in clauses (1) through (16) above; provided, however, that any such extension, renewal, refinancing, refunding or replacement lien shall be limited to the property or assets covered by the lien extended, renewed, refinanced, refunded or replaced and that the obligations secured by any such extension, renewal, refinancing, refunding or replacement lien shall be in an amount not greater than the amount of the obligations secured by the lien extended, renewed, refinanced, refunded or replaced and any expenses of Energy Transfer or its Subsidiaries (including any premium) incurred in connection with such extension, renewal, refinancing, refunding or replacement; or

(18) any lien resulting from the deposit of moneys or evidence of indebtedness in trust for the purpose of defeasing Indebtedness of Energy Transfer or any of its Subsidiaries.

Person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

Principal Property means, whether owned or leased on the date of the initial issuance of the notes or thereafter acquired:

(1) any pipeline assets of Energy Transfer or any of its Subsidiaries, including any related facilities employed in the gathering, transportation, distribution, storage or marketing of

Table of Contents

natural gas, refined petroleum products, natural gas liquids and petrochemicals, that are located in the United States of America or any territory or political subdivision thereof; and

(2) any processing, compression, treating, blending or manufacturing plant or terminal owned or leased by Energy Transfer or any of its Subsidiaries that is located in the United States or any territory or political subdivision thereof, except in the case of either of the preceding clause (1) or this clause (2):

(a) any such assets consisting of inventories, furniture, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles; and

(b) any such assets which, in the opinion of the board of directors of the general partner of the General Partner are not material in relation to the activities of Energy Transfer and its Subsidiaries taken as a whole.

Restricted Subsidiary means any Subsidiary owning or leasing, directly or indirectly through ownership in another Subsidiary, any Principal Property.

Subsidiary means, with respect to any Person, any corporation, association or business entity of which more than 50% of the total voting power of the equity interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof or any partnership of which more than 50% of the partners equity interests (considering all partners equity interests as a single class) is, in each case, at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof.

Subsidiary Guarantor means each Subsidiary of Energy Transfer that guarantees the notes pursuant to the terms of the indenture but only so long as such Subsidiary is a guarantor with respect to the notes on the terms provided for in the indenture.

Table of Contents

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury Regulations promulgated and proposed thereunder, Internal Revenue Service (IRS) rulings and pronouncements, and judicial decisions, all as of the date hereof and all of which are subject to change at any time. Any such change may be applied retroactively in a manner that could adversely affect a holder of the notes. We cannot assure you that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the notes.

This discussion is limited to persons purchasing the notes in this offering for cash at their issue price (the first price at which a substantial amount of the issue of notes is sold to purchasers other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and holding the notes as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). Moreover, the effects of other U.S. federal tax laws (such as estate and gift tax laws or the Medicare tax on investment income) and any applicable state, local or foreign tax laws are not discussed. In addition, this discussion does not address all of the U.S. federal income tax considerations that may be relevant to a particular holder in light of the holder s particular circumstances, or to holders subject to special rules, including, without limitation:

- dealers in securities or currencies;
- traders in securities, commodities or currencies;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding notes as part of a hedge, straddle, conversion or other risk reduction transaction;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- banks, insurance companies and other financial institutions;
- regulated investment companies and real estate investment trusts;
- persons subject to the alternative minimum tax;
- tax-exempt organizations;

controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;

persons subject to special tax accounting rules as a result of any item of gross income with respect to the notes being taken into account in an applicable financial statement;

partnerships, S corporations or other pass-through entities; and

persons deemed to sell the notes under the constructive sale provisions of the Code.

If a partnership or other entity taxed as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of the partners in the partnership generally will depend on the status of the particular partner in question and the activities of the partnership. Such partners should consult their tax advisors as to the specific tax consequences to them of acquiring, holding and disposing of the notes.

Table of Contents

Investors considering the purchase of notes should consult their tax advisors regarding the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences of the purchase, ownership or disposition of the notes under U.S. federal estate or gift tax laws, and the applicability and effect of state, local or foreign tax laws and tax treaties.

Consequences to U.S. Holders

The following is a summary of certain U.S. federal income tax considerations that will apply to you if you are a U.S. holder of the notes. The term U.S. holder means a beneficial owner of a note who or which is for U.S. federal income tax purposes**:**

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity that is taxable as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more United States persons (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

Payments of Interest

Stated interest paid or accrued on the notes generally will be taxable to you as ordinary income at the time such interest is received or accrued, in accordance with your regular method of accounting for U.S. federal income tax purposes. It is anticipated, and the following discussion assumes, that the notes will not be treated as issued with more than a de minimis amount of original issue discount.

Sale, Exchange or Disposition of Notes

You will recognize taxable gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a note equal to the difference, if any, between: