

PHILLIPS 66 PARTNERS LP
Form 8-K
October 27, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: October 22, 2014
(Date of earliest event reported)

Phillips 66 Partners LP
(Exact name of registrant as specified in its charter)

| | | |
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| Delaware (State or other jurisdiction of incorporation) | 001-36011 (Commission File Number) | 38-3899432 (I.R.S. Employer Identification No.) |
|---|--|---|

3010 Briarpark Drive
Houston, Texas 77042
(Address of principal executive offices and zip code)

(855) 283-9237
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On October 22, 2014, Phillips 66 Partners LP (the “Partnership”) entered into a Contribution, Conveyance and Assumption Agreement (the “Contribution Agreement”) with Phillips 66 Partners GP LLC (the “General Partner”), Phillips 66 Company (“P66 Company”), and Phillips 66 Pipeline LLC (“P66 Pipeline”), each a wholly owned subsidiary of Phillips 66 (“PSX”). Pursuant to the Contribution Agreement, the Partnership agreed to acquire (a) from P66 Company, the Bayway Rail Rack and the Ferndale Rail Rack, and (b) from P66 Pipeline, the Cross Channel Connector Pipeline, each as described in more detail below (the “Transaction”):

The Bayway Rail Rack is a four-track, 120-rail car crude oil receiving facility located in Linden, New Jersey within P66 Company’s Bayway refinery with a planned unloading capacity of 75,000 barrels per day.

The Ferndale Rail Rack is a two-track, 54-rail car crude oil receiving facility located in Ferndale, Washington adjacent to P66 Company’s Ferndale refinery with a planned unloading capacity of 30,000 barrels per day.

The Cross Channel Connector Pipeline is a FERC-regulated 20-inch refined product pipeline originating at the Partnership’s Pasadena terminal in Pasadena, Texas, running to terminal facilities located at Kinder Morgan’s Pasadena Terminal and the Galena Park Station in Galena Park, Texas, and terminating at the Holland Avenue Junction in Galena Park, Texas.

P66 Pipeline previously announced an open season in connection with its intention to expand certain capacity of the Cross Channel Connector Pipeline, reactivate certain segments of the pipeline and connect the pipeline to existing pipelines owned and operated by Kinder Morgan and Magellan in Galena Park, Texas.

The total consideration for the Transaction is \$340 million, which the Partnership will finance with \$28 million in cash; the issuance of 1,066,412 common units of the Partnership (“Common Units”) to P66 Company; the issuance of 21,764 general partner units of the Partnership to the General Partner to maintain its 2% general partner interest in the Partnership; and the assumption by the Partnership of a five-year, \$244 million note payable to a subsidiary of P66 Company. The Partnership expects to fund the cash consideration with amounts borrowed under its revolving credit facility.

The closing of the Transaction is subject to standard closing conditions, including the parties’ entry into various terminaling agreements that will provide for minimum throughput commitments and have initial terms of 10 years, various shared services agreements under which P66 Company and the Partnership will provide certain services to the other with respect to the Bayway Rail Rack and Ferndale Rail Rack, and amendments to the Partnership’s existing omnibus and operational services agreements with P66 Company and/or certain of its affiliates. The Transaction is targeted to close by early December 2014.

Pursuant to the Contribution Agreement, and subject to certain limitations, the Partnership has agreed to indemnify P66 Company and its affiliates (other than the Partnership and its subsidiaries), directors, officers, employees, agents and representatives (collectively, the “P66 Company Parties”) for any and all damages resulting from any breach of a representation, warranty, agreement or covenant of the Partnership and for certain other matters. Similarly, P66 Company has agreed to indemnify the Partnership and its subsidiaries and their respective affiliates (other than any of the P66 Company Parties),

directors, officers, employees, agents and representatives for any and all damages resulting from any breach of a representation, warranty, agreement or covenant of P66 Company and for certain other matters.

The foregoing description is not complete and is qualified in its entirety by reference to the full text of the Contribution Agreement, which is filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated herein by reference.

Relationships

Each of the parties to the Contribution Agreement is a direct or indirect subsidiary of PSX. As a result, certain individuals, including officers of PSX and officers and directors of the General Partner, serve as officers and/or directors of one or more of such entities. P66 Company currently (as of the date of this Current Report on Form 8-K) owns 19,858,957 Common Units and 35,217,112 subordinated units of the Partnership (“Subordinated Units”), collectively representing a 73.0% limited partner interest in the Partnership based on the number of Common Units and Subordinated Units outstanding as of October 21, 2014. P66 Company also owns an indirect 2% general partner interest in the Partnership and all of the Partnership’s incentive distribution rights through its ownership of the General Partner.

The terms of the Contribution Agreement were approved on behalf of the Partnership by the conflicts committee and the board of directors of the General Partner. The conflicts committee, which is comprised of independent members of the board of directors of the General Partner, retained independent legal and financial advisors to assist it in evaluating and negotiating the Transaction. In approving the terms of the Transaction, the conflicts committee based its decision in part on an opinion from the independent financial advisor that the consideration to be paid by the Partnership pursuant to the Contribution Agreement is fair, from a financial point of view, to the holders of Common Units unaffiliated with P66 Company and its affiliates.

Item 7.01 Regulation FD Disclosure

On October 22, 2014, the Partnership announced that it entered into the Contribution Agreement. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated herein by reference.

The information furnished pursuant to this Item 7.01, including Exhibit 99.1, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any filing under the Securities Act unless specifically identified therein as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| Exhibit No. | Description |
|-------------|--|
| 2.1 | -- Contribution, Conveyance and Assumption Agreement, dated as of October 22, 2014, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company and Phillips 66 Pipeline LLC. |
| 99.1 | -- Press release of Phillips 66 Partners LP, dated October 22, 2014. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Phillips 66 Partners LP

By: Phillips 66 Partners GP LLC, its general partner

Dated: October 27, 2014

By: /s/ J.T. Liberty

J.T. Liberty

Vice President and Chief Operating Officer

EXHIBIT INDEX

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