PHILLIPS 66 PARTNERS LP
Form 424B5
August 10, 2016

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Registration File No. 333-197797

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)(3)
Common units representing limited partner interests	$346,518,000.00	$ 34,894.36

(1) Assumes the underwriter's option to purchase 900,000 additional common units is exercised in full.

(2) Calculated pursuant to Rule 457(r) under the Securities Act of 1933, as amended.

(3) This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in the Company's Registration Statement on Form S-3 (File No. 333-197797) in accordance with Rules 456(b) and 457(r) under the Securities Act.

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PROSPECTUS SUPPLEMENT
(To Prospectus dated March 31, 2015)

Phillips 66 Partners LP

6,000,000 Common Units
Representing Limited Partner Interests

This is an offering of 6,000,000 common units representing limited partner interests in Phillips 66 Partners LP.

Our common units are listed on the New York Stock Exchange under the symbol "PSXP." The last reported sales price of our common units on the New York Stock Exchange on August 8, 2016 was $52.31 per common unit.

Investing in our common units involves risks. Limited partnerships are inherently different from corporations. You should consider carefully each of the factors described under "Risk Factors" beginning on page S-6 of this prospectus supplement and on page 2 of the accompanying prospectus before you make an investment in our securities.

	Per common unit	Total
Public offering price	$ 50.22	$ 301,320,000
Underwriting discounts	$ 0.47	$ 2,820,000
Proceeds to us (before expenses)	$ 49.75	$ 298,500,000

We have granted the underwriter a 30-day option to purchase up to 900,000 additional common units on the same terms and conditions as set forth above if the underwriter sells more than 6,000,000 common units in this offering.

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

The underwriter expects to deliver the common units on or about August 12, 2016.

RBC Capital Markets

Prospectus Supplement dated August 9, 2016.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common units. The second part is the accompanying base prospectus, which provides more general information. Generally, when we use the term "prospectus," we are referring to both parts combined. If the information varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

In making an investment decision, prospective investors must rely on their own examination of the Partnership and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable laws and regulations.

Any statement made in this prospectus, any free writing prospectus authorized by us or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Please read "Incorporation by Reference" on page S-19 of this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying base prospectus and any free writing prospectus prepared by or on behalf of us relating to this offering of common units. Neither we nor the underwriter have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the common units, and seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or any free writing prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

Unless the context otherwise requires, references in this prospectus supplement to the "Partnership" and uses of the first person refer to Phillips 66 Partners LP and its subsidiaries. Our "general partner" refers to Phillips 66 Partners GP LLC. References to "Phillips 66" refer collectively to Phillips 66 and its subsidiaries, other than us, our subsidiaries and our general partner.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement includes forward-looking statements. You can identify our forward-looking statements by the words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions.

We based the forward-looking statements on our current expectations, estimates and projections about us and the industries in which we operate in general. We caution you that these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- the continued ability of Phillips 66 to satisfy its obligations under our commercial and other agreements;
- the volume of crude oil, natural gas liquids, or NGL, and refined petroleum products we transport, fractionate, terminal and store;
- the tariff rates with respect to volumes that we transport through our regulated assets, which rates are subject to review and possible adjustment by federal and state regulators;
- changes in revenue we realize under the loss allowance provisions of our regulated tariffs resulting from changes in underlying commodity prices;
- fluctuations in the prices for crude oil, NGL and refined petroleum products;
- changes in global economic conditions and the effects of a global economic downturn on the business of Phillips 66 and the business of its suppliers, customers, business partners and credit lenders;
- liabilities associated with the risks and operational hazards inherent in transporting, fractionating, terminaling and storing crude oil, NGL and refined petroleum products;
- curtailment of operations due to severe weather disruption; riots, strikes, lockouts or other industrial disturbances; or failure of information technology systems due to various causes, including unauthorized access or attack;
- inability to timely obtain or maintain permits, including those necessary for capital projects; comply with government regulations; or make capital expenditures required to maintain compliance;
- failure to timely complete construction of announced and future capital projects;
- the operation, financing and distribution decisions of our joint ventures;

costs or liabilities associated with federal, state, and local laws and regulations relating to environmental protection and safety, including spills, releases and pipeline integrity;

costs associated with compliance with evolving environmental laws and regulations on climate change;

costs associated with compliance with safety regulations, including pipeline integrity management program testing and related repairs;

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changes in the cost or availability of third-party vessels, pipelines, rail cars and other means of delivering and transporting crude oil, NGL and refined petroleum products; and

direct or indirect effects on our business resulting from actual or threatened terrorist incidents or acts of war.

Other factors that could cause our actual results to differ from our projected results are described under the caption "Risk Factors" and elsewhere in this prospectus supplement, the accompanying base prospectus and in our reports filed from time to time with the Securities and Exchange Commission, or the SEC, and incorporated by reference in this prospectus supplement.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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Prospectus Supplement

Base Prospectus

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SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common units. For a more complete understanding of this offering and our common units, you should read the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference, including our historical financial statements and the notes to those financial statements, which are incorporated herein by reference. Please read "Where You Can Find More Information" on page S-19 of this prospectus supplement. Please read "Risk Factors" beginning on page S-6 of this prospectus supplement, on page 2 of the accompanying base prospectus and in the other documents incorporated by reference to which that section refers for more information about important risks that you should consider before investing in our common units.

About Phillips 66 Partners LP

We are a growth-oriented master limited partnership formed in 2013 by Phillips 66 to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum product and natural gas liquids ("NGL") pipelines and terminals and other transportation and midstream assets. Our assets consist of crude oil, refined petroleum products and NGL transportation, terminaling and storage systems, as well as an NGL fractionation facility. We conduct our operations through both wholly owned and joint venture operations. The majority of our wholly owned assets are connected to, and integral to the operation of, seven of Phillips 66's owned or joint-venture refineries.

We generate revenue primarily by providing fee-based transportation, terminaling, storage and NGL fractionation services to Phillips 66 and other customers. Our equity affiliates generate revenue primarily from transporting and terminaling NGL, refined petroleum products and crude oil. Since we do not own any of the NGL, crude oil and refined petroleum products we handle and do not engage in the trading of NGL, crude oil and refined petroleum products, we have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

We have multiple commercial agreements with Phillips 66, including transportation services agreements, terminal services agreements, storage services agreements, stevedoring services agreements, a fractionation agreement and rail terminal services agreements. Under these long-term, fee-based agreements, we provide transportation, terminaling, storage, stevedoring, fractionating and rail terminal services to Phillips 66, and Phillips 66 commits to provide us with minimum quarterly throughput volumes of crude oil and refined petroleum products or minimum monthly service fees.

Our general partner is a Delaware limited liability company that is owned by Phillips 66. We are managed and controlled by our general partner.

Our Relationship with Phillips 66

One of our principal strengths is our relationship with Phillips 66. Phillips 66 is a diversified energy manufacturing and logistics company with an investment grade credit rating, midstream, chemicals, refining, and marketing and specialties businesses, and a key focus on safe and reliable operations. Phillips 66 is one of the largest independent petroleum refiners in the United States and globally, with a net crude oil processing capacity of 2.2 million barrels per day as of January 1, 2016. Phillips 66 has stated that it intends to grow its transportation and other midstream businesses and will use us as a primary vehicle for achieving that growth.

Following the closing of this offering, Phillips 66 will retain a significant interest in us through its ownership of our general partner, a 57.1% limited partner interest in us based on the number of common units outstanding as of July 31, 2016 and the number of common units offered by us in this

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offering (or 56.6% if the underwriter's option to purchase additional common units is exercised in full) and all of our incentive distribution rights. We believe Phillips 66 will continue to promote and support the successful execution of our business strategies given its significant ownership in us following this offering, the importance of our assets to Phillips 66's refining and marketing operations and its stated intention to use us as a primary vehicle to grow its transportation and midstream businesses.

Recent Developments

STACK Pipeline JV. On August 3, 2016, we and Plains All American Pipeline, L.P. ("Plains") jointly formed STACK Pipeline LLC, a joint venture that owns and operates a crude oil storage terminal and a common carrier pipeline that transports crude oil from the Sooner Trend, Anadarko Basin, Canadian and Kingfisher Counties play in northwestern Oklahoma to Cushing, Oklahoma (the "STACK Pipeline JV"). Plains contributed an existing terminal located at Cashion, Oklahoma with approximately 200,000 barrels of crude oil storage capacity and an approximately 55-mile crude oil pipeline with a current capacity of approximately 100,000 barrels per day in exchange for its 50% interest in the STACK Pipeline JV. We contributed $50 million in cash, which will be distributed to Plains, in exchange for our 50% interest in the STACK Pipeline JV.

Explorer Acquisition. On July 20, 2016, we entered into an agreement to acquire an additional 2.5% equity interest in Explorer Pipeline Company ("Explorer") (the "Explorer Acquisition" and, together with the STACK Pipeline JV, the "Transactions"). The Explorer Acquisition will increase our ownership interest in Explorer from 19.46% to approximately 22%. The Explorer Acquisition is expected to close in August 2016, subject to regulatory review.

Second Quarter 2016 Distributions. On July 20, 2016, the board of directors of our general partner declared a quarterly cash distribution of $0.505 per common unit for the second quarter of 2016. This distribution is payable on August 12, 2016, to all unitholders of record at the close of business on August 3, 2016, and represents an increase of 5% over the 2016 first quarter distribution. Purchasers of common units in this offering will not be entitled to receive a cash distribution for the second quarter of 2016 because the common units will be issued after the record date.

Principal Executive Offices and Internet Address

Our executive offices are located at 2331 CityWest Blvd., Houston, Texas 77042, and our telephone number is (855) 283-9237. Our website is located at *http://www.phillips66partners.com*. We make available our periodic reports and other information filed with or furnished to the SEC, free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference herein and does not constitute a part of this prospectus.

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Partnership Structure

The table and simplified diagram below illustrate our organization and ownership after giving effect to this offering, based on the number of common units outstanding as of July 31, 2016 and the number of common units offered by us in this offering, assuming the underwriter does not exercise its option to purchase additional common units:

Public common units	41.0%
Phillips 66 common units	57.1%
General partner units	1.9%
Total	100.0%

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The Offering

Common units offered by us	6,000,000 common units. 6,900,000 common units if the underwriter exercises in full its option to purchase an additional 900,000 common units from us.
Units outstanding before this offering	97,297,689 common units, as of July 31, 2016.
Units outstanding after this offering	103,297,689 common units, or 104,197,689 common units if the underwriter exercises in full its option to purchase an additional 900,000 common units from us.
Use of proceeds	We expect to receive net proceeds of approximately $298,000,000 from this offering, or approximately $342,775,000 if the underwriter exercises in full its option to purchase additional common units from us, in each case after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use a portion of the net proceeds from this offering to fund the Transactions. We intend to use the remaining net proceeds from this offering, including net proceeds from any exercise of the underwriter's option to purchase additional common units (and, if the Explorer Acquisition does not close, the portion of the net proceeds that we would have used to fund the Explorer Acquisition), for general partnership purposes, including to fund future acquisitions and organic projects and the repayment of outstanding indebtedness. The closing of this offering is not conditioned on the closing of the Explorer Acquisition. Please read "Use of Proceeds." An affiliate of RBC Capital Markets, LLC is a lender under our revolving credit facility and, accordingly, may receive a portion of the net proceeds of this offering. Please read "Underwriting."
Cash distributions	Our general partner has adopted a cash distribution policy that requires us to distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner. We refer to this cash as "available cash," and it is defined in our partnership agreement. Please read "Provisions of our Partnership Agreement Relating to Cash Distributions" in the accompanying base prospectus. On July 20, 2016, the board of directors of our general partner declared a quarterly cash distribution to our limited partners for the second quarter of 2016 of $0.505 per common unit, payable on August 12, 2016, to holders of record as of August 3, 2016. This distribution represents an increase of 5% over the 2016 first quarter distribution. Purchasers of common units in this offering will not be entitled to receive a cash distribution for the second quarter of 2016 because the common units will be issued after the record date.

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	If cash distributions to our unitholders exceed $0.244375 per unit in any quarter, our general partner will receive, in addition to distributions on its 1.9% general partner interest, increasing percentages, up to 48%, of the cash we distribute in excess of that amount. We refer to these distributions as "incentive distributions."
Issuance of additional units	Our partnership agreement authorizes us to issue an unlimited number of additional units without the approval of our unitholders. Please read "Our Partnership Agreement Issuance of Additional Securities" in the accompanying base prospectus.
Limited voting rights	Our general partner manages and operates our partnership. Common unitholders have only limited voting rights on matters affecting our business. Common unitholders have no right to elect our general partner or its directors on an annual or continuing basis. Our general partner may not be removed except by a vote of the holders of at least 66²/₃% of the outstanding units voting together as a single class, including any units owned by our general partner and its affiliates. After giving effect to this offering, based on the number of common units outstanding as of July 31, 2016 and the number of common units offered by us in this offering and assuming that the underwriter exercises in full its option to purchase additional common units, Phillips 66 will own an aggregate of 57.7% of our common units, which gives Phillips 66 the ability to prevent the removal of our general partner.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2018, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. Please read "Material Tax Consequences" in this prospectus supplement.
Material tax consequences	For a discussion of the material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read "Material Tax Consequences" in this prospectus supplement and "Material Federal Income Tax Consequences" in the accompanying base prospectus.
Exchange listing	Our common units are listed on the New York Stock Exchange ("NYSE") under the symbol "PSXP."
Risk factors	You should carefully read and consider the information beginning on page S-6 of this prospectus supplement set forth under the heading "Risk Factors," on page 2 of the accompanying base prospectus and all other information set forth in this prospectus, including the information incorporated by reference, before deciding to invest in our common units.

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RISK FACTORS

An investment in our common units involves risks. Before you invest in our common units, you should carefully consider the risk factors included in our annual report on Form 10-K for the year ended December 31, 2015, as well as risks described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and cautionary notes regarding forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying base prospectus, together with all of the other information included or incorporated by reference herein.

If any of these risks were to materialize, our business, results of operations, cash flows and financial condition could be materially and adversely affected. In that case, our ability to make distributions to our unitholders may be reduced, the trading price of our securities could decline and you could lose all or part of your investment.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $298,000,000, after deducting underwriting discounts and commissions and estimated offering expenses, from the sale of 6,000,000 common units offered by this prospectus supplement. If the underwriter exercises in full its option to purchase 900,000 additional common units, the net proceeds to us, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $342,775,000.

We intend to use a portion of the net proceeds from this offering to fund the Transactions, including to repay borrowings under our revolving credit facility for our cash contribution to the STACK Pipeline JV. We intend to use the remaining net proceeds from this offering, including net proceeds from any exercise of the underwriter's option to purchase additional common units (and, if the Explorer Acquisition does not close, the portion of the net proceeds that we would have used to fund the Explorer Acquisition), for general partnership purposes, including to fund future acquisitions and organic projects and the repayment of outstanding indebtedness. The closing of this offering is not conditioned on the closing of the Explorer Acquisition. The Explorer Acquisition is expected to close in August 2016, subject to regulatory review. Please read "Summary Recent Developments."

We may elect to use a portion of the net proceeds of this offering, including net proceeds from any exercise of the underwriter's option to purchase additional common units, to repay all or a portion of a note payable to Phillips 66 Company, a subsidiary of Phillips 66, that we assumed on March 1, 2016 in connection with our acquisition of a 25% controlling interest in Phillips 66 Sweeny Frac LLC from Phillips 66 Company (the "Sponsor Note"). The Sponsor Note is for an aggregate principal amount of $212 million, bears interest at the rate of 3% per annum and matures on October 1, 2020.

An affiliate of RBC Capital Markets, LLC is a lender under our revolving credit facility and, accordingly, may receive a portion of the net proceeds of this offering. See "Underwriting."

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

Our common units are listed on the NYSE under the symbol "PSXP." The last reported sale price of our common units on the NYSE on August 8, 2016 was $52.31. As of August 8, 2016, there were eight holders of record of our common units. The following table sets forth the high and low sales prices of our common units as well as the amount of cash distributions declared and paid during each quarter since the first quarter of 2014.

	Common Unit Price		Distributions per Common		
Quarter Ended	**High**	**Low**	**Unit**	**Record Date**	**Payment Date**
September 30, 2016 (through August 8, 2016)	$ 56.45	$ 50.48	(1)	(1)	(1)
June 30, 2016	$ 64.83	$ 50.15	$ 0.5050	August 3, 2016	August 12, 2016
March 31, 2016	$ 66.81	$ 49.02	$ 0.4810	May 3, 2016	May 12, 2016
December 31, 2015	$ 66.75	$ 46.20	$ 0.4580	February 3, 2016	February 12, 2016
September 30, 2015	$ 72.25	$ 40.00	$ 0.4280	November 3, 2015	November 12, 2015
June 30, 2015	$ 76.95	$ 67.46	$ 0.4000	August 3, 2015	August 12, 2015
March 31, 2015	$ 81.63	$ 61.50	$ 0.3700	May 4, 2015	May 12, 2015
December 31, 2014	$ 71.00	$ 51.35	$ 0.3400	February 4, 2015	February 13, 2015
September 30, 2014	$ 79.83	$ 61.82	$ 0.3168	November 4, 2014	November 13, 2014
June 30, 2014	$ 79.92	$ 47.50	$ 0.3017	August 4, 2014	August 13, 2014
March 31, 2014	$ 50.45	$ 35.50	$ 0.2743	May 5, 2014	May 13, 2014

(1) The distributions attributable to the quarter ending September 30, 2016, have not yet been declared or paid. We expect to declare and pay cash distributions for the third quarter of 2016 within 45 days following the end of the quarter.

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MATERIAL TAX CONSEQUENCES

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. Although this section updates and adds information related to certain tax considerations as set forth in the base prospectus, it should be read in conjunction with the risk factors included under the caption "Tax Risks" in our annual report on Form 10-K for the year ended December 31, 2015, and with "Material Federal Income Tax Consequences" in the accompanying base prospectus, which provides a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units. The following discussion is limited as described under the caption "Material Federal Income Tax Consequences" in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

Ratio of Taxable Income to Distributions

We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2018, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. Our estimate is based upon many assumptions regarding our business operations, including assumptions as to our revenues, capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the Internal Revenue Service ("IRS") could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct.

The actual ratio of allocable taxable income to cash distributions could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of allocable taxable income to cash distributions to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

- gross income from operations exceeds the amount required to make minimum quarterly distributions on all units, yet we only distribute the minimum quarterly distributions on all units; or

- we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

Disposition of Common Units

Allocations Between Transferors and Transferee

In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis in proportion to the number of days in each month and will be subsequently apportioned among our unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to in this prospectus as the "Allocation Date." However, gain or loss realized on a sale or other disposition of our assets

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other than in the ordinary course of business will be allocated among our unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

The U.S. Department of Treasury and the IRS have issued Treasury Regulations that permit publicly traded partnerships to use a monthly simplifying convention that is similar to ours, but they do not specifically authorize all aspects of the proration method we have adopted. Accordingly, Latham & Watkins LLP is unable to opine on the validity of this method of allocating income and deductions between transferor and transferee unitholders. If this method is not allowed under the Treasury Regulations, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferor and transferee unitholders, as well as unitholders whose interests vary during a taxable year.

A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deductions attributable to that quarter through the month of disposition but will not be entitled to receive that cash distribution.

Tax Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raises issues unique to those investors and, as described below to a limited extent, may have substantially adverse tax consequences to them. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our common units. Employee benefit plans and most other organizations exempt from federal income tax, including IRAs and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to it.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States because of the ownership of units. As a consequence, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, our quarterly distribution to foreign unitholders will be subject to withholding at the highest applicable effective tax rate. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN, W-8BEN-E or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

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

A foreign unitholder who sells or otherwise disposes of a common unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the foreign unitholder. Under a ruling published by the IRS, interpreting the scope of "effectively connected income," a foreign unitholder would be considered to be engaged in a trade or business in the United States by virtue of the U.S. activities of the Partnership, and part or all of that unitholder's gain would be effectively connected with that

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unitholder's indirect U.S. trade or business. Moreover, under the Foreign Investment in Real Property Tax Act, a foreign common unitholder (other than certain "qualified foreign pension funds" (or an entity all of the interests of which are held by such a qualified foreign pension fund), which generally are entities or arrangements that are established and regulated by foreign law to provide retirement or other pension benefits to employees, do not have a single participant or beneficiary that is entitled to more than 5% of the assets or income of the entity or arrangement and are subject to certain preferential tax treatment under the laws of the applicable foreign country), generally, will be subject to U.S. federal income tax upon the sale or disposition of a common unit if (i) he owned (directly or constructively applying certain attribution rules) more than 5% of our common units at any time during the five-year period ending on the date of such disposition and (ii) 50% or more of the fair market value of all of our assets consisted of U.S. real property interests at any time during the shorter of the period during which such unitholder held the common units or the five-year period ending on the date of disposition. Currently, more than 50% of our assets consist of U.S. real property interests and we do not expect that to change in the foreseeable future. Therefore, foreign unitholders may be subject to federal income tax on gain from the sale or disposition of their units. Recent changes in law may affect certain foreign unitholders. Please read "Material Federal Income Tax Consequences Administrative Matters Additional Withholding Requirements," in the accompanying base prospectus.

Administrative Matters

Information Returns and Audit Procedures

We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder's share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Latham & Watkins LLP can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

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

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the "Tax Matters Partner" for these purposes. Our partnership agreement names Phillips 66 Partners GP LLC as our Tax Matters Partner.

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

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having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

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

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. Generally, we expect to elect to have our general partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, but there can be no assurance that such election will be effective in all circumstances. If we are unable to have our general partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders might be substantially reduced. These rules are not applicable to us for tax years beginning on or prior to December 31, 2017.

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

Additional Withholding Requirements

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

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jurisdictions that have an intergovernmental agreement with the United States governing these requirements may be subject to different rules.

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

Prospective investors should consult their own tax advisors regarding the potential application of these withholding provisions to their investment in our common units.

Nominee Reporting

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

the name, address and taxpayer identification number of the beneficial owner and the nominee;

whether the beneficial owner is:

a person that is not a U.S. person;

a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

a tax-exempt entity;

the amount and description of units held, acquired or transferred for the beneficial owner; and

specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from dispositions.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $250 per failure, up to a maximum of $3,000,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

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UNDERWRITING

RBC Capital Markets, LLC is the sole underwriter of this offering. S