

*FINANCIAL STATEMENTS*

*ROCKIES EXPRESS PIPELINE LLC*

*For the three and six months ended June 30, 2017 and 2016*

ROCKIES EXPRESS PIPELINE LLC  
BALANCE SHEETS  
(UNAUDITED)

	June 30, 2017	December 31, 2016
	(in millions)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents.....	\$ 7.0	\$ 118.4
Accounts receivable, net .....	74.2	59.4
Regulatory assets.....	15.5	12.3
Other current assets .....	6.5	5.6
Total Current Assets.....	103.2	195.7
Property, plant and equipment, net .....	6,021.7	6,063.7
Deferred charges and other assets.....	13.8	15.6
Total Noncurrent Assets.....	6,035.5	6,079.3
Total Assets.....	\$ 6,138.7	\$ 6,275.0
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable.....	\$ 28.8	\$ 38.1
Accrued interest .....	56.3	56.3
Accrued taxes .....	50.7	67.7
MFN revenue sharing liability .....	9.3	9.4
Construction advances .....	8.4	11.7
Accrued other current liabilities.....	4.5	4.9
Total Current Liabilities .....	158.0	188.1
Long-term Liabilities and Deferred Credits:		
Long-term debt.....	2,563.3	2,561.7
Other long-term liabilities and deferred credits .....	40.4	95.2
Total Long-term Liabilities and Deferred Credits.....	2,603.7	2,656.9
Commitments and Contingencies		
Members' Equity:		
Members' equity.....	3,377.0	3,430.0
Total Liabilities and Members' Equity.....	\$ 6,138.7	\$ 6,275.0

The accompanying notes are an integral part of these financial statements.

ROCKIES EXPRESS PIPELINE LLC  
STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Revenues:				
Transportation services .....	\$ 204.5	\$ 175.4	\$ 405.5	\$ 391.9
Natural gas sales.....	2.7	—	3.0	—
Total Revenues.....	<u>207.2</u>	<u>175.4</u>	<u>408.5</u>	<u>391.9</u>
Operating Costs and Expenses:				
Cost of transportation services (exclusive of depreciation and amortization shown below) .....	7.6	5.8	16.4	13.6
Cost of natural gas sales.....	2.6	—	2.9	—
Operations and maintenance .....	6.4	7.1	12.1	12.7
Depreciation and amortization .....	54.6	50.2	108.8	100.5
General and administrative .....	7.3	8.1	14.8	26.8
Taxes, other than income taxes .....	15.9	18.9	33.4	36.9
Total Operating Costs and Expenses.....	<u>94.4</u>	<u>90.1</u>	<u>188.4</u>	<u>190.5</u>
Operating Income.....	<u>112.8</u>	<u>85.3</u>	<u>220.1</u>	<u>201.4</u>
Other (Expense) Income:				
Interest expense, net.....	(42.1)	(39.9)	(83.9)	(80.4)
Gain on litigation settlement.....	—	61.7	—	61.7
Other income, net.....	0.3	5.6	1.0	10.0
Total Other Expense, net.....	<u>(41.8)</u>	<u>27.4</u>	<u>(82.9)</u>	<u>(8.7)</u>
Net Income to Members.....	<u>\$ 71.0</u>	<u>\$ 112.7</u>	<u>\$ 137.2</u>	<u>\$ 192.7</u>

The accompanying notes are an integral part of these financial statements.

**ROCKIES EXPRESS PIPELINE LLC**  
**STATEMENTS OF MEMBERS' EQUITY**  
**(UNAUDITED)**

Six Months Ended June 30, 2017

	Total	Rockies Express Holdings, LLC	TEP REX Holdings, LLC	Sempra REX Holdings, LLC	P66 REX LLC
	(in millions)				
Members' Equity .....					
Beginning Balance .....	\$ 3,430.0	\$ 1,715.0	\$ 857.5	\$ —	\$ 857.5
Net Income to Members .....	137.2	50.9	52.0	—	34.3
Contributions from Members .....	49.1	19.0	17.8	—	12.3
Distributions to Members .....	(239.3)	(90.0)	(89.5)	—	(59.8)
Transfer of equity interest (see Note 1) ...	—	(850.3)	850.3	—	—
Ending Balance .....	<u>\$ 3,377.0</u>	<u>\$ 844.6</u>	<u>\$ 1,688.1</u>	<u>\$ —</u>	<u>\$ 844.3</u>

Six Months Ended June 30, 2016

	Total	Rockies Express Holdings, LLC	TEP REX Holdings, LLC	Sempra REX Holdings, LLC	P66 REX LLC
	(in millions)				
Members' Equity .....					
Beginning Balance .....	\$ 3,318.2	\$ 1,659.0	\$ —	\$ 829.6	\$ 829.6
Net income to Members .....	192.7	96.3	21.2	27.0	48.2
Contributions from Members .....	162.5	81.3	14.4	26.2	40.6
Distributions to Members .....	(286.7)	(143.3)	(29.7)	(42.0)	(71.7)
Transfer of equity interest .....	—	—	840.8	(840.8)	—
Ending Balance .....	<u>\$ 3,386.7</u>	<u>\$ 1,693.3</u>	<u>\$ 846.7</u>	<u>\$ —</u>	<u>\$ 846.7</u>

The accompanying notes are an integral part of these financial statements.

ROCKIES EXPRESS PIPELINE LLC  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
	(in millions)	
Cash Flows from Operating Activities:		
Net income to Members .....	\$ 137.2	\$ 192.7
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization .....	111.5	103.1
Changes in components of working capital:		
Accounts receivable .....	(19.5)	31.9
Current regulatory assets and liabilities, net .....	(3.2)	(7.0)
Accounts payable .....	3.1	16.5
Accrued taxes .....	(17.0)	(13.0)
Other current assets and liabilities .....	(1.9)	(1.6)
Return of customer deposits .....	(50.8)	—
Receipt of customer deposits .....	2.8	34.9
Other operating, net .....	0.3	(0.5)
Net Cash Provided by Operating Activities .....	162.5	357.0
Cash Flows from Investing Activities:		
Capital expenditures .....	(81.6)	(175.7)
Other investing, net .....	(2.1)	(2.0)
Net Cash Used in Investing Activities .....	(83.7)	(177.7)
Cash Flows from Financing Activities:		
Distributions to Members .....	(239.3)	(286.7)
Contributions from Members .....	49.1	162.5
Net Cash Used in Financing Activities .....	(190.2)	(124.2)
Net Change in Cash and Cash Equivalents .....	(111.4)	55.1
Cash and Cash Equivalents, beginning of period .....	118.4	48.0
Cash and Cash Equivalents, end of period .....	\$ 7.0	\$ 103.1

The accompanying notes are an integral part of these financial statements.

# ROCKIES EXPRESS PIPELINE LLC

## NOTES TO FINANCIAL STATEMENTS

### 1. Description of Business

Rockies Express Pipeline LLC ("Rockies Express") is a Federal Energy Regulatory Commission ("FERC") regulated natural gas transportation system with approximately 1,712 miles of natural gas pipeline, including laterals, extending from Opal, Wyoming and Meeker, Colorado to Clarington, Ohio and consisting of three zones:

- Zone 1 - a 328-mile pipeline from the Meeker Hub in Northwest Colorado, across Southern Wyoming to the Cheyenne Hub in Weld County, Colorado capable of transporting 2.0 Bcf/d of natural gas from west to east;
- Zone 2 - a 714-mile pipeline from the Cheyenne Hub to an interconnect in Audrain County, Missouri capable of transporting 1.8 Bcf/d of natural gas from west to east; and
- Zone 3 - a 643-mile pipeline from Audrain County, Missouri to Clarington, Ohio, which is bi-directional and capable of transporting 1.8 Bcf/d of natural gas from west to east and 2.6 Bcf/d of natural gas from east to west.

The member interests and voting rights in Rockies Express as of June 30, 2017 are as follows:

- 49.99% - TEP REX Holdings, LLC ("TEP REX"), an indirect wholly owned subsidiary of Tallgrass Energy Partners, LP ("TEP");
- 25.01% - Rockies Express Holdings, LLC ("REX Holdings"), an indirect wholly owned subsidiary of Tallgrass Development, LP ("TD"); and
- 25% - P66REX LLC, a wholly owned subsidiary of Phillips 66.

On March 31, 2017, TEP, TD, and REX Holdings, entered into a definitive Purchase and Sale Agreement, pursuant to which TEP acquired an additional 24.99% membership interest in Rockies Express from TD in exchange for cash consideration of \$400 million. This transaction increased TEP's aggregate membership interest in Rockies Express to 49.99%.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

Rockies Express has condensed or omitted certain information and notes normally included in annual financial statements prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). These unaudited interim financial statements should be read in conjunction with Rockies Express' audited December 31, 2016 financial statements and related notes. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In management's opinion, these financial statements reflect normal and recurring adjustments that are necessary for a fair statement of Rockies Express' financial results for the interim periods presented, and adequate disclosures have been made to make the information presented not misleading. Certain prior period amounts have been reclassified to conform to the current presentation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

## **New Accounting Pronouncements**

### *Revenue Recognition*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a comprehensive and converged set of principles-based revenue recognition guidelines which supersede the existing industry and transaction-specific standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, entities must apply a five-step process to (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also mandates disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The disclosure requirements include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

Throughout 2015 and 2016, the FASB has issued a series of subsequent updates to the revenue recognition guidance in Topic 606, including ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.

The amendments in ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20 are effective for public entities for annual reporting periods beginning after December 15, 2017, and for interim periods within that reporting period. Early application is permitted for annual reporting periods beginning after December 15, 2016.

Rockies Express is currently evaluating the impact of our pending adoption of the revised guidance. The status of its implementation is as follows:

- Rockies Express management has formed an implementation team that meets to discuss implementation challenges, technical interpretations, industry-specific treatment of certain revenue contract types, and project status.
- Rockies Express management is currently reviewing contracts for each revenue stream identified. Through this process, management is determining and documenting expected changes in revenue recognition upon adoption of the revised guidance.
- Rockies Express management plans to evaluate the potential information technology and internal control changes that will be required for adoption based on the findings from its contract review process.
- Rockies Express management plans to provide internal training and awareness related to the revised guidance to the key stakeholders throughout its organization.

Through the contract review process currently underway, management has identified areas of potential impact, including the accounting for tiered pricing in certain long-term transportation contracts. Rockies Express will continue to conduct its contract review process throughout 2017 and, as a result, areas of impact may be identified. Rockies Express is in the process of quantifying the impact of adoption but cannot reasonably estimate such amount at this time. While the United States Securities and Exchange Commission (the "SEC") has indicated that it will not object to certain public business entities adopting the standard using the timeline otherwise afforded to private companies, Rockies Express expects to adopt the new standard on January 1, 2018 using the modified retrospective approach. This approach allows Rockies Express to apply the new standard to (i) all new contracts entered into after January 1, 2018 and (ii) all existing contracts for which all (or substantially all) of the revenue has not been recognized under legacy revenue guidance as of January 1, 2018 through a cumulative adjustment to members' equity. Consolidated revenues presented in the comparative financial statements for periods prior to January 1, 2018 would not be revised.

### *ASU No. 2016-02, "Leases (Topic 842)"*

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 provides a comprehensive update to the lease accounting topic in the Codification intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in ASU 2016-02 include a revised definition of a lease as well as certain scope exceptions. The changes primarily impact lessee accounting, while lessor accounting is largely unchanged from previous GAAP.

The amendments in ASU 2016-02 are effective for public entities for annual reporting periods beginning after December 15, 2018, and for interim periods within that reporting period. Early application is permitted. Rockies Express is currently evaluating the impact of ASU 2016-02. While the SEC has indicated that it will not object to certain public business entities adopting the standard using the timeline otherwise afforded to private companies, Rockies Express expects to adopt the new standard on January 1, 2019.

### 3. Property, Plant and Equipment

Rockies Express' property, plant and equipment, net consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
Natural gas pipelines .....	\$ 7,641.1	\$ 7,085.8
General and other .....	15.6	9.9
Construction work in progress.....	6.0	503.2
Accumulated depreciation and amortization .....	(1,641.0)	(1,535.2)
Total property, plant and equipment, net.....	<u>\$ 6,021.7</u>	<u>\$ 6,063.7</u>

### 4. Financing

#### *Debt*

Total outstanding debt as of June 30, 2017 and December 31, 2016 consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
6.85% senior notes due July 15, 2018 .....	\$ 550.0	\$ 550.0
6.00% senior notes due January 15, 2019 .....	525.0	525.0
5.625% senior notes due April 15, 2020.....	750.0	750.0
7.50% senior notes due July 15, 2038 .....	250.0	250.0
6.875% senior notes due April 15, 2040.....	500.0	500.0
Less: Unamortized debt discount and debt issuance costs .....	(11.7)	(13.3)
Total long-term debt .....	<u>\$ 2,563.3</u>	<u>\$ 2,561.7</u>

#### *Rockies Express Senior Notes*

The senior notes issued by Rockies Express are redeemable in whole or in part, at Rockies Express' option at any time, at redemption prices defined in the associated indenture agreements.

All payments of principal and interest with respect to the fixed rate senior notes are the sole obligation of Rockies Express. Note holders have no recourse against Rockies Express' Members or their respective officers, directors, employees, shareholders, members, managers, unit holders or affiliates for any failure by Rockies Express to perform or comply with its obligations pursuant to the notes or the indenture. As of June 30, 2017, Rockies Express was in compliance with the covenants required under the senior notes.

#### *Rockies Express Revolving Credit Facility*

On October 1, 2015, Rockies Express entered into a new \$150 million senior unsecured revolving credit facility ("the revolving credit facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders, which will mature on January 31, 2020. The revolving credit facility includes a \$75 million sublimit for letters of credit and a \$20 million sublimit for swing line loans and may be used for working capital and general company purposes. The revolving credit facility also contains an accordion feature whereby Rockies Express can increase the size of the credit facility to an aggregate of \$200 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. As of June 30, 2017 there were no outstanding borrowings or letters of credit issued under the revolving credit facility. As of June 30, 2017, Rockies Express was in compliance with the covenants required under the revolving credit facility.



## Fair Value

The following table sets forth the carrying amount and fair value of our long-term debt, which is not measured at fair value in the accompanying balance sheets as of June 30, 2017 and December 31, 2016, but for which fair value is disclosed:

	Fair Value			Total	Carrying Amount
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
	(in millions)				
June 30, 2017 .....	\$ —	\$ 2,748.0	\$ —	\$ 2,748.0	\$ 2,563.3
December 31, 2016 .....	\$ —	\$ 2,684.9	\$ —	\$ 2,684.9	\$ 2,561.7

The long-term debt is carried at amortized cost, net of debt issuance costs. The estimated fair value of Rockies Express' outstanding private placement debt is based upon quoted market prices adjusted for illiquid markets. We are not aware of any factors that would significantly affect the estimated fair value subsequent to June 30, 2017.

## 5. Members' Equity

During the six months ended June 30, 2017 and 2016, Rockies Express made distributions to Members of \$239.3 million and \$286.7 million, respectively.

During the six months ended June 30, 2017 and 2016, Rockies Express received contributions from Members of \$49.1 million and \$162.5 million, respectively, which were primarily used to fund the construction and other costs of the Zone 3 Capacity Enhancement project, as discussed in Note 7 – *Regulatory Matters*.

Additional contributions and distributions were made subsequent to June 30, 2017. For details see Note 9 – *Subsequent Events*.

## 6. Related Party Transactions

Rockies Express has an operating agreement with Tallgrass NatGas Operator, LLC ("NatGas"), a subsidiary of TEP, under which NatGas provides and bills Rockies Express for various services at cost including employee labor costs, information technology services, employee health and retirement benefits, and insurance for property and casualty risks. In addition, NatGas receives a management oversight fee in the amount of 1% of Rockies Express' earnings before interest, taxes, depreciation, and amortization. Rockies Express' practice is to settle receivable and payable balances that exist with affiliates in the following month.

Totals of significant transactions with affiliated companies are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Revenues: Transportation services <sup>(1)</sup> .....	\$ —	\$ 9.8	\$ —	\$ 14.4
Charges from TD:				
Compensation, benefits and other charges .....	\$ 4.6	\$ 5.0	\$ 9.2	\$ 9.9
General and administrative charges from affiliate .....	\$ 2.7	\$ 2.3	\$ 5.4	\$ 4.5
Oversight Fees:				
Tallgrass NatGas Operator, LLC .....	\$ 1.7	\$ 2.0	\$ 3.3	\$ 3.7

<sup>(1)</sup> Transportation services revenue for the three and six months ended June 30, 2016 is primarily from Sempra Energy prior to the May 6, 2016 sale of Sempra Energy's ownership to TEP REX.

Balances with affiliated companies included in the accompanying Balance Sheets are as follows:

	June 30, 2017	December 31, 2016
	(in millions)	
Payables to affiliated companies:		
TD .....	2.8	4.5
TEP .....	1.0	0.6
Total payables to affiliated companies.....	<u>\$ 3.8</u>	<u>\$ 5.1</u>

## 7. Regulatory Matters

There are no regulatory proceedings challenging the transportation rates of Rockies Express. We have made certain regulatory filings with the FERC, including the following:

### *Rockies Express Zone 3 Capacity Enhancement Project – FERC Docket No. CP15-137-000*

On March 31, 2015 in Docket No. CP15-137-000, Rockies Express filed with the FERC an application for authorization to construct and operate (1) three new mainline compressor stations located in Pickaway and Fayette Counties, Ohio and Decatur County, Indiana; (2) additional compressors at an existing compressor station in Muskingum County, Ohio; and (3) certain ancillary facilities. The facilities increased the Rockies Express Zone 3 east-to-west mainline capacity by 0.8 Bcf/d. Pursuant to the FERC's obligations under the National Environmental Policy Act, FERC staff issued an Environmental Assessment for the project on August 31, 2015. On February 25, 2016, the FERC issued a Certificate of Public Convenience and Necessity authorizing Rockies Express to proceed with the project. On March 14, 2016, Rockies Express commenced construction of the project facilities. The project was placed in-service for the 0.8 Bcf/d on January 6, 2017.

### *2016 Annual and Interim FERC Fuel Tracking Filings - FERC Docket Nos. RP16-702 and RP17-240*

On March 1, 2016, Rockies Express made its annual fuel tracker filing with a proposed effective date of April 1, 2016 in Docket No. RP16-702. The FERC issued an order accepting the filing on March 25, 2016. On December 1, 2016, Rockies Express made an interim fuel tracker filing with a proposed effective date of January 1, 2017 in Docket No. RP17-240. The FERC issued an order accepting the filing on December 29, 2016.

### *Electric Power Charge Clarification - FERC Docket No. RP17-285*

On December 21, 2016, in Docket No. RP17-285, Rockies Express proposed certain revisions to the General Terms and Conditions of its tariff to clarify that the electric power costs associated with the operation of gas coolers installed in association with the Zone 3 Capacity Enhancement Project, at both electric and gas powered stations, will be included in the Power Cost Tracker. Several shippers submitted comments on the proposal. The FERC issued an order on January 19, 2017 accepting the proposed revisions permitting the recovery of electric power costs from the operation of both gas and electric powered compressor stations, subject to certain clarifications.

### *2017 Annual FERC Fuel Tracking Filing - FERC Docket No. RP17-401-000*

On February 13, 2017, in Docket No. RP17-401-000, Rockies Express made its annual fuel and power cost tracker filing with a proposed effective date of April 1, 2017. The FERC issued an order accepting the filing, including certain requested waivers, on March 21, 2017.

## 8. Legal and Environmental Matters

### Legal

In addition to the matters discussed below, Rockies Express is a defendant in various lawsuits arising from the day-to-day operations of its business. Although no assurance can be given, Rockies Express believes, based on its experiences to date, that the ultimate resolution of such routine items will not have a material adverse impact on its business, financial position, results of operations, or cash flows.

Rockies Express has evaluated claims in accordance with the accounting guidance for contingencies that it deems both probable and reasonably estimable and, accordingly, has recorded no reserve for legal claims as of June 30, 2017 or December 31, 2016.

### *Ultra Resources*

In early 2016, Ultra Resources, Inc. ("Ultra") defaulted on its firm transportation service agreement for approximately 0.2 Bcf/d through November 11, 2019. In late March 2016, Rockies Express terminated Ultra's service agreement. On April 14, 2016, Rockies Express filed a lawsuit against Ultra for breach of contract and damages in Harris County, Texas, seeking approximately \$303 million in damages and other relief. On April 29, 2016, Ultra and certain of its debtor affiliates filed for protection under Chapter 11 of the United States Bankruptcy Code in United States Bankruptcy Court for the Southern District of Texas, which operated as a stay of the Harris County state court proceeding.

On January 12, 2017, Rockies Express and Ultra entered into an agreement to settle Rockies Express' approximately \$303 million claim against Ultra. In accordance with the settlement agreement, Ultra made a cash payment to Rockies Express of \$150 million on July 12, 2017, and entered into a new, seven-year firm transportation agreement with Rockies Express commencing December 1, 2019, for west-to-east service of 0.2 Bcf/d at a rate of approximately \$0.37 per dth/d, or approximately \$26.8 million annually.

### *Michels Corporation*

On June 17, 2014, Michels Corporation ("Michels") filed a complaint and request for relief against Rockies Express in the Court of Common Pleas, Monroe County, Ohio, as a result of work performed by Michels to construct the Seneca Lateral Pipeline in Ohio. Michels sought unspecified damages from Rockies Express and asserted claims of breach of contract, negligent misrepresentation, unjust enrichment and quantum meruit. Michels also filed notices of Mechanic's Liens in Monroe and Noble Counties, asserting \$24.2 million as the amount due.

On February 2, 2017, Rockies Express and Michels agreed to resolve Michels' claims for a \$10 million cash payment by Rockies Express. The cash payment was inclusive of approximately \$5.9 million that Rockies Express had been withholding from Michels. Subsequently, Rockies Express and Michels entered into a definitive agreement with respect to the settlement and Rockies Express made the \$10 million cash payment to Michels on February 16, 2017.

### **Environmental, Health and Safety**

Rockies Express is subject to a variety of federal, state and local laws that regulate permitted activities relating to air and water quality, waste disposal, and other environmental matters. Rockies Express believes that compliance with these laws will not have a material adverse impact on its business, cash flows, financial position or results of operations. However, there can be no assurances that future events, such as changes in existing laws, the promulgation of new laws, or the development of new facts or conditions will not cause Rockies Express to incur significant costs.

## **9. Subsequent Events**

Subsequent events, which are events or transactions that occurred after June 30, 2017 through the issuance of the accompanying financial statements, have been evaluated through August 2, 2017.

### *Ultra Settlement*

On July 12, 2017, Rockies Express received the \$150 million settlement payment from Ultra as discussed in Note 8 – *Legal and Environmental Matters*.

### *Members' Equity*

During July 2017, Rockies Express paid distributions of \$189.9 million to its Members and received contributions of \$7.7 million from its Members. The distributions paid by Rockies Express in July included a special distribution of the proceeds from the Ultra settlement discussed above.