

## Summary of Tax Consequences

**The following tax consequences associated with the acquisition of SemGroup Corporation by Energy Transfer, L.P. are contingent upon the transaction qualifying as a tax-free exchange pursuant to Section 721 of the Internal Revenue Code.**

### I. Introduction

On September 15, 2019, SemGroup Corporation (“SemGroup”), Energy Transfer, L.P. (“ET”) and Nautilus Merger Sub LLC, a wholly owned subsidiary of ET (“Merger Sub”), entered into a merger agreement pursuant to which Merger Sub merged with and into SemGroup, with SemGroup continuing as the surviving entity (the “Merger”). The Merger was consummated on December 4, 2019.

Under the terms of the merger agreement, holders of SemGroup Class A Common Stock received \$6.80 per share in cash and 0.7275 of an ET common unit in exchange for each share.

This document is intended to provide a summary of certain U.S. federal income tax consequences to persons who exchanged SemGroup shares for ET units pursuant to the Merger. This document does not constitute tax advice and does not address any special tax rules (including, but not limited to, the alternative minimum tax) or the tax consequences in any state, local, or foreign jurisdiction. Please consult the proxy statement filed with the Securities and Exchange Commission for additional information regarding the U.S. income tax consequences of the Merger.

**The actual tax consequences of the Merger to you may be complex and will depend on your specific tax situation. Please consult your own tax adviser to determine the U.S. income tax consequences of the transaction to you in light of your own personal circumstances as well as any other tax consequences under any state, local, or foreign tax authorities.**

For purposes of the following examples and discussions, each SemGroup shareholder is an individual citizen or resident of the United States who purchased SemGroup shares for cash and held such shares as a capital asset. This document does not generally apply to any shares held in tax-deferred accounts, such as 401(k) or IRA accounts. Further, the following summary is premised on the Merger qualifying as a contribution of SemGroup shares to ET under Section 721(a) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

### II. Summary of Certain U.S. Federal Income Tax Consequences

#### A. Gain

The tax basis of the ET common units received by each SemGroup shareholder is the same as the basis of the SemGroup shares exchanged there for, increased by each SemGroup shareholder’s share of the nonrecourse liabilities of ET. No gain is recognized solely as a result of the exchange of SemGroup shares for ET units.

A SemGroup shareholder receiving any portion of his Merger consideration in cash should recognize gain to the extent the amount of cash received is greater than the

shareholder's adjusted basis in the SemGroup common stock treated as sold. Gain must be calculated separately for each block of common stock exchanged for cash. Any such gain should be long term capital gain if the shareholder holds the shares of common stock as a capital asset and the shareholder's holding period for the shares of common stock exceeds one year.

**B. Loss**

The tax basis of the ET common units received by each SemGroup shareholder is the same as the basis of the SemGroup shares exchanged there for, increased by each SemGroup shareholder's share of the nonrecourse liabilities of ET. No loss is recognized solely as a result of the exchange of SemGroup shares for ET units.

A SemGroup shareholder receiving any portion of his Merger consideration in cash should recognize loss to the extent the amount of cash received is less than the shareholder's adjusted basis in the SemGroup common stock treated as sold. Loss must be calculated separately for each block of common stock exchanged for cash. Generally, any such loss should be long term capital loss if the shareholder holds the shares of common stock as a capital asset and the shareholder's holding period for the shares of common stock exceeds one year. The deductibility of capital losses is subject to limitations.

**C. Holding Period**

The holding period for ET units received in exchange for SemGroup shares pursuant to the Merger includes the period during which the shareholder held the SemGroup shares, provided that the SemGroup units were held as a capital asset by such holder at the time of the Merger.

**D. Illustrations**

In general, tax basis should be allocated to the ET units received based on the fair market value (FMV) of the ET units in proportion to the FMV of the total consideration (cash and units) received. The fair market value of ET units at the time of the merger was \$11.33 per unit.

The allocation of tax basis is illustrated by the following example:

In this example, the investor will have exchanged 100 SemGroup shares with a total tax basis of \$3,000.

**Standard Mix of Consideration (\$6.80 in cash and 0.7275 ET units for each share):**

100 SemGroup shares become...

72 ET units at FMV \$815.76 (72 \* \$11.33)

\$688.50 cash (\$6.80 per SemGroup share plus 0.75 fractional unit disposition at \$11.33 per unit)

Total consideration has a FMV of \$1,504.26.

Basis in SemGroup shares applied to ET units is equal to  $\$3,000 * (\$815.76 / \$1,504.26) = \$1,626.90$ .

Basis in SemGroup shares sold for cash is equal to  $\$3,000 * (\$688.50 / \$1,504.26) = \$1,373.10$ .

***ET does not provide tax advice to its unitholders and has only provided these examples for illustrative purposes. They are not intended to be, nor should they be construed as, tax advice. ET suggests that you consult a tax advisor with any questions.***