



**Investor FAQs  
(as of July 5, 2016)**

**1. What was announced?**

- On May 15, 2016, Breitburn Energy Partners LP and certain of its affiliates (Breitburn) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York to facilitate the restructuring of the company's balance sheet (Chapter 11 Cases).
- Chapter 11 is a process under the U.S. Bankruptcy Code that allows companies to implement financial restructurings while continuing to operate their businesses.

**2. Why did Breitburn take this action?**

- The prolonged decline in commodity prices that began in 2014 has placed significant financial stress on today's oil and gas industry. While Breitburn's long-lived, low-decline portfolio of diverse assets continues performing in line with our expectations, the current outlook for commodity prices made our existing debt burden unsustainable.
- Taking this action gives Breitburn flexibility in maximizing the value of the ongoing business. By continuing the proactive approach we started 16 months ago and restructuring our balance sheet now, we expect to create a stronger and more financially sound company.

**3. Does this mean Breitburn is going out of business?**

- No. It is important to understand that Breitburn is undergoing a financial restructuring, and Breitburn will continue normal, day-to-day operations during the restructuring process.

**4. Does Breitburn have enough capital to continue its operations?**

- We have evaluated the anticipated financial needs of our business through the expected duration of this process and are confident Breitburn has sufficient capital to successfully complete this restructuring given our cash from operations, cash on hand, and our \$75 million debtor-in-possession financing facility (DIP Financing Facility). Our DIP Financing Facility lenders have also offered to arrange an additional \$75 million of DIP financing at our request.

**5. What will happen to Breitburn Common Units and Series A Preferred Units?**

- As a result of the filing of the Chapter 11 Cases, Breitburn's Common Units and its 8.25% Series A Cumulative Redeemable Perpetual Preferred Units (Series A Units) were delisted from NASDAQ.
- On May 25, 2016, Breitburn's Common Units and Series A Units began trading on the OTC Pink Sheets marketplace under the symbols "BBEPQ" and "BBPPQ," respectively.
- Despite the transition of Breitburn's Common Units and Series A Units to the OTC Pink Sheets, there is no assurance that either security will continue to trade on the OTC Pink Sheets, that any



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(as of July 5, 2016)**

public market for Breitburn's Common Units or Series A Units will exist in the future or that Breitburn will be able to relist its Common Units or Series A Units on any national securities exchange. In addition, there is no assurance that any broker-dealer will continue to agree to provide public quotes of Breitburn's Common Units or Series A Units or whether the trading volume of either security will be sufficient to provide for an efficient trading market.

- The impact of the Chapter 11 Cases on Breitburn's Common Units and Series A Units will be determined in connection with the Chapter 11 plan process. Implementation of any Chapter 11 plan is subject to confirmation by the Bankruptcy Court and compliance with the terms and provisions of the Bankruptcy Code.
- There can be no assurance that Breitburn's Common Units or Series A Units will retain any value or receive any distribution or consideration under a Chapter 11 plan.

**6. When is the Chapter 11 process expected to conclude?**

- It is our intent to move through the restructuring process as quickly as possible. However, the timing for the conclusion of the Chapter 11 Cases is not known at this time.

**7. Can/should I sell my Breitburn Common Units or Series A Units?**

- Neither Breitburn, nor any of its employees or representatives can provide financial/investment advice.
- All investors are encouraged to consult their personal financial advisor(s) for buying, selling or trading advice concerning Breitburn's Common Units and Series A Units.

**8. What is CODI?**

- CODI is the abbreviation for "cancellation of debt income," a type of income that is generally taxable income for U.S. federal and state income tax purposes.
- Company actions in the ordinary course of business or in bankruptcy cases that reduce, eliminate, modify or extinguish existing debt may result in CODI.
- Because master limited partnerships (like Breitburn) are generally "pass-through" entities for income tax purposes, any CODI that might be recognized by a master limited partnership is generally "passed through" to its unitholders on a pro-rata basis.

**9. Has Breitburn taken any action that results in CODI being passed through to unitholders?**

- The actual filing of the Chapter 11 Cases did not result in CODI being passed through to unitholders. Depending on the provisions of a Chapter 11 plan ultimately confirmed by the Bankruptcy Court and implemented, it is possible that such plan could result in CODI being passed



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through to unitholders at the time debt claims are discharged. The timing for the conclusion of the Chapter 11 Cases is not known at this time.

- Breitburn has not taken any action in connection with the Chapter 11 Cases that has resulted in CODI being passed through to unitholders prior to July 5, 2016, the date of this Investor FAQs document.

**10. What is my potential exposure as a Breitburn unitholder if CODI is passed through to me?**

- The ultimate tax liability for any allocation of CODI to any holder of Breitburn Common Units will depend on such unitholder's specific tax situation, including, for example, whether such unitholder has any historical suspended passive losses attributable to its Breitburn Common Units or whether such unitholder would be able to rely on the unitholder-level insolvency exception to the recognition of CODI. Each holder of Breitburn Common Units is strongly encouraged to consult its tax advisor with respect to any questions concerning CODI that may be passed through to such unitholder or the potential consequences of such CODI to its specific tax situation, including whether such holder may be considered insolvent for purposes of the unitholder-level insolvency exception to the recognition of CODI.
- If CODI is recognized by Breitburn, then an amount of such CODI would be passed through on a pro-rata basis to the holders of Breitburn Common Units outstanding immediately prior to the time that CODI is recognized, and the holders of such Breitburn Common Units would be required to report their share of CODI as ordinary income. At this time, there is no certainty as to the terms and provisions of a Chapter 11 plan or when a Chapter 11 plan will be confirmed and become effective.
- It may be possible for unitholders to estimate their approximate allocation of CODI once the amount of CODI that Breitburn will likely recognize, if any, is known.
  - For example, if, in a "worst-case scenario," all of Breitburn's liabilities are cancelled for no consideration causing the recognition of approximately \$3 billion in CODI, then based on 213,789,296 Common Units outstanding as of May 6, 2016, and assuming that no amount of CODI is allocated to the Series A Units, each outstanding Breitburn Common Unit would be allocated approximately \$14.03 of CODI.
  - If, in another example, approximately half of Breitburn's liabilities are cancelled for no consideration causing the recognition of approximately \$1.5 billion in CODI, then based on 213,789,296 Common Units outstanding as of May 6, 2016, and assuming that no amount of CODI is allocated to the Series A Units, each outstanding Breitburn Common Unit would be allocated approximately \$7.02 of CODI.
  - Holders of the Series A Units are not expected to be allocated CODI.



**Investor FAQs  
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**11. What is UBTI? Is CODI considered UBTI?**

- UBTI is the abbreviation for “unrelated business taxable income,” a term used in the U.S. Internal Revenue Code.
- In the context of a master limited partnership (like Breitburn), UBTI refers to the distributive share of gross income and allowable deductions of the master limited partnership allocable to any unitholder that is a tax-exempt organization or retirement account (including IRA’s, 401(k) accounts, Keogh and other qualified retirement plans), if the income is considered to be unrelated to the regular activities of the tax-exempt organization or retirement account. UBTI is generally includable in taxable income but can be offset by a \$1,000 deduction. UBTI varies for each unitholder.
- CODI is generally considered UBTI. Therefore, holding master limited partnership units through a tax-exempt organization or retirement account does not shield the owner or holder of the account from CODI.

**12. What if I am a Breitburn employee and currently have unvested Breitburn Common Units?**

- If CODI is recognized, it would not be passed through to any unvested Breitburn Common Units.

**13. Will Breitburn host quarterly conference calls?**

- No. Breitburn will not hold quarterly conference calls during the restructuring process.
- During the restructuring process, Breitburn will continue making all necessary filings with the Securities and Exchange Commission, including quarterly and annual reports.

**14. How can I get updates and additional information?**

- A special section of Breitburn’s website has been created to provide additional information concerning the Chapter 11 Cases. Please visit [breitburn.com/restructuring](http://breitburn.com/restructuring).
- Additional information, including court filings, regarding Breitburn’s restructuring and the claims bar date is available at <https://cases.primeclerk.com/breitburn> or by contacting Breitburn’s notice and claims agent toll-free at 855-851-7887 (alternatively, 917-258-6103 for international callers) or by email at [breitburninfo@primeclerk.com](mailto:breitburninfo@primeclerk.com).