GART SPORTS CO
Form 10-Q
December 18, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

For the Quarterly Period Ended: November 3, 2001

Commission File Number: 000-23515

GART SPORTS COMPANY
(Exact name of registrant as specified in its charter)

Delaware	84-1242802
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1050 West Hampden Avenue, Englewood, Colorado 80110
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (303) 200-5050

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or shorter period that the registrant was required to file such reports).

Yes x No o

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes x No o

As of December 12, 2001, there were outstanding 10,684,660 shares of the registrant's common stock, $.01 par value, and the aggregate market value of the shares (based upon the closing price on that date of the shares on the NASDAQ National Market) held by non-affiliates was approximately $106,244,000.

GART SPORTS COMPANY
AND SUBSIDIARIES

QUARTERLY PERIOD ENDED NOVEMBER 3, 2001

INDEX

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures and Market Risk

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GART SPORTS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Share and Per Share Amounts)

	November 3, 2001	February 3, 2001
	(Unaudited)	
ASSETS		

See accompanying notes to consolidated financial statements.

GART SPORTS COMPANY
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, Dollars in Thousands, Except Share and Per Share Amounts)

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 3, 2001	October 28, 2000	November 3, 2001	October 28, 2000
Net sales	$ 219,142	$ 166,128	$ 619,722	$ 519,477
Cost of goods sold, buying, distribution and occupancy	164,704	124,907	466,636	391,740
Gross profit	54,438	41,221	153,086	127,737
Operating expenses	52,316	38,379	139,192	114,689
Merger integration costs	3,603		7,080	
Operating income (loss)	(1,481)	2,842	6,814	13,048
Non operating income (expense):				

	Thirteen weeks ended		Thirty-nine weeks ended	
Interest expense, net	(2,590)	(2,813)	(7,313)	(8,326)
Other income	962	204	1,488	367
Income (loss) before income taxes	(3,109)	233	989	5,089
Income tax (expense) benefit	1,213		(385)	6,318
Net income (loss)	$ (1,896)	$ 233	$ 604	$ 11,407
Earnings (loss) per share:				
Basic	$ (0.18)	$ 0.03	$ 0.07	$ 1.54
Diluted	$ (0.18)	$ 0.03	$ 0.06	$ 1.49
Weighted average shares of common stock outstanding:				
Basic	10,803,273	7,355,744	9,232,749	7,391,744
Diluted	10,803,273	7,855,009	9,913,102	7,643,934

See accompanying notes to consolidated financial statements.

GART SPORTS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(Unaudited, Dollars in Thousands)

	Common stock	Additional paid-in capital	Unamortized restricted stock compensation	Accumulated other comprehensive gain (loss)	Retained earnings	Comprehensive income	Treasury stock	Total Stockholders equity
BALANCES AT FEBRUARY 3, 2001	$ 77	$ 57,014	$(2,055)	$(226)	$36,489		$(2,413)	$ 88,886
Net income					604	$ 604		604
Unrealized gain on equity securities, net of tax				292		292		292
Unrealized loss on interest rate swap, net of tax				(687)		(687)		(687)
Comprehensive income						$ 209		
Purchase of treasury stock							(3,110)	(3,110)
Issuance of common stock for acquisition	34	59,443						59,477
Issuance of common stock		69						69
Issuance of restricted stock		1,266	(1,266)					
Exercise of stock options	2	1,667						1,669

	Common stock	Additional paid-in capital	Unamortized restricted stock compensation	Accumulated other comprehensive gain (loss)	Retained earnings	Comprehensive income	Treasury stock	Total Stockholders equity
Amortization of restricted stock			461					461
BALANCES AT NOVEMBER 3, 2001	$113	$119,459	$(2,860)	$(621)	$37,093		$(5,523)	$147,661

See accompanying notes to consolidated financial statements.

GART SPORTS COMPANY

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, Dollars in Thousands)

	Thirty-nine weeks ended	
	November 3, 2001	October 28, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 604	$ 11,407
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	14,685	11,101
Loss on sale of assets	412	83
Deferred taxes	385	(6,318)
Increase (decrease) in deferred rent	(3,488)	1,147
Deferred compensation	69	34
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,783)	(783)
Inventories	(101,931)	(42,121)
Prepaid expenses and other current assets	(1,166)	(75)
Other assets	(3,033)	237
Accounts payments	86,002	6,904
Accrued expenses and other current liabilities	(8,292)	(653)
Income taxes payable	(185)	
Net cash used in operating activities	(20,721)	(19,037)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of properties and equipment	(17,990)	(9,829)
Proceeds from the sale of property and equipment	7,834	
Sale of marketable securities	300	
Payment of notes receivable	229	
Acquisition of Oshman's net of cash acquired	(49,538)	

Net cash used in investing activities	(59,165)	(9,829)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from long-term debt	266,846	171,568
Principal payments on long-term debt	(180,483)	(143,668)
Principal payments on capital lease obligations	(287)	(309)
Purchase of treasury stock	(3,110)	(1,190)
Payment of notes receivable		122
Proceeds from sale of common stock under option plans	1,670	95
Net cash provided by financing activities	84,636	26,618
Increase in cash and cash equivalents	4,750	(2,248)
Cash and cash equivalents at beginning of period	8,107	7,843
Cash and cash equivalents at end of period	$ 12,857	$ 5,595
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest, net	$ 7,406	$ 8,269
Cash paid (received) during the period for income taxes	$ 153	$ (396)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements do not include all information and footnotes necessary for the annual presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America, and should be read in conjunction with the Company's 2000 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the statement of financial position and the results of operations for the interim periods have been included. The results for the thirteen and thirty-nine week periods ended November 3, 2001 are not necessarily indicative of the results to be expected for the full year.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

2. ACQUISITION

On June 7, 2001, Gart Sports Company completed its acquisition of Oshman's Sporting Goods, Inc. ("Oshman's"). The consideration consisted of approximately 3.4 million shares of Gart Sports Company common stock valued at approximately $59.5 million and approximately $50.2 million in cash. Oshman's operates as a wholly owned subsidiary of the Company. At the time of the acquisition, Oshman's operated 58 sporting goods specialty stores, including 43 SuperSports USA stores and 15 traditional stores. The acquisition was accounted for under the purchase method of accounting, and accordingly, the statement of operations includes the results of Oshman's since the date of the acquisition.

The total cost of the acquisition has been allocated to the tangible and intangible assets acquired and liabilities assumed based on their respective fair values. The allocation of the purchase price is preliminary and the final allocation may differ. Goodwill will be amortized over forty years, for the remainder of this fiscal year. In compliance with Financial Accounting Standards Board ("FASB") Statement No. 142, the Company will no longer amortize goodwill beginning in its fiscal year 2001. The preliminary allocation of the purchase price is as follows:

Inventory	67,594
Other current assets	19,848
Property and equipment, net	28,213
Favorable leases and other long term assets, excluding goodwill	13,663
Goodwill	66,922
Current liabilities	(68,237)
Long term debt	(12,128)
Other long term liabilities	(6,184)
Book value of net assets acquired, including intangibles	109,691

The following unaudited pro forma combined financial information presents the combined consolidated results of operations of Gart Sports Company and Oshman's as if the acquisition had occurred as of the beginning of fiscal 2001 and 2000, after giving effect to certain adjustments, including amortization of favorable leases and goodwill, interest expense, depreciation expense, and related income tax effects. No adjustments have been made to the pro forma statement of operations to conform accounting policies and practices or to recognize anticipated cost savings and synergies. The pro forma combined consolidated financial information does not necessarily reflect the results of operations that would have occurred had Gart Sports Company and Oshman's constituted a single entity during such periods.

	Thirteen weeks ended	Thirty-nine weeks ended	
	Oct 28, 2000	**November 3, 2001**	**October 28, 2000**
(Unaudited in thousands except per share amounts)			
Net Sales	238,267	721,194	744,563
Net Income (loss)	1,193	(4,163)(1)(2)	21,996(3)(4)
Basic earnings (loss) per share	0.11	(0.39)(1)(2)	1.96(3)(4)
Diluted earnings per share	0.11		1.91(3)(4)

(1) Includes $7.1 million, before taxes, of integration costs, due to the acquisition of Oshman's.

(2) Includes $5.2 million, before taxes, of severance expense accrued by Oshman's as part of the acquisition.

(3) Includes one-time tax benefit recognized by Gart of $8.2 million.

(4) Includes gain on sale of real estate owned by Oshman's of $6.8 million, before taxes.

3. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Statement, as amended, became effective in the first quarter of fiscal year 2001. The new statement requires that every derivative instrument be recorded on the balance sheet as either an asset or liability, measured at its fair value, and requires that changes in the derivative's fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. The Company adopted this statement on February 4, 2001 and there was not a material impact on results of operations or financial position.

In June 2001, FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets." FASB Statement No. 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 200l and establishes criteria for recognizing intangible assets separately from goodwill The adoption of FASB Statement

No. 141 will not have a material impact on our consolidated financial statements.

FASB Statement No. 142 requires that upon adoption, amortization of goodwill and intangible assets deemed to have indefinite lives will cease and instead, the carrying value of goodwill and these intangibles will be evaluated for impairment on an annual basis or more frequently should certain factors be present. Other intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." FASB Statement No. 142 is effective for fiscal years beginning after December 15, 2001. The Company will adopt FASB Statement No. 142 on February 3, 2002, the beginning of its fiscal year. Application of the non-amortization provisions of the statement is expected to result in a decrease in amortization of $1.6 million per year. Goodwill acquired in business combinations completed prior to July 1, 200l will continue to be amortized until February 2, 2002. Our initial evaluation of impairment of existing goodwill is required to be completed no later than August 3, 2002.

In August 2001, FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB Statement No. 144 is effective for fiscal years beginning after December 15, 200l. The adoption of FASB Statement No. 144 is not expected to have a material impact on our consolidated financial statements.

4. EARNINGS (LOSS) PER SHARE

The following table sets forth the computations of basic and diluted earnings (loss) per share (in thousands, except share and per share amounts):

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 3, 2001	October 28, 2000	November 3, 2001	October 28, 2000
Net income (loss) available to common stockholders	$ (1,896)	$ 233	$ 604	$ 11,407
Weight average shares of common stock outstanding basic	10,803,273	7,335,744	9,232,749	7,391,744
Basic earnings (loss) per share	$ (0.18)	$ 0.03	$ 0.07	$ 1.54
Number of shares used for diluted earnings per share:				
Weighted average shares of common stock outstanding basic	10,803,273	7,335,744	9,232,749	7,391,744
Dilutive securities stock options and restricted stock	0	519,265	680,353	252,190
Weighted average shares of common stock outstanding diluted	10,803,273	7,855,009	9,913,102	7,643,934
Diluted earnings (loss) per share	$ (0.18)	$ 0.03	$ 0.06	$ 1.49

5. CONTINGENCIES

Tax Contingency

Under the terms of the Company's tax sharing agreement with its former parent, the Company is responsible for its share, on a separate return basis, of any tax payments associated with proposed deficiencies or adjustments, and related interest and penalties charged to the controlled group which may arise as a result of an assessment by the IRS.

On July 24, 1997, the IRS proposed adjustments to the Company's and its former parent's 1992 and 1993 federal income tax returns in conjunction with the former parent's IRS examination. The proposed adjustments related to the manner in which LIFO inventories were characterized on such returns. The IRS has asserted that this basis difference should have been reflected in taxable income in 1992 and

1993. The Company has taken the position that the inventory acquired in connection with the acquisition of its former parent was appropriately allocated to its inventory pools. The IRS has asserted the inventory was acquired at a bargain purchase price and should be allocated to a separate pool and liquidated as inventory turns. Based on management's discussions with the Company's former parent, the Company believes the potential accelerated tax liability, which could have a negative effect on liquidity in the near term, ranges from approximately $2,500,000 to $9,700,000. The Company recorded approximately $9,700,000 as a long-term net deferred tax liability for the tax effect of the LIFO inventory basis difference. The range of loss from possible assessed interest charges resulting from the proposed adjustments range from approximately $200,000 to $3,300,000. The Company has accrued approximately $1.2 million for estimated interest charges in the consolidated financial statements. No penalties are expected to be assessed relating to this matter. At November 3, 2001, the LIFO inventory and other associated temporary differences continue to be classified as long-term net deferred tax liabilities since final settlement terms have not been negotiated.

The Company has reviewed the various matters that are under consideration and believes that it has adequately provided for any liability that may result from this matter. In the opinion of management, any additional liability beyond the amounts recorded that may arise as a result of the IRS examination will not have a material adverse effect on the Company's consolidated financial condition, results of operations, or liquidity.

In addition, the Company is currently under examination for the fiscal tax years ended September 1997 and 1998. No adjustments have been proposed at this time.

Legal Proceedings

In June 2000, a former employee of Sportmart brought two class action complaints in California against the Company, alleging certain wage and hour claims in violation of the California Labor Code, California Business and Professional Code section 17200 and other related matters. One complaint alleges that the Company classified certain managers in its California stores as exempt from overtime pay when they would have been classified as non-exempt and paid overtime, The second complaint alleges that the Company failed to pay hourly employees in its California stores for all hours worked. In March 2001, a third class action complaint was filed in the same court in California alleging the same wage and hour violations regarding classification of certain managers as exempt from overtime pay. More recently, in July 2001, a fourth complaint was filed alleging that store managers should also not be classified as employees exempt from overtime pay. All the complaints seek compensatory damages, punitive damages and penalties. The amount of damages sought is unspecified. Although the court has denied motions to dismiss the first two complaints, the Company intends to vigorously defend these matters and at this time, the Company has not ascertained the future liability, if any, as a result of these complaints.

The Company is a party to various other legal proceedings and claims arising in the ordinary course of business. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

6. SALE OF ASSETS HELD FOR SALE

The Company sold certain assets classified as Held for Sale, resulting in a realized gain of approximately $200,000 on July 16, 2001. The Assets Held for Sale consisted of land and buildings in Edmonton, Alberta, Canada acquired as part of the Sportmart acquisition on January 9, 1998.

7. FINANCIAL INSTRUMENTS

Interest Rate Instruments
The Company entered into an interest rate swap agreement on June 28, 2001, which expires on June 30, 2004, to minimize the risks and costs associated with its financing activities. Under the swap agreement, the Company pays fixed rate interest and receives variable LIBOR interest rate payments periodically over the life of the instrument. The notional interest rate swap amount is $20.0 million and is used to measure interest to be paid or received and does not represent the exposure due to credit loss.

The Company's interest rate swap is designated as a cash flow hedge, qualifies for the short cut method of assessing effectiveness and is considered highly effective, as defined by FASB Statement No. 133. Under the short cut method there is no need to measure effectiveness of the hedge and there is no charge to earnings for changes in the fair value of the swap agreement. Payments or receipts on the swap agreement are recorded as interest expense. At November 3, 2001 the fair value of the swap was a loss of $687,000, net of the related tax benefit. The unrealized loss from this interest rate swap is included in other comprehensive income and is shown as a component of stockholders' equity.

8. E-COMMERCE AGREEMENT

On June 28, 2001, the Company entered into a long-term agreement with Global Sports Interactive, Inc. ("Global"). Under the terms of the agreement, Global developed and is currently operating three online sporting goods stores at www.gartsport.com, www.sportmart.com, and www.oshmans.com. The Company receives royalty payments from Global based on a certain percent of sales from these sites, which are recorded as a component of Net Sales in the statement of operations. In connection with the e-commerce agreement, Global granted the Company a warrant to purchase 60,000 shares of common stock of Global. A similar warrant for 30,000 Global shares was acquired from Oshman's at the time of the acquisition. The Company sold 60,000 of these warrants in October 2001, and recognized a gain of $195,000. The remaining warrant to purchase 30,000 shares was exercised on November 2, 2001, and the shares acquired upon exercise of the warrant are classified as available-for-sale marketable equity securities and have an aggregate fair value of $0.4 million at November 3, 2001.

ITEM 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company s consolidated financial statements and notes thereto included elsewhere within this report and the Company s 2000 Annual Report on Form 10-K.

The Company is a leading retailer of sporting goods in the Midwest and western United States. Given the economic characteristics of the store formats, the similar nature of the products sold, the type of customer and method of distribution, the operations of the Company are aggregated in one reportable segment.

The Company uses a 52-53 week fiscal reporting year ending on the Saturday closest to the end of January, which for fiscal year 2001 will be February 2, 2002.

RESULTS OF OPERATIONS

On June 7, 2001, Gart Sports Company acquired all of the outstanding common stock of Oshman s Sporting Goods, Inc. (Oshman s). The acquisition was accounted for under the purchase method of accounting and accordingly the results of operations include the results of Oshman s since the date of the acquisition. Fiscal 2000 results represent the results of Gart and Sportmart only, prior to the acquisition of Oshman s.

The following table sets forth the Company s consolidated statement of operations data as a percentage of net sales and the number of stores open at the end of each period for the periods indicated (dollars rounded to millions):

	Thirteen weeks ended				Thirty-nine weeks ended			
	November 3, 2001 Dollars	%	October 28, 2000 Dollars	%	November 3, 2001 Dollars	%	October 28, 2000 Dollars	%
Net sales	$ 219.1	100.0%	$ 166.1	100.0%	$ 619.7	100.0%	$ 519.4	100.0%
Cost of goods sold, buying, distribution and occupancy	(164.7)	(75.2)	(124.9)	(75.2)	(466.6)	(75.3)	(391.7)	(75.4)
Gross profit	54.4	24.8	41.2	24.8	153.1	24.7	127.7	24.6
Operating expenses	(52.3)	(23.9)	(38.4)	(23.1)	(139.2)	(22.5)	(114.7)	(22.1)
Merger integration costs	(3.6)	(1.6)			(7.1)	(1.1)		
Operating income (loss)	(1.5)	(0.7)	2.8	1.7	6.8	1.1	13.0	2.5
Interest expense, net	(2.6)	(1.1)	(2.8)	(1.7)	(7.3)	(1.2)	(8.3)	(1.6)
Other income	1.0	0.4	0.2	0.1	1.5	0.3	0.4	0.1
Income (loss) before income tax	(3.1)	(1.4)	0.2	0.1	1.0	0.2	5.1	1.0
Income tax (expense) benefit	1.2	0.5	0.0	0.0	(0.4)	(0.1)	6.3	1.2
Net income (loss)	$ (1.9)	(0.9)%	$ 0.2	0.1%	$ 0.6	0.1%	$ 11.4	2.2%

	Thirteen weeks ended				Thirty-nine weeks ended			
Number of stores at end of period	177		123		177		123	

Pro-forma FY 2001 results excluding the effect of the one time merger integration costs associated with the acquisition of Oshman s:

	Thirteen weeks ended		Thirty-nine weeks ended	
Income before income taxes	$ 0.5	0.2%	$ 8.1	1.3%
Income tax expense	$ (0.2)	(0.1)	(3.1)	(0.5)
Net income	$ 0.3	0.1%	$ 4.9	0.8%
Earnings per share:				
Basic	$ 0.03		$ 0.53	
Diluted	$ 0.03		$ 0.50	
Basic weighted average shares outstanding	10,803,273		9,232,749	
Diluted weighted average shares outstanding	11,450,548		9,913,102	

Pro-forma FY 2000 results excluding the effect of the significant tax benefit and utilizing statutory tax rates:

	Thirteen weeks ended		Thirty-nine weeks ended	
Income before income taxes	$ 0.2	0.2%	5.1	1.0%
Income tax expense	(0.1)	(0.1)	$ (2.0)	(0.4)
Net income	$ 0.1	0.1%	$ 3.1	0.6%
Earnings per share:				
Basic	$ 0.02		$ 0.42	
Diluted	$ 0.02		$ 0.41	
Basic weighted average shares outstanding	7,355,744		7,391,744	
Diluted weighted average shares outstanding	7,855,009		7,643,934	

THIRTEEN WEEKS ENDED NOVEMBER 3, 2001 COMPARED TO THIRTEEN WEEKS ENDED OCTOBER 28, 2000

Net Sales. Net sales for the thirteen weeks ended November 3, 2001 were $219.1 million compared to $166.1 million for the thirteen weeks ended October 28, 2000. The acquisition of the 56 Oshman's stores increased the Company's sales by $62.2 million for the quarter. Comparable store sales during the quarter, excluding the Oshman stores, decreased 5.0% versus the prior year's comparable quarter. This comparable sales performance was due to the impact of the September 11 terrorist attacks, last year's strong third-quarter scooter sales, and a change in the retail calendar.

Gross Profit. Gross profit for the thirteen weeks ended November 3, 2001 was $54.4 million, or 24.8% of net sales, for the thirteen weeks ended October 28, 2000. As a percent of sales, gross profit remained constant, but included improved merchandise margins due to impact of continued inventory management processes offset by increased occupancy costs as a percent of sales.

Operating Expenses. Operating expenses for the thirteen weeks ended November 3, 2001 were $52.3 million, or 23.8% of net sales, compared to $38.4 million, or 23.1% of net sales, for the period ended October 28, 2000. The rate increase is due to the fact that the Company was unable to leverage fixed costs due to lower sales levels delivered in the quarter and an increase in depreciation and amortization of $2.1 million, primarily due to increased capital spending and the amortization of the favorable lease and goodwill assets related to the Oshman acquisition.

Merger Integration Costs. Merger integration costs for the thirteen weeks ended November 3, 2001 were $3.6 million, or 1.6% of net sales. These costs consist primarily of $2.3 million of duplicative costs to operate two corporate offices, advertising and personnel integration, $0.7 million of costs associated with consolidating corporate offices, $0.5 million of consulting fees, and $0.1 million of relocation expenses. The Company expects to incur approximately $4.5 to $5.0 million in additional merger integration costs during the remainder of the 2001 fiscal year.

Operating Income. As a result of the factors described above, the Company recorded an operating loss for the thirteen weeks ended November 3, 2001 of $1.5 million compared to operating income of $2.8 million for the thirteen weeks ended October 28, 2000. Operating income excluding integration costs was $2.1 million for the thirteen weeks ended November 3, 2001, a decrease of $0.7 million versus the year ago quarter.

Interest Expense, Net. Interest expense, net for the thirteen weeks ended November 3, 2001 decreased to $2.6 million, or 1.2% of net sales, from $2.8 million, or 1.7% of net sales, in the thirteen weeks ended October 26, 2000. The decrease is primarily due to the favorable interest rate environment, offset by an increase in the level of borrowings as a result of the Oshman's acquisition.

Other Income. Other income was $1.0 million for the thirteen weeks ended November 3, 2001 compared to $0.2 million for the thirteen weeks ended October 28, 2000. The increase in other income is primarily due to $0.5 million of income related to a consulting services agreement and $0.2 million of income recognized on the sale of marketable securities.

Income Taxes. The Company's income tax benefit for the thirteen weeks ended November 3, 2001 was $1.2 million compared to no income tax benefit or expense for the thirteen weeks ended October 28, 2000. The Company's estimated effective tax rate remained at 39.0% for the thirty-nine weeks ended November 3, 2001.

THIRTY-NINE WEEKS ENDED NOVEMBER 3, 2001 COMPARED TO THIRTY-NINE WEEKS ENDED OCTOBER 28, 2000

Net Sales. Net sales for the thirty-nine weeks ended November 3, 2001 were $619.7 million compared to $519.5 million for the thirty-nine weeks ended October 28, 2000. The acquisition of the 58 Oshman's stores increased the Company's sales by $113.4 million. Comparable store sales for the period, excluding the Oshman's stores, decreased 1.5% versus the prior year's comparable period. This comparable period sales performance was due to strong footwear sales driven by the Company's remodeling program offset by the impact of the September 11 terrorist attacks and last year's strong scooter sales.

Gross Profit. Gross Profit for the thirty-nine weeks ended November 3, 2001 was $153.1 million, or 24.7% of net sales, compared to $127.7 million, or 24.6% of net sales, for the thirty-nine weeks ended October 28, 2000. The slight increase as a percent of sales was primarily due to continued improvement in the replenishment and allocation of merchandise to the Company's stores offset by increased occupancy costs as a percent of sales.

Operating Expenses. Operating expenses for the thirty-nine weeks ended November 3, 2001 were $139.2 million, or 22.5% of net sales, compared to $114.7 million, or 22.1% of net sales, for the period ended October 28, 2000. The rate increase is due to the fact that the Company was unable to leverage fixed costs due to lower sales levels and an increase in depreciation and amortization of $3.6 million, primarily due to increased capital spending and the amortization of the favorable lease and goodwill assets related to the Oshman acquisition.

Merger Integration Costs. Merger integration costs for the thirty-nine weeks ended November 3, 2001 were $7.1 million, or 1.1% of net sales. These costs consist primarily of $4.9 million of duplicative costs to operate two corporate offices, employee training, advertising and personnel integration, $1.2 million of consulting fees, $0.7 million of costs associated with consolidating corporate offices and $0.3 million of relocation expenses. The Company expects to incur approximately $4.5 to $5.0 million in additional merger integration costs during the remainder of the 2001 fiscal year.

Operating Income. As a result of the factors described above, the Company recorded operating income for the thirty-nine weeks ended November 3, 2001 of $6.8 million compared to operating income of $13.0 million for the thirty-nine weeks ended October 28, 2000. Operating income excluding integration costs was $13.9 million for the thirty-nine weeks ended November 3, 2001, an increase of $0.9 million versus the year ago period.

Interest Expense, Net. Interest expense, net for the thirty-nine weeks ended November 3, 2001 decreased to $7.3 million, or 1.2% of net sales, from $8.3 million, or 1.6% of net sales, in the thirty-nine weeks ended October 28, 2000. The decrease is primarily due to a decrease in the

effective borrowing rate, offset by an increase in the level of borrowings as a result of the Oshman's acquisition.

Other Income. Other income was $1.5 million for the thirty-nine weeks ended November 3, 2001 compared to $0.4 million for the thirty-nine weeks ended October 28, 2000. The increase in other income is due to $0.7 million of income related to a consulting services agreement, $0.2 million of income recognized on the sale of marketable securities and $0.2 million of income generated by the sale of certain assets held in Edmonton, Alberta, Canada.

Income Taxes. The Company's income tax expense for the thirty-nine weeks ended November 3, 2001 was $0.4 million compared to an income tax benefit of $6.3 million for the thirty-nine weeks ended October 28, 2000. The Company's estimated effective tax rate remained at 39.0% for the thirteen weeks ended November 3, 2001. The income tax benefit in the prior year reflected the reversal of valuation allowances, which had offset previously generated net operating losses, the majority of which were acquired in the purchase of Sportmart during January 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Analysis

	Thirty-nine weeks ended	
	November 3, 2001	**October 28, 2000**
Cash used in operating activities	$ (20,721)	$ (19,037)
Cash used in investing activities	(59,165)	(9,829)
Cash provided by financing activities	84,636	26,618
Capital expenditures	$ 17,990	$ 9,829
Long-term debt (at end of period)	193,786	133,800
Working capital (at end of period)	172,363	139,247
Current ratio (at end of period)	1.61	1.84
Debt to equity ratio (at end of period)	1.31	1.75

The Company's primary capital requirements are for inventory, capital improvements, and pre-opening expenses to support the Company's expansion plans, as well as for various investments in store remodeling, store fixtures and ongoing infrastructure improvements.

Cash used in operating activities in the first nine months of fiscal 2001 was primarily the result of inventory purchases offset by increased accounts payable and net income adjusted for non-cash charges.

Cash used in investing activities in the first nine months of fiscal 2001 was primarily for the acquisition of Oshman's and capital expenditures. These uses were partially offset by cash received in the sale of the assets held for sale and the sale of an Oshman's store location. The capital expenditures were primarily for store remodeling, store fixtures, and the purchase or enchancement of certain information systems.

Cash provided by financing activities in the first nine months of fiscal 2001 primarily represents net proceeds from borrowings on the Company's revolving line of credit and proceeds from the sale of common stock upon the exercise of stock options, offset by payments for the purchase of treasury stock.

The Company's liquidity and capital needs have been met by cash from operations and borrowings under a revolving line of credit with CIT/ Business Credit, Inc., as agent ("CIT"). In connection with the Oshman's acquisition, the Company increased its revolving line of credit from $175 million to $300 million. The long-term debt currently consists of the Credit Agreement, which allows the Company to borrow up to 70% of its eligible inventories (as defined in the Credit Agreement) during the year and up to 75% of its eligible inventories for two consecutive 90 day periods in the first loan year. Borrowings are limited to the lesser of $300 million or the amount calculated in accordance with the borrowing base, and are secured by substantially all inventories, trade receivables, equipment, and intangible assets. The lenders may not demand repayment of principal, absent an occurrence of default under the Credit Agreement, prior to June 7, 2005. The Credit Agreement contains certain covenants, including financial covenants that require the Company to maintain a specified minimum level of tangible net worth at all times, specified earnings before income taxes, depreciation and amortization to interest ratios, and restrict the Company's ability to pay dividends. At November 3, 2001, the Company was in compliance with all covenants of the Credit Agreement.

Under the terms of the revolving credit facility loan interest is payable monthly at Chase Manhattan Bank's prime rate plus a margin rate that cannot exceed 0.25% or, at the option of the Company, at Chase Manhattan Bank's LIBOR rate plus a margin that cannot exceed 2.25%.

The Company's current margin rates for the first loan year are 0.0% on prime and 2.0% on LIBOR borrowings. Beginning June 7, 2002, the margin rate on LIBOR borrowings may be reduced to as low as 1.50% if certain earnings levels are achieved. There was $70.0 million available for borrowing at November 3, 2001. The Company entered into an interest rate swap agreement on June 28, 2001 to minimize the risks and costs associated with its financing activities. The notional interest rate swap amount is $20.0 million and the agreement terminates on June 30, 2004. Under the swap agreement, the Company pays fixed rate interest and receives variable interest rate payments periodically over the life of the instrument. See note 7 to the Consolidated Financial Statements.

The Internal Revenue Service has proposed adjustments to the 1992 and 1993 consolidated federal income tax returns of the Company and its former parent, now Thrifty PayLess Holdings, Inc., a subsidiary of RiteAid Corporation, due to the manner in which LIFO inventories were characterized on such returns. Based on management's discussion with the Company's former parent, the Company believes the potential accelerated tax liability, which could have a negative effect on liquidity in the near term, ranges from approximately $2,500,000 to $9,700,000. See note 5 to the Consolidated Financial Statements.

Capital expenditures are projected to be approximately $22 million in fiscal 2001. These capital expenditures are for new store openings, store remodeling, store fixtures, relocating the corporate office, information systems, and improvements to distribution center facilities. The Company leases all of its store locations and intends to continue to finance its new stores with long-term operating leases. Based upon historical data, newly constructed superstores require a cash investment for inventory net of payables, leasehold improvements and fixtures, of approximately $1.8 million for a 40,000 square foot store and $1.5 million for a 33,000 square foot store. The level of capital improvements will be affected by the mix of new construction versus renovation of existing retail space.

The Company believes that cash generated from operations, combined with funds available under the Credit Agreement, will be sufficient to fund projected capital expenditures and other working capital requirements for the next twelve months. The Company intends to utilize borrowings under the Credit Agreement to meet seasonal fluctuations in cash flow requirements.

SEASONALITY AND INFLATION

The fourth quarter has historically been the strongest quarter for the Company. The Company believes that two primary factors contribute to this seasonality. First, the Company experiences increased sales of cold weather sporting goods, including sales of ski and snowboard merchandise during the quarter, which corresponds with much of the ski and snowboard season. Second, holiday sales contribute significantly to the Company's operating results. As a result of these factors, inventory levels, which gradually increase beginning in April, generally reach their peak in November and then decline to their lowest level following the December holiday season. Any decrease in sales for the fourth quarter, whether due to a slow holiday selling season, poor snowfall in ski areas near the Company's markets or otherwise, could have a material adverse effect on the Company's business, financial condition and operating results for the entire fiscal year.

Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has a material impact on the Company's results of operations. The Company believes that it is generally able to pass along any inflationary increases in costs to its customer.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Statement, as amended, became effective in the first quarter of fiscal year 2001. The new statement requires that every derivative instrument be recorded on the balance sheet as either an asset or liability, measured at its fair value, and requires that changes in the derivative's fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. The Company adopted this statement on February 4, 2001 and there was not a material impact on results of operations or financial position.

In June 2001, FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets". FASB Statement No. 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001 and establishes criteria for recognizing intangible assets separately from goodwill. The adoption of FASB Statement No. 141 will not have a material impact on our consolidated financial statements.

FASB Statement No. 142 requires that upon adoption, amortization of goodwill and intangible assets deemed to have indefinite lives will cease and instead, the carrying value of goodwill and these intangibles will be evaluated for impairment on an annual basis or more frequently should certain factors be present. Other intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". FASB Statement No. 142 is effective for fiscal years beginning after December 15, 2001. The Company will adopt FASB Statement No. 142 on February 3, 2002, the beginning of its fiscal year. Application of the non-amortization provisions of the statement is expected to result in a decrease in amortization of $1.6 million per year. Goodwill acquired in business combinations completed prior to July 1, 2001 will continue to be amortized until February 2, 2002. Our initial evaluation of impairment of existing goodwill is required to be completed no later than August 3, 2002.

In August 2001, FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB Statement No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of FASB Statement No. 144 is not expected to have a material impact on our consolidated financial statements.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary interest rate risk exposure results from the Company's long-term debt agreement. The Company's long-term debt bears interest at variable rates that are tied to either the U.S. prime rate or LIBOR at the time of the borrowing. At the end of each 90-day period, the interest rates on the Company's outstanding borrowings are changed to reflect current prime or LIBOR rates. Therefore, the Company's interest expense changes as prime or LIBOR change. During the second quarter of fiscal 2001, the Company entered into an interest rate swap instrument, designated as a cash flow hedge as shown in the following table:

Rate paid	Rate received	Notional amount	Fair value at 11/3/01
5.35%	3-mo. US Libor	$ 20,000.000	$(687,000)

Based on the Company's overall interest rate exposure at November 3, 2001, a hypothetical instantaneous increase or decrease of one percentage point in interest rates applied to borrowings under the credit facility would change the Company's after-tax earnings by approximately $1.1 million over a 12- month period.

The Company's exposure to foreign currency exchange rates is limited because the Company does not operate any stores outside of the United States. In connection with the acquisition of Sportmart, the Company acquired one store in Canada, which Sportmart had closed prior to the acquisition. The Company sold this store during the second quarter of fiscal 2001. The Company does not consider the market risk exposure relating to foreign currency exchange to be material. Foreign currency fluctuations did not have a material impact on the Company during the third quarter or year to date periods in fiscal 2001 or 2000.

The fair value of the Company's investments in marketable equity securities at November 3, 2001 was $800,000. The fair value of these investments will fluctuate as the quoted market prices of such securities fluctuate. As of November 3, 2001, the fair value of the Company's investments in marketable equity securities was $162,000 greater than the adjusted basis of those investments. Such unrealized holding gain has not been recognized in the Company's consolidated statement of operations, but rather has been recorded as a component of stockholders' equity in other comprehensive gain (loss) . The actual gain or loss that the Company will realize when such investments are sold will depend on the fair value of such securities at the time of sale. Based on the Company's marketable equity securities portfolio and quoted market prices at November 3, 2001, a 50% increase or decrease in the market price of such securities would result in an increase or decrease of approximately $400,000 in the fair value of the marketable equity securities portfolio. Although changes in quoted market prices may affect the fair value of the marketable equities securities portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold or determined to have a decline in value which is other than temporary.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The information discussed herein includes "forward-looking statements" within the meaning of the federal securities laws. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, the Company's actual results could differ materially as a result of certain factors, including, but not limited to: the Company's ability to manage its expansion efforts in existing and new markets, risks associated with the acquisition of companies, availability of suitable new store locations at acceptable terms, general economic conditions, and retail and sporting goods business conditions, specifically, availability of merchandise to meet fluctuating consumer demands, fluctuating sales margins, increasing competition in sporting goods and apparel retailing, as well as other factors described from time to time in the Company's periodic reports, including the Annual Report of the Company on Form 10-K for its year ended February 3, 2001, filed with the Securities and Exchange Commission.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in various legal proceedings incidental to the conduct of its business. The Company believes that the outcome of all such pending legal proceedings to which it is a party will not, in the aggregate, have a material adverse effect on the Company's business, financial condition, or operating results.

As previously disclosed, a former employee of Sportmart brought two class action complaints in California against the Company, alleging certain wage and hour claims in violation of the California Labor Code, California Business and Professional Code section 17200 and other related matters. One complaint alleges that the Company classified certain managers in its California stores as exempt from overtime pay when they would have been classified as non-exempt and paid overtime. The second complaint alleges that the Company failed to pay hourly employees in its California stores for all hours worked. In March 2001, a third class action complaint was filed in the same court in California alleging the same wage and hour violations regarding classification of certain managers as exempt from overtime pay. More recently, in July 2001, a fourth complaint was filed alleging that store managers should also not be classified as employees exempt from overtime pay. All the complaints seek compensatory damages, punitive damages and penalties. The amount of damages sought is unspecified. Although the court has denied motions to dismiss the first two complaints, the Company intends to vigorously defend these matters and at this time, the Company has not ascertained the future liability, if any, as a result of these complaints.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS.

B. REPORTS ON FORM 8-K.

The Company filed no reports on Form 8-K during the quarter ended November 3, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on December 18, 2001 on its behalf by the undersigned thereunto duly authorized.

GART SPORTS COMPANY

By: /s/ JOHN DOUGLAS MORTON
John Douglas Morton,
Chairman of the Board of Directors,
President and Chief Executive Officer

By: /s/ THOMAS T. HENDRICKSON
Thomas T. Hendrickson,
Executive Vice President, Chief Financial
Officer and Treasurer

D9 ;border-left:1pt none #D9D9D9 ;border-bottom:1pt none #D9D9D9 ;border-right:1pt none #D9D9D9 ;background-color: #auto;;font-family:Times New Roman,Times,serif;font-size:8pt;padding-right:3pt;text-align:right;" nowrap="nowrap">
30,682

—

2,350,000

8,642,048

President and Chief Financial Officer

Steve J. Hoppe

1,833,000

33,556

—

1,833,000

5,225,174

Executive Vice President and President of Gas Gathering, Processing and Transmission

Mac Hummel

1,833,000

30,682

—

1,833,000

5,026,134

Executive Vice President and President of Natural Gas Liquids and Crude

Benjamin D. Lamb

1,621,500

33,556

—

1,311,000

5,046,685

Senior Vice President

(1) Each named executive officer is entitled to a lump sum amount equal to two times the Severance Benefit, and when applicable, the bonus amounts comprising the General Benefits will be paid if he is terminated without cause (as defined in the Severance Agreement) or if he terminates employment for good reason (as defined in the

Severance Agreement), subject to compliance with certain non-competition and non-solicitation covenants described elsewhere in this Annual Report on Form 10-K. The figures shown do not include amounts of base salary previously paid or fringe benefits previously received.

(2) Each named executive officer is entitled to health care benefits equal to a lump sum payment of the estimated monthly cost of the benefits under COBRA for 18 months if he is terminated without cause (as defined in the applicable Severance Agreement or Change of Control Agreement (the "Applicable Agreement") or if he terminates employment for good reason (as defined in the Applicable Agreement).

(3) Each named executive officer is entitled to his then current base salary up to the date of termination plus such other fringe benefits (other than any bonus, severance pay benefit, participation in the company's 401(k) employee benefit plan, or medical insurance benefit) normally provided to employees of the company as earned up to the date of termination if he is terminated for cause (as defined in the Applicable Agreement) or he terminates employment without good reason (as defined in the Applicable Agreement). The figures shown do not include amounts of base salary previously paid or fringe benefits previously received.

(4) Each named executive officer is entitled to a lump sum payment equal to two times the Severance Benefit (three times in the case of the Chief Executive Officer) and when applicable, the bonus amounts comprising the General Benefits will be paid if he is terminated without cause (as defined in the Change of Control Agreement) or if he terminates employment for good reason (as defined in the Change of Control Agreement) within one-hundred and twenty (120) days prior to or two (2) years following a change in control (as defined in the Change of Control Agreement), subject to compliance with certain non-competition, non-solicitation and other covenants described elsewhere in this Annual Report on Form 10-K. The figures shown do not include amounts of base salary previously paid or fringe benefits previously received.

(5) Each named executive officer is entitled to accelerated vesting of certain outstanding equity awards in the event of a change of control (as defined under the long-term incentive plans). These amounts correspond to the values set forth in the table in the section above entitled Outstanding Equity Awards at Fiscal Year-End Table for Fiscal Year 2016.

Table of Contents

Compensation of Directors for Fiscal Year 2016

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Unit Awards(1) ($)	All Other Compensation(2) ($)	Total ($)
James C. Crain	104,500	100,000	8,396	212,896
Leldon E. Echols	102,875	99,992	10,319	213,186
Rolf A. Gafvert	94,125	100,000	8,396	202,521
John Richels (3)	54,750	99,992	6,119	160,861
Mary P. Ricciardello	92,000	99,992	10,319	202,311

(1) Mr. Crain, Echols, Gafvert, Richels and Ms. Ricciardello were granted awards of restricted units of EnLink Midstream LLC on March 7, 2016 with a fair market value of $10.10 per unit and that will vest on March 7, 2017 in the following amounts, respectively: 9,901, 4,950, 9,901, 4,950 and 4,950. Mr. Echols, Richels and Ms. Ricciardello were granted awards of restricted incentive units of EnLink Midstream Partners, LP on March 7, 2016 with a fair market value of $10.85 per unit and that will vest on March 7, 2017 in the following amounts, respectively: 4,608, 4608 and 4,608. The amounts shown represent the grant date fair value of awards computed in accordance with ASC 718. See "Item 8. Financial Statements and Supplementary Data—Note 12" for the assumptions made in our valuation of such awards. At December 31, 2016, Mr. Crain, Echols, Gafvert and Ms. Ricciardello held aggregate outstanding restricted unit awards, in the following amounts, respectively: 9,901, 4,950, 9,901 and 4,950. At December 31, 2016, Mr. Echols and Ms. Ricciardello held aggregate outstanding restricted incentive units of EnLink Midstream Partnership, LP in the following amounts, respectively: 4,608 and 4,608.

(2) Other Compensation is comprised of DERs with respect to restricted units and distributions on restricted incentive units.

(3) Mr. Richels retired effective June 22, 2016.

Each director of the Managing Member who is not an employee of the Managing Member or Devon will be paid an annual retainer fee of $50,000 and equity compensation valued at $100,000. Directors do not receive an attendance fee for each regularly scheduled quarterly board meeting but are paid $1,500 for each additional meeting that they attend. Also, an attendance fee of $1,500 is paid to each director for each committee meeting that is attended, other than the Audit Committee which pays a fee of $3,000 per meeting. The respective chairs of each committee receive the following annual fees: Audit-$12,500, Governance and Compensation-$10,000 and Conflicts-$10,000. Directors are also reimbursed for related out-of-pocket expenses. John Richels, Barry E. Davis, Thomas Mitchell, David Hager, Lyndon Taylor and Sue Alberti, as officers of the Managing Member or Devon, receive no separate compensation for their respective service as directors. For directors that serve on both the Board and GP Board, the annual retainer fee is generally allocated 25% to us and 75% to the Partnership and equity grants are comprised of 50% of our units and 50% of Partnership units.

Governance and Compensation Committee Interlocks and Insider Participation

Our Governance and Compensation Committee is comprised of Rolf A. Gafvert and David A. Hager. As described elsewhere in this report, Mr. Hager is an executive officer of Devon and may have an interest in the transactions among Devon, the Partnership and us. Please see "Item 13. Certain Relationships and Related Party Transactions."

Board Leadership Structure and Risk Oversight

The Board has no policy that requires that the positions of the Chairman of the Board (the "Chairman") and the Chief Executive Officer be separate or that they be held by the same individual. The Board believes that this determination should be based on circumstances existing from time to time, including the composition, skills, and experience of the Board and its members, specific challenges faced by us or the industry in which we operate, and governance efficiency. Based on these factors, the Board has determined that having Barry Davis serve as Chairman and Chief Executive Officer is in our best interest at this time, and that such arrangement makes the best use of Mr. Davis' unique skills and experience in the industry.

The Board is responsible for risk oversight. Management has implemented internal processes to identify and evaluate the risks inherent in our business and to assess the mitigation of those risks. The Audit Committee will review the risk assessments with management and provide reports to the Board regarding the internal risk assessment processes, the risks identified, and the mitigation strategies planned or in place to address the risks in the business. The Board and

Table of Contents

the Audit Committee each provide insight into the issues, based on the experience of their members, and provide constructive challenges to management's assumptions and assertions.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters

EnLink Midstream, LLC Ownership and Devon Energy Corporation Ownership

The following table shows the beneficial ownership of EnLink Midstream, LLC, as well as the beneficial ownership of shares of common stock of Devon Energy Corporation, as of February 8, 2017, held by:

- each person who beneficially owns 5% or more of any class of units then outstanding;
- all the directors of EnLink Midstream Manager, LLC;
- each named executive officer of EnLink Midstream Manager, LLC; and
- all the directors and executive officers of EnLink Midstream Manager, LLC as a group.

179

Table of Contents

The percentage of total common units of EnLink Midstream, LLC beneficially owned is based on a total of 180,335,062 units (including 259,686 restricted incentive units that are deemed beneficially owned) as of February 8, 2017. The percentage of total shares of Devon Energy Corporation beneficially owned is based on a total of 524,553,353 shares of common stock outstanding as of February 8, 2017.

	EnLink Midstream, LLC			Devon Energy Corporation		
Name of Beneficial Owner (1)	Common Units Beneficially Owned	Percent		Shares of Common Stock Beneficially Owned	Percent	
Devon Energy Corporation (2)	115,495,669	64.05	%	—	*	
Chickasaw Capital Management, LLC	9,529,926	5.28	%	—	*	
Barry E. Davis (3)	1,912,330	1.06	%	—	*	
Michael J. Garberding (4)	155,743	*		500	*	
Steve J. Hoppe (5)	43,452	*		15,500	*	
Mac Hummel (6)	39,704	*		3,598	*	
Benjamin D. Lamb (7)	7,147	*		—	*	
James C. Crain (8)	69,069	*		—	*	
Leldon E. Echols (9)	30,785	*		—	*	
Thomas L. Mitchell	—	*		57,916	*	
David A. Hager	—	*		393,604	*	
Mary P. Ricciardello (10)	6,336	*		41,593	*	
Rolf A. Gafvert (11)	12,673	*		—	*	
Lyndon Taylor	—	*		221,669	*	
Sue Alberti	—	*		40,601	*	
All directors and executive officers as group (14 persons)	2,299,574	1.28	%	774,981	0.15	%

* Less than 1%.

(1) The address of each person listed above is 2501 Cedar Springs, Suite 100, Dallas, Texas 75201, except for (i) Devon Energy Corporation, whose address is 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102, and (ii) Chickasaw Capital Management, LLC, whose address is 6075 Poplar Avenue, Suite 720, Memphis, Tennessee, 38119.

(2) Devon Gas Services, L.P. ("Devon Gas Services") is the record holder of 115,495,669 common units. As the indirect owner of 100% of the outstanding limited and general partner interests in Devon Gas Services, Devon Energy Corporation may be deemed to beneficially own all of the common units held by Devon Gas Services.

(3) Includes 1,817,031 common units owned of record by Mr. Davis and 95,299 restricted incentive units that are deemed beneficially owned. 1,025,000 of these common units are held by MK Holdings, LP, a family limited partnership, which Mr. Davis controls, and Mr. Davis disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(4) Includes 108,094 common units owned of record by Mr. Garberding and 47,649 restricted incentive units that are deemed beneficially owned.

(5) Includes 3,744 common units owned of record by Mr. Hoppe and 39,708 restricted incentive units that are deemed beneficially owned.

(6) Includes 3,737 common units owned of record by Mr. Hummel and 35,967 restricted incentive units that are deemed beneficially owned.
(7) Includes 7,147 restricted incentive units that are deemed beneficially owned.
(8) Includes 59,168 common units owned of record by Mr. Crain and 9,901 restricted incentive units that are deemed beneficially owned. 1,000 of these common units are held by the James C. Crain Trust, and Mr. Crain disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.
(9) Includes 25,835 common units owned of record by Mr. Echols and 4,950 restricted incentive units that are deemed beneficially owned.
(10) Includes 1,386 common units owned of record by Ms. Ricciardello and 4,950 restricted incentive units that are deemed beneficially owned.
(11) Includes 2,772 common units owned of record by Mr. Gafvert and 9,901 restricted incentive units that are deemed beneficially owned.

Table of Contents

EnLink Midstream Partners, LP Ownership

The following table shows the beneficial ownership of units of EnLink Midstream Partners, LP as of February 8, 2017, held by:

- each person who beneficially owns 5% or more of any class of units then outstanding;
- all the directors of EnLink Midstream GP, LLC;
- each named executive officer of EnLink Midstream GP, LLC; and
- all the directors and executive officers of EnLink Midstream GP, LLC as a group.

The percentage of total units beneficially owned is based upon a total of 343,104,673 common units as of February 8, 2017.

ame of Beneficial Owner)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned (2)	Series B Convertible Preferred Units Beneficially Owned	Percentage of Preferred Units Beneficially Owned	Total Units Beneficially Owned	Percentage of Total Units Beneficially Owned (3)
arry E. Davis (4)	509,829	*	—	—	509,829	*
lichael J. Garberding (5)	130,230	*	—	—	130,230	*
teve J. Hoppe (6)	38,894	*	—	—	38,894	*
lac Hummel (7)	32,063	*	—	—	32,063	*
enjamin D. Lamb (8)	11,025	*	—	—	11,025	*
ames C. Crain	—	*	—	—	—	*
eldon E. Echols (9)	27,246	*	—	—	27,246	*
homas L. Mitchell	—	*	—	—	—	*
avid A. Hager	—	*	—	—	—	*
lary P. Ricciardello (10)	6,122	*	—	—	6,122	*
olf A. Gafvert	—	*	—	—	—	*
yndon Taylor	—	*	—	—	—	*
ue Alberti	—	*	—	—	—	*
ll directors and xecutive officers as a roup (14 persons)	782,382	0.23%	—	—	782,382	0.20%

* Less than 1%

(1) The address of each person listed above is 2501 Cedar Springs, Suite 100, Dallas, Texas 75201.
(2)

The percentages reflected in the column below are based on a total of 343,104,673 common units, including 221,848 restricted incentive units that are deemed beneficially owned.

(3) The percentages reflected in the column below are based on a total of 396,287,324 common units, which includes the units described in (2) above, and 53,182,651 Series B Convertible Preferred units.

(4) Includes 427,862 common units owned of record by Mr. Davis and 81,967 restricted incentive units that are deemed beneficially owned. 88,652 of these common units are held by MK Holdings, LP, a family limited partnership, which Mr. Davis controls, and Mr. Davis disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(5) Includes 89,246 common units owned of record by Mr. Garberding and 40,984 restricted incentive units that are deemed beneficially owned.

(6) Includes 4,741 common units owned of record by Mr. Hoppe and 34,153 restricted incentive units that are deemed beneficially owned.

(7) Includes 4,741 common units owned of record by Mr. Hummel and 27,322 restricted incentive units that are deemed beneficially owned.

(8) Includes 4,877 common units owned of record by Mr. Lamb and 6,148 restricted incentive units that are deemed beneficially owned.

(9) Includes 22,638 common units owned of record by Mr. Echols and 4,608 restricted incentive units that are deemed beneficially owned.

(10) Includes 1,514 common units owned of record by Ms. Ricciardello and 4,608 restricted incentive units that are deemed beneficially owned.

Beneficial Ownership of General Partner Interest

EnLink Midstream GP, LLC owns all of the Partnership’s general partner interest and all of the Partnership’s incentive distribution rights. EnLink Midstream GP, LLC is 100% indirectly owned by EnLink Midstream, LLC.

Table of Contents

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)		Weighted-Average Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column(a)) (c)
Equity Compensation Plans Approved By Security Holders(1)	2,281,562	(2)	N/A	8,556,000
Equity Compensation Plans Not Approved By Security Holders	N/A		N/A	N/A

(1) Our 2014 Long-Term Incentive Plan was approved by our unitholders in March 2014 for the benefit of our officers, employees and directors. See Item 11, “Executive Compensation—Compensation Discussion and Analysis.” The plan, as amended, provides for the issuance of a total of 11,000,000 common units under the plan.

(2) The number of securities includes 1,897,298 restricted units that have been granted under our long-term incentive plan that have not vested. In addition, the number of securities includes 384,264 performance unit awards granted under the plan, assuming the target distribution at the time of vesting. Actual issuance of these performance unit awards may range from 0% to 200% of the target distribution depending on performance actually attained.

Item 13. Certain Relationships and Related Transactions and Director Independence

Relationship with EnLink Midstream Partners, LP

As of December 31, 2016, we indirectly owned 88,528,451 common units, representing an approximate 22.3% limited partnership interest, of the Partnership, the general partner interest in the Partnership and the incentive distribution rights in the Partnership. Through our ownership of the General Partner, we have the power to appoint all of the officers and directors of the General Partner and to manage and operate the Partnership and effectively to veto some of the Partnership’s actions. We pay the Partnership a fee for administrative and compensation costs incurred by the Partnership on our behalf.

Relationship with Devon Energy Corporation

We are managed by our managing member, which is wholly-owned by Devon. Therefore, Devon controls us and our ability to manage and operate our business. Additionally, five of our directors, including David Hager, Thomas Mitchell, Sue Alberti, Lyndon Taylor and Tony Vaughn are officers of Devon. Those individuals do not receive separate compensation for their service on the Board, but they are entitled to indemnification related to their service as directors pursuant to the indemnification agreements as described below.

Related Party Transactions

Reimbursement of Costs. We paid the Partnership $2.3 million, $2.1 million and 1.2 million during the years ended December 31, 2016, 2015 and 2014, respectively, to cover its portion of administrative and compensation costs for officers and employees that perform services for us. This reimbursement is evaluated on an annual basis. Officers and employees that perform services for us provide an estimate of the portion of their time devoted to such services. A portion of their annual compensation (including bonuses, payroll taxes and other benefit costs) is allocated to us for reimbursement based on these estimates. In addition, an administrative burden is added to such costs to reimburse us for additional support costs, including, but not limited to, consideration for rent, office support and information service support.

E2 Drop Down. On October 22, 2014, the Partnership acquired from EMI, a wholly-owned subsidiary of ENLC, certain equity interests in EnLink Appalachian Compression, LLC (formerly, E2 Appalachian Compression, LLC) and E2 Energy Services, LLC through its purchase of the EnLink Appalachian Units and the E2 Energy Services Units, respectively. The total consideration paid by the Partnership to EMI for such units included (i) $13.0 million in cash for the E2 Energy Services Units and (ii) $150.0 million in cash and 1,016,322 common units representing limited partner

182

Table of Contents

interests in the Partnership for the EnLink Appalachian Units. In April 2016, pursuant to rights in the Limited Liability Company agreement, the Partnership acquired the remaining EnLink Appalachian Units

Midstream Holdings Drop Down. On February 17, 2015, the Partnership acquired the February 2015 Transferred Interests from Acacia, a wholly-owned subsidiary of us, in the February 2015 EMH Drop Down. As consideration for the February 2015 Transferred Interests, the Partnership issued 31.6 million of its common units to Acacia.

On May 27, 2015, the Partnership acquired the May 2015 Transferred Interests from Acacia in exchange for 36.6 million of its common units. After giving effect to the EMH Drop Downs, the Partnership owns 100% of Midstream Holdings.

VEX Pipeline. On April 1, 2015, the Partnership acquired the VEX Interests from Devon, which are located in the Eagle Ford Shale in south Texas. The aggregate consideration paid by the Partnership consisting of $166.7 million in cash, 338,159 common units representing limited partner interests in the Partnership with an aggregate value of approximately $9.0 million and the Partnership’s assumption of up to $40.0 million in certain construction costs related to the VEX Interests, subject to certain adjustments set forth in the contribution agreement.

On October 29, 2015, the Partnership issued 2,849,100 common units to one of our subsidiaries at an offering price of $17.55 per unit for aggregate consideration of approximately $50.0 million in a private placement transaction.

In January 2016, the Partnership issued an aggregate of 50,000,000 Series B Cumulative Convertible Preferred Units (the “Preferred Units”) representing its limited partner interests to Enfield Holdings, L.P. (“Enfield”) in a private placement for a cash purchase price of $15.00 per Preferred Unit (the “Issue Price”), resulting in net proceeds of approximately $724.1 million after fees and deductions.

Commercial Arrangements

The Partnership conducts business with Devon pursuant to gathering and processing agreements described below. The Partnership also historically has maintained a relationship with Devon as a customer, as described in more detail below.

Gathering and Processing Agreements

As described elsewhere, Midstream Holdings was previously a wholly-owned subsidiary of Devon, and all of its assets were contributed to it by Devon. In connection with the consummation of the Business Combination, Midstream Holdings entered into gathering and processing agreements with certain subsidiaries of Devon pursuant to which Midstream Holdings provides gathering, treating, compression, dehydration, stabilization, processing and fractionation services, as applicable, for natural gas delivered by Devon to Midstream Holdings gathering systems in the Barnett, Cana-Woodford and Arkoma-Woodford Shales. These agreements provide Midstream Holdings with dedication of all of the natural gas owned or controlled by Devon and produced from or attributable to existing and future wells located on certain oil, natural gas and mineral leases covering lands within the acreage dedications, excluding properties previously dedicated to other natural gas gathering systems not owned and operated by Devon.

Pursuant to the gathering and processing agreements, Devon has committed to deliver specified average minimum daily volumes of natural gas to Midstream Holdings' gathering systems in the Barnett, Cana-Woodford and Arkoma-Woodford Shales during each calendar quarter for a five-year period following execution. These commitments account for substantially all of Midstream Holdings' natural gas supply and approximately 14.4% of the Partnership's combined revenues, or $611.8 million for the year ended December 31, 2016, 13.4% of our combined revenues, or $596.3 million for the year ended December 31, 2015 and approximately 26.7% of our combined revenues, or $938.2 million for the year ended December 31, 2014. Devon is entitled to firm service, meaning that if capacity on a system is curtailed or reduced, or capacity is otherwise insufficient, Midstream Holdings will take delivery of as much Devon natural gas as is permitted in accordance with applicable law.

The gathering and processing agreements are fee-based, and Midstream Holdings is paid a specified fee per MMBtu for natural gas gathered on Midstream Holdings' gathering systems and a specified fee for natural gas processed. The particular fees, all of which are subject to an automatic annual inflation escalator at the beginning of each year, differ from one system to another and do not contain a fee redetermination clause.

Please see "Item 1A. Risk Factors" for a description of the risks associated with our dependence on Devon pursuant to these agreements.

183

Historical Customer Relationship with Devon

As noted above, the Partnership has historically maintained a customer relationship with Devon pursuant to which certain of the Partnership's subsidiaries provide gathering, transportation, processing and gas lift services to Devon subsidiaries in exchange for fee-based compensation under several agreements with such Devon subsidiaries. The terms of these agreements vary, but the agreements expire between March 2017 and July 2021 and they automatically renew for month-to-month or year-to-year periods unless canceled by Devon prior to expiration. In addition, one of the Partnership's subsidiaries has agreements with a subsidiary of Devon pursuant to which the Partnership's subsidiary purchases and sells NGLs and pays or receives, as applicable, a margin-based fee. These NGL purchase and sale agreements have month-to-month terms. These historical agreements collectively comprise $107.2 million, $107.5 million and $112.3 million, or 2.5%, 2.4% and 3.2%, of the Partnership's combined revenue for the years ended December 31, 2016, 2015 and 2014 respectively.

VEX Arrangement

The Partnership entered into to a five-year minimum transportation volume commitment with Devon related to its Victoria Express Pipeline ("VEX Pipeline"). The MVC was executed in June 2014 and the initial term expires July 2019. This agreement accounted for approximately 0.3%, 0.4% and 0.2% of the Partnership's combined revenues, or $12.3 million, $17.8 million and $7.4 million, for the years ended December 31, 2016, 2015 and 2014 respectively.

Transition Services Agreement

In connection with the consummation of the Business Combination, the Partnership entered into a transition services agreement with Devon pursuant to which Devon is providing certain services to the Partnership with respect to the business and operations of Midstream Holdings and the Partnership provides certain services to Devon. General and administrative expenses related to the transition service agreement were $0.3 million, $0.2 million and $3.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. We received $0.3 million from Devon under the transition services agreement for the years ended December 31, 2016, 2015 and 2014.

GCF Agreement

In connection with the consummation of the Business Combination, the Partnership entered into an agreement with a wholly-owned subsidiary of Devon pursuant to which Devon agreed, from and after the closing of the Business

Combination, to hold for the benefit of Midstream Holdings the economic benefits and burdens of Devon's 38.75% general partner interest in Gulf Coast Fractionators in Mont Belvieu, Texas. This agreement contributed approximately $3.4 million, $13.0 million and $14.3 million to our income from unconsolidated affiliate investments for the years ended December 31, 2016, 2015 and 2014, respectively.

Lone Camp Gas Storage Agreement

In connection with the consummation of the Business Combination, the Partnership entered into an agreement with a wholly-owned subsidiary of Devon under which the Partnership provides gas storage services at its Lone Camp storage facility. Under this agreement, the wholly-owned subsidiary of Devon will reimburse the Partnership for the expenses it incurs in providing the storage services. The gas storage agreement accounted for an immaterial amount of revenue in 2016.

Acacia Transportation Agreement

In connection with the consummation of the Business Combination, a subsidiary of the Partnership entered into an agreement with a wholly-owned subsidiary of Devon pursuant to which the Partnership provides transportation services to Devon on its Acacia line. This agreement accounted for approximately 0.4% of our combined revenues, or $15.2 million, $16.4 million and $15.1 million, for the years ended December 31, 2016, 2015 and 2014, respectively.

Table of Contents

EnLink Oklahoma T.O. Gathering and Processing Agreement with Devon

In January 2016, in connection with the acquisition of EnLink Oklahoma T.O., the Partnership acquired a Gas Gathering and Processing Agreement with Devon Energy Production Company, L.P. ("DEPC") pursuant to which EnLink Oklahoma T.O. provides gathering, treating, compression, dehydration, stabilization, processing and fractionation services, as applicable, for natural gas delivered by DEPC. The agreement has an MVC that will remain in place during each calendar quarter for five years and an overall term of approximately 15 years. Additionally, the agreement provides EnLink Oklahoma T.O. with dedication of all of the natural gas owned or controlled by DEPC and produced from or attributable to existing and future wells located on certain oil, natural gas and mineral leases covering land within the acreage dedications, excluding properties previously dedicated to other natural gas gathering systems not owned and operated by DEPC. DEPC is entitled to firm service, meaning a level of gathering and processing service in which DEPC's reserved capacity may not be interrupted, except due to force majeure, and may not be displaced by another customer or class of service. This agreement accounted for approximately 0.8% of the Partnership's combined revenues, or $34.4 million for the year ended December 31, 2016.

Cedar Cove Joint Venture

On November 9, 2016, the Partnership formed a joint venture (the "Cedar Cove JV") with Kinder Morgan, Inc. consisting of gathering and compression assets in Blaine County, Oklahoma. Under a fifteen year, fixed-fee agreement, all gas gathered by the Cedar Cove JV will be processed at the Partnership's central Oklahoma processing system. For the period from November 9, 2016 through December 31, 2016, revenue generated from processing gas from the Cedar Cove JV was classified as "Midstream services – related parties" on the consolidated statements of operations and was immaterial to the Partnership's overall financial results.

Office Leases

In connection with the consummation of the Business Combination, the Partnership entered into three office lease agreements with a wholly-owned subsidiary of Devon pursuant to which we will lease office space at Devon's Bridgeport, Oklahoma City and Cresson office buildings. Rent payable to Devon under these lease agreements is $174,000, $31,000 and $66,000, respectively, on an annual basis.

Certain Relationships

From time to time, the Partnership may do business with other companies affiliated with TPG, which holds an interest in Enfield Holdings, L.P., the beneficial owner of the Partnership's preferred units, or with NGP or Kinder Morgan, Inc., the Partnership's joint venture partners in the Delaware Basin JV and Cedar Cove JV, respectively. The Partnership believes that any such arrangements have been or will be conducted on an arms-length basis.

Tax Sharing Agreement

In connection with the consummation of the Business Combination, we, the Partnership and Devon, entered into a tax sharing agreement providing for the allocation of responsibilities, liabilities and benefits relating to any tax for which a combined tax return is due. In 2016 and 2015, we incurred approximately $2.3 million and $3.0 million, respectively, in taxes that are subject to the tax sharing agreement.

Indemnification of Directors and Officers

We have entered into indemnification agreements (the “Indemnification Agreements”) with each of the Managing Member’s directors and executive officers (collectively, the “Indemnitees”). Under the terms of the Indemnification Agreements, we agree to indemnify and hold each Indemnitee harmless, subject to certain conditions, against any and all losses, claims, damages, liabilities, expenses (including legal fees and expenses), judgments, fines, ERISA-related excise taxes, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the Indemnitee is involved, or is threatened to be involved, as a party or otherwise, because the Indemnitee is or was a director, manager or officer of the Managing Member or us, or is or was serving at the request of the Managing Member or us as a manager, managing member, general partner, director, officer, fiduciary, or trustee of another entity, organization or person of any nature. We have also agreed to advance the expenses of an Indemnitee relating to the foregoing. To the extent that a change in the laws of the State of Delaware permits greater indemnification under any statute, agreement, organizational document or governing document than would be

Table of Contents

afforded under the Indemnification Agreements as of the date of the Indemnification Agreements, the Indemnitee shall enjoy the greater benefits so afforded by such change.

Approval and Review of Related Party Transactions.

If we contemplate entering into a transaction, other than a routine or in the ordinary course of business transaction, in which a related person will have a direct or indirect material interest, the proposed transaction is submitted for consideration to the Board or our senior management, as appropriate. If the Board is involved in the approval process, it determines whether it is advisable to refer the matter to the Conflicts Committee of the Board, comprised entirely of independent directors, as constituted under our operating agreement. The Conflicts Committee operates pursuant to its written charter and our operating agreement. If a matter is referred to the Conflicts Committee, the Conflicts Committee obtains information regarding the proposed transaction from management and determines whether it is advisable to engage independent legal counsel or an independent financial advisor to advise the members of the committee regarding the transaction. If the committee retains such counsel or financial advisor, it considers the advice and, in the case of a financial advisor, such advisor’s opinion as to whether the transaction is fair and reasonable to us and to our unitholders.

Director Independence

See “Item 10. Directors, Executive Officers and Corporate Governance” for information regarding director independence.

Item 14. Principal Accounting Fees and Services

Audit Fees

The fees for professional services rendered for the audit of our annual financial statements for the fiscal years ended December 31, 2016 and 2015, review of our internal control procedures for the fiscal years ended December 31, 2016 and 2015 and the reviews of the financial statements included in our Quarterly Reports on Form 10-Q or services that are normally provided by KPMG in connection with statutory or regulatory filings or engagements for each of those fiscal years were $0.3 million. These amounts also included fees associated with comfort letters and consents related to debt and equity offerings.

Audit-Related Fees

KPMG did not perform any assurance and related services related to the performance of the audit or review of our financial statements for the fiscal years ended December 31, 2016 and 2015 that were not included in the audit fees listed above.

Tax Fees

KPMG did not perform any tax related services for the years ended December 31, 2016 and 2015.

All Other Fees

KPMG did not render services to us, other than those services covered in the section captioned “Audit Fees” for the fiscal years ended December 31, 2016 and 2015.

Audit Committee Approval of Audit and Non-Audit Services

All audit and non-audit services and any services that exceed the annual limits set forth in our annual engagement letter for audit services must be pre-approved by the Audit Committee. In 2016, the Audit Committee has not pre-approved the use of KPMG for any non-audit related services. The Chairman of the Audit Committee is authorized by the Audit Committee to pre-approve additional KPMG audit and non-audit services between Audit Committee meetings; provided that the additional services do not affect KPMG’s independence under applicable Securities and Exchange Commission rules and any such pre-approval is reported to the Audit Committee at its next meeting.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Schedules

1. See "Item 8. Financial Statements and Supplementary Data."

2. Exhibits

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

Number			Description
2.1	**	—	TOM-STACK Securities Purchase Agreement, dated as of December 6, 2015, among Tall Oak Midstream, LLC, FE-STACK, LLC, TOM-STACK Holdings, LLC, TOM-STACK, LLC, EnLink TOM Holdings, LP and EnLink Midstream, LLC and, solely for purposes of Section 6.19 thereof, EnLink Midstream Partners, LP (incorporated by reference to Exhibit 2.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated December 7, 2015, filed with the Commission on December 7, 2015, file No. 001-36340).
2.2	**	—	TOMPC Securities Purchase Agreement, dated as of December 6, 2015, among TOMPC LLC, Tall Oak Midstream, LLC, EnLink TOM Holdings, LP, and EnLink Midstream, LLC and, solely for purposes of Section 6.19 thereof, EnLink Midstream Partners, LP (incorporated by reference to Exhibit 2.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated December 7, 2015, filed with the Commission on December 7, 2015, file No. 001-36340).
3.1		—	Certificate of Formation of EnLink Midstream, LLC (incorporated by reference to Exhibit 3.1 to our Registration Statement on Form S-4, file No. 333-192419).
3.2		—	Certificate of Amendment to Certificate of Formation of EnLink Midstream, LLC (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-4, file No. 333-192419).
3.3		—	First Amended and Restated Operating Agreement of EnLink Midstream, LLC, dated as of March 7, 2014 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated March 7, 2014, filed with the Commission on March 11, 2014, file No. 001-36336).
3.4		—	Certificate of Formation of EnLink Midstream Manager, LLC (incorporated by reference to Exhibit 3.12 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014).
3.5		—	Certificate of Amendment to the Certificate of Formation of EnLink Midstream Manager, LLC (incorporated by reference to Exhibit 3.13 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014).

3.6	—	First Amended and Restated Limited Liability Company Agreement of EnLink Midstream Manager, LLC (incorporated by reference to Exhibit 3.14 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014).
3.7	—	Certificate of Formation of EnLink Midstream GP, LLC (incorporated by reference to Exhibit 3.7 to EnLink Midstream Partners, LP's Registration Statement on Form S-1, file No. 333-97779).
3.8	—	Certificate of Amendment to the Certificate of Formation of EnLink Midstream GP, LLC (incorporated by reference to Exhibit 3.12 to EnLink Midstream Partners, LP's Registration Statement on Form S-3, file No. 333-194465).
3.9	—	Third Amended and Restated Limited Liability Company Agreement of EnLink Midstream GP, LLC, dated as of July 7, 2014 (incorporated by reference to Exhibit 3.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated July 7, 2014, filed with the Commission on July 7, 2014, file No. 001-36340).
3.10	—	Amendment No. 1 to Third Amended and Restated Limited Liability Company Agreement of EnLink Midstream GP, LLC, dated as of January 7, 2016 (incorporated by reference to Exhibit 3.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 12, 2016, filed with the Commission on January 12, 2016, file No. 001-36340).
3.11	—	Certificate of Limited Partnership of EnLink Midstream Partners, LP (incorporated by reference to Exhibit 3.1 to EnLink Midstream Partners, LP's Registration Statement on Form S-1, file No. 333-97779).

Table of Contents

3.12	—Certificate of Amendment to the Certificate of Limited Partnership of EnLink Midstream Partners, LP (incorporated by reference to Exhibit 3.2 to EnLink Midstream Partners, LP's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, filed with the Commission on August 7, 2012, file No. 000-50067).
3.13	—Second Amendment to the Certificate of Limited Partnership of EnLink Midstream Partners, LP (incorporated by reference to Exhibit 3.3 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).
3.14	—Eighth Amended and Restated Agreement of Limited Partnership of EnLink Midstream Partners, LP, dated as of January 7, 2016 (incorporated by reference to Exhibit 3.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 12, 2016, filed with the Commission on January 12, 2016, file No. 001-36340).
4.1	—Registration Rights Agreement, dated as of March 7, 2014, by and among Devon Gas Services, L.P. and EnLink Midstream, LLC (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 7, 2014, filed with the Commission on March 11, 2014, file No. 001-36336).
4.2	—Registration Rights Agreement, dated as of January 7, 2016, by and between EnLink Midstream Partners, LP and Enfield Holdings, L.P. (incorporated by reference to Exhibit 4.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 12, 2016, filed with the Commission on January 12, 2016).
4.3	—Registration Rights Agreement, dated as of January 7, 2016, by and among EnLink Midstream, LLC, Tall Oak Midstream, LLC and FE-STACK, LLC (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K dated January 12, 2016, filed with the Commission on January 12, 2016, file No. 001-36336).
4.4	—Unitholder Agreement, dated as of March 7, 2014, by and among Devon Energy Corporation, Devon Gas Corporation, Devon Gas Services, L.P., Southwestern Gas Pipeline, Inc. and EnLink Midstream Partners, LP (incorporated by reference to Exhibit 4.1 to EnLink Midstream Partner's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014), file No. 001-36340).
4.5	—Specimen Certificate representing common units (incorporated by reference to Exhibit 5 to our Registration Statement on Form 8-A, file No. 001-36336).
4.6	—Indenture, dated as of March 19, 2014, by and between EnLink Midstream Partners, LP and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated March 19, 2014, filed with the Commission on March 21, 2014, file No. 001-36340).
4.7	—First Supplemental Indenture, dated as of March 19, 2014, by and between EnLink Midstream Partners, LP and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated March 19, 2014, filed with the Commission on March 21, 2014, file No. 001-36340).
4.8	—Second Supplemental Indenture, dated as of November 12, 2014, by and between EnLink Midstream Partners, LP and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated November 6, 2014, filed with the Commission on November 12, 2014, file No. 001-36340).
4.9	—Third Supplemental Indenture, dated as of May 12, 2015, by and between EnLink Midstream Partners, LP and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated May 7, 2015, filed with the Commission on May 12, 2015).
4.10	—Fourth Supplemental Indenture, dated as of July 14, 2016, by and between EnLink Midstream Partners, LP and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated July 11, 2016, filed with the Commission on July 14, 2016, file No. 001-36340).
4.11	—Indenture governing the 7 % senior unsecured notes due 2022, dated as of May 24, 2012, by and among Crosstex Energy, L.P., Crosstex Energy Finance Corporation, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to EnLink Midstream

Partners, LP's Current Report on Form 8-K dated May 23, 2012, filed with the Commission on May 24, 2012, file No. 000-50067).

10.1 — First Offer Agreement, dated as of March 7, 2014, by and between EnLink Midstream, LLC and Devon Energy Corporation (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 7, 2014, filed with the Commission on March 11, 2014, file No. 001-36336).

10.2 — Preferential Rights Agreement, dated as of March 7, 2014, by and among Crosstex Energy, Inc., EnLink Midstream Partners, LP and EnLink Midstream, LLC (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partner LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).

188

Table of Contents

10.3 — Gas Gathering and Processing Contract-Bridgeport Plant, dated as of March 7, 2014, by and between Devon Gas Services, L.P. and EnLink Midstream Services, LLC (incorporated by reference to Exhibit 10.2 to EnLink Midstream Partner LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).

10.4 — Gas Gathering and Processing Contract-Northridge Plant, dated as of March 7, 2014, by and between Devon Gas Services, L.P. and EnLink Midstream Services, LLC (incorporated by reference to Exhibit 10.4 to EnLink Midstream Partner LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).

10.5 — Gas Gathering and Processing Contract-East Johnson County System, dated as of March 7, 2014, by and between Devon Gas Services, L.P. and EnLink Midstream Services, LLC (incorporated by reference to Exhibit 10.5 to EnLink Midstream Partner LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).

10.6 — Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated March 6, 2014, filed with the Commission on March 11, 2014, file No. 001-36340).

10.7 — Form of Indemnification Agreement (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K dated March 7, 2014, filed with the Commission on March 11, 2014, file No. 001-36336).

10.8 † — EnLink Midstream GP, LLC Long-Term Incentive Plan, as amended and restated in 2016 (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated March 9, 2016, filed with the Commission on March 9, 2016, file No. 001-36340).

10.9 † — EnLink Midstream, LLC 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8 dated March 7, 2014, filed with the Commission on March 7, 2014 file No. 333-194395).

10.10 † — Form of Severance Agreement (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated September 17, 2014, filed with the Commission on September 23, 2014, file No. 001-36340).

10.11 † — Form of Amended and Restated Severance Agreement (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated October 31, 2014, filed with the Commission on November 3, 2014, file No. 001-36340).

10.12 — Form of Amended and Restated Change in Control Agreement (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated June 12, 2015, filed with the Commission June 15, 2015).

10.13 † — Form of Restricted Incentive Unit Agreement made under the 2014 Plan (Executive Form) (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form S-8, file No. 333-194395).

10.14 † — Form of Restricted Incentive Unit Agreement made under the 2014 Plan (Employee Form) (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form S-8, file No. 333-194395).

10.15 † — Form of Restricted Unit Agreement made under the GP Plan (incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2009, file No. 000-50067).

10.16 — Form of Restricted Incentive Unit Agreement made under the GP Plan (incorporated by reference to Exhibit 10.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated May 9, 2013, filed with the Commission on May 13, 2013, file No. 000-50067).

10.17 — Credit Agreement, dated as of March 7, 2014, among EnLink Midstream, LLC, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer thereunder, Citibank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, Royal Bank of Canada and Bank of Montreal, as Co-Documentation Agents, and the other lenders party thereto (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K dated March 7, 2014, filed with the Commission on March 11, 2014, file No. 001-36336).

10.18 — First Amendment to Credit Agreement and Waiver, dated as of December 23, 2015, by and among EnLink Midstream, LLC, Bank of America, N.A., as Administrative Agent, and the lenders party thereto

(incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated December 29, 2015, filed with the Commission on December 29, 2015, file No. 001-36336).

10.19 — Credit Agreement, dated as of February 20, 2014, by and among Crosstex Energy, L.P., Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer thereunder, Citibank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, Royal Bank of Canada and Bank of Montreal, as Co-Documentation Agents, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated February 20, 2014, filed with the Commission on February 21, 2014, file No. 000-50067).

Table of Contents

10.20		—First Amendment to Credit Agreement, dated as of December 23, 2015, by and among EnLink Midstream Partners, LP, Bank of America, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated December 29, 2015, filed with the Commission on December 29, 2015, file No. 001-36340).
10.21	†	—Form of Performance Unit Agreement made under the GP Plan (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 30, 2015, filed with the Commission February 5, 2015, file No. 001-36340).
10.22	†	—Form of Performance Unit Agreement made under the 2014 Plan (incorporated by reference to Exhibit 10.2 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 30, 2015, filed with the Commission February 5, 2015, file No. 001-36340).
10.23	†	—Form of Restricted Incentive Unit Agreement made under the GP Plan (incorporated by reference to Exhibit 10.3 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 30, 2015, filed with the Commission February 5, 2015, file No. 001-36340).
10.24	†	—Form of Restricted Incentive Unit Agreement made under the 2014 Plan (incorporated by reference to Exhibit 10.4 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 30, 2015, filed with the Commission February 5, 2015, file No. 001-36340).
10.25		—Commitment Increase and Extension Agreement, dated as of February 5, 2015, by and among EnLink Midstream Partners, LP, the Lenders party thereto, and Bank of America, N.A., as an L/C Issuer, as Swing Line Lender, and as Administrative Agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated February 5, 2015, filed with the Commission on February 11, 2015, file No. 001-36340).
10.26		—Convertible Preferred Unit Purchase Agreement, dated as of December 6, 2015, by and between EnLink Midstream Partners, LP and Enfield Holdings, L.P. (incorporated by reference to Exhibit 2.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated December 7, 2015, filed with the Commission on December 7, 2015, file No. 001-36340).
10.27		—Board Representation Agreement, dated as of January 7, 2016, by and among EnLink Midstream GP, LLC, EnLink Midstream Partners, LP, EnLink Midstream, Inc. and TPG VII Management, LLC (incorporated by reference to Exhibit 10.1 to EnLink Midstream Partners, LP's Current Report on Form 8-K dated January 12, 2016, filed with the Commission on January 12, 2016, file No. 001-36340).
21.1	*	—List of Subsidiaries.
23.1	*	—Consent of KPMG LLP.
31.1	*	—Certification of the Principal Executive Officer.
31.2	*	—Certification of the Principal Financial Officer.
32.1	*	—Certification of the Principal Executive Officer and the Principal Financial Officer of the Partnership pursuant to 18 U.S.C. Section 1350.
101	*	—The following financial information from EnLink Midstream, LLC's Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (ii) Consolidated Balance Sheets as of December 31, 2016 and 2015, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, (iv) Consolidated Statements of Changes in Members' Equity for the years ended December 31, 2016, 2015 and 2014 and (v) the Notes to Consolidated Financial Statements.

---

* Filed herewith.

** In accordance with the instruction on Item 601(b)(2) of Regulation S-K, the exhibits and schedules to Exhibits 2.1 and 2.2 are not filed herewith. The agreements identify such exhibits and schedules, including the general

nature of their content. We undertake to provide such exhibits and schedules to the Commission upon request.

† As required by Item 15(a)(3), this Exhibit is identified as a compensatory benefit plan or arrangement.

190

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of February 2017.

ENLINK MIDSTREAM, LLC

By: EnLink Midstream Manager, LLC, its managing member

By: /s/ BARRY E. DAVIS
Barry E. Davis,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the dates indicated by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BARRY E. DAVIS Barry E. Davis	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 15, 2017
/s/ SUE ALBERTI Sue Alberti	Director	February 15, 2017
/s/ JAMES C. CRAIN James C. Crain	Director	February 15, 2017
/s/ LELDON E. ECHOLS Leldon E. Echols	Director	February 15, 2017
/s/ ROLF A. GAFVERT Rolf A. Gafvert	Director	February 15, 2017
/s/ DAVID A. HAGER David A. Hager	Director	February 15, 2017
/s/ THOMAS L. MITCHELL Thomas L. Mitchell	Director	February 15, 2017
/s/ MARY P. RICCIARDELLO	Director	February 15, 2017

Mary P. Ricciardello		
/s/ LYNDON C. TAYLOR Lyndon C. Taylor	Director	February 15, 2017
/s/ MICHAEL J. GARBERDING Michael J. Garberding	President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 15, 2017

191

Table of Contents

ENLINK MIDSTREAM, LLC (PARENT COMPANY)

The condensed parent only financial statements represent the financial information required by Rule 5-04 of the Securities and Exchange Commission Regulation S-X for the Company.

In the condensed financial statements, the Company’s investment in both the Partnership and EnLink Oklahoma T.O. is presented under the equity method of accounting. Under this method, the assets and liabilities of the Partnership and EnLink Oklahoma T.O. are not consolidated. The investment in the Partnership and EnLink Oklahoma T.O. is recorded as investment in unconsolidated affiliate investments in the balance sheet. The income (loss) from the Partnership and EnLink Oklahoma T.O. is reported as income (loss) from unconsolidated affiliate investments.

All financial results prior to March 7, 2014 reflect the historical operations of Midstream Holdings and its majority-owned subsidiaries.

The condensed financial statements should be read in conjunction with the Company’s consolidated financial statements, which are contained in “Item 8. Financial Statements and Supplementary Schedules” of this Annual Report.

Table of Contents

Schedule 1

ENLINK MIDSTREAM, LLC (PARENT COMPANY)

CONDENSED BALANCE SHEET

	December 31,	
	2016	2015
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 0.1	$ 12.1
Accounts receivable	—	0.1
Related party receivable	—	2.1
Prepaid expenses and other	2.6	9.7
Total current assets	2.7	24.0
Goodwill	1,119.9	1,426.9
Investment in unconsolidated affiliate investments	1,255.7	1,292.9
Other assets, net	—	0.8
Total assets	$ 2,378.3	$ 2,744.6
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Other current liabilities	$ 0.5	$ 0.4
Total current liabilities	0.5	0.4
Deferred tax liability	469.6	458.5
Long-Term Debt	27.3	—
	497.4	458.9
Members' equity:		
Members' equity	1,880.9	2,285.7
Total liabilities and members' equity	$ 2,378.3	$ 2,744.6

193

Table of Contents

ENLINK MIDSTREAM, LLC (PARENT COMPANY)

CONDENSED STATEMENT OF OPERATIONS

	Year Ended December 31,		
	2016	2015	2014
	(In millions, except per share data)		
Revenues:			
Income (loss) from unconsolidated affiliate investments	$ (145.1)	$ (325.5)	$ 185.7
Total revenues	(145.1)	(325.5)	185.7
Operating costs and expenses:			
General and administrative expenses	3.1	4.5	3.0
Impairment	307.0	—	—
Total operating costs and expenses	310.1	4.5	3.0
Operating income (loss)	(455.2)	(330.0)	182.7
Other income (expense):			
Interest and other expense	(1.4)	(0.8)	(2.4)
Income (loss) before income taxes	(456.6)	(330.8)	180.3
Income tax provision	(3.4)	(26.2)	(54.3)
Net income (loss)	$ (460.0)	$ (357.0)	$ 126.0
Net income (loss) attributable to EnLink Midstream, LLC per unit:			
Basic	$ (2.56)	$ (2.17)	$ 0.55
Diluted	$ (2.56)	$ (2.17)	$ 0.55
Weighted average common units outstanding:			
Basic	179.7	164.2	164.0
Diluted	179.7	164.2	164.3

Table of Contents

ENLINK MIDSTREAM, LLC (PARENT COMPANY)

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
	(In millions)	
Cash flows from operating activities:		
Net income (loss)	$ (460.0)	$ (357.0)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
(Income) loss from unconsolidated affiliate investments	145.1	325.5
Deferred tax expense	2.8	23.9
Stock-based compensation	0.4	0.4
Amortization of debt issue cost	0.1	0.3
Impairments	307.0	—
Changes in assets and liabilities:		
Accounts receivable, prepaid expenses and other	10.7	(8.5)
Accounts payable, and other accrued liabilities	0.1	(1.8)
Net cash used in operating activities	6.2	(17.2)
Cash flows from investing activities:		
Acquisition of business	(237.1)	—
Distributions from the affiliates	202.3	186.3
Investment in unconsolidated affiliate investment	(39.5)	(50.0)
Net cash provided by investing activities	(74.3)	136.3
Cash flows from financing activities:		
Proceeds from borrowings	92.7	—
Payments on borrowings	(64.9)	—
Debt refinancing cost	—	(0.1)
Conversion of restricted units, net of units withheld for taxes	(1.2)	(2.9)
Proceeds from issuance of common units	214.9	
Distribution to members	(185.4)	(162.8)
Net cash used in financing activities	56.1	(165.8)
Net increase (decrease) in cash and cash equivalents	(12.0)	(46.7)
Cash, beginning of year	12.1	58.8
Cash, end of year	$ 0.1	$ 12.1
Non-cash transactions:		
Gain (loss) from issuance of Partnership units	$ 18.9	$ 13.7

195