SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
COMMISSION FILE NUMBER 1-10403

TEPPCO PARTNERS, L.P.

(Exact name of Registrant as specified in its charter)

DELAWARE	76-0291058
(State of Incorporation or Organization)	(I.R.S. Employer Identification Number)

2929 ALLEN PARKWAY
P.O. BOX 2521
HOUSTON, TEXAS 77252-2521
(Address of principal executive offices, including zip code)

(713) 759-3636
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
LIMITED PARTNER UNITS REPRESENTING LIMITED PARTNER INTERESTS	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

At March 1, 1999 the aggregate market value of the registrant's Limited Partner Units held by non-affiliates was $653,480,681, which was computed using the average of the high and low sales prices of the Limited Partner Units on March 1, 1999.

Limited Partner Units outstanding as of March 1, 1999: 29,000,000.

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PART I

ITEMS 1. AND 2. BUSINESS AND PROPERTIES

GENERAL

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Products OLP") and TCTM, L.P. (the "Crude Oil OLP"). Collectively the Products OLP and the Crude Oil OLP are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner interest in both the Products OLP and the Crude Oil OLP. Texas Eastern Products Pipeline Company (the "Company" or "General Partner") owns a 1% general partner interest in the Partnership and 1% general partner interest in each Operating Partnership. The General Partner performs all management and operating functions required for the Partnership and the Operating Partnerships.

The Partnership operates in two industry segments -- refined products and liquefied petroleum gases ("LPGs") transportation; and crude oil and natural gas liquids ("NGLs") transportation and marketing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 of the Notes to Consolidated Financial Statements contained elsewhere herein for additional segment information.

On June 18, 1997, PanEnergy Corp ("PanEnergy") and Duke Power Company completed a previously announced merger. At closing, the combined companies became Duke Energy Corporation ("Duke Energy"). The Company, previously a wholly-owned subsidiary of PanEnergy, became an indirect wholly-owned subsidiary of Duke Energy on the date of the merger.

Effective March 31, 1998, TEPPCO Colorado, LLC ("TEPPCO Colorado"), a wholly owned subsidiary of the Products OLP, purchased two fractionation facilities located in Weld County, Colorado, from Duke Energy Field Services, Inc. ("DEFS"), a wholly-owned subsidiary of Duke Energy. The transaction was accounted for under the purchase method of accounting.

Effective November 1, 1998, the Crude Oil OLP, through its wholly owned subsidiary TEPPCO Crude Oil, LLC, acquired substantially all of the assets of Duke Energy Transport and Trading Company ("DETTCO") from Duke Energy. The transaction was accounted for under the purchase method of accounting. In consideration for such assets, Duke Energy received 3,916,547 Class B Limited Partnership Units ("Class B Units"). The Class B Units are substantially identical to the 29,000,000 Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units will be convertible into Limited Partner Units upon approval by the Limited Partner Unitholders. It is the Company's intention to seek approval for conversion, however, if conversion is not approved before March 2000, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. Collectively, the Limited Partner Units and Class B Units are referred to as "Units."

REFINED PRODUCTS AND LPGS TRANSPORTATION

Operations

The operations of the refined products and LPGs transportation segment are conducted through the Products OLP. The Products OLP conducts business and owns properties located in 13 states. Operations consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; sale of product inventory; fractionation of natural gas liquids (effective March 31, 1998); and other ancillary services.

The Products OLP is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Products OLP owns and operates an approximate 4,300-mile pipeline system (together with the receiving, storage and terminaling facilities mentioned below, the "Pipeline System" or "Pipeline" or "System") extending from southeast Texas through the central and midwestern United States to

the northeastern United States. The Pipeline System includes delivery terminals for outloading product to other pipelines, tank trucks, rail cars or barges, as well as substantial storage capacity at Mont Belvieu, Texas, the largest LPGs storage complex in the United States, and at other locations. The Products OLP also owns two marine receiving terminals, one near Beaumont, Texas, and the other at Providence, Rhode Island. The Providence terminal is not physically connected to the Pipeline. As an interstate common carrier, the Pipeline System offers interstate transportation services, pursuant to tariffs filed with the Federal Energy Regulatory Commission ("FERC"), to any shipper of refined petroleum products and LPGs who requests such services, provided that the products tendered for transportation satisfy the conditions and specifications contained in the applicable tariff. In addition to the revenues received by the Pipeline System from its interstate tariffs, it also receives revenues from the shuttling of LPGs between refinery and petrochemical facilities on the upper Texas Gulf Coast and ancillary transportation, storage and marketing services at key points along the System. Substantially all the petroleum products transported and stored in the Pipeline System are owned by the Partnership's customers. Petroleum products are received at terminals located principally on the southern end of the Pipeline System, stored, scheduled into the Pipeline in accordance with customer nominations and shipped to delivery terminals for ultimate delivery to the final distributor (e.g., gas stations and retail propane distribution centers) or to other pipelines. Pipelines are generally the lowest cost method for intermediate and long-haul overland transportation of petroleum products. The Pipeline System is the only pipeline that transports LPGs to the Northeast.

The Products OLP's business depends in large part on (i) the level of demand for refined petroleum products and LPGs in the geographic locations served by it and (ii) the ability and willingness of customers having access to the Pipeline System to supply such demand by deliveries through the System. The Partnership cannot predict the impact of future fuel conservation measures, alternate fuel requirements, governmental regulation, technological advances in fuel economy and energy-generation devices, all of which could reduce the demand for refined petroleum products and LPGs in the areas served by the Partnership.

Products are transported in liquid form from the upper Texas Gulf Coast through two parallel underground pipelines that extend to Seymour, Indiana. From Seymour, segments of the Pipeline System extend to the Chicago, Illinois; Lima, Ohio; Selkirk, New York; and Philadelphia, Pennsylvania, areas. The Pipeline System east of Todhunter, Ohio, is dedicated solely to LPGs transportation and storage services.

The Pipeline System includes 30 storage facilities with an aggregate storage capacity of 13 million barrels of refined petroleum products and 38 million barrels of LPGs, including storage capacity leased to outside parties. The Pipeline System makes deliveries to customers at 55 locations including 19 Partnership owned truck racks, rail car facilities and marine facilities. Deliveries to other pipelines occur at various facilities owned by the Partnership or by third parties.

Pipeline System

The Pipeline System is comprised of a 20-inch diameter line extending in a generally northeasterly direction from Baytown, Texas (located approximately 30 miles east of Houston), to a point in southwest Ohio near Lebanon and Todhunter. A second line, which also originates at Baytown, is 16 inches in diameter until it reaches Beaumont, Texas, at which point it reduces to a 14-inch diameter line. This second line extends along the same path as the 20-inch diameter line to the Pipeline System's terminal in El Dorado, Arkansas, before continuing as a 16-inch diameter line to Seymour, Indiana. The Pipeline System also has smaller diameter lines that extend laterally from El Dorado to Helena and Arkansas City, Arkansas, from Tyler, Texas, to El Dorado and from McRae, Arkansas, to West Memphis, Arkansas. The lines from El Dorado to Helena and Arkansas City have 10-inch diameters. The line from Tyler to El Dorado varies in diameter from 8 inches to 10 inches. The line from McRae to West Memphis has a 12-inch diameter. The Pipeline System also includes a 14-inch diameter line from Seymour, Indiana, to Chicago, Illinois, and a 10-inch diameter line running from Lebanon to Lima, Ohio. This 10-inch diameter pipeline connects to the Buckeye Pipe Line Company system that serves, among others, markets in Michigan and eastern Ohio. Also, the Pipeline System has a 6-inch diameter pipeline connection to the Greater Cincinnati/Northern Kentucky International Airport and a 8-inch diameter pipeline connection to the George Bush Intercontinental Airport,

Houston. In addition, there are numerous smaller diameter lines associated with the gathering and distribution system.

The Pipeline System continues eastward from Todhunter, Ohio, to Greensburg, Pennsylvania, at which point it branches into two segments, one ending in Selkirk, New York (near Albany), and the other ending at Marcus Hook, Pennsylvania (near Philadelphia). The Pipeline east of Todhunter and ending in Selkirk is an 8-inch diameter line, whereas the line starting at Greensburg and ending at Marcus Hook varies in diameter from 6 inches to 8 inches. East of Todhunter, Ohio, the Partnership transports only LPGs through the Pipeline.

The Pipeline System has been constructed and is in general compliance with applicable federal, state and local laws and regulations, and accepted industry standards and practices. The Partnership performs regular maintenance on all the facilities of the Pipeline System and has an ongoing process of inspecting segments of the Pipeline System and making repairs and replacements when necessary or appropriate. In addition, the Partnership conducts periodic air patrols of the Pipeline System to monitor pipeline integrity and third-party right of way encroachments.

Major Business Sector Markets

The Pipeline System's major operations are the transportation, storage and terminaling of refined petroleum products and LPGs along its mainline system, and the storage and short-haul transportation of LPGs associated with its Mont Belvieu operations. Product deliveries, in millions of barrels (MMBbls) on a regional basis, over the last three years were as follows:

	PRODUCT DELIVERIES (MMBBLS) YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Refined Products Transportation:			
Central(1)	71.5	69.4	66.9
Midwest(2)	34.8	29.9	28.7
Ohio and Kentucky	24.2	20.7	19.7
Subtotal	130.5	120.0	115.3
LPGs Mainline Transportation:			
Central, Midwest and Kentucky(1)(2)	18.5	23.8	24.6
Ohio and Northeast(3)	13.5	18.2	17.0
Subtotal	32.0	42.0	41.6
Mont Belvieu Operations:			
LPGs	25.1	27.8	22.5
Total Product Deliveries	187.6	189.8	179.4

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(1) Arkansas, Louisiana, Missouri and Texas.

(2) Illinois and Indiana.

(3) New York and Pennsylvania.

The mix of products delivered varies seasonally, with gasoline demand generally stronger in the spring and summer months and LPGs demand generally stronger in the fall and winter months. Weather and economic conditions in the geographic areas served by the Pipeline System also affect the demand for and the mix of the products delivered.

Refined products and LPGs deliveries over the last three years were as follows:

	PRODUCT DELIVERIES (MMBBLS) YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Refined Products Transportation:			
Gasoline	74.0	66.8	65.4
Jet Fuels	23.8	22.4	20.7
Middle Distillates(1)	26.1	24.0	23.2
MTBE/Toluene	6.6	6.8	6.0
Subtotal	130.5	120.0	115.3
LPGs Mainline Transportation:			
Propane	25.5	34.7	35.2
Butanes	6.5	7.3	6.4
Subtotal	32.0	42.0	41.6
Mont Belvieu Operations:			
LPGs	25.1	27.8	22.5
Total Product Deliveries	187.6	189.8	179.4

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(1) Primarily diesel fuel, heating oil and other middle distillates.

Refined Petroleum Products Transportation

The Pipeline System transports refined petroleum products from the upper Texas Gulf Coast, eastern Texas and southern Arkansas to the Central and Midwest regions of the United States with deliveries in Texas, Louisiana, Arkansas, Missouri, Illinois, Kentucky, Indiana and Ohio. At these points, refined petroleum products are delivered to Partnership-owned terminals, connecting pipelines and customer-owned terminals. The volume of refined petroleum products transported by the Pipeline System is directly affected by the demand for such products in the geographic regions the System serves. Such market demand varies based upon the different end uses to which the refined products deliveries are applied. Demand for gasoline, which accounts for a substantial portion of the volume of refined products transported through the Pipeline System, depends upon price, prevailing economic conditions and demographic changes in the markets served. Demand for refined products used in agricultural operations is affected by weather conditions, government policy and crop prices. Demand for jet fuel depends upon prevailing economic conditions and military usage.

Effective January 1, 1996, the Clean Air Act Amendments of 1990 mandated the use of reformulated gasolines in nine metropolitan areas of the United States, including the Houston and Chicago areas served by the System. A portion of the reformulated and oxygenated gasolines includes methyl tertiary butyl ether ("MTBE") as a major blending component. The Partnership has invested in modifications to the System needed to allow the Partnership to achieve increased revenues from the transportation and storage of MTBE as well as other blending components used in the production of reformulated gasolines.

LPGs Mainline Transportation

The Pipeline System transports LPGs from the upper Texas Gulf Coast to the Central, Midwest and Northeast regions of the United States. The Pipeline System east of Todhunter, Ohio, is devoted solely to the transportation of LPGs. Since LPGs demand is generally stronger in the winter months, the Pipeline System often operates near capacity during such time. Propane deliveries are generally sensitive to the weather and meaningful year-to-year variations have occurred and will likely continue to occur.

The Products OLP's ability to serve markets in the Northeast is enhanced by its propane import terminal at Providence, Rhode Island. This facility includes a 400,000-barrel refrigerated storage tank along with ship

unloading and truck loading facilities. Although the terminal is operated by the Products OLP, the utilization of the terminal is committed by contract to a major propane marketer through May 2001.

Mont Belvieu LPGs Storage and Pipeline Shuttle

A key aspect of the Pipeline System's LPGs business is its storage and pipeline asset base in the Mont Belvieu, Texas, complex serving the fractionation, refining and petrochemical industries. The complex is the largest of its kind in the United States and provides substantial capacity and flexibility in the transportation, terminaling and storage of natural gas liquids, LPGs and olefins.

The Products OLP has approximately 33 million barrels of LPGs storage capacity, including storage capacity leased to outside parties, at the Mont Belvieu complex. The Products OLP's Mont Belvieu short-haul transportation shuttle system, consisting of a complex system of pipelines and interconnects, ties Mont Belvieu to virtually every refinery and petrochemical facility on the upper Texas Gulf Coast.

Product Sales and Other

The Products OLP also derives revenue from the sale of product inventory, terminaling activities and other ancillary services associated with the transportation and storage of refined petroleum products and LPGs.

Effective March 31, 1998, operations also included fractionation of NGLs. NGL fractionation involves the separation of NGLs from processed natural gas into individual components (primarily ethane, propane, butanes and natural gasoline). The Partnership's two fractionator facilities are located in Weld County, Colorado. The Greeley Fractionator has a capacity of 378,000 gallons per day. The Spindle Fractionator has a capacity of 126,000 gallons per day. Effective with the purchase of the fractionation facilities, TEPPCO Colorado entered into a twenty-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. TEPPCO Colorado and DEFS also entered into a Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Revenues recognized from the fractionation facilities totaled $5.5 million from April 1, 1998 through December 31, 1998. All such revenue was received from DEFS pursuant to the Fractionation Agreement.

Customers

The Pipeline System's customers for the transportation of refined petroleum products include major integrated oil companies, independent oil companies and wholesalers. End markets for these deliveries are primarily (i) retail service stations, (ii) truck stops, (iii) agricultural enterprises, (iv) refineries (for MTBE and other blend stocks), and (v) military and commercial jet fuel users.

Propane shippers include wholesalers and retailers who, in turn, sell to commercial, industrial, agricultural and residential heating customers, as well as utilities who use propane as a fuel source. Refineries constitute the Partnership's major customers for butane and isobutane, which are used as a blend stock for gasolines and as a feed stock for alkylation units, respectively.

At December 31, 1998, the Pipeline System had approximately 140 customers. Transportation revenues (and percentage of total revenues) attributable to the top 10 shippers were $90 million (42%), $85 million (38%), and $81 million (38%) for the years ended December 31, 1998, 1997 and 1996, respectively. During 1998, billings to Marathon Ashland, LLC, a major integrated oil company, accounted for approximately 10% of the Products OLP's revenues. During 1997 and 1996, no single customer accounted for greater than 10% of the Products OLP's total revenues. Loss of a business relationship with a significant customer could have an adverse affect on the consolidated financial position, results of operations and liquidity of the Partnership.

Competition

The Pipeline System conducts operations without the benefit of exclusive franchises from government entities. Interstate common carrier transportation services are provided through the System pursuant to tariffs filed with the FERC.

Because pipelines are generally the lowest cost method for intermediate and long-haul overland movement of refined petroleum products and LPGs, the Pipeline System's most significant competitors (other than indigenous production in its markets) are pipelines in the areas where the Pipeline System delivers products. Competition among common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity to end users. The General Partner believes the Products OLP is competitive with other pipelines serving the same markets; however, comparison of different pipelines is difficult due to varying product mix and operations.

Trucks, barges and railroads competitively deliver products in some of the areas served by the Pipeline System. Trucking costs, however, render that mode of transportation less competitive for longer hauls or larger volumes. Barge fees for the transportation of refined products are generally lower than the Partnership's tariffs. The Partnership faces competition from rail movements of LPGs in several geographic areas. The most significant area is the Northeast, where rail movements of propane from Sarnia, Canada, compete with propane moved on the Pipeline System.

CRUDE OIL AND NGLS TRANSPORTATION AND MARKETING

Operations

The Crude Oil OLP, through its wholly owned subsidiary TEPPCO Crude Oil, LLC ("TCO"), gathers, stores, transports and markets crude oil, NGLs and lube oils, principally in Oklahoma and Texas. This segment was added to the Partnership effective November 1, 1998 upon TCO's acquisition of the assets of DETTCO from Duke Energy.

The Crude Oil OLP generally purchases crude oil at prevailing prices from producers at the wellhead, aggregates the crude oil into its pipeline system from its gathering lines and its trucking fleet, and transports the crude oil for sale to or exchange with customers. The Partnership's margins from its gathering, transportation and marketing operations are generated by the difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale, minus the associated costs of aggregation and transportation.

Generally, as the Crude Oil OLP purchases crude oil, it simultaneously establishes a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation with respect to futures contracts on the New York Mercantile Exchange. The Partnership seeks to maintain a balanced position until it makes physical delivery of the crude oil, thereby minimizing or eliminating exposure to price fluctuations occurring after the initial purchase. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged or eliminated. It is the Partnership's policy not to acquire crude oil, futures contracts or other derivative products for the purpose of speculating on price changes.

Properties

The Crude Oil OLP is based in Oklahoma City. It operates crude oil pipelines principally in Oklahoma and Texas, and two trunkline NGL pipelines in South Texas. It also distributes lube oil to industrial and commercial accounts. The Crude Oil OLP's crude oil pipelines include two major systems and various smaller systems. The Red River System, located on the Texas-Oklahoma border, is the larger system, with 960 miles of pipeline and 750,000 barrels of storage. The majority of this pipeline's crude oil is delivered to Cushing, Oklahoma via connecting pipelines or to two local refineries. The South Texas System, located west of Houston, consists of 550 miles of pipeline and 550,000 barrels of storage. The majority of the crude oil on this system is delivered on a tariff basis to the Houston refining complex. Other crude oil assets, located primarily in Texas and Louisiana, consist of 310 miles of pipeline and 240,000 barrels of storage. The NGL pipelines are

located along the Texas Gulf Coast. The Dean NGL Pipeline consists of 338 miles of pipeline originating in South Texas and terminating at Mont Belvieu, Texas, and has a capacity of 20,000 barrels per day. The Dean NGL Pipeline is currently supported by a 17,000 barrel per day take-or-pay commitment through 2002. The Wilcox NGL Pipeline is 90 miles long, has a capacity of 5,000 barrels per day and currently transports NGLs for DEFS from two of their processing plants. The Wilcox NGL Pipeline is currently supported by demand fees that are paid by DEFS through 2005. Through its wholly owned subsidiary Lubrication Services, LLC ("LSI"), the Crude Oil OLP distributes lube oils to pipeline operators, gatherers and processing industry participants. LSI's distribution networks are located in Colorado, Oklahoma, Southwest Kansas, East Texas, and Northwest Louisiana.

Customers

The Crude Oil OLP purchases crude oil primarily from major integrated oil companies and independent oil producers. Crude oil sales are primarily to major integrated oil companies and independent refiners. The loss of any single customer would not have a material adverse effect on the consolidated financial position, results of operations and liquidity of the Partnership.

Competition

The Crude Oil OLP's most significant competitors in its pipeline operations are primarily common carrier and proprietary pipelines owned and operated by major oil companies, large independent pipeline companies and other companies in the areas where its pipeline systems deliver crude oil and NGLs. Competition among common carrier pipelines is based primarily on posted tariffs, quality of customer service, knowledge of products and markets, and proximity to refineries and connecting pipelines. The crude oil gathering and marketing business is characterized by thin margins and intense competition for supplies of lease crude oil. A decline in domestic crude oil production has intensified competition among gatherers and marketers. Within the past few years, the number of companies involved in the gathering of crude oil in the United States has decreased as a result of business consolidations.

Credit

As crude oil or lube oils are marketed, the Partnership must determine the amount, if any, of credit to be extended to any given customer. Due to the nature of individual sales transactions, risk of non-payment and non-performance by customers is a major consideration in the Crude Oil OLP's business. The Crude Oil OLP manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. The Crude Oil OLP utilizes letters of credit, prepayments and guarantees for certain of its receivables.

The Crude Oil OLP's credit standing is a major consideration for parties with whom the Crude Oil OLP does business. In connection with TCO's acquisition of DETTCO, Duke Energy agreed to provide up to $100 million of guarantee credit to the Crude Oil OLP through November 2001.

TITLE TO PROPERTIES

The Partnership believes it has satisfactory title to all of its assets. Such properties are subject to liabilities in certain cases, such as customary interests generally contracted in connection with acquisition of the properties, liens for taxes not yet due, easements, restrictions, and other minor encumbrances. The Partnership believes none of these liabilities materially affects the value of such properties or the Partnership's interest therein or will materially interfere with their use in the operation of the Partnership's business.

CAPITAL EXPENDITURES

Capital expenditures by the Partnership were $23.4 million for the year ended December 31, 1998. This amount includes capitalized interest of $0.8 million. Approximately $1.6 million was used for revenue-generating projects and $20.3 million was used for System integrity projects and for sustaining existing

operations of the Products OLP. Capital expenditures related to the Crude Oil OLP totaled $0.7 million for the period from November 1, 1998 through December 31, 1998.

In February 1999, the Partnership announced plans to construct three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The project includes three 12-inch diameter common-carrier pipelines and associated facilities. Each pipeline will be approximately 70 miles in length. Upon completion, the new pipelines will transport ethylene, propylene and natural gasoline. The anticipated completion date is the fourth quarter of 2000. The cost of this project is expected to total approximately $72 million. Approximately $43 million is expected to be incurred in 1999, with the remainder in 2000. The Partnership expects the majority of this project will be financed through external borrowings.

The Partnership estimates that the remaining capital expenditures for 1999 will be approximately $47 million. Approximately $20 million is expected to be used for the Products OLP and $27 million is expected to be used for the Crude Oil OLP. Substantially all expenditures related to the Products OLP are expected to be used for life-cycle replacements and to upgrade current facilities. Approximately $22 million of planned expenditures of the Crude Oil OLP are expected to be used in revenue-generating and cost-reduction projects, with the remainder to be used to maintain existing operations. The Partnership revises capital spending periodically in response to changes in cash flows and operations.

REGULATION

The Partnership's interstate common carrier pipeline operations are subject to rate regulation by the FERC under the Interstate Commerce Act ("ICA"), the Energy Policy Act of 1992 ("Act") and rules and orders promulgated pursuant thereto. FERC regulation requires that interstate oil pipeline rates be posted publicly and that these rates be "just and reasonable" and nondiscriminatory.

Rates of interstate oil pipeline companies, like the Partnership, are currently regulated by FERC primarily through an index methodology, whereby a pipeline is allowed to change its rates based on the change from year-to-year in the Producer Price Index for finished goods less 1% ("PPI Index"). In the alternative, interstate oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings ("Market Based Rates") or agreements between shippers and the oil pipeline company that the rate is acceptable. With one immaterial exception, the Partnership has used the index methodology since the adoption thereof in 1996. The Partnership is considering requesting the FERC to allow the Partnership to utilize Market Based Rates for interstate shipments of refined petroleum products, while maintaining the index methodology for rates governing interstate shipments of LPGs. The Partnership does not believe that the adoption of Market Based Rates will have a material impact on the Partnership, since the Partnership's current rates are highly influenced by competitive factors, but Market Based Rates will provide the Partnership with rate flexibility.

In a June 1996 decision, the FERC disallowed the inclusion of imputed income taxes in the cost-of-service tariff filing of Lakehead Pipeline Company, Limited Partnership ("Lakehead"), an unrelated oil pipeline limited partnership. The FERC's decision held that Lakehead was entitled to include an income tax allowance in its cost-of-service for income attributable to corporate partners but not on income attributable to individual partners. In 1997, Lakehead reached an agreement with its shippers on all contested rates and withdrew its appeal of the June 1996 decision. In January 1999, in another FERC proceeding, SFPP, L.P., the FERC followed its decision in Lakehead and held that SFPP may claim an income tax allowance with respect to income attributable to SFPP, Inc.'s general partnership interest and income attributable to corporations holding publicly traded limited partnership interests, but not for income attributable to non-corporate limited partners, both individuals and other entities. The decision also disallowed the income tax allowance attributable to SFPP, Inc.'s limited partnership interest under facts peculiar to the way SFPP held its limited partnership interests. Neither the FERC's decision in Lakehead nor the Administrative Law Judge's initial decision in SFPP, L.P. affects the Partnership's current rates and rate structure because the Partnership uses the index methodology to support its rates. However, the Lakehead and SFPP decisions might become relevant to the Partnership should it (i) elect in the future to use the cost-of-service methodology or (ii) be required to use such methodology to defend its indexed rates against a shipper protest alleging that an indexed

rate increase substantially exceeds actual cost increases. Should such circumstances arise, there can be no assurance with respect to the effect of such precedents on the Partnership's rates in view of the uncertainties involved in this issue.

ENVIRONMENTAL MATTERS

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from its operations, could result in substantial costs and liabilities to the Partnership.

Water

The Federal Water Pollution Control Act of 1972, as renamed and amended as the Clean Water Act ("CWA"), imposes strict controls against the discharge of oil and its derivatives into navigable waters. The CWA provides penalties for any discharges of petroleum products in reportable quantities and imposes substantial potential liability for the costs of removing an oil or hazardous substance spill. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of a release of petroleum or its derivatives in surface waters or into the groundwater. Spill prevention control and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum tank spill, rupture or leak.

Contamination resulting from spills or release of refined petroleum products is an inherent risk within the petroleum pipeline industry. To the extent that groundwater contamination requiring remediation exists along the Pipeline System as a result of past operations, the Partnership believes any such contamination could be controlled or remedied without having a material adverse effect on the financial condition of the Partnership, but such costs are site specific, and there can be no assurance that the effect will not be material in the aggregate.

The primary federal law for oil spill liability is the Oil Pollution Act of 1990 ("OPA"), which addresses three principal areas of oil pollution -- prevention, containment and cleanup, and liability. It applies to vessels, offshore platforms, and onshore facilities, including terminals, pipelines and transfer facilities. In order to handle, store or transport oil, shore facilities are required to file oil spill response plans with the appropriate agency being either the United States Coast Guard, the United States Department of Transportation Office of Pipeline Safety ("OPS") or the Environmental Protection Agency ("EPA"). Numerous states have enacted laws similar to OPA. Under OPA and similar state laws, responsible parties for a regulated facility from which oil is discharged may be liable for removal costs and natural resources damages. The General Partner believes that the Partnership is in material compliance with regulations pursuant to OPA and similar state laws.

The EPA has adopted regulations that require the Partnership to have permits in order to discharge certain storm water run-off. Storm water discharge permits may also be required by certain states in which the Partnership operates. Such permits may require the Partnership to monitor and sample the effluent. The General Partner believes that the Partnership is in material compliance with effluent limitations at existing facilities.

Air Emissions

The operations of the Partnership are subject to the federal Clean Air Act and comparable state and local statutes. The Clean Air Act Amendments of 1990 (the "Clean Air Act") will require most industrial operations in the United States to incur future capital expenditures in order to meet the air emission control standards that are to be developed and implemented by the EPA and state environmental agencies during the next decade. Pursuant to the Clean Air Act, any Partnership facilities that emit volatile organic compounds or nitrogen oxides and are located in ozone non-attainment areas will face increasingly stringent regulations,

including requirements that certain sources install the reasonably available control technology. The EPA is also required to promulgate new regulations governing the emissions of hazardous air pollutants. Some of the Partnership's facilities are included within the categories of hazardous air pollutant sources which will be affected by these regulations. The Partnership does not anticipate that changes currently required by the Clean Air Act hazardous air pollutant regulations will have a material adverse effect on the Partnership.

The Clean Air Act also introduced the new concept of federal operating permits for major sources of air emissions. Under this program, one federal operating permit (a "Title V" permit) is issued. The permit acts as an umbrella that includes all other federal, state and local preconstruction and/or operating permit provisions, emission standards, grandfathered rates, and record keeping, reporting, and monitoring requirements in a single document. The federal operating permit is the tool that the public and regulatory agencies use to review and enforce a site's compliance with all aspects of clean air regulation at the federal, state and local level. The Partnership has completed applications for all twelve facilities for which such regulations apply, and has received the final permit for three facilities.

Solid Waste

The Partnership generates hazardous and non-hazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. Amendments to RCRA require the EPA to promulgate regulations banning the land disposal of all hazardous wastes unless the wastes meet certain treatment standards or the land-disposal method meets certain waste containment criteria. In 1990, the EPA issued the Toxicity Characteristic Leaching Procedure, which substantially expanded the number of materials defined as hazardous waste. Certain wastewater and other wastes generated from the Partnership's business activities previously classified as nonhazardous are now classified as hazardous due to the presence of dissolved aromatic compounds. The Partnership utilizes waste minimization and recycling processes and has installed pre-treatment facilities to reduce the volume of its hazardous waste. The Partnership currently has three active on-site waste water treatment facilities. Operating expenses of these facilities have not had a material adverse effect on the financial position or results of operations of the Partnership.

Superfund

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, on certain classes of persons who contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a facility and companies that disposed or arranged for the disposal of the hazardous substances found at a facility. CERCLA also authorizes the EPA and, in some instances, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of its ordinary operations, the Pipeline System generates wastes that may fall within CERCLA's definition of a "hazardous substance." Should a disposal facility previously used by the Partnership require clean up in the future, the Partnership may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed.

The Company was notified by the EPA in the fall of 1998 that it might have potential liability for waste material allegedly disposed by the Company at the Casmalia Disposal Site in Santa Barbara County, California. The EPA has offered the Company a de minimus settlement offer of $0.3 million to settle liability associated with the Company's alleged involvement. The Company believes based on the information furnished by the EPA that it has been erroneously named as an entity that disposed of waste material at the Casmalia Disposal Site. The Company intends to continue to vigorously pursue dismissal from this matter.

Other Environmental Proceedings

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site

groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM will issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership estimates that the costs of the remediation program being proposed by the Partnership for the Seymour terminal will not exceed the amount accrued therefore (approximately $0.8 million at December 31, 1998). In the opinion of the Company, the completion of the remediation program being proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

SAFETY REGULATION

The Partnership is subject to regulation by the United States Department of Transportation ("DOT") under the Hazardous Liquid Pipeline Safety Act of 1979 ("HLPSA") and comparable state statutes relating to the design, installation, testing, construction, operation, replacement and management of its pipeline facilities. HLPSA covers petroleum and petroleum products and requires any entity that owns or operates pipeline facilities to comply with such regulations, to permit access to and copying of records and to make certain reports and provide information as required by the Secretary of Transportation. The Partnership believes it is in material compliance with HLPSA requirements.

The Partnership is also subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The Partnership believes it is in material compliance with OSHA and state requirements, including general industry standards, record keeping requirements and monitoring of occupational exposures.

The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act, and comparable state statutes require the Partnership to organize and disclose information about the hazardous materials used in its operations. Certain parts of this information must be reported to employees, state and local governmental authorities, and local citizens upon request. In general, the Partnership expects to increase its expenditures during the next decade to comply with higher industry and regulatory safety standards such as those described above. Such expenditures cannot be accurately estimated at this time, although the General Partner does not believe that they will have a future material adverse impact on the Partnership.

The Partnership is subject to OSHA Process Safety Management ("PSM") regulations which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable, or explosive chemicals. These regulations apply to any process which involves a chemical at or above the specified thresholds; or any process which involves a flammable liquid or gas, as defined in the regulations, stored on site in one location, in a quantity of 10,000 pounds or more. The Partnership utilizes certain covered processes and maintains storage of LPGs in pressurized tanks, caverns and wells in excess of 10,000 pounds at various locations. Flammable liquids stored in atmospheric tanks below their normal boiling point without benefit of chilling or refrigeration are exempt. The Partnership believes it is in material compliance with the PSM regulations.

EMPLOYEES

The Partnership does not have any employees, officers or directors. The General Partner is responsible for the management of the Partnership and Operating Partnerships. As of December 31, 1998, the General Partner had 740 employees.

ITEM 3. LEGAL PROCEEDINGS

The Partnership has been, in the ordinary course of business, a defendant in various lawsuits and a party to various legal proceedings, some of which are covered in whole or in part by insurance. The General Partner believes that the outcome of such lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on the Partnership's financial condition, operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

PART II

ITEM 5. MARKET FOR REGISTRANT'S UNITS AND RELATED UNITHOLDER MATTERS

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All references to the number of Units and per Unit amounts have been restated to reflect the two-for-one split for all periods presented.

The Limited Partner Units of the Partnership are listed and traded on the New York Stock Exchange under the symbol TPP. The high and low trading prices of the Limited Partner Units in 1998 and 1997, respectively, as reported in The Wall Street Journal, were as follows:

	1998		1997	
QUARTER	HIGH	LOW	HIGH	LOW
First	$30.3750	$25.0000	$22.0625	$20.1250
Second	30.6875	25.5000	22.9063	19.8125
Third	29.4375	25.5000	26.5625	22.4375
Fourth	30.5625	23.2500	28.2500	25.0313

Based on the information received from its transfer agent and from brokers/nominees, the Company estimates the number of beneficial Unitholders of Limited Partner Units of the Partnership as of March 1, 1999 to be approximately 21,500.

The quarterly cash distributions applicable to 1997 and 1998 were as follows:

RECORD DATE	PAYMENT DATE	AMOUNT PER UNIT
April 30, 1997	May 9, 1997	$0.375
July 31, 1997	August 8, 1997	0.400
October 31, 1997	November 7, 1997	0.400
January 30, 1998	February 6, 1998	0.425
April 30, 1998	May 8, 1998	0.425
July 31, 1998	August 7, 1998	0.450
October 30, 1998	November 6, 1998	0.450
January 29, 1999	February 5, 1999	0.450

The Partnership makes quarterly cash distributions of its Available Cash, as defined by the Partnership Agreements. Available Cash consists generally of all cash receipts less cash disbursements and cash reserves necessary for working capital, anticipated capital expenditures and contingencies the General Partner deems appropriate and necessary.

The Partnership is a publicly traded master limited partnership that is not subject to federal income tax. Instead, Unitholders are required to report their allocable share of the Partnership's income, gain, loss, deduction and credit, regardless of whether the Partnership makes distributions.

Distributions of cash by the Partnership to a Unitholder will not result in taxable gain or income except to the extent the aggregate amount distributed exceeds the tax basis of the Units held by the Unitholder.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth, for the periods and at the dates indicated, selected consolidated financial and operating data for the Partnership. The financial data was derived from the consolidated financial statements of the Partnership and should be read in conjunction with the Partnership's audited consolidated financial statements included in the Index to Financial Statements on page F-1 of this report. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED DECEMBER 31,				
	1998(1)	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS AND OPERATING DATA)				
INCOME STATEMENT DATA:					
Operating revenues:					
Sales of crude oil and petroleum products	$214,463	$ --	$ --	$ --	$ --
Transportation -- refined products	119,854	107,304	98,641	96,190	89,442
Transportation -- LPGs	60,902	79,371	80,219	70,576	73,458
Transportation -- crude oil and NGLs	3,392	--	--	--	--
Mont Belvieu operations	10,880	12,815	11,811	13,570	12,290
Other	20,147	22,603	25,354	23,380	22,112
Total operating revenues	429,638	222,093	216,025	203,716	197,302
Purchases of crude oil and petroleum products	212,371	--	--	--	--
Operating expenses	110,363	106,771	105,182	103,938	94,337
Depreciation and amortization	26,938	23,772	23,409	23,286	23,063
Operating income	79,966	91,550	87,434	76,492	79,902
Interest expense -- net	(28,989)	(32,229)	(33,534)	(34,987)	(36,076)
Other income -- net	2,364	1,979	4,748	5,212	2,714
Income before extraordinary item	53,341	61,300	58,648	46,717	46,540
Extraordinary loss on debt extinguishment, net of minority interest(2)	(72,767)	--	--	--	--
Net income (loss)	$(19,426)	$ 61,300	$ 58,648	$ 46,717	$ 46,540
Basic and diluted income per Unit:(3)					
Before extraordinary item	$ 1.61	$ 1.95	$ 1.89	$ 1.54	$ 1.57
Extraordinary loss on debt extinguishment(2)	(2.21)	--	--	--	--
Net income (loss) per Unit	$ (0.60)	$ 1.95	$ 1.89	$ 1.54	$ 1.57
BALANCE SHEET DATA (AT PERIOD END):					
Property, plant and equipment -- net	$671,611	$567,681	$561,068	$533,470	$540,577
Total assets	914,969	673,909	671,241	669,915	665,331
Long-term debt (net of current maturities)	427,722	309,512	326,512	339,512	349,512
Class B Units	105,036	--	--	--	--
Partners' capital	227,186	302,967	290,311	276,381	269,599
CASH FLOW DATA:					
Net cash from operations	$ 93,215	$ 83,604	$ 86,121	$ 78,456	$ 70,082
Capital expenditures	(23,432)	(32,931)	(51,264)	(25,967)	(20,826)
Cash investments -- net	2,357	18,860	4,148	6,527	(41,776)
Distributions	(56,774)	(49,042)	(45,174)	(40,342)	(34,720)

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(1) Data reflects the operations of the fractionator assets effective March 31, 1998, and the operations of the crude oil and NGL assets purchased effective November 1, 1998.

(2) Extraordinary item reflects the loss related to the early extinguishment of the First Mortgage Notes on January 27, 1998.

(3) Per Unit amounts for all periods have been adjusted to reflect the two-for-one split on August 10, 1998. Per Unit calculation includes 3,916,547 Class B Units issued for the acquisition of the crude oil and NGL assets, effective November 1, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following information is provided to facilitate increased understanding of the 1998, 1997 and 1996 consolidated financial statements and accompanying notes of the Partnership included in the Index to Financial Statements on page F-1 of this report. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Matters" addresses key trends, future plans and contingencies. Throughout these discussions, management addresses items that are reasonably likely to materially affect future liquidity or earnings.

Through its ownership of the Products OLP and the Crude Oil OLP, the Partnership operates in two industry segments -- refined products and LPGs transportation; and crude oil and NGLs transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The Products OLP segment is involved in the transportation, storage and terminaling of petroleum products and the fractionation of NGLs. Revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas, complex, sale of product inventory and other ancillary services. Labor and electric power costs comprise the two largest operating expense items of the Products OLP. Operations are somewhat seasonal with higher revenues generally realized during the first and fourth quarters of each year. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating.

The Crude Oil OLP segment is involved in the transportation and marketing of crude oil and NGLs. Revenues are earned from the gathering, storage, transportation and marketing of crude oil, NGLs and lube oils principally in Oklahoma and Texas. Operations of this segment are included from November 1, 1998, upon the acquisition from Duke Energy.

RESULTS OF OPERATIONS

Summarized below is financial data by business segment (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Operating revenues:			
Refined Products and LPGs Transportation	$211,783	$222,093	$216,025
Crude Oil and NGLs Transportation and Marketing	217,855	--	--
Total operating revenues	429,638	222,093	216,025
Operating income:			
Refined Products and LPGs Transportation	78,641	91,550	87,434
Crude Oil and NGLs Transportation and Marketing	1,325	--	--
Total operating income	79,966	91,550	87,434
Income before extraordinary item:			
Refined Products and LPGs Transportation	52,002	61,300	58,648
Crude Oil and NGLs Transportation and Marketing	1,339	--	--
Total income before extraordinary item	$ 53,341	$ 61,300	$ 58,648

For the year ended December 31, 1998, the Partnership reported a net loss of $19.4 million. The net loss included an extraordinary loss for early extinguishment of debt of $72.8 million, net of $0.7 million allocated to minority interest. Excluding the extraordinary loss, net income for the year would have been $53.3 million, compared with net income of $61.3 million for 1997. The $8.0 million decrease in income before loss on debt

extinguishment resulted primarily from a $11.6 million decrease in operating income, partially offset by a $3.2 million decrease in interest expense, net of capitalized interest.

Net income for the year ended December 31, 1997 increased 5% to $61.3 million, compared with net income of $58.6 million for the year ended December 31, 1996. The increase in net income resulted from a $6.1 million increase in operating revenues and a $1.3 million decrease in interest expense, net of capitalized interest. These increases were partially offset by a $2.0 million increase in costs and expenses, and a $2.7 million decrease in other income -- net. See discussion below of factors affecting net income for the comparative periods by business segment.

REFINED PRODUCTS AND LPGS TRANSPORTATION SEGMENT

Volume and average tariff information for 1998, 1997 and 1996 is presented below:

	YEARS ENDED DECEMBER 31,			PERCENTAGE INCREASE (DECREASE)	
	1998	1997	1996	1998	1997
	(IN THOUSANDS, EXCEPT TARIFF INFORMATION)				
Volumes Delivered					
Refined products	130,467	119,971	115,262	9%	4%
LPGs	32,048	41,991	41,640	(24%)	1%
Mont Belvieu operations	25,072	27,869	22,522	(10%)	24%
Total	187,587	189,831	179,424	(1%)	6%
Average Tariff per Barrel					
Refined products	$ 0.92	$ 0.89	$ 0.86	3%	3%
LPGs	1.90	1.89	1.93	1%	(2%)
Mont Belvieu operations	0.16	0.15	0.17	7%	(12%)
Average system tariff per barrel	$ 0.98	$ 1.00	$ 1.02	(2%)	(2%)

1998 Compared to 1997

Operating revenues for the year ended 1998 decreased 5% to $211.8 million from $222.1 million for the year ended 1997. This $10.3 million decrease resulted from an $18.5 million decrease in LPGs transportation revenues, a $2.5 million decrease in other operating revenues and a $1.9 million decrease in revenues generated from Mont Belvieu operations, partially offset by a $12.6 million increase in refined products transportation revenues.

Refined products transportation revenues increased $12.6 million for the year ended December 31, 1998, compared with the prior year, as a result of the 9% increase in volumes delivered and a 3% increase in the refined products average tariff per barrel. The 9% increase in volumes delivered in 1998 was attributable to (i) favorable Midwest price differentials for motor fuel, distillate, jet fuel and natural gasoline; and (ii) the full-period impact of capacity expansions of the mainline System between El Dorado, Arkansas, and Seymour, Indiana, the Ark-La-Tex System between Shreveport, Louisiana, and El Dorado, and the connection to the Colonial pipeline at Beaumont, Texas. The 3% increase in the refined products average tariff per barrel reflects new tariff structures for volumes transported on the expanded portion of the Ark-La-Tex system and barrels originating from the pipeline connection with Colonial's pipeline.

LPGs transportation revenues decreased $18.5 million for the year ended December 31, 1998, compared with the prior year, due to a 24% decrease in volumes delivered, partially offset by a 1% increase in the LPGs average tariff per barrel. Propane revenues decreased $16.7 million, or 25%, from the prior year primarily due to decreased propane deliveries in the Midwest and Northeast market areas attributable to warmer winter and spring weather during 1998 and unfavorable differentials versus competing Canadian product. Butane revenues decreased $1.7 million, or 13%, from the prior year due primarily to unfavorable blending economics in the Midwest and termination of a throughput agreement during the second quarter of 1998. Decreased

petrochemical demand along the upper Texas Gulf Coast resulted in a 32% decrease in short-haul propane deliveries. The 1% increase in the LPGs average tariff per barrel resulted from an increase in 1998 of the ratio of long-haul to short-haul propane deliveries.

Revenues generated from Mont Belvieu operations decreased $1.9 million for the year ended December 31, 1998, compared with the prior year, primarily due to lower storage revenue, lower product receipt charges and decreased propane dehydration fees. Additionally, Mont Belvieu shuttle deliveries decreased 10% during the year ended 1998, compared with the prior year, due to lower petrochemical and refinery demand for LPGs along the upper Texas Gulf Coast. The decrease in the Mont Belvieu shuttle deliveries was largely offset by a 7% increase in the average tariff per barrel attributable to a lower percentage in 1998 of contract deliveries, which generally carry lower tariffs.

Other operating revenues decreased $2.5 million during the year ended December 31, 1998, compared with 1997, primarily due to decreased product inventory volumes sold, unfavorable product location exchange differentials incurred to position system inventory, lower amounts of butane received in the Midwest for summer storage and decreased terminaling revenues. These decreases were partially offset by $5.5 million of operating revenues from the fractionator facilities acquired on March 31, 1998.

Costs and expenses increased $2.6 million during the year ended December 31, 1998, compared with the prior year, due to a $3.7 million increase in operating, general and administrative expenses and a $2.3 million increase in depreciation and amortization charges, partially offset by a $3.0 million decrease in operating fuel and power expense and a $0.4 million decrease in taxes -- other than income. The increase in operating, general and administrative expenses was primarily attributable to $3.4 million of expense to write down the book-value of product inventory to market-value, credits of $3.0 million recorded during 1997 for insurance recovery of past litigation costs related to the Seymour terminal, a $0.9 million increase in expenses related to Year 2000 activities, $0.6 million of expense related to the fractionator facilities acquired on March 31, 1998, and increased product measurement losses. These increases in operating, general and administrative expenses were partially offset by expenses recorded for environmental remediation at the Partnership's Seymour, Indiana, terminal in the third quarter of 1997, and lower supplies and services related to pipeline operations and maintenance. Depreciation and amortization expense increased as a result of amortization of the value assigned to the Fractionation Agreement beginning on March 31, 1998, and capital additions placed in service. Operating fuel and power expense decreased from the prior year due primarily to increased mainline pumping efficiencies, lower long-haul LPGs volumes and lower summer peak power rates in Arkansas.

Interest expense decreased $3.9 million during the year ended December 31, 1998, compared with 1997, as a result of the repayment on January 27, 1998 of the remaining $326.5 million principal balance of the First Mortgage Notes, partially offset by interest expense on the $390.0 million principal amount of the Senior Notes issued on January 27, 1998, and interest expense on the $38.0 million term-loan used to finance the purchase of the fractionation assets on March 31, 1998. The weighted average interest rate of the $326.5 million principal amount of the First Mortgage Notes was 10.09%, compared with the weighted average interest rate of the $390.0 million principal amount of the Senior Notes of 7.02%. The interest rate on the $38.0 million term loan is 6.53%. Interest capitalized decreased $0.7 million from the prior year as a result of lower construction balances related to capital projects.

Other income -- net increased during the year ended December 31, 1998, compared with the prior year, as a result of a $0.4 million gain on the sale of non-carrier assets in June 1998 and a $0.5 million loss on the sale of non-carrier assets in August 1997. These factors were partially offset by lower interest income earned on cash investments in 1998.

1997 Compared to 1996

Operating revenues for the year ended 1997 increased 3% to $222.1 million from $216.0 million for the year ended 1996. This $6.1 million increase resulted from a $8.7 million increase in refined products transportation revenues and a $1.0 million increase in revenues generated from Mont Belvieu operations, partially offset by a $0.8 million decrease in LPGs transportation revenues and a $2.7 million decrease in other operating revenues.

Refined products transportation revenues increased $8.7 million for the year ended December 31, 1997, compared with the prior year, as a result of the 4% increase in volumes delivered and a 3% increase in the refined products average tariff per barrel. The 4% increase in volumes delivered in 1997 was attributable to the capacity expansion of the mainline System between El Dorado, Arkansas, and Seymour, Indiana, which was completed during the first quarter of 1997; capacity expansion of the Ark-La-Tex System between Shreveport, Louisiana, and El Dorado, which was placed in service on March 31, 1997; and the connection to the Colonial pipeline, which was placed in service on May 1, 1997. Also, jet fuel deliveries increased to 22.4 million barrels due to a full year of deliveries to the United States Air Force Base near Little Rock, Arkansas, which was completed in June 1996, as well as higher demand from commercial airlines in the Midwest. Distillate and natural gasoline deliveries increased during 1997 as a result of higher demand in the Midwest market area. MTBE deliveries at the marine terminal near Beaumont, Texas increased in 1997 as a result of higher production along the upper Texas Gulf Coast. The 3% increase in the refined products average tariff per barrel in 1997 was primarily attributable to new tariff structures for volumes transported on the Ark-La-Tex System and volumes originating from the Colonial pipeline connection.

LPGs transportation revenues decreased $0.8 million for the year ended December 31, 1997, compared with the prior year, due to a 2% decrease in the LPGs average tariff per barrel, partially offset by a 1% increase in volumes delivered. Long-haul propane deliveries were lower than in the prior year because of warmer winter weather in the Northeast during the first and fourth quarters of 1997. These decreases were partially offset by stronger demand for butane as a refinery feedstock due to the resumption during the second quarter of 1997 of operations at a Northeast refinery that was shut down during early 1996. Increased petrochemical demand along the upper Texas Gulf Coast resulted in a 17% increase in short-haul propane deliveries. The 2% decrease in the LPGs average tariff per barrel resulted from an increase in 1997 of the ratio of short-haul to long-haul propane deliveries.

Revenues generated from Mont Belvieu operations increased $1.0 million for the year ended December 31, 1997, compared with the prior year, due primarily to higher terminaling fees on butane received into the system, increased propane dehydration fees and higher petrochemical demand for LPGs along the upper Texas Gulf Coast. The decrease in the Mont Belvieu operations average tariff per barrel was due to a higher percentage in 1997 of contract deliveries, which generally carry lower tariffs.

Other operating revenues decreased $2.7 million during the year ended December 31, 1997, compared with 1996, as a result of lower volumes of product sold in 1997, lower propane imports at the Partnership's marine terminal at Providence, Rhode Island, reduced refined products storage volumes and write-downs of product inventory values as a result of higher volumes of product blends in 1997. These decreases were partially offset by increased terminaling revenues.

Costs and expenses increased $2.0 million during the year ended December 31, 1997, compared with the prior year, due to a $2.4 million through-put related increase in operating fuel and power expense, a $1.0 million increase in taxes -- other than income taxes, and a $0.4 million increase in depreciation and amortization charges, partially offset by a $1.8 million decrease in operating, general and administrative expenses. The increase in taxes -- other than income taxes, was due primarily to higher property tax assessments in 1997 and increased sales taxes in 1997. The decrease in operating, general and administrative expenses was primarily attributable to credits of $3.0 million recorded during 1997 for insurance reimbursement of past litigation costs related to the Seymour terminal, decreased outside service costs for System maintenance and lower product measurement losses in 1997. The decrease in operating, general and administrative expenses was partially offset by increased labor and benefits expense and rental expense of the Colonial capacity lease.

Interest expense decreased $1.2 million during the year ended December 31, 1997, compared with 1996, due to the $13.0 million principal payment on the First Mortgage Notes in March 1997. Interest capitalized increased $0.1 million over the prior year as a result of higher construction balances related to capital projects, which commenced during 1996, and were completed during 1997.

Other income -- net decreased during the year ended December 31, 1997, compared with the prior year, due primarily to lower interest income earned on cash balances as a result of lower cash balances during 1997, and a $0.5 million loss recorded on the sale of the Partnership's Arkansas City, Arkansas, terminal.

CRUDE OIL AND NGLS TRANSPORTATION AND MARKETING SEGMENT

Margin and volume information for the two months ended December 31, 1998 is presented below:

Margins (dollars in thousands):		
Crude oil transportation	$ 2,787	51%
Crude oil marketing	1,253	23%
NGL transportation	1,062	19%
LSI	382	7%
Total margin	$ 5,484	100%
Barrels per day:		
Crude oil transportation	90,963	
Crude oil marketing	278,176	
NGL transportation	11,919	
LSI volume (total gallons):	1,140,000	
Margin per barrel:		
Crude oil transportation	$0.504	
Crude oil marketing	$0.071	
NGL transportation	$1.515	
LSI margin (per gallon):	$0.335	

Two Months Ended December 31, 1998

The crude oil and NGLs transportation and marketing segment was added to the Partnership's operations with the acquisition of the DETTCO assets effective November 1, 1998. The acquisition was accounted for as a purchase for accounting purposes. Accordingly, only operations from November 1, 1998 have been included in the Partnership's financial statements. Comparative pro forma financial information has not been provided as the acquisition was not considered a significant purchase business combination pursuant to Regulation S-X. Net income contributed by the crude oil transportation and marketing segment totaled $1.3 million for the two months ended December 31, 1998.

Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expense caused by the level of marketing activity. Margin is calculated as revenues generated from crude oil and lube oil sales and crude oil and NGLs transportation less the cost of crude oil and lube oil purchases. During the two months ended December 31, 1998, crude oil transportation and NGL transportation contributed 51% and 19% of the margin, respectively, while crude oil marketing operations accounted for 23% of the margin. Operations of LSI contributed $0.4 million, or 7%, of the margin for the two month period ended December 31, 1998.

Operating, general and administrative expenses of the crude oil and NGLs transportation and marketing segment totaled $3.2 million, or 58% of the margin. Depreciation and amortization expenses and taxes -- other than income totaled $1.0 million, or 18% of the margin.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the year ended December 31, 1998, totaled $93.2 million, comprised primarily of $80.3 million of income before extraordinary loss on early extinguishment of debt and charges for depreciation and amortization, and $12.9 million of cash provided from working capital changes. This compares with cash flows from operations of $83.6 million for the year ended 1997, which was comprised of $85.1 million of income before charges for depreciation and amortization, partially offset by $1.5 million used for working capital changes. The $12.9 million of cash provided by working capital changes resulted primarily

from crude oil marketing activity during November and December 1998. Net cash from operations for the year ended December 31, 1996 totaled $86.1 million, which was comprised of $82.1 million of income before charges for depreciation and amortization and $4.0 million of cash provided by other working capital changes. Net cash from operations includes interest payments of $27.0 million, $33.6 million and $34.7 million for each of the years ended 1998, 1997 and 1996, respectively.

The Partnership routinely invests excess cash in liquid investments as part of its cash management program. Investments of cash in discounted commercial paper and Eurodollar time deposits with original maturities at date of purchase of 90 days or less are included in cash and cash equivalents. Short-term investments of cash consist of investment-grade corporate notes with maturities during 1999. Long-term investments are comprised of investment-grade corporate notes with varying maturities between 2000 and 2003. Interest income earned on all investments is included in cash from operations. Cash flows from investing activities included proceeds from investments of $3.1 million, $25.0 million and $18.6 million for each of the years ended 1998, 1997 and 1996, respectively. Cash flows from investing activities also included additional investments of $0.7 million, $6.2 million and $14.4 million for each of the years ended 1998, 1997 and 1996, respectively. Cash balances related to the investment of cash and proceeds from the investment of cash were $57.2 million, $56.1 million and $65.0 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Capital expenditures totaled $23.4 million for the year ended December 31, 1998, compared with capital expenditures of $32.9 million for the year ended December 31, 1997. The decrease in 1998 reflects lower spending for revenue-generating projects due to higher construction costs incurred in 1997 for completion of expansion projects started in 1996. Such projects included the replacement of approximately 54 miles of an 8-inch diameter line with a 10-inch diameter line between Shreveport, Louisiana, and El Dorado, Arkansas, which was placed in service on March 31, 1997; pipeline modifications to increase mainline capacity by 50,000 barrels per day between El Dorado and Seymour, Indiana, which was completed during the first quarter of 1997; and expenditures to complete the pipeline connection to Colonial Pipeline Company's ("Colonial") pipeline at Beaumont, Texas, which was placed in service on May 1, 1997. Capital expenditures for 1996 totaled $51.3 million. The large amount of capital expenditures in 1996 related to the projects identified above. Capital expenditures for System integrity projects and for sustaining existing operations totaled $21.1 million, $18.9 million and $12.1 million for each of the years ended 1998, 1997 and 1996, respectively.

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All per Limited Partner Unit amounts have been adjusted to reflect the two-for-one Unit split.

The Partnership paid cash distributions of $56.8 million ($1.75 per Limited Partner Unit), $49.0 million ($1.55 per Limited Partner Unit) and $45.2 million ($1.45 per Limited Partner Unit) for each of the years ended December 31, 1998, 1997 and 1996, respectively. On January 15, 1999, the Partnership declared a cash distribution of $0.45 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 1998. The Class B Unit distribution was prorated for the 61 day period from issuance on November 1, 1998. The distribution of $16.0 million was paid on February 5, 1999, to Unitholders of record on January 29, 1999.

On January 27, 1998, the Products OLP completed the issuance of $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Products OLP, in whole or in part, at a premium. Net proceeds from the issuance of the Senior Notes totaled approximately $386 million and was used to repay in full the $61.0 million principal amount of the 9.60% Series A First Mortgage Notes, due 2000, and the $265.5 million principal amount of the 10.20% Series B First Mortgage Notes, due 2010. The premium for the early redemption of the First Mortgage Notes totaled $70.1 million. The repayment of the First Mortgage Notes and the issuance of the Senior Notes reduced the level of cash required for debt service until 2008. The Partnership recorded an extraordinary charge of $73.5 million during the first quarter of 1998 (including $0.7 million allocated to

minority interest), which represents the redemption premium of $70.1 million and unamortized debt issue costs related to the First Mortgage Notes of $3.4 million.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Products OLP and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Products OLP. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting (i) the creation of liens securing indebtedness and (ii) sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

In connection with the purchase of the fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a $38 million bank loan from SunTrust Bank. Proceeds from the loan were received on April 21, 1998. The loan bears interest at a rate of 6.53%, which is payable quarterly. The principal balance of the loan is payable in full on April 21, 2001. The Products OLP is guarantor on the loan.

OTHER MATTERS

Regulatory and Environmental

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes the operations of the Pipeline System are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the Pipeline System, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM will issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership estimates that the costs of the remediation program being proposed by the Partnership for the Seymour terminal will not exceed the amount accrued therefore (approximately $0.8 million at December 31, 1998). In the opinion of the Company, the completion of the remediation program being proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

Year 2000 Issues

In 1997, the Company initiated a program to prepare the Partnership's process controls and business computer systems for the "Year 2000" issue. Process controls are the automated equipment including hardware and software systems which run operational activities. Business computer systems are the computer hardware and software used by the Partnership. The Partnership is utilizing both internal and external resources to identify, test, remediate or replace all non-compliant computerized systems and applications. The Company continues to evaluate appropriate courses of corrective action, including replacement of certain systems whose associated costs would be recorded as assets and amortized. The Partnership incurred approximately $1.3 million of expense during 1997 and 1998 related to the Year 2000 issue. The Company estimates the remaining amounts required to address the Year 2000 issue will be approximately $5.0 million. A portion of such costs would have been incurred as part of normal system and application upgrades. In certain cases, the timing of expenditures has been accelerated due to the Year 2000 issue. Although the Company believes this estimate to be reasonable, due to the complexities of the Year 2000 issue, there can be no assurance that the actual costs to address the Year 2000 issue will not be significantly greater.

The Partnership has adopted a three-phase Year 2000 program consisting of: Phase I -- Preliminary Assessment; Phase II -- Detailed Assessment and Remediation Planning; and Phase III -- Remediation Activities and Testing. The Products OLP has completed Phase I; Phase II is nearing completion; and Phase III is ongoing. The Crude Oil OLP is nearing completion of Phase I. Remediation Activities and Testing for systems deemed most critical are scheduled to be completed by mid-1999, with testing of all process controls and business computer systems completed during the third quarter of 1999.

With respect to its third-party relationships, the Partnership has contacted its suppliers and service providers to assess their state of Year 2000 readiness. Information continues to be updated regularly, thus the Partnership anticipates receiving additional information in the near future that will assist in determining the extent to which the Partnership may be vulnerable to those third parties' failure to remediate their Year 2000 issues. However, there can be no assurance that the systems of other companies, on which the Partnership's systems rely, will be timely converted, or converted in a manner that is compatible with the Partnership's systems, or that any such failures by other companies would not have a material adverse effect on the Partnership.

Despite the Partnership's efforts to address and remediate its Year 2000 issue, there can be no assurance that all process controls and business computer systems will continue without interruption through January 1, 2000 and beyond. The complexity of identifying and testing all embedded microprocessors that are installed in hardware throughout the pipeline system used for process or flow control, transportation, security, communication and other systems may result in unforeseen operational failures. Although the amount of potential liability and lost revenue cannot be estimated, failures that result in substantial disruptions of business activities could have a material adverse effect on the Partnership. In order to mitigate potential disruptions, the Partnership will complete contingency plans for its critical systems, processes and external relationships by mid-fourth quarter of 1999.

Other

During June 1997, the Partnership filed rate increases on selective refined products tariffs and LPGs tariffs, averaging 1.7%. These rate increases became effective July 1, 1997 without suspension or refund obligation. On July 1, 1998, general rate decreases of 0.62% for both refined products tariffs and LPGs tariffs became effective. The rate decreases were calculated pursuant to the index methodology promulgated by the FERC.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes standards for and disclosures of derivative instruments and hedging activities. This statement is effective for fiscal years beginning after June 15, 1999. The Partnership does not expect the adoption of this statement to have a material impact on its financial condition or results of operations.

In February 1999, the Partnership announced plans to construct three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The project includes three 12-inch diameter common-carrier pipelines and associated facilities. Each pipeline will be approximately 70 miles in length. Upon completion, the new pipelines will transport ethylene, propylene and natural gasoline. The anticipated completion date is the fourth quarter of 2000. The cost of this project is expected to total approximately $72 million. Approximately $43 million is expected to be incurred in 1999, with the remainder in 2000. The Partnership expects the majority of this project will be financed through external borrowings.

The matters discussed herein include "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this document that address activities, events or developments that the Partnership expects or anticipates will or may occur in the future, including such things as estimated future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of the Partnership's business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses

made by the Partnership in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate under the circumstances. However, whether actual results and developments will conform with the Partnership's expectations and predictions is subject to a number of risks and uncertainties, including general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by the Partnership, competitive actions by other pipeline companies, changes in laws or regulations, and other factors, many of which are beyond the control of the Partnership. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Partnership will be realized or, even if realized, that they will have the expected consequences to or effect on the Partnership or its business or operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Partnership may be exposed to market risk through changes in commodity prices and interest rates as discussed below. The Partnership has no foreign exchange risks.

The Partnership mitigates exposure to commodity price fluctuations by maintaining a balanced position between crude oil purchases and sales. As a hedging strategy to manage crude oil price fluctuations, the Partnership occasionally enters into futures contracts on the New York Mercantile Exchange, and makes limited use of other derivative instruments. It is the Partnership's policy not to acquire crude oil, futures contracts or other derivative products for the purpose of speculating on price changes. Market risks associated with commodity derivatives were not material at December 31, 1998.

At December 31, 1998, the Partnership's had outstanding $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). Additionally, the Partnership's had a $38 million bank loan outstanding from SunTrust Bank. The SunTrust loan bears interest at a fixed rate of 6.53% and is payable in full in April 2001. At December 31, 1998, the estimated fair value of the Senior Notes and the SunTrust loan was approximately $406.6 million and $39.3 million, respectively.

On November 30, 1998, the Crude Oil OLP entered into a $30 million Revolving Credit Agreement ("Revolver") with Duke Capital Corporation ("Duke Capital"), a wholly owned subsidiary of Duke Energy. The Revolver has a six-month term and bears interest at the one month LIBOR rate plus 0.50%. At December 31, 1998, there was no outstanding balance under the Revolver.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Partnership, together with the independent auditors' report thereon of KPMG LLP, begin on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Partnership does not have directors or officers. Set forth below is certain information concerning the directors and executive officers of the General Partner. All directors of the General Partner are elected annually by Duke Energy. All officers serve at the discretion of the directors.

William L. Thacker, age 53, was elected a director of the General Partner in 1992 and Chairman of the Board in October 1997. Mr. Thacker was elected President and Chief Operating Officer in September 1992 and Chief Executive Officer in January 1994. Prior to joining the Company, Mr. Thacker was President of Unocal Pipeline Company from 1986 until 1992.

Fred J. Fowler, age 53, is Vice Chairman of the Board of the General Partner and is Chairman of the Compensation Committee. He was elected a director in November 1998. Mr. Fowler is group president, energy transmission of Duke Energy. Mr. Fowler joined PanEnergy in 1985 and served in a variety of positions in marketing, transportation and exchange. He was appointed group vice president of PanEnergy in 1996.

Richard J. Osborne, age 48, was elected a director of the General Partner in October 1998. Mr. Osborne is executive vice president and chief financial officer of Duke Energy. He previously served as vice president and chief financial officer of Duke Energy from 1991 to 1997. Mr. Osborne joined Duke Energy in 1975.

Jim W. Mogg, age 50, was elected a director of the General Partner in October 1997. Mr. Mogg is president and chief executive officer of Duke Energy Field Services, Inc. Mr. Mogg was previously president of Centana Energy Corporation and senior vice president for Panhandle Eastern Pipe Line Company. Mr. Mogg joined Panhandle Eastern Pipe Line Company in 1973.

Ruth G. Shaw, age 51, was elected a director of the General Partner in December 1997. Ms. Shaw is executive vice president and chief administrative officer of Duke Energy. Ms. Shaw joined Duke Power Company in 1992 as vice president of corporate communications. In April 1994, she was elected senior vice president, corporate resources and chief administrative officer. Ms. Shaw is a director of First Union Corp. and Avado Brands, Inc.

Carl D. Clay, age 66, is a director of the General Partner and a member of the Compensation and Audit Committees. He was elected in January 1995. Mr. Clay retired from Marathon Oil Company in 1994 after 33 years during which he served as director of transportation and logistics and president of Marathon Pipe Line Company.

Derrill Cody, age 60, is a director of the General Partner having been elected in 1989. He is the Chairman of the Audit Committee and serves on the Compensation Committee of the General Partner. Mr. Cody is presently of counsel to McKinney, Stringer & Webster, P.C., which represents Duke Energy in certain matters. He is also an advisor to Duke Energy pursuant to a personal contract. Mr. Cody served as Chief Executive Officer of Texas Eastern Gas Pipeline Company from 1987 to 1989. Mr. Cody is also a director of Barrett Resources Corporation.

John P. DesBarres, age 59, is a director of the General Partner, having been elected in May 1995. He is a member of the Compensation and Audit Committees. Mr. DesBarres was formerly chairman, president and chief executive officer of Transco Energy Company from 1992 to 1995. He joined Transco in 1991 as president and chief executive officer. Prior to joining Transco, Mr. DesBarres served as chairman, president and chief executive officer for Santa Fe Pacific Pipelines, Inc. from 1988 to 1991.

Milton Carroll, age 49, was elected a director of the General Partner in November 1997 and is a member of the Compensation and Audit Committees. Mr. Carroll founded and has been president and chief executive officer of Instrument Products, Inc., a manufacturer of oil field tools and other precision products, since 1977. Mr. Carroll is a director of Reliant Energy, Seagull Energy Corp., and Blue Cross Blue Shield of Texas.

Charles H. Leonard, age 50, is Senior Vice President, Chief Financial Officer and Treasurer of the General Partner. Mr. Leonard joined the Company in 1988 as Vice President and Controller. In November 1989, he was elected Vice President and Chief Financial Officer. He was elected Senior Vice President in March 1990, and Treasurer in October 1996.

James C. Ruth, age 51, is Vice President, General Counsel and Secretary of the General Partner, having been elected in 1991. He was elected as Secretary in 1998. Mr. Ruth was Vice President and Assistant General Counsel of the General Partner from 1989 to 1991.

Thomas R. Harper, age 58, is Vice President, Product Transportation and Refined Products Marketing of the General Partner. Mr. Harper joined the Company in 1987 as Director of Product Transportation, and was elected to his present position in 1988.

David L. Langley, age 51, is Vice President, Business Development and LPG Services of the General Partner. Mr. Langley has been with the Company in various managerial positions since 1975 and was elected Vice President, LPG Business Center, in 1988. He was elected to his current position in 1990.

O. Horton Cunningham, age 50, is Vice President, Technical Services, of the General Partner, having been elected in October 1996. Mr. Cunningham served as Vice President, Operations, from 1990 until October 1996. Mr. Cunningham joined the Company in 1987 as Manager of Environmental Affairs and was promoted to Director of Safety and Environmental Affairs in 1988 and Director of Engineering and Compliance in 1989.

Ernest P. Hagan, age 54, is Vice President, Operations, of the General Partner, having been elected in October 1996. Mr. Hagan was previously Director of Engineering and Right-of-Way from 1994 until October 1996, and from 1986 until 1994 he was Region Manager of the Southwest Region. Mr. Hagan joined the Company in 1971.

Sharon S. Stratton, age 60, is Vice President, Human Resources of the General Partner, having been elected in January 1999. Ms. Stratton served as Director, Human Resources of the General Partner from 1992 to 1998. She previously served in a variety of human resource positions with PanEnergy. Ms. Stratton joined PanEnergy in 1976.

J. Michael Cockrell, age 52, is Vice President of the General Partner, having been elected in January 1999. Mr. Cockrell also serves as President of TCO. He joined PanEnergy in 1987 and served in a variety of positions in supply and development, including president of Duke Energy Transport and Trading Company.

William S. Dickey, age 41, is Vice President of the General Partner, having been elected in January 1999. Mr. Dickey also serves as Senior Vice President and Chief Financial Officer of TCO. He previously served as vice president and chief financial officer of Duke Energy Field Services from 1994 to 1998. Mr. Dickey joined PanEnergy in 1987.

Based on information furnished to the Company and written representation that no other reports were required, to the Company's knowledge, all applicable Section 16(a) filing requirements were complied with during the year ended December 31, 1998, except that one such report covering one transaction in Limited Partner Units was filed late by Ruth G. Shaw.

ITEM 11. EXECUTIVE COMPENSATION

The officers of the General Partner manage and operate the Partnership's business. The Partnership does not directly employ any of the persons responsible for managing or operating the Partnership's operations, but instead reimburses the General Partner for the services of such persons.

Directors of the General Partner who are neither officers nor employees of either the Company or Duke Energy receive a stipend of $15,000 per annum, $750 for attendance at each meeting of the Board of Directors, $750 for attendance at each meeting of a committee of the Board of Directors and reimbursement of expenses incurred in connection with attendance at a meeting of the Board of Directors or a committee of the Board of Directors. Each outside director who serves as chairman of a committee of the Board of Directors receives an additional stipend of $2,000 per annum.

Messrs. Thacker, Fowler, Mogg and Osborne and Ms. Shaw were not compensated for their services as directors, and it is not anticipated that any compensation for service as a director will be paid in the future to directors who are full-time employees of Duke Energy, the General Partner or any of their affiliates.

The following table reflects cash compensation paid or accrued by the General Partner for the years ended December 31, 1998, 1997 and 1996, with respect to its Chief Executive Officer and the executive officers (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

					LONG TERM COMPENSATION		
		ANNUAL COMPENSATION			AWARDS	PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY($)	BONUS ($)(1)	OTHER ANNUAL COMPENSATION ($)(2)	SECURITIES UNDERLYING OPTIONS(#)(3)	LTICP AND 1994 LTIP PAYOUTS($)(4)	ALL OTHER COMPENSATION ($)(5)
William L. Thacker.....	1998	250,000	86,400	77,114	39,000	148,858	24,666
Chairman, President and	1997	237,708	98,200	78,551	8,800	358,168	21,529
Chief Executive Officer	1996	224,667	107,500	79,988	--	113,447	19,723
Charles H. Leonard.....	1998	149,333	39,200	14,820	12,000	95,331	13,406
Senior Vice President,	1997	145,750	52,000	29,985	--	25,444	12,960
Chief Financial Officer and Treasurer	1996	142,958	54,800	35,691	--	16,094	12,780
James C. Ruth.....	1998	138,333	36,200	38,557	12,000	41,095	15,079
Vice President and	1997	134,333	46,000	39,276	--	27,901	14,968
General Counsel	1996	130,417	48,600	39,994	--	20,052	13,506
O. Horton Cunningham.....	1998	134,333	35,000	36,147	12,000	42,551	14,513
Vice President	1997	130,333	43,000	36,821	--	27,029	11,799
	1996	126,000	45,300	37,495	--	23,597	11,052
David L. Langley.....	1998	134,333	34,800	23,134	12,000	50,516	12,968
Vice President	1997	129,292	42,800	23,565	--	52,028	12,992
	1996	123,750	47,800	23,997	--	20,080	12,000
Thomas R. Harper.....	1998	134,333	35,200	23,134	12,000	40,054	16,117
Vice President	1997	129,083	43,000	23,565	--	33,533	15,243
	1996	123,125	46,500	23,997	--	14,370	13,339
Ernest P. Hagan(6).....	1998	126,292	27,100	--	12,000	--	12,090
Vice President	1997	120,417	39,200	--	2,300	--	10,769
	1996	29,375	6,525	--	--	--	2,257

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(1) Amounts represent bonuses accrued during the year under the Management Incentive Compensation Plan ("MICP"). Payments under the MICP were made in the subsequent year.

(2) Amounts shown for 1998, 1997 and 1996 are for quarterly distribution equivalents under the terms of the Company's Long Term Incentive Compensation Plan ("LTICP").

(3) Amounts represent awards pursuant to the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP"). See "Compensation Pursuant to General Partner Plans" for further discussion of the 1994 LTIP.

(4) Amounts represent the value of redemptions under the 1996 amendment to the LTICP and credits earned to Performance Unit accounts and options exercised under the terms of 1994 LTIP. Also, for Mr. Thacker in 1997 and 1996, amounts include crediting of phantom units awarded in a prior year under the terms of the LTICP.

(5) Includes amounts contributed by the Company for the Named Executive Officers under the Employees' Savings Plan of PanEnergy ("ESP") and under the PanEnergy Key Executive Deferred Compensation Plan, an unfunded, defined contribution plan that allows eligible employees to elect deferral of base salary and bonus, and receive matching Company contributions, whenever and to the extent that their participation in the ESP is limited by provisions of the Internal Revenue Code, and the imputed value of premiums paid by the Company for insurance on the Named Executive Officers' lives.

(6) Mr. Hagan was named Vice President, Operations, effective October 1, 1996. Amounts for 1996 represent compensation for the period October 1, 1996, through December 31, 1996.

EXECUTIVE EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT ARRANGEMENTS

On September 1, 1992, William L. Thacker, Jr. and the Company entered into an employment agreement, which set a minimum base salary of $190,000 per year. The Company may terminate the employment agreement for cause, death or disability. In addition, the Company or Mr. Thacker may terminate the agreement upon written notice. Additionally, the Company granted 16,000 phantom units with distribution equivalents to Mr. Thacker pursuant to the LTICP discussed below. Mr. Thacker participates in other Company sponsored benefit plans on the same basis as other senior executives of the Company.

On December 1, 1998, the Company entered into employment agreements with O. Horton Cunningham, Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth. The agreements may be terminated for death, disability or by the Company with or without cause. In the event one of the named executives' employment is terminated due to death or disability or by the Company for cause, such executive is entitled only to base salary earned through the date of termination. In the event of termination for any other reason, such executive is entitled to base salary earned through the date of termination plus a lump sum severance payment equal to two times such executive's base annual salary and two times the current target bonus approved under the MICP by the Compensation Committee. In the event that an executive is involuntarily terminated following a change in control, such executive is entitled to a lump sum severance payment equal to two times his base annual salary plus two times his current target bonus.

COMPENSATION PURSUANT TO GENERAL PARTNER PLANS

Management Incentive Compensation Plan

The General Partner has established the MICP, which provides for the payment of additional cash compensation to participants if certain Partnership performance and personal objectives are met each year. The Compensation Committee (the "Committee") determines at the beginning of each year which employees are eligible to become participants in the MICP. Each participant is assigned a target award by the Committee. Such target award determines the additional compensation to be paid if all Partnership performance and personal objectives are met and all Minimum Quarterly Distributions have been made for the year. The amount of the awards may range from 10% to 56% of a participant's base salary. Awards are paid as soon as practicable following approval by the Committee after the close of a year.

Long Term Incentive Compensation Plan

The LTICP provides key employees with an incentive award based upon the grant of phantom units. The LTICP is administered by the Committee, which has sole and absolute discretion to determine the amount of an award. The credit of phantom units under the terms of the LTICP is contingent upon all cash distributions being made to the Unitholders and the General Partner. The Committee may also establish performance targets for crediting of phantom units. The award consists of phantom units with a total market value, as of the date of the award, that may not exceed 100% of the base salary of a participant. The phantom units are credited to each participant at the rate of 10% per year beginning on the first anniversary date of the award. A final credit of 60% of the phantom units awarded will occur on the fifth anniversary date of the award. The phantom units may be redeemed by a participant at any time following credit to a participant in accordance with terms and conditions prescribed by the Committee. The redemption price of the phantom units is based on the market value of a Limited Partner Unit as of the date of redemption. In the event of a change of control, all phantom units awarded to a participant will be redeemed. Each participant also receives a quarterly distribution equivalent in cash based upon a percentage of the distributions to the General Partner for such quarter. In 1995, the LTICP was amended to require annual redemptions, effective January 1, 1996, of 20% of the phantom units previously credited to each participant. See Item 13, "Certain Relationships and Related Transactions."

1994 Long Term Incentive Plan

The 1994 LTIP provides key employees with an incentive award whereby a participant is granted an option to purchase Units together with a stipulated number of Performance Units. Each Performance Unit

creates a credit to a participant's Performance Unit account when earnings exceed a threshold, which was $1.00, $1.25 and $1.875 per Limited Partner Unit for the awards made in 1994, 1995, and 1997, respectively. No Performance Unit awards were granted during 1996 and 1998. When earnings for a calendar year (exclusive of certain special items) exceed the threshold, the excess amount is credited to the participant's Performance Unit account. The balance in the account may be used to exercise Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. Under the agreement for such Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met.

The following table shows all grants of unit options to the Named Executive Officers in 1998. No Stock appreciation rights (SARs) were granted to any Named Executive Officer in 1998 nor were the exercise prices on unit options previously awarded amended or adjusted.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED(1)(#)	PERCENT OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/UNIT)	EXPIRATION DATE	GRANT DATE VALUE GRANT DATE PRESENT VALUE(2)$
Mr. Thacker	39,000	35	25.6875	1/18/08	$94,770
Mr. Leonard	12,000	11	25.6875	1/18/08	$29,160
Mr. Ruth	12,000	11	25.6875	1/18/08	$29,160
Mr. Cunningham	12,000	11	25.6875	1/18/08	$29,160
Mr. Langley	12,000	11	25.6875	1/18/08	$29,160
Mr. Harper	12,000	11	25.6875	1/18/08	$29,160
Mr. Hagan	12,000	11	25.6875	1/18/08	$29,160

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(1) On January 16, 1998, Mr. Thacker was granted options to purchase 39,000 Limited Partner Units under the terms of the 1994 LTIP at an exercise price of $25.6875 per Limited Partner Unit, which was the fair market value of a Limited Partner Unit on the date of grant. Also on January 16, 1998, Messrs. Leonard, Ruth, Cunningham, Langley, Harper and Hagan were granted options to purchase 12,000 Limited Partner Units under the terms of the 1994 LTIP at an exercise price of $25.6875, which was the fair market value of a Limited Partner Unit on the date of grant. No Performance Units were granted in 1998.

(2) Based on the Black-Scholes option valuation model. The key input variables used in valuing the options were: risk-free interest rate based on 6-year Treasury strips -- 5.5%; dividend yield -- 7.8%; Unit price volatility -- 18%. Expected dividend yield and price volatility was based on historical Limited Partner Unit data. No adjustments for non-transferability or risk of forfeiture were made. The actual value, if any, a grantee may realize will depend on the excess of the Limited Partner Unit price over the exercise price on the date the option is exercised, so that there is no assurance the value realized will be at or near the value estimated by the Black-Scholes model.

The following table provides information concerning the unit options exercised by each of the Named Executive Officers during 1998 and the value of unexercised unit options to the Named Executive Officers as of December 31, 1998. The value assigned to each unexercised, "in the money" option is based on the positive spread between the exercise price of such option and the fair market value of a Limited Partner Unit on December 31, 1998. The fair market value is the average of the high and low prices of a Limited Partner Unit on that date as reported in The Wall Street Journal. In assessing the value, it should be kept in mind that no matter what theoretical value is placed on an option on a particular date, its ultimate value will be dependent on the market value of the Partnership's Limited Partner Unit price at a future date. The future value will depend in part on the efforts of the Named Executive Officers to foster the future success of the Partnership for the benefit of all Unitholders.

AGGREGATED OPTIONS/SAR EXERCISES IN LAST FISCAL YEAR AND
FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE(1)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END ($) EXERCISABLE/ UNEXERCISABLE
Mr. Thacker	5,298	$68,065	22,164/44,896	$201,790/$16,216
Mr. Leonard	2,800	$38,866	10,694/12,000	$113,290/$0
Mr. Ruth	708	$9,472	11,592/12,000	$122,803/$0
Mr. Cunningham	708	$9,472	10,518/12,000	$111,425/$0
Mr. Langley	2,000	$26,757	6,000/12,000	$63,563/$0
Mr. Harper	1,218	$16,295	10,632/12,000	$112,633/$0
Mr. Hagan	--	--	759/13,541	$2,087/$4,238

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(1) Future exercisability of currently unexercisable options depends on the grantee remaining employed by the Company throughout the vesting period of the options, subject to provisions applicable at retirement, death, or total disability.

1997 Employee Incentive Compensation Plan

The General Partner has adopted the 1997 Employee Incentive Compensation Plan ("1997 EICP"), which provides an award of shadow units to all employees who are not eligible to participate in the MICP. The 1997 EICP is administered by the Committee, which maintains an incentive award account for each participant. Each participant is eligible for an annual award of up to 600 shadow units, depending on the level of earnings achieved by the Partnership each year, which generally entitles such participant to receive a credit equal to the quarterly distribution that such participant would have received had the participant been the owner of Units. The Committee may add a premium from 10% to 30% to the credit if certain safety and operational goals are attained. Payment of the credits is contingent upon the participant remaining in the employment of the General Partner during the year in which the shadow units are outstanding. Awards to participants are paid in cash following the close of each year in an amount equal to the credits in the participant's incentive award account with respect to such year.

PENSION PLAN

The Company's employees, along with employees of other Duke Energy affiliates, are included in either of two noncontributory, qualified, defined benefit retirement plans: the Retirement Cash Balance Plan and the Retirement Income Plan. The Retirement Income Plan ceased admitting new participants after December 31, 1998. In addition, the Named Executive Officers participate in the Executive Cash Balance Plan, which is a noncontributory, non qualified, defined benefit retirement plan. A portion of the benefits earned in the Executive Cash Balance Plan is attributable to compensation in excess of the Internal Revenue Service annual compensation limit ($160,000 for 1998) and deferred compensation, as well as reductions caused by maximum benefit limitations that apply to qualified plans from the benefits that would otherwise be provided under the Retirement Cash Balance Plan and the Retirement Income Plan. Benefits under the Retirement Cash Balance Plan, the Retirement Income Plan and the Executive Cash Balance Plan are based on eligible pay, generally consisting of base pay and lump-sum merit increases. The Retirement Cash Balance Plan and the Retirement Income Plan exclude deferred compensation, other than deferrals pursuant to Sections 401(k) and 125 of the Internal Revenue Code.

Under a new benefit accrual formula that applies in determining benefits under the Retirement Cash Balance Plan, and the Retirement Income Plan on and after January 1, 1999, an eligible employee's plan account receives a pay credit at the end of each month in which the employee remains eligible and receives eligible pay for services. The monthly pay credit is equal to a percentage of the employee's monthly eligible pay. The percentage depends on age added to completed years of services at the beginning of the year, as shown below:

AGE AND SERVICE	MONTHLY PAY CREDIT PERCENTAGE
34 or less	4%
35 to 49	5%
50 to 64	6%
65 or more	7%

In addition, the employee receives a monthly allocation of 4% for any portion of eligible pay above the Social Security taxable wage base ($72,600 for 1999). However, for certain other employees of the Company, the percentage is a flat 3% of eligible pay. Employee accounts also receive monthly interest credits on their balances. The rate of the interest credit is adjusted quarterly and equals the yield on 30-year U.S. Treasury Bonds during the third week of the last month of the previous quarter, subject to a minimum rate of 4% per year and a maximum rate of 9% per year.

Prior to application of the new benefit accrual formula, benefits for eligible employees, including benefits under the Retirement Income Plan for 1998, were determined under other formulas. To transition from a prior formula to the new formula, an eligible employee's accrued benefit earned under the prior formula is preserved as a minimum, and the employee's account under the new benefit accrual formula receives an opening balance derived from a variety of factors.

Assuming that the Named Executive Officers continue in their present positions at their present salaries until retirement at age 65, their estimated annual pensions in a single life annuity form under the applicable plan(s) attributable to such salaries would be as follows: William L. Thacker, $238,677; Charles H. Leonard, $99,974; James C. Ruth, $179,397; O. Horton Cunningham, $95,908; David L. Langley, $168,898; Thomas R. Harper, $61,117; and Ernest P. Hagan, $125,878. Such estimates were calculated assuming interest credits at a rate of 7% per annum and using a future Social Security taxable wage base equal to $72,600.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

As of March 1, 1999, Duke Energy, through its ownership of the Company and other subsidiaries, owns 2,500,000 Limited Partner Units, representing 8.62% of the Limited Partner Units outstanding; and 3,916,547 Class B Units, representing 100% of the Class B Units, or 19.49% of the two classes of Units combined.

(b) Security Ownership of Management

The following table sets forth certain information, as of March 1, 1999, concerning the beneficial ownership of Limited Partner Units by each director and Named Executive Officer of the General Partner and by all directors and officers of the General Partner as a group. Based on information furnished to the General Partner by such persons, no director or officer of the General Partner owned beneficially, as of March 1, 1999, more than 1% of the Limited Partner Units outstanding at that date.

NAME	NUMBER OF UNITS(1)
Milton Carroll	1,000
Carl D. Clay(2)	3,200
Derrill Cody	13,000
John P. DesBarres	20,000
Fred J. Fowler	400
Jim W. Mogg	200
Richard J. Osborne	1,000
Ruth G. Shaw	900
William L. Thacker	27,142
Charles H. Leonard	3,406
James C. Ruth	2,974
O. Horton Cunningham(3)	6,888
David L. Langley	20,000
Thomas R. Harper(4)	4,566
Ernest P. Hagan	12,000
All directors and officers (consisting of 20 people, including those named above)	116,876

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(1) Unless otherwise indicated, the persons named above have sole voting and investment power over the Units reported.

(2) Includes 1,800 Units in wife's name.

(3) Includes 200 Units in daughter's name.

(4) Includes 2,150 Units in wife's name.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Partnership is managed and controlled by the General Partner pursuant to the Partnership Agreements. Under the Partnership Agreements, the General Partner is reimbursed for all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership. These expenses include salaries, fees and other compensation and benefit expenses of employees, officers and directors, insurance, other administrative or overhead expenses and all other expenses necessary or appropriate to conduct the Partnership's business. The costs allocated to the Partnership by the General Partner for administrative services and overhead totaled $2.7 million in 1998.

The Partnership Agreements provide for incentive distributions payable to the General Partner out of the Partnership's Available Cash (as defined in the Partnership Agreements) in the event quarterly distributions to Unitholders exceed certain specified targets. In general, subject to certain limitations, if a quarterly distribution exceeds a target of $0.275 per Limited Partner Unit, the General Partner will receive incentive distributions equal to (i) 15% of that portion of the distribution per Limited Partner Unit which exceeds the minimum quarterly distribution amount of $0.275 but is not more than $0.325, plus (ii) 25% of that portion of the quarterly distribution per Limited Partner Unit which exceeds $0.325 but is not more than $0.45, plus (iii) 50% of that portion of the quarterly distribution per Limited Partner Unit which exceeds $0.45. During 1998, incentive distributions paid to the General Partner totaled $5.0 million.

In connection with the formation of the Partnership in 1990, the Company received 2,500,000 Deferred Partnership Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss. As of December 31, 1998, 94% of the DPIs have been converted into an equal number of Limited Partner Units, and the balance of such DPIs may be converted immediately prior to the sale of the DPIs by the Company. Pursuant to its Partnership Agreement, the Partnership has registered the resale of such Limited Partner Units with the Securities and Exchange Commission. Such Limited Partner Units may be sold from time to time on the New York Stock Exchange or otherwise at prices and terms then prevailing or in negotiated transactions. As of December 31, 1998, no such Limited Partner Units had been sold by the Company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

(1) Financial Statements: See Index to Financial Statements on page F-1 of this report for financial statements filed as part of this report.

(2) Financial Statement Schedules: None

(3) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
3.1	-- Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	-- Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
*3.3	-- Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998.
3.4	-- Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
*3.5	-- Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998.
4.1	-- Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	-- Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
*4.3	-- Form of Certificate representing Class B Units.
10.1	-- Assignment and Assumption Agreement, dated March 24, 1988, between Texas Eastern Transmission Corporation and the Company (Filed as Exhibit 10.8 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
10.2	-- Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on July 14, 1997 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1997 and incorporated herein by reference).
10.3	-- Agreement Regarding Environmental Indemnities and Certain Assets (Filed as Exhibit 10.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

EXHIBIT NUMBER	DESCRIPTION
10.4	-- Texas Eastern Products Pipeline Company Management Incentive Compensation Plan executed on January 30, 1992 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1992 and incorporated herein by reference).
10.5	-- Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan executed on October 31, 1990 (Filed as Exhibit 10.9 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.6	-- Form of Amendment to Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1995 and incorporated herein by reference).
10.7	-- Employees' Savings Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.10 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.8	-- Retirement Income Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.11 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.9	-- Panhandle Eastern Corporation Key Executive Retirement Benefit Equalization Plan, adopted December 20, 1993; effective January 1, 1994 (Filed as Exhibit 10.12 to Form 10-K of Panhandle Eastern Corporation (Commission File No. 1-8157) for the year ended December 31, 1993 and incorporated herein by reference).
10.10	-- Employment Agreement with William L. Thacker, Jr. (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1992 and incorporated herein by reference).
10.11	-- Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.12	-- Panhandle Eastern Corporation Key Executive Deferred Compensation Plan established effective January 1, 1994 (Filed as Exhibit 10.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.13	-- Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.14	-- Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated April 21, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.15	-- First Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective June 29, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1998 and incorporated herein by reference).

EXHIBIT NUMBER	DESCRIPTION
*10.16	-- Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998.
*10.17	-- Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998.
*10.18	-- Revolving Credit Agreement between TCTM, L.P. as Borrower and Duke Capital Corporation as Lender, dated November 30, 1998.
*10.19	-- Letter Agreement regarding Payment Guarantees of Certain Obligations of TCTM, L.P. between Duke Capital Corporation and TCTM, L.P., dated November 30, 1998.
*10.20	-- Form of Employment Agreement between the Company and O. Horton Cunningham, Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth, dated December 1, 1998.
22.1	-- Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
*23	-- Consent of KPMG LLP.
*24	-- Powers of Attorney.
*27	-- Financial Data Schedule as of and for the year ended December 31, 1998.

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* Filed herewith.

(b) Reports on Form 8-K filed during the quarter ended December 31, 1998:

Report dated November 30, 1998, on Form 8-K was filed on December 11, 1998, pursuant to Item 5. and Item 7. of such form.

SIGNATURES

TEPPCO Partners, L.P., pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEPPCO Partners, L.P.

(Registrant)
(A Delaware Limited Partnership)

By: Texas Eastern Products Pipeline Company as General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard,
Senior Vice President, Chief Financial Officer and Treasurer

DATED: March 10, 1999

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

SIGNATURE	TITLE	DATE
/s/ WILLIAM L. THACKER* William L. Thacker	Chairman of the Board, President and Chief Executive Officer of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ CHARLES H. LEONARD Charles H. Leonard	Senior Vice President, Chief Financial Officer and Treasurer of Texas Eastern Products Pipeline Company (Principal Accounting and Financial Officer)	March 10, 1999
/s/ FRED J. FOWLER* Fred J. Fowler	Vice Chairman of the Board of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ MILTON CARROLL* Milton Carroll	Director of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ CARL D. CLAY* Carl D. Clay	Director of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ DERRILL CODY* Derrill Cody	Director of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ JOHN P. DESBARRES* John P. DesBarres	Director of Texas Eastern Products Pipeline Company	March 10, 1999

SIGNATURE	TITLE	DATE
/s/ JIM W. MOGG* Jim W. Mogg	Director of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ RICHARD J. OSBORNE* Richard J. Osborne	Director of Texas Eastern Products Pipeline Company	March 10, 1999
/s/ RUTH G. SHAW* Ruth G. Shaw	Director of Texas Eastern Products Pipeline Company	March 10, 1999

* Signed on behalf of the Registrant and each of these persons:
By: /s/ CHARLES H. LEONARD
(Charles H. Leonard, Attorney-in-Fact)

CONSOLIDATED FINANCIAL STATEMENTS
OF TEPPCO PARTNERS, L.P.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Partners of
TEPPCO Partners, L.P.:

We have audited the accompanying consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 1998 and 1997, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TEPPCO Partners, L.P. as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

KPMG LLP

Houston, Texas
January 15, 1999

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS

	DECEMBER 31,	
	1998	1997
Current assets:		
Cash and cash equivalents	$ 47,423	$ 43,961
Short-term investments	3,269	2,105
Accounts receivable, trade	113,541	19,826
Inventories	20,434	15,191
Other	3,909	4,173
Total current assets	188,576	85,256
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $193,858 and $170,063)	671,611	567,681
Investments	6,490	10,010
Intangible assets	36,842	--
Other assets	11,450	10,962
Total assets	$914,969	$673,909

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Current maturities, First Mortgage Notes	$ --	$ 17,000
Accounts payable and accrued liabilities	117,933	9,615
Accounts payable, general partner	2,815	3,735
Accrued interest	13,039	10,539
Other accrued taxes	6,739	6,246
Other	7,699	6,740
Total current liabilities	148,225	53,875
First Mortgage Notes	--	309,512
Senior Notes	389,722	--
Other long term debt	38,000	--
Other liabilities and deferred credits	3,407	4,462
Minority interest	3,393	3,093
Redeemable Class B Units held by related party	105,036	--
Partners' capital (deficit):		
General partner's interest	(380)	5,760
Limited partners' interests	227,566	297,207
Total partners' capital	227,186	302,967
Commitments and contingencies		
Total liabilities and partners' capital	$914,969	$673,909

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Operating revenues:			
Sales of crude oil and petroleum products	$214,463	$ --	$ --
Transportation -- Refined products	119,854	107,304	98,641
Transportation -- LPGs	60,902	79,371	80,219
Transportation -- Crude oil and NGLs	3,392	--	--
Mont Belvieu operations	10,880	12,815	11,811
Other	20,147	22,603	25,354
Total operating revenues	429,638	222,093	216,025
Costs and expenses:			
Purchases of crude oil and petroleum products	212,371	--	--
Operating, general and administrative	73,850	66,982	68,799
Operating fuel and power	27,131	30,151	27,742
Depreciation and amortization	26,938	23,772	23,409
Taxes -- other than income taxes	9,382	9,638	8,641
Total costs and expenses	349,672	130,543	128,591
Operating income	79,966	91,550	87,434
Interest expense	(29,784)	(33,707)	(34,922)
Interest capitalized	795	1,478	1,388
Other income -- net	2,908	2,604	5,346
Income before minority interest and loss on debt extinguishment	53,885	61,925	59,246
Minority interest	(544)	(625)	(598)
Income before loss on debt extinguishment	53,341	61,300	58,648
Extraordinary loss on debt extinguishment, net of minority interest	(72,767)	--	--
Net income (loss)	$(19,426)	$ 61,300	$ 58,648
Basic and diluted income (loss) per Limited Partner and Class B Unit:			
Income before extraordinary loss on debt extinguishment	$ 1.61	$ 1.95	$ 1.89
Extraordinary loss on debt extinguishment	(2.21)	--	--
Net income (loss)	$ (0.60)	$ 1.95	$ 1.89
Weighted average Limited Partner and Class B Units outstanding:	29,655	29,000	29,000

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income (loss)	$ (19,426)	$ 61,300	$ 58,648
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	26,938	23,772	23,409
Extraordinary loss on early extinguishment of debt	72,767	--	--
Loss (gain) on sale of property, plant and equipment	(356)	467	--
Equity in loss of affiliate	189	--	--
Decrease (increase) in accounts receivable	(93,715)	(1,500)	1,705
Decrease (increase) in inventories	493	(2,180)	3,997
Decrease (increase) in other current assets	264	(802)	(226)
Increase (decrease) in accounts payable and accrued expenses	106,350	2,322	(3,478)
Other	(289)	225	2,066
Net cash provided by operating activities	93,215	83,604	86,121
Cash flows from investing activities:			
Proceeds from cash investments	3,105	25,040	18,584
Purchases of cash investments	(748)	(6,180)	(14,436)
Insurance proceeds related to damaged assets	--	1,046	--
Purchase of fractionator assets and related intangible assets	(40,000)	--	--
Purchase of crude oil and NGL systems	(1,989)	--	--
Restricted investments designated for property additions	--	--	10,553
Proceeds from the sale of property, plant and equipment	525	1,377	--
Capital expenditures	(23,432)	(32,931)	(51,264)
Net cash used in investing activities	(62,539)	(11,648)	(36,563)
Cash flows from financing activities:			
Principal payment, First Mortgage Notes	(326,512)	(13,000)	(10,000)
Prepayment premium, First Mortgage Notes	(70,093)	--	--
Issuance of Senior Notes	389,694	--	--
Debt issuance cost, Senior Notes	(3,651)	--	--
Issuance of term loan	38,000	--	--
General partner's contributions	2,122	--	--
Distributions	(56,774)	(49,042)	(45,174)
Net cash used in financing activities	(27,214)	(62,042)	(55,174)
Net increase (decrease) in cash and cash equivalents	3,462	9,914	(5,616)
Cash and cash equivalents at beginning of period	43,961	34,047	39,663
Cash and cash equivalents at end of period	$ 47,423	$ 43,961	$ 34,047
Non cash investing and financing activities:			
Fair value of crude oil and NGL systems purchased	$ 109,000	--	--
Liabilities assumed	(5,000)	--	--
Issuance of Class B Units	104,000	--	--
Supplemental disclosure of cash flows:			
Interest paid during the year (net of capitalized interest)	$ 26,179	$ 32,084	$ 33,278

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	GENERAL PARTNER'S INTEREST	LIMITED PARTNERS' INTERESTS	TOTAL
Partners' capital at December 31, 1995	$ 3,561	$272,820	$276,381
1996 net income allocation	3,723	54,925	58,648
1996 cash distributions	(2,668)	(42,050)	(44,718)
Partners' capital at December 31, 1996	4,616	285,695	290,311
1997 net income allocation	4,740	56,560	61,300
1997 cash distributions	(3,596)	(44,951)	(48,547)
Other	--	(97)	(97)
Partners' capital at December 31, 1997	5,760	297,207	302,967
Capital contributions	1,051	--	1,051
1998 net loss allocation	(1,740)	(18,722)	(20,462)
1998 cash distributions	(5,451)	(50,750)	(56,201)
Other	--	(169)	(169)
Partners' capital (deficit) at December 31, 1998	$ (380)	$227,566	$227,186

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PARTNERSHIP ORGANIZATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Products OLP") and TCTM, L.P. (the "Crude Oil OLP"). Collectively the Products OLP and the Crude Oil OLP are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner interest in both the Products OLP and the Crude Oil OLP. Texas Eastern Products Pipeline Company (the "Company" or "General Partner") owns a 1% general partner interest in the Partnership and 1% general partner interest in each Operating Partnership. The Company, as general partner, performs all management and operating functions required for the Partnership pursuant to the Agreements of Limited Partnership of TEPPCO Partners, L.P. and TE Products Pipeline Company, Limited Partnership and TCTM, L.P. (the "Partnership Agreements"). The general partner is reimbursed by the Partnership for all reasonable direct and indirect expenses incurred in managing the Partnership.

On June 18, 1997, PanEnergy Corp ("PanEnergy") and Duke Power Company completed a previously announced merger. At closing, the combined companies became Duke Energy Corporation ("Duke Energy"). The Company, previously a wholly-owned subsidiary of PanEnergy, became an indirect wholly-owned subsidiary of Duke Energy on the date of the merger.

During 1990, the Partnership completed an initial public offering of 26,500,000 Units representing Limited Partner Interests ("Limited Partner Units") at $10 per Unit. In connection with the formation of the Partnership, the Company received 2,500,000 Deferred Participation Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss. As of December 31, 1998, 94% of the DPIs have been converted into an equal number of Limited Partner Units, and the balance of such DPIs may be converted immediately prior to the sale of the DPIs by the Company. Pursuant to its Partnership Agreement, the Partnership has registered the resale of such Limited Partner Units with the Securities and Exchange Commission. Such Limited Partner Units may be sold from time to time on the New York Stock Exchange or otherwise at prices and terms then prevailing or in negotiated transactions. As of December 31, 1998, no such Limited Partner Units had been sold by the Company.

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All references to the number of Units and per Unit amounts in the consolidated financial statements and related notes have been restated to reflect the two-for-one split for all periods presented.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements include the accounts of the Partnership on a consolidated basis. The Company's 1% general partner interest in the Products OLP and the Crude Oil OLP, is accounted for as a minority interest. All significant intercompany items have been eliminated in consolidation. Certain amounts from prior years have been reclassified to conform to current presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In October 1996, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-Based Compensation." This standard allows a company to adopt a fair value based method of accounting for its stock-based compensation plans and addresses the timing and measurement of stock-based compensation expense. The Partnership has elected to retain the approach of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock issued to Employees," (the intrinsic value method) for recognizing stock-based expense in the consolidated financial

statements. The Partnership adopted SFAS 123 in 1997 with respect to the disclosure requirements set forth therein for companies retaining the intrinsic value approach of APB No. 25 (see Note 10).

In December 1997, the Partnership adopted SFAS 128, "Earnings per Share." This statement established standards for computing and presenting net income per Unit and requires, among other things, dual presentation of basic and diluted net income per Unit on the face of the consolidated statements of income. The Partnership has restated net income per Unit for the year ended December 31, 1996 and included diluted net income per Unit.

In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. The Partnership has not reported comprehensive income due to the absence of such items in all periods presented. In June 1998, the FASB also issued SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. The Partnership adopted these standards in 1998.

In February 1998, the FASB issued SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This standard revises employers' disclosures about pension and other post retirement plans but does not change the measurement or recognition of those plans. The Partnership adopted this standard in 1998 (see Note 13).

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes standards for and disclosures of derivative instruments and hedging activities. This statement is effective for fiscal years beginning after June 15, 1999. The Partnership expects to adopt this standard effective January 1, 2000, and does not expect the adoption of this statement to have a material impact on its financial condition or results of operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENVIRONMENTAL EXPENDITURES

The Partnership accrues for environmental costs that relate to existing conditions caused by past operations. Environmental costs include initial site surveys and environmental studies of potentially contaminated sites, costs for remediation and restoration of sites determined to be contaminated and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. The Partnership's accrued undiscounted environmental liabilities are monitored on a regular basis by management. Liabilities for environmental costs at a specific site are initially recorded when the Partnership's liability for such costs, including direct internal and legal costs, is probable and a reasonable estimate of the associated costs can be made. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Estimates of the Partnership's ultimate liabilities associated with environmental costs are particularly difficult to make with certainty due to the number of variables involved, including the early stage of investigation at certain sites, the lengthy time frames required to complete remediation alternatives available, the uncertainty of potential recoveries from third parties and the evolving nature of environmental laws and regulations.

BUSINESS SEGMENTS

The Partnership operates in two industry segments: refined products and liquefied petroleum gases ("LPGs") transportation; and crude oil and natural gas liquids ("NGLs") transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The crude oil and NGLs transportation segment was acquired as a unit, and the management at the time of the acquisition was retained. The refined products and LPGs transportation segment's interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products."

REVENUE RECOGNITION

Substantially all revenues of the Products OLP are derived from interstate and intrastate transportation, storage and terminaling of petroleum products. Transportation revenues are recognized as products are delivered to customers. Storage revenues are recognized upon receipt of products into storage and upon performance of storage services. Terminaling revenues are recognized as products are out-loaded. Revenues from the sale of product inventory are recognized net of product cost when the products are sold. Fractionation revenues are recognized ratably over the contract year as products are transferred to Duke Energy Field Services, Inc. ("DEFS") (see Note 3).

Revenues of the Crude Oil OLP are accrued at the time title to the product sold transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser, and purchases are accrued at the time title to the product purchased transfers to TEPPCO Crude Oil, LLC ("TCO"), which typically occurs upon receipt of the product by TCO. Except for crude oil purchased from time to time as inventory, TCO's policy is to purchase only crude oil for which it has a market to sell and to structure their sales contracts so that crude oil price fluctuations do not materially affect the margin which they receive. As TCO purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation either physically or a futures contract on the New York Mercantile Exchange ("NYMEX"). Through these transactions, TCO seeks to maintain a position that is balanced between crude oil purchases and sales and future delivery obligations. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged.

INVENTORIES

Inventories consist primarily of petroleum products and crude oil which are valued at the lower of cost (weighted average cost method) or market. The Products OLP acquires and disposes of various products under exchange agreements. Receivables and payables arising from these transactions are usually satisfied with products rather than cash. The net balances of exchange receivables and payables are valued at weighted average cost and included in inventories.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. Replacements and renewals of minor items of property are charged to maintenance expense. Depreciation expense is computed on the straight-line method using rates based upon expected useful lives of various classes of assets (ranging from 2% to 20% per annum). Upon sale or retirement of properties regulated by the FERC, cost less salvage is normally charged to accumulated depreciation, and no gain or loss is recognized.

CAPITALIZATION OF INTEREST

In connection with the construction of facilities regulated by the FERC, interest is capitalized in accordance with a FERC-established method. The rate used to capitalize interest on borrowed funds was 7.02%, 10.09% and 10.07% for 1998, 1997 and 1996, respectively.

INCOME TAXES

The Partnership is a limited partnership. As a result, the Partnership's income or loss for federal income tax purposes is included in the tax return of the individual partners, and may vary substantially from income or loss reported for financial reporting purposes. Accordingly, no recognition has been given to federal income taxes for the Partnership's operations. At December 31, 1998 and 1997, the Partnership's reported amount of net assets for financial reporting purposes exceeded its tax basis by approximately $272 million and $223 million, respectively.

CASH FLOWS

For purposes of reporting cash flows, all liquid investments with maturities at date of purchase of 90-days or less are considered cash equivalents.

NET INCOME PER UNIT

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner Units and Class B outstanding (a total of 29.7 million Units for 1998, and 29.0 million Units for 1997 and 1996). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each year (see Note 10). The general partner was allocated $1.7 million (representing 8.95%) of the net loss for the year ended December 31, 1998. The general partner was allocated $4.7 million and $3.7 million (representing 7.73% and 6.35%) of net income for each of the years ended 1997 and 1996, respectively.

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For 1998, 1997 and 1996 the denominator was increased by 45,278 Units, 39,120 Units and 28,456 Units, respectively.

NOTE 3. ACQUISITIONS

Effective March 31, 1998, TEPPCO Colorado, LLC ("TEPPCO Colorado"), a wholly owned subsidiary of the Products OLP, purchased two fractionation facilities located in Weld County, Colorado, from Duke Energy Field Services, Inc. ("DEFS"), a wholly-owned subsidiary of Duke Energy. The transaction totaled approximately $40 million and was accounted for under the purchase method of accounting.

Effective November 1, 1998, the Crude Oil OLP, through its wholly owned subsidiary TEPPCO Crude Oil, LLC ("TCO"), acquired substantially all of the assets of Duke Energy Transport and Trading Company ("DETTCO") from Duke Energy for approximately $106 million. In consideration for such assets, Duke Energy received 3,916,547 Class B Limited Partnership Units ("Class B Units"). The Class B Units are substantially identical to the 29,000,000 Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units will be convertible into Limited Partner Units upon approval by the Limited Partner Unitholders. The Company intends to seek approval for conversion, however, if conversion is not approved before March 2000, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. As a result of such option, the Class B Units were not included in partners' capital at December 31, 1998. Collectively, the Limited Partner Units and Class B Units are referred to as "Units." The transaction was accounted for under

the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated statements of income for the period subsequent to November 1, 1998. During the two months ended December 31, 1998, the Class B Units were allocated $1.0 million of net income for such period.

The following table presents the unaudited pro forma results of the Partnership as though the acquisitions of the fractionation facilities and the DETTCO assets occurred at the beginning of the period (in thousands, except per Unit amounts).

	YEARS ENDED DECEMBER 31,	
	1998	1997
Revenues	$1,412,929	$1,430,451
Operating income	90,074	105,942
Income before extraordinary loss on debt extinguishment	62,781	73,197
Net income (loss)	(9,986)	73,197
Basic and diluted income per Unit before extraordinary item	$ 1.71	$ 2.05
Basic and diluted net income (loss) per Unit	$ (0.28)	$ 2.05

NOTE 4. RELATED PARTY TRANSACTIONS

The Partnership has no employees and is managed by the Company. Pursuant to the Partnership Agreements, the Company is entitled to reimbursement of all direct and indirect expenses related to business activities of the Partnership (see Note 1).

For 1998, 1997 and 1996, direct expenses incurred by the general partner in the amount of $38.8 million, $38.2 million and $36.0 million, respectively, were charged to the Partnership. Substantially all such costs related to payroll and payroll related expenses, which included $1.0 million, $1.8 million and $1.9 million of expense for incentive compensation plans for each of the years ended 1998, 1997 and 1996, respectively.

For 1998, 1997 and 1996, expenses for administrative service and overhead allocated to the Partnership by the general partner (including Duke Energy and its affiliates) amounted to $2.7 million, $2.7 million and $2.6 million, respectively. Such costs incurred by the general partner included general and administrative costs related to business activities of the Partnership.

Effective with the purchase of the fractionation facilities, TEPPCO Colorado and DEFS entered into a twenty-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. Revenues recognized from the Fractionation Agreement totaled $5.5 million from April 1, 1998 through December 31, 1998. TEPPCO Colorado and DEFS also entered into a Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Expenses related to the Operation and Maintenance Agreement totaled $0.7 million from April 1, 1998 through December 31, 1998.

Included with the DETTCO assets purchased effective November 1, 1998 was the 90-mile long Wilcox NGL Pipeline located along the Texas Gulf Coast. The Wilcox NGL Pipeline transports NGLs for DEFS from two of their processing plants and is currently supported by demand fees that are paid by DEFS through 2005. Such fees totaled $0.2 million for the two months ended December 31, 1998.

NOTE 5. INVESTMENTS

SHORT-TERM INVESTMENTS

The Partnership routinely invests cash in liquid short-term investments as part of its cash management program. Investments with maturities at date of purchase of 90-days or less are considered cash and cash equivalents. All short-term investments are classified as held-to-maturity securities and are stated at

amortized cost. At December 31, 1998 and 1997, short-term investments consisted of $3.3 million and $2.1 million, respectively, of investment-grade corporate notes, with maturities at such date of less than one-year. The aggregate fair value of such securities approximates amortized cost at December 31, 1998 and 1997. Such investments at December 31, 1998 included a $0.9 million investment in Duke Power Company corporate notes.

LONG-TERM INVESTMENTS

At December 31, 1998 and 1997, the Partnership had $6.5 million and $10.0 million, respectively, invested in investment-grade corporate notes, which have varying maturities until 2003. These securities are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at December 31, 1998 and 1997.

NOTE 6. INVENTORIES

Inventories are valued at the lower of cost (based on weighted average cost method) or market. The major components of inventories were as follows:

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
Gasolines	$ 4,224	$ 3,448
Propane	1,503	3,428
Butanes	1,654	2,102
MTBE	641	630
Crude oil	5,517	--
Other products	3,229	1,473
Materials and supplies	3,666	4,110
Total	$20,434	$15,191

During 1998 the Partnership recorded $3.5 million of expense to reduce the costs of product inventories to market values. The costs of inventories did not exceed market values at December 31, 1998 and 1997.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment were as follows:

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
Land and right of way	$ 53,901	$ 33,405
Line pipe and fittings	520,213	443,355
Storage tanks	105,844	86,425
Buildings and improvements	7,578	6,101
Machinery and equipment	151,808	140,798
Construction work in progress	26,125	27,660
Total property, plant and equipment	$865,469	$737,744
Less accumulated depreciation and amortization	193,858	170,063
Net property, plant and equipment	$671,611	$567,681

Depreciation and amortization expense was $25.5 million, $23.8 million and $23.4 million for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 8. LONG TERM DEBT

SENIOR NOTES

On January 27, 1998, the Products OLP completed the issuance of $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Products OLP, in whole or in part, at a premium. Net proceeds from the issuance of the Senior Notes totaled approximately $386 million and was used to repay in full the $61.0 million principal amount of the 9.60% Series A First Mortgage Notes, due 2000, and the $265.5 million principal amount 10.20% Series B First Mortgage Notes, due 2010. The premium for the early redemption of the First Mortgage Notes totaled $70.1 million. The Partnership recorded an extraordinary charge of $73.5 million during the first quarter of 1998 (including $0.7 million allocated to minority interest), which represents the redemption premium of $70.1 million and unamortized debt issue costs related to the First Mortgage Notes of $3.4 million.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Products OLP and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Products OLP. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting (i) the creation of liens securing indebtedness and (ii) sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

At December 31, 1998, the estimated fair value of the Senior Notes was approximately $406.6 million. Market prices for recent transactions and rates currently available to the Partnership for debt with similar terms and maturities were used to estimate fair value.

OTHER LONG TERM DEBT

In connection with the purchase of the fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a $38 million bank loan from SunTrust Bank. Proceeds from the loan were received on April 21, 1998. TEPPCO Colorado paid interest to DEFS at a per annum rate of 5.75% on the amount of the total purchase price outstanding for the period from March 31, 1998 until April 21, 1998. The SunTrust loan bears interest at a rate of 6.53%, which is payable quarterly beginning in July 1998. The principal balance of the loan is payable in full on April 21, 2001. The Products OLP is guarantor on the loan. At December 31, 1998, the estimated fair value of the loan was approximately $39.3 million. Market prices for recent transactions and rates currently available to the Partnership for debt with similar terms and maturities were used to estimate fair value.

WORKING CAPITAL FACILITIES

In connection with the purchase of the DETTCO assets by TCO, the Crude Oil OLP entered into a $30 million Revolving Credit Agreement ("Revolver") with Duke Capital Corporation ("Duke Capital"), a wholly owned subsidiary of Duke Energy. The Revolver, dated November 30, 1998, has a six-month term and bears interest at the one month LIBOR rate plus 0.50%. The Revolver also has a commitment fee of $45,000 per annum.

The outstanding principal balance of the Revolver is payable in full at the end of its term. The Revolver is to be used by the Crude Oil OLP and its subsidiaries for working capital and general business needs. At December 31, 1998, there was no outstanding balance under the Revolver.

In connection with the purchase of the DETTCO assets by TCO, Duke Capital also agreed to guarantee the payment by TCO and its subsidiaries under certain commercial contracts between TCO and its subsidiaries and third parties. Duke Capital will provide up to $100 million of guarantee credit to TCO and its subsidiaries for a period of three years from November 30, 1998. Pursuant to this agreement, the Partnership has agreed to pay Duke Capital $100,000 per year.

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Partnership's primary market areas are located in the Northeast, Midwest and Southwest regions of the United States. The Partnership has a concentration of trade receivable balances due from major integrated oil companies, independent oil companies and other pipelines and wholesalers. These concentrations of customers may affect the Partnership's overall credit risk in that the customers may be similarly affected by changes in economic, regulatory or other factors. The Partnership's customers' historical and future credit positions are thoroughly analyzed prior to extending credit. The Partnership manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions may utilize letters of credit, prepayments and guarantees.

NOTE 10. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

As discussed in Note 1 above, all per Limited Partner Unit references have been adjusted to reflect the two-for-one split on August 10, 1998.

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the general partner in its sole discretion or as required by the terms of the Notes. Generally, distributions are made 98% to the Unitholders pro rata and 2% to the general partner until there has been distributed with respect to each Limited Partner Unit and Class B Unit an amount equal to the Minimum Quarterly Distribution ($0.275 per Limited Partner Unit and Class B Unit) for each quarter. The Company receives incremental incentive distributions of 15%, 25% and 50% on quarterly distributions of Available Cash that exceed, $0.275, $0.325 and $0.45 per Limited Partner Unit and Class B Unit, respectively. During 1998, 1997 and 1996, incentive distributions paid to the Company totaled $5.0 million, $3.2 million and $2.3 million, respectively.

For the year ended December 31, 1998, cash distributions totaled $56.8 million, resulting from cash distributions of $0.425 per Limited Partner Unit in February and May, and $0.45 per Limited Partner Unit in August and November. For the year ended December 31, 1997, cash distributions totaled $49.0 million, resulting from cash distributions of $0.375 per Limited Partner Unit in February and May, and $0.80 per Limited Partner Unit in August and November. For the year ended December 31, 1996, cash distributions totaled $45.2 million, resulting from cash distributions of $0.35 per Limited Partner Unit in February and May, and $0.375 per Limited Partner Unit in August and November. The distribution increases reflect the Partnership's success in improving cash flow levels.

On February 5, 1999, the Partnership paid a cash distribution of $0.45 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 1998. The Class B Unit distribution was prorated for the 61 day period from issuance on November 1, 1998.

NOTE 11. UNIT OPTION PLAN

During 1994, the Company adopted the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP"). The 1994 LTIP provides key employees with an incentive award whereby a

participant is granted an option to purchase Limited Partner Units together with a stipulated number of Performance Units. Under the provisions of the 1994 LTIP, no more than one million options and two million Performance Units may be granted. Each Performance Unit creates a credit to a participant's Performance Unit account when earnings exceed a threshold, which was $1.00, $1.25 and $1.875 per Unit for the awards granted in 1994, 1995 and 1997, respectively. Performance Units grants were 80,000, 70,000 and 11,000 Performance Units during 1994, 1995 and 1997, respectively. No Performance Units were granted during 1996 and 1998. When earnings for a calendar year (exclusive of certain special items) exceed the threshold, the excess amount is credited to the participant's Performance Unit account. The balance in the account may be used to exercise Limited Partner Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. Under the agreement for such Limited Partner Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met. A summary of Limited Partner Unit options granted under the terms of the 1994 LTIP is presented below:

	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	RANGE
Outstanding at December 31, 1995	106,878	10,210	$13.81-$14.34
Became exercisable	--	35,664	$13.81-$14.34
Exercised	(13,580)	(13,580)	$13.81-$14.34
Outstanding at December 31, 1996	93,298	32,294	$13.81-$14.34
Granted	11,100	--	$21.66
Became exercisable	--	37,674	$13.81-$14.34
Exercised	(11,870)	(11,870)	$13.81-$14.34
Outstanding at December 31, 1997	92,528	58,098	$13.81-$21.66
Granted	111,000	--	$25.69
Became exercisable	--	26,993	$13.81-$21.66
Exercised	(12,732)	(12,732)	$13.81-$14.34
Outstanding at December 31, 1998	190,796	72,359	$13.81-$25.69

As discussed in Note 2, SFAS 123, "Accounting for Stock-Based Compensation," allows a company to adopt a fair value based method of accounting for its stock-based compensation plans. The Partnership has elected to retain the intrinsic value method of APB No. 25 for recognizing stock-based expense. The exercise price of all options awarded under the 1994 LTIP equaled the market price of the Partnership's Units on the date of grant. Accordingly, no compensation was recognized at the date of grant. Had compensation expense been determined consistent with SFAS 123, compensation expense related to option grants would have totaled $31,158, $37,138 and $93,771 during 1996, 1997 and 1998, respectively. Under the provisions of SFAS 123, the pro forma disclosures above include only the effects of Unit options granted by the Partnership subsequent to December 31, 1994. During this initial phase-in period, the disclosures as required by SFAS 123 are not representative of the effects on reported net income for future years as options vest over several years and additional awards may be granted in subsequent years.

For purposes of determining compensation costs using the provisions of SFAS 123, the fair value of 1997 and 1998 option grants were determined using the Black-Scholes option-valuation model. The key input variables used in valuing the options were: risk-free interest rate -- 6.3% and 5.5% for 1997 and 1998, respectively; dividend yield -- 7.2% and 7.8% for 1997 and 1998, respectively; Unit price volatility -- 18% for 1997 and 1998; expected option lives -- five years and six years for 1997 and 1998, respectively.

NOTE 12. LEASES

The Partnership utilizes leased assets in several areas of its operations. Total rental expense during 1998, 1997 and 1996 was $4.8 million, $3.9 million and $2.5 million, respectively. The minimum rental payments under the Partnership's various operating leases for the years 1999 through 2003 are $6.0 million, $5.4 million, $4.9 million, $3.4 million and $3.3 million, respectively. Thereafter, payments aggregate $5.9 million through 2007.

In May 1997, the Partnership completed construction to connect the pipeline system to Colonial Pipeline Company's ("Colonial") pipeline at Beaumont, Texas. The Partnership entered into a 10-year capacity lease with Colonial, whereby the Partnership guaranteed a minimum monthly through-put rate for the connection. The minimum lease payments related to this agreement are included in the amounts disclosed above.

NOTE 13. EMPLOYEE BENEFITS

RETIREMENT PLANS

The Company's employees are included with other affiliates of Duke Energy in a noncontributory, trustee-administered pension plan. Through December 31, 1998, the plan provided retirement benefits (i) for eligible employees of certain subsidiaries, including the Company, that are generally based on an employee's years of benefit accrual service and highest average eligible earnings, and (ii) for eligible employees of certain other subsidiaries under a cash balance formula. In 1998, a significant amount of lump sum payouts were made from the plan resulting in a settlement gain of $10 million. The Company's portion of this gain was $0.6 million. Effective January 1, 1999 the benefit formula under the plan in which the Company participates, was changed to a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit based upon a percentage of current pay, which may vary with age and years of service, and current interest credits.

During 1998, Duke Energy adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", which required the restatement of prior year data. This restatement did not change the net periodic expense or the funded status of the retirement or post retirement benefit plans. The components of net pension benefit costs for the years ended December 31, 1998, 1997 and 1996 were as follows (in thousands):

	1998	1997	1996
Service cost benefit earned during the year	$ 1,699	$ 1,509	$ 1,414
Interest cost on projected benefit obligation	2,041	2,359	2,157
Expected return on plan assets	(1,555)	(1,773)	(1,641)
Amortization of prior service cost	(27)	(30)	(39)
Amortization of net transition asset	(5)	(3)	--
Settlement gain	(554)	--	--
Net pension benefits costs	$ 1,599	$ 2,062	$ 1,891

The assumptions affecting pension expense include:

	1998	1997	1996
Discount rate	6.75%	7.25%	7.50%
Salary increase	4.67%	4.15%	4.80%
Expected long-term rate of return on plan assets	9.25%	9.25%	9.18%

Duke Energy also sponsors employee savings plans which cover substantially all employees. Plan contributions on behalf of the Company of $1.4 million, $1.4 million and $1.3 million were expensed in 1998, 1997 and 1996, respectively.

OTHER POSTRETIREMENT BENEFITS

Duke Energy and most of its subsidiaries provide certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans. Under plan amendments effective late 1998 and early 1999, health care benefits for future retirees were changed to limit employer contributions and medical coverage.

Such benefit costs are accrued over the active service period of employees to the date of full eligibility for the benefits. The net unrecognized transition obligation, resulting from the implementation of accrual accounting, is being amortized over approximately 20 years.

Duke Energy is using an investment account under section 401(h) of the Internal Revenue Code, a retired lives reserve (RLR) and multiple voluntary employees' beneficiary association (VEBA) trusts under section 501(c)(9) of the Internal Revenue Code to partially fund post retirement benefits. The 401(h) vehicles, which provide for tax deductions for contributions and tax-free accumulation of investment income, partially fund postretirement health care benefits. The RLR, which has tax attributes similar to 401(h) funding, partially funds postretirement life insurance obligations. Certain subsidiaries use the VEBA trusts to partially fund accrued postretirement health care benefits and fund post retirement life insurance obligations. The components of net postretirement benefits cost for the years ended December 31, 1998, 1997 and 1996 were as follows (in thousands):

	1998	1997	1996
Service cost benefit earned during the year	$ 439	$ 350	$ 240
Interest cost on accumulated postretirement benefit obligation	796	703	506
Expected return on plan assets	(240)	(172)	(126)
Amortization of prior service cost	3	4	--
Amortization of net transition asset	202	202	201
Recognized net actuarial loss	173	68	4
Net postretirement benefits costs	$1,373	$1,155	$ 825

The assumptions affecting postretirement benefits expense include:

	1998	1997	1996
Discount rate	6.75%	7.25%	7.50%
Salary increase	4.67%	4.33%	4.84%
Expected long-term rate of return on 401(h) assets	9.25%	9.25%	9.00%
Expected long-term rate of return on RLR assets	6.75%	6.75%	6.50%
Expected long-term rate of return on VEBA assets	9.25%	9.25%	9.50%
Assumed tax rate	39.60%	39.60%	39.60%

For measurement purposes, a 5% weighted average rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 4.75% for 2005 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The below table indicates the effect on the total service and interest costs

component and on the postretirement benefit obligation of a 1% increase or 1% decrease in the assumed health care cost trend rates in each future year (in thousands).

	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components.....	$159	$(136)
Effect on postretirement benefit obligation.....	$404	$(378)

POSTEMPLOYMENT BENEFITS

The Partnership accrues expense for certain benefits provided to former or inactive employees after employment but before retirement. During 1998, 1997 and 1996, the Partnership recorded $0.5 million, $0.5 million and $0.2 million, respectively, of expense for such benefits.

NOTE 14. CONTINGENCIES

The Partnership is involved in various claims and legal proceedings incidental to its business. In the opinion of management, these claims and legal proceedings will not have a material adverse effect on the Partnership's consolidated financial position or results of operations.

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM will issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership estimates that the costs of the remediation program being proposed by the Partnership for the Seymour terminal will not exceed the amount accrued therefore (approximately $0.8 million at December 31, 1998). In the opinion of the Company, the completion of the remediation program being proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

In 1997, the Company initiated a program to prepare the Partnership's process controls and business computer systems for the "Year 2000" issue. Process controls are the automated equipment including hardware and software systems which run operational activities. Business computer systems are the computer hardware and software used by the Partnership. The Partnership is utilizing both internal and external resources to identify, test, remediate or replace all non-compliant computerized systems and applications. The Company continues to evaluate appropriate courses of corrective action, including replacement of certain systems whose associated costs would be recorded as assets and amortized. The Partnership incurred approximately $1.3 million of expense during 1997 and 1998 related to the Year 2000 issue. The Company estimates the remaining amounts required to address the Year 2000 issue will be approximately $5.0 million (unaudited). A portion of such costs would have been incurred as part of normal system and application

upgrades. In certain cases, the timing of expenditures has been accelerated due to the Year 2000 issue. Although the Company believes this estimate to be reasonable, due to the complexities of the Year 2000 issue, there can be no assurance that the actual costs to address the Year 2000 issue will not be significantly greater.

The Partnership has adopted a three-phase Year 2000 program consisting of: Phase I -- Preliminary Assessment; Phase II -- Detailed Assessment and Remediation Planning; and Phase III -- Remediation Activities and Testing. The Products OLP has completed Phase I; Phase II is nearing completion; and Phase III is ongoing. The Crude Oil OLP is nearing completion of Phase I. Remediation Activities and Testing for systems deemed most critical are scheduled to be completed by mid-1999, with testing of all process controls and business computer systems completed during the third quarter of 1999.

With respect to its third-party relationships, the Partnership has contacted its suppliers and service providers to assess their state of Year 2000 readiness. Information continues to be updated regularly, thus the Partnership anticipates receiving additional information in the near future that will assist in determining the extent to which the Partnership may be vulnerable to those third parties' failure to remediate their Year 2000 issues. However, there can be no assurance that the systems of other companies, on which the Partnership's systems rely, will be timely converted, or converted in a manner that is compatible with the Partnership's systems, or that any such failures by other companies would not have a material adverse effect on the Partnership.

Despite the Partnership's efforts to address and remediate its Year 2000 issue, there can be no assurance that all process controls and business computer systems will continue without interruption through January 1, 2000 and beyond. The complexity of identifying and testing all embedded microprocessors that are installed in hardware throughout the pipeline system used for process or flow control, transportation, security, communication and other systems may result in unforeseen operational failures. Although the amount of potential liability and lost revenue cannot be estimated, failures that result in substantial disruptions of business activities could have a material adverse effect on the Partnership. In order to mitigate potential disruptions, the Partnership will complete contingency plans for its critical systems, processes and external relationships by mid-fourth quarter of 1999.

Substantially all of the petroleum products transported and stored by the Products OLP are owned by its customers. At December 31, 1998, the Partnership had approximately 17.7 million barrels of products in its custody owned by customers. The Products OLP is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance it believes to be adequate to cover product losses through circumstances beyond its control.

NOTE 15. SEGMENT DATA

The Partnership operates in two industry segments: refined products and LPGs transportation, which operates through the Products OLP; and crude oil and NGLs transportation and marketing, which operates through the Crude Oil OLP.

Operations of the Products OLP consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; sale of product inventory; fractionation of natural gas liquids and other ancillary services. The Products OLP is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Partnership owns and operates an approximate 4,300-mile pipeline system extending from southeast Texas through the central and midwestern United States to the northeastern United States.

The Crude Oil OLP gathers, stores, transports and markets crude oil principally in Oklahoma and Texas; operates two trunkline NGL pipelines in South Texas; and distributes lube oil to industrial and commercial accounts. The Crude Oil OLP's gathering, transportation and storage assets include approximately 2,200 miles of pipeline and 1.3 million barrels of storage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies discussed above (see Note 2). The crude oil and NGLs transportation and marketing segment was added with the acquisition from DETTCO effective November 1, 1998. The acquisition was accounted for under the purchase method of accounting.

The below table includes financial information by business segment for the year ended December 31, 1998. Data for the Crude Oil OLP includes operations for the two months ended December 31, 1998. Segment data has not been provided for the years ended December 31, 1997 and 1996, as the Partnership operated as one business segment prior to November 1, 1998.

	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
	(IN THOUSANDS)		
Unaffiliated revenues	$211,783	$217,855	$429,638
Operating expenses, including power	107,102	215,632	322,734
Depreciation and amortization expense	26,040	898	26,938
Operating income	78,641	1,325	79,966
Interest expense	(29,777)	(7)	(29,784)
Other income, net	3,138	21	3,159
Income before extraordinary item	52,002	1,339	53,341
Identifiable assets	$694,636	$220,333	$914,969
Accounts receivable, trade	17,740	95,801	113,541
Accounts payable and accrued liabilities	$ 8,513	$109,420	$117,933

NOTE 16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)			
1998(1)				
Operating revenues	$ 50,205	$51,560	$54,229	$273,644
Operating income	19,514	18,929	19,722	21,801
Income before extraordinary item(2)	13,155	12,546	12,734	14,906
Net income (loss)	(59,612)	12,546	12,734	14,906
Basic and diluted income per Limited Partner and Class B Unit, before extraordinary item(2)(3)	$ 0.41	$ 0.39	$ 0.39	$ 0.42
Basic and diluted net income (loss) per Limited Partner and Class B Unit(3)	$ (1.87)	$ 0.39	$ 0.39	$ 0.42
1997(1)				
Operating revenues	$ 55,425	$52,649	$53,305	$ 60,714
Operating income	24,945	20,516	19,437	26,652
Net income	17,795	13,125	11,444	18,936
Basic and diluted net income per Limited Partner Unit	$ 0.57	$ 0.42	$ 0.36	$ 0.60

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(1) Per Unit amounts for all periods have been adjusted to reflect the two-for-one split on August 10, 1998.

(2) Extraordinary item reflects the $73.5 million loss related to the early extinguishment of the First Mortgage Notes on January 27, 1998.

(3) Per Unit calculation includes 3,916,547 Class B Units issued for the acquisition of the crude oil and NGL assets, effective November 1, 1998.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	-- Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	-- Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
*3.3	-- Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998.
3.4	-- Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
*3.5	-- Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998.
4.1	-- Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	-- Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
*4.3	-- Form of Certificate representing Class B Units.
10.1	-- Assignment and Assumption Agreement, dated March 24, 1988, between Texas Eastern Transmission Corporation and the Company (Filed as Exhibit 10.8 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
10.2	-- Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on July 14, 1997 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1997 and incorporated herein by reference).
10.3	-- Agreement Regarding Environmental Indemnities and Certain Assets (Filed as Exhibit 10.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.4	-- Texas Eastern Products Pipeline Company Management Incentive Compensation Plan executed on January 30, 1992 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1992 and incorporated herein by reference).
10.5	-- Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan executed on October 31, 1990 (Filed as Exhibit 10.9 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

EXHIBIT NUMBER	DESCRIPTION
10.6	-- Form of Amendment to Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1995 and incorporated herein by reference).
10.7	-- Employees' Savings Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.10 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.8	-- Retirement Income Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.11 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
10.9	-- Panhandle Eastern Corporation Key Executive Retirement Benefit Equalization Plan, adopted December 20, 1993; effective January 1, 1994 (Filed as Exhibit 10.12 to Form 10-K of Panhandle Eastern Corporation (Commission File No. 1-8157) for the year ended December 31, 1993 and incorporated herein by reference).
10.10	-- Employment Agreement with William L. Thacker, Jr. (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1992 and incorporated herein by reference).
10.11	-- Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.12	-- Panhandle Eastern Corporation Key Executive Deferred Compensation Plan established effective January 1, 1994 (Filed as Exhibit 10.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.13	-- Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.14	-- Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated April 21, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.15	-- First Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective June 29, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1998 and incorporated herein by reference).
*10.16	-- Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998.
*10.17	-- Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998.
*10.18	-- Revolving Credit Agreement between TCTM, L.P. as Borrower and Duke Capital Corporation as Lender, dated November 30, 1998.

EXHIBIT NUMBER	DESCRIPTION
*10.19	-- Letter Agreement regarding Payment Guarantees of Certain Obligations of TCTM, L.P. between Duke Capital Corporation and TCTM, L.P., dated November 30, 1998.
*10.20	-- Form of Employment Agreement between the Company and O. Horton Cunningham, Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth, dated December 1, 1998.
22.1	-- Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
*23	-- Consent of KPMG LLP.
*24	-- Powers of Attorney.
*27	-- Financial Data Schedule as of and for the year ended December 31, 1998.

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* Filed herewith.

EXHIBIT 3.3

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SECOND AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

TEPPCO PARTNERS, L.P.

November 30, 1998

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SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF TEPPCO PARTNERS, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF TEPPCO PARTNERS, L.P., dated as of November 30, 1998, is entered into by and among Texas Eastern Products Pipeline Company, a Delaware corporation (the "Company"), as the General Partner, and the Limited Partners of the Partnership, as hereinafter provided.

WHEREAS, the General Partner and the other parties thereto entered into that certain Agreement of Limited Partnership of the Partnership dated as of March 7, 1990 (the "1990 Agreement"); and

WHEREAS, the General Partner, acting pursuant to Section 15.1 of the 1990 Agreement, amended and restated the 1990 Agreement, and such amendment and restatement was evidenced by that certain Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P. dated as of July 21, 1998 (the "July 1998 Agreement"); and

WHEREAS, pursuant to the authority granted to the General Partner in the 1990 Agreement and the July 1998 Agreement, the General Partner desires (i) to amend the July 1998 Agreement create a class of LP Units to be designated "Class B Units", and to fix the preferences and relative, participating, optional and other special rights, powers and duties appertaining to the Class B Units, and (ii) to restate the July 1998 Agreement as so amended; and

WHEREAS, Sections 4.1 and 15.1 of the July 1998 Agreement permit the General Partner, without the approval of any Limited Partner or Assignee, to amend the July 1998 Agreement to effect the intent hereof;

NOW, THEREFORE, the General Partner does hereby amend and restate the July 1998 Agreement to provide, in its entirety, as follows:

ARTICLE 1 - ORGANIZATIONAL MATTERS

1.1 Continuation. The General Partner and the Limited Partners hereby continue the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. Except as expressly provided to the contrary in this Agreement, the rights and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. The Partnership Interest of each Partner shall be personal property for all purposes.

1.2 Name. The name of the Partnership shall be "TEPPCO Partners, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner, including, without limitation, the name of the General Partner or

any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to Limited Partners. Notwithstanding the foregoing, unless otherwise permitted by PEC and Duke, the Partnership shall change its name to a name not including "TEPPCO," "Texas Eastern", "PanEnergy" or "Duke" and shall cease using the name TEPPCO," "Texas Eastern," "PanEnergy", "Duke" or other names or symbols associated therewith at such time as neither Texas Eastern Products Pipeline Company nor another Affiliate of PanEnergy or Duke is the general partner of the Partnership.

1.3 Registered Office; Principal Office. Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at The Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801 and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership and the address of the General Partner shall be 2929 Allen Parkway, Houston, Texas 77019-2119, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

1.4 Power of Attorney. (a) Each Limited Partner and each Assignee hereby constitutes and appoints each of the General Partner and, if a Liquidator shall have been selected pursuant to Section 14.2, the Liquidator severally (and any successor to either thereof by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate of Limited Partnership and all amendments or restatements thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including, without limitation, conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12, 13 or 14 or the Capital Contribution of any Partner; (E) all certificates, documents and other instruments relating to the determination of the rights preferences and privileges of any class or series of LP Units or other securities issued pursuant to Section 4.1;

and (F) all certificates, documents and other instruments (including, without limitation, agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article 16; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates and other instruments necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 15.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner or the Liquidator may exercise the power of attorney made in this Section 1.4(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series.

Nothing contained in this Section 1.4 shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article 15, or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

1.5 Term. The Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2084, or until the earlier termination of the Partnership in accordance with the provisions of Article 14.

1.6 Possible Restrictions on Transfer. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final regulation by the Treasury Department ("Treasury Regulation"), (iii) any ruling by the Internal Revenue Service or (iv) any judicial decision, that, in any such case, in the Opinion of Counsel, would result in the taxation of the Partnership for

federal income tax purposes as a corporation or would otherwise subject the Partnership to being taxed as an entity for federal income tax purposes, then, either (a) the General Partner may impose such restrictions on the transfer of LP Units of Partnership Interests as may be required, in the Opinion of Counsel, to prevent the Partnership from being taxed as a corporation or otherwise as an entity for federal income tax purposes, including, without limitation, making any amendments to this Agreement as the General Partner in its sole discretion may determine to be necessary or appropriate to impose such restrictions, provided, that any such amendment to this Agreement that would result in the delisting or suspension of trading of the Units on any National Securities Exchange on which the Units are then traded must be approved by the holders of at least 662/3% of the Outstanding Units, voting as a separate class or (b) upon the recommendation of the General Partner and the approval of the holders of at least 662/3% of the Outstanding LP Units, the Partnership may be converted into and reconstituted as a trust or any other type of legal entity (the "New Entity") in the manner and on other terms so recommended and approved. In such event, the business of the Partnership shall be continued by the New Entity and the LP Units shall be converted into equity interests of the New Entity in the manner and on the terms so recommended and approved. Notwithstanding the foregoing, no such reconstitution shall take place unless the Partnership shall have received an Opinion of Counsel to the effect that the liability of the Limited Partners for the debts and obligations of the New Entity shall not, unless such Limited Partners take part in the control of the business of the New Entity, exceed that which otherwise had been applicable to such Limited Partners as limited partners of the Partnership under the Delaware Act.

ARTICLE 2 - DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.3 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-2(g)(i) and 1.701-2(i)(5) to be allocated to such Partner in subsequent years under items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-2(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 4.3(d)(i) or 4.3(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 5.1 including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; and the General Partner shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties conveyed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., as it may be amended, supplemented or restated from time to time.

"Assignee" means a Non-citizen Assignee or a Person to whom one or more LP Units have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not become a Substituted Limited Partner.

"Available Cash" has the meaning assigned to such term in Section 5.6(a).

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 4.3 and the hypothetical balance of such Partner's Capital account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the States of Texas or New York shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner or Assignee pursuant to Section 4.3.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner has contributed or may contribute to the Partnership pursuant to Section 4.1 or 13.3(c).

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of

the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.3(d)(i) and 4.3(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash from Interim Capital Transactions" has the meaning assigned to such term in Section 5.6(b).

"Cash from Operations" has the meaning assigned to such term in Section 5.6(c).

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 6.2 hereof, as such Certificate may be amended and/or restated from time to time.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"Class B Unit" means one of that certain class of LP Units with those special rights and obligations specified in this Agreement as being appurtenant to a "Class B Unit".

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Combined Interest" has the meaning assigned to such term in Section 13.3(a)13.3(a).

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.3(d)(i), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contributing Partner" means each Partner contributing a Contributed Property.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 5.1(d)(ix).

"Current Market Price" has the meaning assigned to such term in Section 17.1(a).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. Sections 17-101, et. seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner, from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 13.1 or Section 13.2.

"Duke" means Duke Energy Corporation, a Delaware corporation.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(1).

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which the Partnership or any Subsidiary does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject the Partnership or any Subsidiary to a substantial risk of cancellation or forfeiture of any of its properties or any interest therein.

"Event of Withdrawal" has the meaning assigned to such term in Section 13.1(a).

"Exchange Act" means the Securities Exchange Act of 1934 as amended, supplemented or restated from time to time, and any successor to such statute.

"First Liquidation Target Amount" has the meaning assigned to such term in Section 5.1(c)(i)(D).

"First Target Distribution" has the meaning assigned to such term in Section 5.6(d).

"General Partner" means Texas Eastern Products Pipeline Company, a Delaware corporation, and its successors as general partner of the Partnership.

"General Partner Equity Value" means, as of any date of determination, the fair market value of the General Partner's Partnership Interest, as determined by the General Partner using whatever reasonable method of valuation it may adopt; provided, however, if any such valuation occurs at a time that the General Partner holds LP Units, such LP Units must be taken into account in determining the General Partner Equity Value.

"Indemnitee" means the General Partner, any Departing Partner, any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent or trustee of another Person.

"Initial Offering" means the initial offering of Units to the public, as described in the Registration Statement.

"Initial Unit Price" means $20 per LP Unit.

"Interim Capital Transactions" has the meaning assigned to such term in Section 5.6(e).

"Issue Price" means $18.62 per LP Unit.

"Limited Partner" means each initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Departing Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 13.3 and, solely for purposes of Articles 4, 5 and 6 and Sections 14.3 and 14.4, shall include an Assignee.

"Limited Partner Equity Value" means, as of any date of determination, the amount equal to the product obtained by multiplying (a) the total number of LP Units Outstanding (immediately prior to an issuance of LP Units or distribution of cash or Partnership property), other than LP Units held by the General Partner by (b)(i) in the case of a valuation required by Section 4.3(d)(i) (other than valuations caused by sales of a de minimis quantity of LP Units), the Issue Price of the additional LP Units referred to in Section 4.3(d)(i) or (ii) in the case of a valuation required by Section 4.3(d)(ii) (or a valuation required by Section 4.3(d)(i) caused by sales of a de minimis quantity of LP Units), the Closing Price.

"Liquidator" means the General Partner or other Person approved pursuant to Section 14.3 who performs the functions described therein.

"LP Unit" means a Partnership Interest of a Limited Partner or Assignee in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and includes Units and Class B Units.

"LP Unit Certificate" means a certificate in such form as may be adopted from time to time by the General Partner in its sole discretion, issued by the Partnership evidencing ownership of one or more LP Units of the class designated in such certificate.

"Mandatory Redemption Notice" has the meaning assigned to such term in Section 4.9(b).

"Merger Agreement" has the meaning assigned to such term in Section 16.1.

"Minimum Gain Attributable to Partner Nonrecourse Debt" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(i)(3).

"Minimum Quarterly Distribution" has the meaning assigned to such term in Section 5.6(f).

"National Securities Exchange" means an exchange registered with the Securities and Exchange Commission under Section 6(a) of the Exchange Act.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed

to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 4.3(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.3(b) and shall not include any items specially allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to a Required Allocation or a Curative Allocation, the applicable Net Income or Net Loss shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.3(b) and shall not include any items specifically allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to a Required Allocation or a Curative Allocation, the applicable Net Income or Net Loss shall be recomputed without regard to such item.

"Net Termination Gain" has the meaning assigned to such term in Section 5.6(g).

"Net Termination Loss" has the meaning assigned to such term in Section 5.6(h).

"New Entity" has the meaning assigned to such term in Section 1.6.

"Non-citizen Assignee" means a Person who the General Partner has determined in its sole discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 11.5.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Non-recourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 5.2(b)(i)(A), 5.2(b)(ii)(A) or 5.2(b)(iv) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Sections 1.704-2(b)(1) and 1.704-2(c), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.704- 2(b)(3).

"Notice of Election to Purchase" has the meaning assigned to such term in Section 17.1(b).

"Notice of Intent to Convert" has the meaning assigned to such term in Section 4.9(b).

"Operating Partnership" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership established pursuant to the Operating Partnership Agreement.

"Operating Partnership Agreement" means the Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner) acceptable to the General Partner.

"Outstanding" means all LP Units or other Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination.

"Partner" means a General Partner or a Limited Partner and, solely for purposes of Articles 4, 5 and 6 and Sections 14.3 and 14.4, shall include an Assignee.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Sections 1.704-2(i)(1) and 1.704-2(i)(2), are attributable to a Partner Nonrecourse Debt.

"Partnership" means TEPPCO Partners, L.P., a Delaware limited partnership, and any successor thereto.

"Partnership Inception" means March 7, 1990.

"Partnership Interest" means the interest of a Partner in the Partnership, which, in the case of a Limited Partner or an Assignee, shall be expressed in terms of LP Units.

"Partnership Minimum Gain" means the amount determined in accordance with the principles of Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"Partnership Securities" has the meaning assigned to such term in Section 4.1(b).

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"PEC" means PanEnergy Corp., a Delaware corporation.

"Per LP Unit Capital Account" means, as of any date of determination, the Capital Account, stated on a per LP Unit basis, underlying any LP Unit held by a Unitholder.

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, 1% and (b) as to any Limited Partner or Assignee holding LP Units, the product of (i) 99% multiplied by (ii) the quotient of (x) the number of LP Units held by such Limited Partner or Assignee divided by (y) the total number of all LP Units then Outstanding; provided, however, that following any issuance of additional LP Units by the Partnership in accordance with Section 4.1 hereof, proper adjustment shall be made to the Percentage Interest represented by each LP Unit to reflect such issuance.

"Person" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity.

"Purchase Date" means the date determined by the General Partner as the date for purchase of all Outstanding LP Units (other than LP Units owned by the General Partner and its Affiliates) pursuant to Article 17.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Sections 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the General Partner for determining (a) the identity of Limited Partners (or Assignees if applicable) entitled income to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners, or (b) the identity of Record Holders entitled to receive any report or distribution.

"Record Holder" means the Person in whose name an LP Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day.

"Redeemable LP Units" means any LP Units for which a redemption notice has been given, and has not been withdrawn, under Section 11.6.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 33-32203), as it may have been amended or supplemented from time to time, filed by the Partnership with the Securities and Exchange Commission under the Securities Act to register the offering and sale of the Units in the Initial Offering.

"Required Allocations" means any allocation (or limitation imposed on any allocation) of an item of income, gain, deduction or loss pursuant to (a) the proviso clause of Section 5.1(b)(ii) or (b) Sections 5.1(d)(i), 5.1(d)(ii), 5.1(d)(iii), 5.1(d)(iv), 5.1(d)(v), 5.1(d)(vi) and 5.1(d)(viii), such

allocations (or limitations thereon) being directly or indirectly required by the Treasury Regulations promulgated under Section 704(b) of the Code.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Sections 5.2(b)(i)(A) or 5.2(b)(ii)(A), respectively, to eliminate Book- Tax Disparities.

"Second Liquidation Target Amount" has the meaning assigned to such term in Section 5.1(c)(i)(E).

"Second Target Distribution" has the meaning assigned to such term in Section 5.6(i).

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Subsidiary" means a Person controlled by the Partnership directly, or indirectly though one or more intermediaries, including without limitation the Operating Partnership.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 12.1 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 16.2(b).

"Termination Capital Transaction" has the meaning assigned to such term in Section 5.6(j).

"Trading Day" has the meaning assigned to such term in Section 17.1(a).

"Transfer Agent" means such bank, trust company or other Person (including, without limitation, the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Units.

"Transfer Application" means an application and agreement for transfer of LP Units in the form set forth on the back of an LP Unit Certificate or in a form substantially to the same effect in a separate instrument.

"Unit" means one of that certain class of LP Units with those special rights and obligations specified in this Agreement as being appurtenant to a "Unit".

"Unitholder" means a Person who holds LP Units.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as

determined under Section 4.3(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.3(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.3(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 4.3(d)).

"Unrecovered Capital" means, at any time, with respect to an LP Unit (whether such LP Unit was issued in the Initial Offering or thereafter), the Initial Unit Price, less the sum of all distributions theretofore made in respect of a Unit issued in the Initial Offering constituting, and which for purposes of determining the priority of such distribution is treated as constituting, Cash from Interim Capital Transactions and of any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of a Unit issued in the Initial Offering.

ARTICLE 3 - PURPOSE

3.1 Purpose and Business. The purpose and nature of the business to be conducted by the Partnership shall be (i) to serve as a partner in the Operating Partnership and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership as a partner in the Operating Partnership pursuant to the Operating Partnership Agreement or otherwise, (ii) to engage directly in, or to enter into any partnership, joint venture or similar arrangement to engage in, any business activity that may be lawfully conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (iii) to do anything necessary or appropriate to the foregoing (including, without limitation, the making of capital contributions or loans to any Subsidiary or in connection with its involvement in the activities referred to in clause (ii) of this sentence), and (iv) to engage in any other business activity as permitted under Delaware law.

3.2 Powers. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 3.1 and for the protection and benefit of the Partnership.

ARTICLE 4 - CAPITAL CONTRIBUTIONS

4.1 Issuances of LP Units and Other Securities. (a) The initial Capital Contributions of the General Partner and the initial Limited Partners were made in accordance with Section 4.3 of the 1990 Agreement.

(b) The General Partner is hereby authorized to cause the Partnership to issue, in addition to the Units heretofore issued by the Partnership, such additional LP Units, or classes or series thereof, or options, rights, warrants or appreciation rights relating thereto, or any other type of equity security that the Partnership may lawfully issue, any unsecured or secured debt obligations of the

Partnership or debt obligations of the Partnership convertible into any class or series of equity securities of the Partnership (collectively, "Partnership Securities"), for any Partnership purpose, at any time or from time to time, to the Partners or to other Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners. The General Partner shall have sole discretion, subject to the guidelines set forth in this Section 4.1 and the requirements of the Delaware Act, in determining the consideration and terms and conditions with respect to any future issuance of Partnership Securities.

(c) Notwithstanding any provision of this Agreement to the contrary, additional Partnership Securities to be issued by the Partnership pursuant to this Section 4.1 shall be issuable from time to time in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including, without limitation, rights, powers and duties senior to existing classes and series of Partnership Securities, all as shall be fixed by the General Partner in the exercise of its sole and complete discretion, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Securities; (ii) the right of each such class or series of Partnership Securities to share in Partnership distributions; (iii) the rights of each such class or series of Partnership Securities upon dissolution and liquidation of the Partnership; (iv) whether such class or series of additional Partnership Securities is redeemable by the Partnership and, if so, the price at which, and the terms and conditions upon which, such class or series of additional Partnership Securities may be redeemed by the Partnership; (v) whether such class or series of additional Partnership Securities is issued with the privilege of conversion and, if so, the rate at which, and the terms and conditions upon which, such class or series of Partnership Securities may be converted into any other class or series of Partnership Securities; (vi) the terms and conditions upon which each such class or series of Partnership Securities will be issued, evidenced by LP Unit Certificates and assigned or transferred; and (vii) the right, if any, of each such class or series of Partnership Securities to vote on Partnership matters, including, without limitation, matters relating to the relative rights, preferences and privileges of each such class or series.

(d) Upon the issuance of any LP Units by the Partnership, the General Partner shall be required to make additional Capital Contributions to the Partnership such that the General Partner shall at all times have a balance in its Capital Account equal to l% of the total positive Capital Account balances of all Partners.

(e) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with each issuance of LP Units or other Partnership Securities pursuant to Section 4.1(b) and to amend this Agreement in any manner that it deems necessary or appropriate to provide for each such issuance, to admit Additional Limited Partners in connection therewith and to specify the relative rights, powers and duties of the holders of the LP Units or other Partnership Securities being so issued.

(f) The General Partner is authorized to cause the issuance of Partnership Securities pursuant to any employee benefit plan for the benefit of employees responsible for the operations of the Partnership or any Subsidiary maintained or sponsored by the General Partner, the Partnership, any Subsidiary or any Affiliate of any of them.

(g) The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities, including, without limitation, compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the LP Units or other Partnership Securities are listed for trading.

4.2 Limited Preemptive Rights. No Person shall have any preemptive, preferential or other similar right with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of or other Partnership Securities, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such or other Partnership Securities; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of any such LP Units or other Partnership Securities; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

4.3 Capital Accounts. (a) The Partnership shall maintain for each Partner (or a beneficial owner of LP Units held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning LP Units a separate Capital Account with respect to such LP Units in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such LP Units pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 4.3(b) and allocated with respect to such LP Units pursuant to Section 5.1 and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such LP Units pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 4.3(b) and allocated with respect to such LP Units pursuant to Section 5.1.

The Partnership shall maintain for the General Partner a separate Capital Account with respect to its Partnership Interest, held in its capacity as a general partner, in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 4.3(b) and allocated with respect to such Partnership Interest pursuant to Section 5.1, and decreased by (x) the cash amount or the Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 4.3(b) and allocated with respect to such Partnership Interest pursuant to Section 5.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax

purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 4.3, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any Subsidiary.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 5.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(l)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 4.3(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(l) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 5.1. Any restoration of such basis

pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d)(i) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional LP Units for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to LP Units pursuant to Section 13.3(b), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 5.1. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, the General Partner, in arriving at such valuation, must take into account the Limited Partner Equity Value and the General Partner Equity Value at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its sole discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of each Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 5.1. Any Unrealized Gain or Unrealized Loss attributable to such property shall be allocated in the same manner as Net Termination Gain or Net Termination Loss pursuant to Section 5.1(c); provided, however, that, in making any such allocation, Net Termination Gain or Net Termination Loss actually realized shall be allocated first. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall be determined and allocated by the Liquidator using such reasonable methods of valuation as it may adopt.

(e) Upon the conversion of a Class B Unit into one Unit, the difference (whether positive or negative) between the Per LP Unit Capital Account of such Class B Unit and the Per LP Unit Capital Account of the then Outstanding Units shall be allocated proportionately among all Class B Units Outstanding immediately after such conversion. After giving effect to such reallocation, (i) the Per LP Unit Capital Account of the Unit issued upon such

conversion shall equal the Per LP Unit Capital Account of each Unit then Outstanding, and (ii) such conversion shall not increase or decrease the aggregate Per LP Unit Capital Accounts attributable to all Outstanding Units.

4.4 Interest. No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

4.5 No Withdrawal. No Partner shall be entitled to withdraw any part of its Capital Contributions or its Capital Account or to receive any distribution from the Partnership, except as provided herein.

4.6 Loans from Partners. Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

4.7 No Fractional LP Units. No fractional LP Units shall be issued by the Partnership.

4.8 Splits and Combinations. (a) Subject to Section 4.8(d), the General Partner may make a pro rata distribution of LP Units or other Partnership Securities to all Record Holders or may effect a subdivision or combination of LP Units or other Partnership Securities; provided, however, that after any such distribution, subdivision or combination, each Partner shall have the same Percentage Interest in the Partnership as before such distribution, subdivision or combination.

(b) Whenever such a distribution, subdivision or combination of LP Units or other Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice of the distribution, subdivision or combination at least twenty days prior to such Record Date to each Record Holder as of the date not less than ten days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of LP Units to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the General Partner may cause LP Unit Certificates to be issued to the Record Holders of LP Units as of the applicable Record Date representing the new number of LP Units held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such distribution, subdivision or combination; provided, however, if any such distribution, subdivision or combination results in a smaller total number of LP Units Outstanding, the General Partner shall require, as a condition to the delivery to a Record Holder of such new LP Unit Certificate, the surrender of any LP Unit Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional LP Units upon any distribution, subdivision or combination of LP Units. If a distribution, subdivision or combination of LP Units would result in the issuance of fractional LP Units but for the provision of Section 4.7 and this Section 4.8(d), each fractional LP Unit shall be rounded to the nearest whole LP Unit (and a 0.5 LP Unit shall be rounded to the next higher LP Unit).

4.9 Class B Units. (a) Pursuant to Section 4.1, the General Partner hereby designates and creates a special class of LP Units designated "Class B Units" and fixes the designations, preferences and relative, participating, optional or other special rights, powers and duties of the holders of the Class B Units as follows:

(b) Each Class B Unit shall be convertible from time to time, in whole or in part, into one Unit from and after such date as the Partnership has been advised by the New York Stock Exchange that the Units issuable upon any such conversion are eligible for listing on the New York Stock Exchange. The General Partner will promptly notify the holders of Class B Units upon receipt of such advice. Upon written notice to the General Partner from the holders of at least a majority of the Outstanding Class B Units (a "Notice of Intent to Convert") given not earlier that one year after the date of this Agreement, the General Partner will use its reasonable best efforts to cause the Partnership to meet any unfulfilled requirements of the New York Stock Exchange for such listing, including obtaining such approval of the Unitholders as may be required by the New York Stock Exchange for the issuance of the additional Units to be listed thereon. If, 120 days after the date of the Notice of Intent to Convert, the Units issuable upon such conversion have not been approved for listing on the New York Stock Exchange, then the Partnership shall give written notice thereof to the holders of the Outstanding Class B Units, whereupon each holder of Outstanding Class B Units may, at such holder's election at any time thereafter, notify the General Partner in writing (a "Mandatory Redemption Notice") of such holder's election to cause the Partnership to redeem such holder's Outstanding Class B Units for cash. All such Outstanding Class B Units shall be redeemed as of the 60th day following the date of such Mandatory Redemption Notice unless, prior to such 60th day, the General Partner gives written notice to the holders of all Outstanding Class B Units that it has been advised by the New York Stock Exchange that the Units issuable upon a conversion of Class B Units have been approved for listing on the New York Stock Exchange, in which case the Mandatory Redemption Notice shall be deemed to have been withdrawn.

(c) Before any holder of Class B Units shall be entitled to receive any redemption payment or to convert such holder's Class B Units into Units, as the case may be, he shall surrender the LP Unit Certificates therefor, duly endorsed, at the office of the General Partner or of any transfer agent for the Class B Units. In the case of any such conversion, the Partnership shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Class B Units LP one or more Unit Certificates, registered in the name of such holder, for the number of Units to which he shall be entitled as aforesaid. Such conversion shall be deemed to have been made as of the date of such surrender of the Class B Units to be converted, and the person entitled to receive the Units issuable upon such conversion shall be treated for all purposes as the record holder of such Units on said date.

(d) Upon any request by Duke or any of its Affiliates to register all or any part of the Class B Units pursuant to Section 6.14, the Class B Units for which registration is so requested may be redeemed by the Partnership at its election. The Partnership shall exercise its option under this

Section 4.9(d) by mailing written notice thereof to the holders of the Class B Units for which registration is so requested. Such notice shall be given not later than 15 days after the receipt by the General Partner of such registration request and shall fix a date for redemption of such Class B Units not less than 30 nor more than 60 days after the date of such notice.

(e) Any redemption under Section 4.9(b) or Section 4.9(d) shall be for a cash redemption price equal to the Current Market Price per Unit as of the date fixed for redemption multiplied by 0.955.

(f) From and after a redemption date (unless default shall be made by the Partnership in providing money for the payment of the redemption price), the Class B Units redeemed shall no longer be deemed to be Outstanding, and all rights of the holders thereof as Partners in the Partnership (except the right to receive from the Partnership the redemption price) shall cease. Class B Units redeemed pursuant to Section 4.9(b) or Section 4.9(d) shall be restored to the status of authorized but unissued LP Units, without designation as to class.

(g) To preserve the allocation under Section 4.3(e), notwithstanding anything herein to the contrary, no conversion of Class B Units may be effected if such conversion would result in there being no Class B Units Outstanding.

(h) Except as otherwise provided in this Agreement, each Class B Unit shall be identical to a Unit, and the holder of a Class B Unit shall have the rights of a holder of a Unit with respect to, without limitation, Partnership distributions, voting and allocations of income, gain, loss or deductions; but the LP Certificates evidencing Class B Units shall be separately identified and shall not bear the same CUSIP number as the LP Certificates evidencing Units. Except as otherwise provided herein, all LP Units shall vote or consent together as a single class on all matters submitted for a vote or consent of the Unitholders. Class B Units shall be represented by LP Unit Certificates in such form as the General Partner may approve.

ARTICLE 5 - ALLOCATIONS AND DISTRIBUTIONS

5.1 Allocations for Capital Account Purposes. For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 4.3(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided hereinbelow.

(a) Net Income. After giving effect to the special allocations set forth in Section 5.1(d), Net Income for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 5.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 5.1(b)(iii) for all previous taxable years;

(ii) Second, 100% to the General Partner and the Limited Partners, in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 5.1(a)(ii) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Limited Partners and the General Partner pursuant to Section 5.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, shall be allocated between the General Partner, in its capacity as general partner, and the Limited Partners in each taxable year in the same proportion as Available Cash for such taxable year (including, for this purpose, distributions of Available Cash made in a subsequent taxable year with respect to the last quarter of the Partnership year for which the item of income, gain, loss, deduction or credit as the case may be, is being allocated) was distributed to the General Partner and the Limited Partners. If the Partnership does not distribute any Available Cash in respect of a taxable year, Net Income (computed in accordance with Section 4.3(b)) shall be allocated among the Partners in accordance with their respective Percentage Interests. Except as otherwise provided in this Section 5.1, each item of income, gain, loss, deduction or credit (computed in accordance with Section 4.3(b)) allocated to the Limited Partners, in the aggregate, shall be allocated to each Limited Partner pro rata in accordance with the number of LP Units held by such Limited Partner.

(b) Net Losses. After giving effect to the special allocations set forth in Section 5.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner and the Limited Partners until the aggregate Net Losses allocated pursuant to this Section 5.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 5.1(a)(iii) for all previous taxable years. For purposes of this Section 5.1(b)(i), Net Losses for any taxable year shall be allocated to the General Partner and the Limited Partners in the same proportion as any Net Income was allocated to such Partners pursuant to Section 5.1(a)(iii) in any previous taxable years (beginning with the first such taxable year in which Net Income was allocated to the Partners pursuant to Section 5.1(a)(iii) up to an amount equal to the amount of Net Income allocated to the Partners in any such taxable year);

(ii) Second, 100% to the General Partner and the Limited Partners, in accordance with their respective Percentage Interests, provided, that Net Losses shall not be allocated pursuant to this Section 5.1(b)(ii) to the extent that such allocation would cause any Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(iii) Third, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 5.1(d), all items of gain and loss taken into account in computing Net Termination Gain

or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 5.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 5.1 and after all distributions of Available Cash provided under Section 5.4 have been made with respect to the taxable period ending on the date of the Partnership's liquidation pursuant to Section 14.3. References in this Section to the Minimum Quarterly Distribution and the Target Distributions are to such items as adjusted from time to time.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 4.3(d)) from Termination Capital Transactions, such Net Termination Gain shall be allocated between the General Partner and the Limited Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Capital Account in respect of each LP Unit then Outstanding is equal to the Unrecovered Capital attributable to such LP Unit;

(C) Third, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Per LP Unit Capital Account (determined on a per Unit basis) in respect of each Unit is equal to the sum of (l) the Unrecovered Capital attributable to each such Unit plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994.

(D) Fourth, 85.87% to all Limited Partners, in accordance with their respective Percentage Interests, and 14.13% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum of (l) the Unrecovered Capital attributable to such Unit, plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994, plus (3) the excess of the First Target Distribution over the Minimum Quarterly Distribution for each quarter of the Partnership's existence, less (4) the amount of any distributions of Cash from Operations that were distributed pursuant to Section 5.4(b) (the sum of (2) plus (3) less (4) is hereinafter defined as the "First Liquidation Target Amount");

(E) Fifth, 75.77% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.23% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum

of (l) the Unrecovered Capital attributable to such Unit, plus (2) the First Liquidation Target Amount, plus (3) the excess of the Second Target Distribution over the First Target Distribution for each quarter of the Partnership's existence less (4) the amount of any distributions of Cash from Operations distributed pursuant to Section 5.4(c) (the sum of (2) plus (3) less (4) is hereinafter defined as the "Second Liquidation Target Amount"); and

(F) Sixth, the balance, if any, 50.51% to all Limited Partners, in accordance with their respective Percentage Interests, and 49.49% to the General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 4.3(d)) from Termination Capital Transactions, such Net Termination Loss shall be allocated to the Partners in the following manner:

(A) First, 100% to the General Partner and the limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts until all such balances are reduced to zero;

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 5.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in proportion to, and to the extent of, an amount equal to the greater of (A) the portion of such Partner's share of the net decrease in Partnership Minimum Gain during such taxable period that is allocable (in accordance with the principles set forth in Treasury Regulation Section 1.704-2(g)) to the disposition of Partnership property subject to one or more Nonrecourse Liabilities of the Partnership, or (B) the deficit balance in such Partner's Adjusted Capital Account at the end of such taxable period (modified, as appropriate, by Treasury Regulation Section 1.704-2(g)). The items to be so allocated shall be determined in accordance with Treasury Regulation Sections 1.704-2(f)(6) and 1.704-2(j)(2) and, for purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d) with respect to such taxable period. This Section 5.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Minimum Gain Attributable to Partner Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d)(i)), if there is a net decrease in Minimum Gain Attributable to Partner Nonrecourse Debt during any Partnership taxable period, any Partner with a share of Minimum Gain Attributable to Partner Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in

proportion to, and to the extent of, an amount equal to the greater of (A) the portion of such Partner's share of the net decrease in the Minimum Gain Attributable to Partner Nonrecourse Debt that is allocable (in accordance with the principles set forth in Treasury Regulation Section 1.704-2(i)(4)) to the disposition of Partnership property subject to such Partner Nonrecourse Debt or (B) the deficit balance in such Partner's Adjusted Capital Account at the end of such taxable period (modified, as appropriate, by Treasury Regulation Section 1.704-2(i)(4)). The items to be so allocated shall be determined in a manner consistent with the principles of Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2) and, for purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d), other than Section 5.1(d)(i), with respect to such taxable period. This Section 5.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. Except as provided in Sections 5.1(d)(i) and 5.1(d)(ii), in the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1 (b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible; provided, that an allocation pursuant to this Section 5.1(d)(iii) shall be made only if and to the extent that such Partner would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made as if this Section 5.1(d)(iii) were not in this Agreement.

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period that is in excess of the sum of (A) the amount such Partner is obligated to restore pursuant to any provision of this Agreement and (B) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulation Section 1.704-2(g)(1) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 5.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 5.1 have been tentatively made as if Section 5.1(d)(iii) and this Section 5.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in the same ratios that Net income or Net Losses, as the case may be, is allocated for the taxable year. if the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the Limited

Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i)(1). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. The Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage interests.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury regulations.

(ix) Curative Allocation. (A) Notwithstanding any other provision of this Section 5.1, other than the Required Allocations provisions, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and this Curative Allocation not otherwise been provided in this Section 5.1. Notwithstanding the preceding sentence, Required Allocations relating to (l) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Minimum Gain Attributable to Partner Nonrecourse Debt. Allocations pursuant to this Section 5.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 5.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (l) apply the provisions of Section 5.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 5.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

5.2 Allocations for Tax Purposes. (a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follow:

(i)(A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b)(iv), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(ii)(A) In the case of an Adjusted Property, such items shall (l) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.3(d)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 5.2(b)(i)(A); and (B) except as otherwise provided in Section 5.2(b)(iv), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) Except as otherwise provided in Section 5.2(b)(iv), all other items of income, gain, loss and deduction shall be allocated among the Partners in the same manner as their correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iv) Any items of income, gain, loss or deduction otherwise allocable under Section 5.2(b)(i)(B), 5.2(b)(ii)(B) or 5.2(b)(iii) shall be subject to allocation by the General Partner in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under Section 704(c) of the Code or Section 704(c) principles) to the allocations provided under Section 5.2(b)(i)(A) or 5.2(b)(ii)(A).

(c) For the proper administration of the Partnership and for the preservation of uniformity of the LP Units (or any class or classes thereof), the General Partner shall have sole discretion to (i)

adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the LP Units (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of LP Units issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its sole discretion may determine to depreciate the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Partnership's common basis of such property, despite the inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n) and Treasury Regulation Section 1.167(c)-1(a)(6). If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt a depreciation convention under which all purchasers acquiring LP Units in the same month would receive depreciation, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation convention to preserve the uniformity of the intrinsic tax characteristics of any LP Units that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of LP Units.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2 be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) Each item of Partnership income, gain, loss and deduction attributable to a transferred Partnership Interest of the General Partner or to transferred LP Units shall, for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the close of the New York Stock Exchange on the last day of the preceding month; provided, however, that gain or loss on a sale or other disposition of any assets of the Partnership other than in the ordinary course of business shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain

or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article 5 shall instead be made to the beneficial owner of LP Units held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

5.3 Requirement and Characterization of Distributions. Within fifty days following the end of each calendar quarter, an amount equal to 100% of Available Cash with respect to such quarter (or period) shall be distributed in accordance with this Article 5 by the Partnership to the Partners, as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Cash from Operations until the sum of all amounts of Available Cash theretofore distributed by the Partnership to Partners pursuant to Section 5.4 equals the aggregate amount of all Cash from Operations of the Partnership from the Partnership Inception through the end of he calendar quarter prior to such distribution. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 5.5, be deemed to be Cash from Interim Capital Transactions.

5.4 Allocations of Distributions. Available Cash that is deemed to be Cash from Operations pursuant to the provisions of Section 5.3 or 5.5 shall be distributed as follows:

(a) First, 99% to all Limited Partners, in accordance with their respective Percentage Interest, and 1.0% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Minimum Quarterly Distribution;

(b) Second, 85.87% to all Limited Partners, in accordance with their respective Percentage Interest, and 14.13% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the First Target Distribution;

(c) Third, 75.77% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.33% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Second Target Distribution; and

(d) Fourth, 50.51% to all Limited Partners, in accordance with their respective Percentage Interest, and 49.49% to the General Partner.

Provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to Section 5.7(a)(ii), then distributions of Available Cash constituting Cash from Operations with respect to any quarter will be made 99% to all Limited Partners in accordance with their respective Percentage Interest and l%

to the General Partner until there has been distributed in respect of each LP Unit then outstanding Cash from Operations since Partnership Inception equal to the Minimum Quarterly Distribution (as from time to time adjusted) for all periods since Partnership Inception, and thereafter in accordance with Section 5.4(d) above.

5.5 Distributions of Cash from Interim Capital Transactions. Available Cash that constitutes Cash from Interim Capital Transactions shall be distributed, unless the provisions of Section 5.3 require otherwise, 99% to all Limited Partners, in accordance with their respective Percentage Interests, and 1.0% to the General Partner until a hypothetical holder of a Unit acquired at the time of the Initial Offering has received with respect to each Unit, from Partnership Inception through such date, distributions of Available Cash that are deemed to be Cash from Interim Capital Transactions in an aggregate amount per LP Unit equal to the Initial Unit Price. Thereafter, all Available Cash shall be distributed as if it were Cash from Operations and shall be distributed in accordance with Section 5.4.

5.6 Definitions. As used herein,

(a) "Available Cash" means, with respect to any calendar quarter, (i) the sum of (A) all cash receipts of the Partnership during such quarter from all sources (including, distributions of cash received from any Subsidiary) and (B) any reduction in reserves established in prior quarters, less (ii) the sum of (aa) all cash disbursements of the Partnership during such quarter (including disbursements for taxes of the Partnership as an entity, debt service and capital expenditures) and (bb) any reserves established in such quarter in such amounts as the General Partner determines to be necessary or appropriate in its reasonable discretion (x) to provide for the proper conduct of the business of the Partnership or any Subsidiary (including reserves for future rate refunds or capital expenditures) or (y) to provide funds for distributions with respect to any of the next four calendar quarters and (cc) any other reserves established in such quarter in such amounts as the General Partner determines in its reasonable discretion to be necessary because the distribution of such amounts would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership or any Subsidiary is a party or by which it is bound or its assets are subject. Taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners shall not be considered cash disbursements of the Partnership which reduce "Available Cash," but the payment or withholding thereof shall be deemed to be a distribution of Available Cash to such Partners. Alternatively, in the discretion of the General Partner, such taxes (if pertaining to all Partners) may be considered to be cash disbursements of the Partnership which reduce "Available Cash," but the payment or withholding thereof shall not be deemed to be a distribution of Available Cash to Partners. Notwithstanding the foregoing, "Available Cash" shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established after commencement of the dissolution and liquidation of the Partnership.

(b) "Cash from Interim Capital Transactions" means, at any date, such amounts of Available Cash as are deemed to be Cash from Interim Capital Transactions pursuant to Section 5.3.

(c) "Cash from Operations" means, at any date but prior to commencement of the dissolution and liquidation of the Partnership, on a cumulative basis, $20 million plus all cash receipts

of the Partnership or any Subsidiary from their operations (excluding any cash proceeds from any Interim Capital Transactions or Termination Capital Transactions) during the period since the Partnership Inception through such date less the sum of (i) all cash operating expenditures of the Partnership or any Subsidiary during such period, including, without limitation, taxes imposed on the Partnership or any Subsidiary as an entity, (ii) all cash debt service payments of the Partnership or any Subsidiary during such period (other than payments or prepayments of principal and premium required by reason of loan agreements (including, covenants and default provisions therein) or by lenders, in each case in connection with sales or other dispositions of assets or made in connection with refinancings or refundings of indebtedness provided, that any payment or prepayment of principal, whether or not then due, shall be determined at the election and in the discretion of the General Partner, to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership or any Subsidiary simultaneously with or within 180 days prior to or after such payment or prepayment to the extent of the principal amount of such indebtedness so incurred), (iii) all cash capital expenditures of the Partnership or any Subsidiary during such period (other than (A) all cash capital expenditures made to increase the throughput or deliverable capacity or terminaling or storage capacity (assuming normal operating conditions, including down-time and maintenance) of the assets of the Partnership or any Subsidiary taken as a whole, from the throughput or deliverable capacity or terminaling or storage capacity (assuming normal operating conditions, including down-time and maintenance) existing immediately prior to such capital expenditures and (B) cash expenditures made in payment of transaction expenses relating to Interim Capital Transactions), (iv) an amount equal to the incremental revenues collected pursuant to a rate increase that are, at such date, subject to possible refund, (v) any reserves outstanding as of such date which the General Partner determines in its reasonable discretion to be necessary or appropriate to provide for the future cash payment of items of the type referred to in clauses (i) through (iii) of this sentence and (vi) any reserves outstanding as of such date that the General Partner determines to be necessary or appropriate in its reasonable discretion to provide funds for distributions with respect to any one or more of the next four calendar quarters, all as determined on a consolidated basis and after elimination of' intercompany items and the Company's general partner interest in the Subsidiaries. Taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners shall not be considered cash operating expenditures of the Partnership which reduce "Cash from Operations," but the payment or withholding thereof shall be deemed to be a distribution of Available Cash constituting Cash From Operations to such Partners. Alternatively, in the discretion of the General Partner, such taxes (if pertaining to all Partners) may be considered to be cash disbursements of the Partnership which reduce "Cash from Operations," but the payment or withholding thereof shall not be deemed to be a distribution to Partners.

For purposes of the foregoing, reserves do not include reserves outstanding at Partnership Inception. Cash from Operations shall be deemed to have been reduced as of January l, 1994, by the amount of the initial $20 million cash balance that shall not have been expended by such date on expansive capital expenditures. In determining the amount of the $20 million used for expansive capital expenditures, any increase in Partnership consolidated indebtedness after the Closing Date (other than working capital borrowings) shall be deemed to have been used for expansive capital expenditures prior to the expenditure of such $20 million. Therefore, the $20 million will be deemed to have been used for expansive capital expenditures only to the extent such expenditures exceed such increase in indebtedness.

(d) "First Target Distribution" means $0.65 per LP Unit, subject to adjustment in accordance with Sections 5.7 and 9.6.

(e) "Interim Capital Transactions" means (i) borrowings and sales of debt securities (other than for working capital purposes and for items purchased on open account in the ordinary course of business) by the Partnership or any Subsidiaries (ii) sales of equity interests by the Partnership or any Subsidiaries and (iii) sales or other voluntary or involuntary dispositions of any assets of the Partnership or any Subsidiaries (other than (x) sales or other dispositions of inventory in the ordinary course of business, (y) sales or other dispositions of other current assets including accounts receivable or (z) sales or other dispositions of assets as a part of normal retirements or replacements), in each case prior to the commencement of the dissolution and liquidation of the Partnership.

(f) "Minimum Quarterly Distribution" means $0.55 per calendar quarter, subject to adjustment in accordance with Sections 5.7 and 9.6;

(g) "Net Termination Gain" means, for any taxable period, the sum, if positive, of all items of income, gain or loss recognized by the Partnership (including, without limitation, such amounts recognized through a Subsidiary) from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 4.3(b) and shall not include any items of income, gain or loss specifically allocated under Section 5.1(d). Once an item of income, gain or loss that has been included in the initial computation of Net Termination Gain is subjected to a Required Allocation or a Curative Allocation, the applicable Net Termination Gain or Net Termination Loss shall be recomputed without regard to such item.

(h) "Net Termination Loss" means, for any taxable period, the sum, if negative, of all items of income, gain or loss recognized by the Partnership (including, without limitation, such amounts recognized through a Subsidiary) from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 4.3(b) and shall not include any items of income, gain or loss specifically allocated under Section 5.1(d). Once an item of gain or loss that has been included in the initial computation of Net Termination Loss is subjected to a Required Allocation or a Curative Allocation, the applicable Net Termination Gain or Net Termination Loss shall be recomputed without regard to such item.

(i) "Second Target Distribution" means $0.90 per LP Unit, subject to adjustment in accordance with Sections 5.7 and 9.6.

(j) "Termination Capital Transactions" means any sale, transfer or other disposition of property of the Partnership or the Operating Partnership occurring upon or incident to the liquidation and winding up of the Partnership and the Operating Partnership pursuant to Article 14.

5.7 Adjustment of Minimum Quarterly Distribution, Target Distribution Levels and Unrecovered Capital. (a)(i) The Minimum Quarterly Distribution, First Target Distribution Second Target Distribution and Unrecovered Capital shall be proportionately adjusted in the event of any

distribution, combination or subdivision (whether effected by a distribution payable in LP Units or otherwise) of LP Units or other Partnership Securities in accordance with Section 4.8.

(ii) In the event of a distribution of Available Cash that is deemed to be Cash from Interim Capital Transactions, the Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution and First and Second Target Distributions may also be adjusted if legislation is enacted which causes the Partnership to become taxable as a corporation or otherwise taxable as an entity for federal income tax purposes. In such event, the Minimum Quarterly Distribution and First and Second Target Distributions for each quarter thereafter would be reduced to an amount equal to the product of (i) each of the Minimum Quarterly Distribution and First and Second Target Distributions multiplied by (ii) l minus the sum of (x) the maximum marginal federal income tax rate to which the Partnership is subject as an entity (expressed as a fraction) plus (y) any increase that results from such legislation in the effective overall state and local income tax rate to which the Partnership is subject as an entity (expressed as a fraction) for the taxable year in which such quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes).

ARTICLE 6 - MANAGEMENT AND OPERATION OF BUSINESS

6.1 Management. (a) The General Partner shall conduct, direct and exercise full control over all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any right of control or management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 6.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or desirable (i) to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation, (A) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations and the securing of same by mortgage, deed of trust or other lien or encumbrance; (B) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership, (C) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (C) being subject, however, to any prior approval that may be required by Section 6.3); (D) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose

consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership or any Subsidiary, the lending of funds to other Persons (including, without limitation, any Subsidiary) and the repayment of obligations of the Partnership and any Subsidiary and the making of capital contributions to any Subsidiary; (E) the negotiation, execution and performance of any contracts, conveyances or other instruments (including, without limitation, instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case); (F) the distribution of Partnership cash; (G) the selection and dismissal of employees and agents (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring; (H) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate; (I) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary from time to time); (J) the control of any matters affecting the rights and obligations of the Partnership, including, without limitation, the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; (K) the indemnification of any person against liabilities and contingencies to the extent permitted by law; (L) the entering into of listing agreements with the New York Stock Exchange and any other securities exchange and the delisting of some or all of the LP Units of other Partnership Securities from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 1.6); and (M) the purchase, sale or other acquisition or disposition of LP Units or other Partnership Securities; and (ii) the undertaking of any action in connection with the Partnership's interest in any Subsidiary (including, without limitation, contributions or loans of funds by the Partnership to a Subsidiary).

(b) For so long as the Company or any Affiliate of Duke is the General Partner of the Partnership, the General Partner shall provide insurance to the Partnership covering its assets and operations on terms and conditions as it shall deem appropriate in its sole discretion.

6.2 Certificate of Limited Partnership. The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property.

Subject to the terms of Section 7.5(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

6.3 Restrictions on General Partner's Authority. (a) The General Partner may not, without written approval of the specific act by all of the Limited Partners or by other written instrument executed and delivered by all of the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement; (ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose; (iii) admit a Person as a Partner, except as otherwise provided in this Agreement; (iv) amend this Agreement in any manner, except as otherwise provided in this Agreement; or (v) transfer its interest as general partner of the Partnership, except as otherwise provided in this Agreement.

(b) Except as provided in Article 14, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other Person) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership, without the approval of at least a majority of the Outstanding LP Units; provided, however, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Partnership's assets or the assets of any Subsidiary and shall not apply to any forced sale of any or all of the Partnership's assets or the assets of any Subsidiary pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least 662/3% of the Outstanding LP Units, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 6.9(d), take any action permitted to be taken by the limited partner of the Operating Partnership, in either case, that would adversely affect the Partnership as the limited partner of the Operating Partnership or (ii) except as permitted under Sections 11.2 and 13.1, elect or cause the Partnership to elect a successor general partner of the Operating Partnership.

(c) Unless approved by the affirmative vote of at least 662/3% of the Outstanding LP Units, the General Partner shall not take any action or refuse to take any reasonable action the effect of which, if taken or not taken, as the case may be, would be to cause the Partnership or the Operating Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes.

(d) At all times while serving as the general partner of the Partnership, the General Partner shall not make any dividend or distribution on, or repurchase any shares of, its stock or take any other action within its control if the effect of such dividend, distribution, repurchase or other action would be to reduce its net worth below an amount necessary to receive an Opinion of Counsel that the Partnership will be treated as a partnership for federal income tax purposes.

6.4 Reimbursement of the General Partner. (a) Except as provided in this Section 6.4 and elsewhere in this Agreement or in the Operating Partnership Agreement, the General Partner shall not be compensated for its services as general partner of the Partnership or any Subsidiary.

(b) The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including, without limitation, amounts paid to any Person to perform services for the Partnership) and (ii) that portion of the General Partner's or its Affiliates' legal, accounting, investor communications, utilities, telephone, secretarial, travel, entertainment, bookkeeping, reporting, data processing, office rent and other office expenses (including, without limitation, overhead charges), salaries, fees and other compensation and benefit expenses of employees, officers and directors, insurance, other administrative or overhead expenses and all other expenses, in each such case, necessary or appropriate to the conduct of the Partnership's business and allocable to the Partnership or otherwise incurred by the General Partner in connection with operating the Partnership's business (including, without limitation, expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the fees and expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 6.7.

(c) The General Partner in its sole discretion and without the approval of the Limited Partners may propose and adopt on behalf of the Partnership employee benefit plans (including, without limitation, plans involving the issuance of LP Units), for the benefit of employees of the General Partner, the Partnership, any Subsidiary or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership or any Subsidiary.

6.5 Outside Activities. (a) After the Closing Date, the General Partner shall limit its activities to those required or authorized by the Operating Partnership Agreement or this Agreement.

(b) Except as provided in Section 6.5(a), each Indemnitee is free to engage in any business, including any business that is in competition with the business of the Partnership. The General Partner and any other Persons affiliated with the General Partner may acquire LP Units or other Partnership Securities and shall be entitled to exercise all rights of an Assignee or Limited Partner, as applicable, relating to such LP Units or Partnership Securities, as the case may be.

(c) Without limiting Sections 6.5(a) and 6.5(b), but notwithstanding anything to the contrary in this Agreement, the competitive activities of Indemnitees described in the Registration Statement are hereby approved by all Partners, and it shall not be deemed to be a breach of the General Partner's fiduciary duty for the General Partner to permit an Indemnitee to engage in a business opportunity in preference to or to the exclusion of the Partnership.

6.6 Loans to and from the General Partner; Contracts with Affiliates. (a) The General Partner or any Affiliate thereof may lend to the Partnership or any Subsidiary, and the Partnership and any Subsidiary may borrow, funds needed or desired by the Partnership and any Subsidiary for such periods of time as the General Partner may determine; provided, however, that the General Partner or any of its Affiliates may not charge the Partnership or any Subsidiary interest at a rate greater than

the rate that would be charged the Partnership or any Subsidiary, as the case may be (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The Partnership or the Subsidiary, as the case may be, shall reimburse the General Partner or any of its Affiliates, as the case may be, for any costs (other than any additional interest costs) incurred by it in connection with the borrowing of funds obtained by the General Partner or any of its Affiliates and loaned to the Partnership or the Subsidiary.

(b) The Partnership may lend or contribute to any Subsidiary, and any Subsidiary may borrow, funds on terms and conditions established in the sole discretion of the General Partner. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Subsidiary or any other Person. The Partnership may not lend funds to the General Partner or any of its Affiliates, otherwise than for short-term funds management purposes.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to the Partnership. Any service rendered to the Partnership by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(c) shall be deemed satisfied as to any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties. The provisions of Section 6.4 shall apply to the rendering of services described in this Section 6.6(c).

(d) The Partnership may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(e) shall be deemed to be satisfied as to any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties.

(f) The General Partner and its Affiliates will have no obligation to permit the Partnership or any Subsidiary to use any facilities of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing wish such use, nor shall there be any obligation on the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 6.6(a) through 6.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement under the caption "Conflicts of Interest and Fiduciary Responsibility" are hereby approved by all Partners.

6.7 Indemnification. (a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, each Indemnitee shall be indemnified and held

harmless by the Partnership from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as (i) the General Partner, a Departing Partner or any of their Affiliates, (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, provided, that in each case the Indemnitee acted in good faith, in a manner which such Indemnitee believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 6.7 shall be made only out of the assets of the Partnership.

(b) To the fullest extent permitted by law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.7.

(c) The indemnification provided by this Section 6.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitees' capacity as (i) the General Partner, a Departing Partner or an Affiliate thereof, (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or an Affiliate thereof or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and as to actions in any other capacity.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities, whether or not the Partnership would have the power to indemnify such Person against such liabilities under the provisions of this Agreement.

(e) For purposes of this Section 6.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 6.7(a); and action taken or omitted by it with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the

participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligation of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 6.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

6.8 Liability of Indemnitees. (a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the LP Units or other Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 6.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) Any amendment, modification or repeal of this Section 6.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership and the Limited Partners of the General Partner, its directors, officers and employees under this Section 6.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

6.9 Resolution of Conflicts of Interest. (a) Unless otherwise expressly provided in this Agreement or the Operating Partnership Agreement whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership or any Subsidiary, any Partner or any Assignee, on the other hand, any resolution or course of action in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and

shall not constitute a breach of this Agreement, of the Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is or, by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized in connection with its resolution of any conflict of interest to consider (i) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (ii) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (iii) any applicable generally accepted accounting or engineering practices or principles; and (iv) such additional factors as the General Partner determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that a General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or under a grant of similar authority or latitude, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership or any Subsidiary, any Limited Partner or any Assignee, or (ii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Cash from Operations shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of any Subsidiary or of the Partnership, other than in the ordinary course of business. No borrowing by the Partnership or any Subsidiary or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to enable the General Partner to receive incentive distributions.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Limited Partners hereby authorize the General Partner, on behalf of the Partnership as limited partner of the Operating Partnership, to approve of actions by the general partner of the Operating Partnership similar to those actions permitted to be taken by the General Partner pursuant to this Section 6.9.

6.10 Other Matters Concerning the General Partner. (a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted in reliance upon the opinion (including, without limitation, an Opinion of Counsel) of such Persons as to matters that such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement so long as such action is reasonably believed by the General Partner to be in the best interests of the Partnership.

6.11 Title to Partnership Assets. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets are held.

6.12 Purchase or Sale of LP Units. The General Partner may cause the Partnership to purchase or otherwise acquire LP Units or other Partnership Securities. As long as LP Units are held by the Partnership or any Subsidiary, such LP Units shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of LP Units or other Partnership Securities for its own account, subject to the provisions of Articles 11 and 12.

6.13 Reliance by Third Parties. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

6.14 Registration Rights of Duke and its Affiliates. (a) If (i) Duke or any of its Affiliates (including, for purposes of this Section 6.14, Persons that are Affiliates at the date hereof notwithstanding that they may later cease to be Affiliates) hold LP Units which it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) is not available to enable Duke or such Affiliates to dispose of the number of LP Units it desires to sell at the time it desires to do so, then upon the request of Duke or any of its Affiliates, the Partnership shall file with the Securities and Exchange Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a reasonable period following its effective date, a registration statement under the Securities Act registering the offering and sale of the number of LP Units specified by Duke or any of its Affiliates; provided, however, that if the General Partner or, if at the time a request pursuant to this Section 6.14 is submitted to the Partnership, Duke or its Affiliate requesting registration is an Affiliate of the General Partner, a majority of the independent directors of the General Partner determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement of the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as Duke or any of its Affiliates shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation doing business in such jurisdiction, and (y) such documents as may be necessary to apply for listing or to list the securities subject to such registration on such National Securities Exchange as Duke or such Affiliates shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable Duke or any of its Affiliates to consummate a public sale of such LP Units in such states. Except as set forth in subsection (c) below, all costs and expenses of any

such registration and offering shall be paid by Duke or any of its Affiliates, without reimbursement by the Partnership.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of LP Units of the Partnership for cash (other than an offering relating solely to an employee benefit plan); the Partnership shall use its best efforts to include such number or amount of LP Units held by Duke and any of its Affiliates in such registration statement as Duke or any of such Affiliates shall request. If the proposed offering pursuant to this Section 6.14(b) shall be an underwritten offering, then, in the event that the managing underwriter of such offering advises the General Partner and Duke or any of such Affiliates in writing that in its opinion the inclusion of all or some of Duke's or any of its Affiliates' LP Units would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by Duke or any of its Affiliates which, in the opinion of the managing underwriter, will not so adversely and materially affect the offering. In connection with any registration pursuant to this Section 6.14(b), Duke or any of its Affiliates shall bear the expense of all underwriting discounts and commissions attributable to the LP Units sold for its own account and shall reimburse the Partnership for all incremental costs incurred by the Partnership in connection with such registration resulting from the inclusion of LP Units held by Duke or any of its Affiliates.

(c) If underwriters are engaged in connection with any registration referred to in this Section 6.14, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 6.7 hereof, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless Duke or such other holder, its officers, directors and each Person who controls Duke or such other holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including without limitation, interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by an Indemnified Person, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 6.14(c) as a "claim" and in the plural as "claims"), based upon, arising out of, or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any LP Units were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Sections 6.14(a) and 6.14(b) hereof shall continue to be applicable with respect to Duke and its Affiliates after any affiliate of Duke ceases to be a general partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for Duke (or its Affiliates) to sell all of the LP Units of the Partnership with respect to which it has requested during such two-year period that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same securities for which registration was demanded during such two-year period. The provisions of Section 6.14(c) hereof shall continue in effect thereafter.

ARTICLE 7 - RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

7.1 Limitation of Liability. The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

7.2 Management of Business. No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, in its capacity as such, if such Person shall also be a Limited Partner or Assignee) shall take part in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, in its capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

7.3 Outside Activities. Subject to the provisions of Section 6.5, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including, without limitation, business interests and activities in direct competition with the Partnership or a Subsidiary. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

7.4 Return of Capital. No Limited Partner shall be entitled to the withdrawal or return of his Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent provided by Article 5 or as otherwise expressly provided in this Agreement, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17.502(b) of the Delaware Act.

7.5 Rights of Limited Partners Relating to the Partnership. (a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 7.5(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's

interest as a limited partner in the Partnership, upon reasonable demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local tax returns for each year;

(iii) to have furnished to him, upon notification to the General Partner, a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him, upon notification to the General Partner, a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto;

(v) to obtain true and full information regarding the amount of cash and description and statement of the Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) Notwithstanding any other provision of this Agreement, the General Partner may keep confidential from the Limited Partners and Assignees for such period of time as the General Partner deems reasonable, any information that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interest of the Partnership or could damage the Partnership or any Subsidiary or that the Partnership or a Subsidiary is required by law or by agreements with third parties to keep confidential.

ARTICLE 8 - BOOKS, RECORDS, ACCOUNTING AND REPORTS

8.1 Records and Accounting. The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 7.5(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including, without limitation, the record of the Record Holders and Assignees of LP Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard disks, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

8.2 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

8.3 Reports. (a) As soon as practicable, but in no event later than 120 days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Record Holder of an LP Unit as of a date selected by the General Partner in its sole discretion, an annual report containing financial statements of the Partnership for such Partnership Year, presented in accordance with generally accepted accounting principles, including a balance sheet and statements of operations, Partners' equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than ninety days after the close of each calendar quarter except the last calendar quarter of each year, the General Partner shall cause to be mailed to each Record Holder of an LP Unit, as of a date selected by the General Partner in its sole discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which LP Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE 9 - TAX MATTERS

9.1 Preparation of Tax Returns. The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety days of the close of each taxable year of the Partnership, the tax information reasonably required by Unitholders for federal and state income tax reporting purposes. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes. The taxable year of the Partnership shall be the calendar year.

9.2 Tax Elections. Except as otherwise provided herein, the General Partner shall in its sole discretion, determine whether to make any available election pursuant to the Code; provided, however, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole discretion that such revocation is in the best interests of the Limited Partners and Assignees. For purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of LP Units will be deemed to be the lowest quoted trading price of the LP Units on any National Securities Exchange on which such LP Units are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 5.2(g) without regard to the actual price paid by such transferee.

9.3 Tax Controversies. Subject to the provisions hereof, the General Partner is designated the Tax Matters Partner (as defined in Section 6231 of the Code), and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including, without limitation, resulting administrative and

judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner and Assignee agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

9.4 Organizational Expenses. The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

9.5 Withholding. Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its sole discretion to be necessary or appropriate to cause the Partnership and its Subsidiaries to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld shall be treated as a distribution of cash pursuant to Section 5.3 in the amount of such withholding from such Partner.

9.6 Entity-Level Taxation. If legislation is enacted that causes the Partnership to become treated as an association taxable as a corporation for federal income tax purposes or otherwise subjects the Partnership to entity-level taxation for federal income tax purposes, the Minimum Quarterly Distribution, First Target Distribution or Second Target Distribution, as the case may be, shall be equal to the product obtained by multiplying (a) the amount thereof by (b) l minus the sum of (x) the highest marginal federal corporate (or other entity, as applicable) income tax rate for the Partnership Year in which such quarter occurs (expressed as a percentage) plus (y) any increase that results from such legislation in the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership for the calendar year next preceding the calendar year in which such quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes). Such effective overall state and local income tax rate shall be determined for the calendar year next preceding the first calendar year during which the Partnership is taxable for federal income tax purposes as a corporation or otherwise taxed as an entity by determining such rate as if the Partnership had been subject to such state and local taxes during such preceding calendar year.

9.7 Entity-Level Arrearage Collections. If the Partnership is required by applicable law to pay any federal, state or local income tax on behalf of, or withhold such amount with respect to, any Partner or Assignee or any former Partner or Assignee (a) the General Partner shall cause the Partnership to pay such tax on behalf of such Partner or Assignee or former Partner or Assignee from the funds of the Partnership; (b) any amount so paid on behalf of, or withheld with respect to, any Partner or Assignee shall constitute a distribution out of Available Cash to such Partner or Assignee pursuant to Section 5.3 (except as otherwise provided in Section 5.6(a)); and (c) to the extent any such Partner or Assignee (but not a former Partner or Assignee) is not then entitled to such distribution under this Agreement, the General Partner shall be authorized, without the approval of any Partner or Assignee, to amend this Agreement insofar as is necessary to maintain the uniformity of intrinsic tax characteristics as to all LP Units and to make subsequent adjustments to distributions

in a manner which, in the reasonable judgment of the General Partner, will make as little alteration as practicable in the priority and amount of distributions otherwise applicable under this Agreement, and will not otherwise alter the distributions to which Partners and Assignees are entitled under this Agreement. If the Partnership is permitted (but not required) by applicable law to pay any such tax on behalf of any Partner or Assignee or former Partner or Assignee, the General Partner shall be authorized (but not required) to cause the Partnership to pay such tax from the funds of the Partnership and to take any action consistent with this Section 9.7. The General Partner shall be authorized (but not required) to take all necessary or appropriate actions to collect all or any portion of a deficiency in the payment of any such tax that relates to prior periods and that is attributable to Persons who were Limited Partners or Assignees when such deficiencies arose, from such Persons.

9.8 Opinions of Counsel. Notwithstanding any other provision of this Agreement, if the Partnership is taxable for federal income tax purposes as a corporation or otherwise taxed for federal income tax purposes as an entity at any time and, pursuant to the provisions of this Agreement, an Opinion of Counsel would otherwise be required to the effect that an action will not cause the Partnership to become so taxable as a corporation or other entity or to be treated as an association taxable as a corporation, such requirement for an Opinion of Counsel shall be deemed automatically waived.

ARTICLE 10 - LP UNIT CERTIFICATES

10.1 LP Unit Certificates. Upon the Partnership's issuance of LP Units to any Person, the Partnership shall issue one or more LP Unit Certificates in the name of such Person evidencing the number of such LP Units being so issued. LP Unit Certificates shall be executed on behalf of the Partnership by the General Partner. No LP Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent.

10.2 Registration, Registration of Transfer and Exchange. (a) The General Partner shall cause to be kept on behalf of the Partnership a register (the "LP Unit Register") in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 10.2(b), the General Partner will provide for the registration and the transfer of such LP Units. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering and transferring of LP Units as herein provided. The Partnership shall not recognize transfers of LP Unit Certificates representing LP Units unless same are effected in the manner described in this Section 10.2. Upon surrender for registration of transfer of any LP Units evidenced by an LP Unit Certificate and subject to the provisions of Section 10.2(b), the General Partner on behalf of the Partnership will execute, and the Transfer Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new LP Unit Certificates evidencing the same aggregate number of LP Units as was evidenced by the LP Unit Certificate so surrendered.

(b) Except as otherwise provided in Section 11.5, the Partnership shall not recognize any transfer of LP Units until the LP Unit Certificates evidencing such LP Units are surrendered for registration of transfer and such LP Unit Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer, provided, that, as a condition to the issuance

of any new LP Unit Certificate under this Section 10.2, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

10.3 Mutilated, Destroyed, Lost or Stolen LP Unit Certificates. (a) If any mutilated LP Unit Certificate is surrendered to the Transfer Agent, the General Partner on behalf of the Partnership shall execute, and, upon its request, the Transfer Agent shall countersign and deliver in exchange therefor, a new LP Unit Certificate evidencing the same number of LP Units as the LP Unit certificate so surrendered.

(b) The General Partner on behalf of the Partnership shall execute, and, upon its request, the Transfer Agent shall countersign and deliver a new LP Unit Certificate in place of any LP Unit Certificate previously issued if the Record Holder of the LP Unit Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the General Partner, that a previously issued LP Unit Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new LP Unit Certificate before the Partnership has noticed that the LP Unit Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the General Partner, delivers to the Partnership such security or indemnity as may be required by the General Partner, in form and substance satisfactory to the General Partner, with surety or sureties and with fixed or open penalty as the General Partner may direct, in its sole discretion, to indemnify the Partnership, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the LP Unit Certificate; and

(iv) satisfies any other reasonable requirements imposed by the General Partner.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of an LP Unit Certificate, and a transfer of the LP Units represented by the LP Unit Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new LP Unit Certificate.

(c) As a condition to the issuance of any LP Unit Certificate under this Section 10.3, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including, without limitation, the fees and expenses of the Transfer Agent) connected therewith.

10.4 Record Holder. In accordance with Section 10.2(b), the Partnership shall be entitled to recognize the Record Holder as the Limited Partner or Assignee with respect to any LP Units and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such LP Units on the part of any other Person, whether or not the Partnership shall have actual or other

notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which and LP Units are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding LP Units, as between the Partnership on the one hand and such other Persons on the other hand, such representative Person (a) shall be the Limited Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Limited Partner or Assignee (as the case may be) hereunder and as provided for herein.

ARTICLE 11 - TRANSFER OF INTERESTS

11.1 Transfer. (a) The term "transfer," when used in this Article 11 with respect to a Partnership Interest, shall be deemed to refer to an appropriate transaction by which the General Partner assigns its Partnership Interest as General Partner to another Person or by which the holder of an LP Unit assigns such LP Unit to another Person who is or becomes an Assignee and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

11.2 Transfer of General Partner's Partnership Interest. (a) The General Partner may transfer all, but not less than all, of its Partnership Interest as the General Partner to a single transferee if, but only if, (i) at least 662/3% of the Outstanding LP Units approve of such transfer and of the admission of such transferee as General Partner, (ii) the transferee agrees to assume the rights and duties of the General Partner and be bound by the provisions of this Agreement and the Operating Partnership Agreement and (iii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any limited partner of any Operating Partnership or cause the Partnership or the Operating Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes.

(b) Neither Section 11.2(a) nor any other provision of this Agreement shall be construed to prevent (and all Partners do hereby consent to) (i) the transfer by the General Partner of all of its Partnership interest to an Affiliate or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Operating Partnership Agreement; provided, that in either such case, that such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of any Limited Partner or of any limited partner of the Operating Partnership or cause the Partnership or the Operating Partnership to be taxable as a corporation or otherwise taxed as an entity for federal

income tax purposes. In the case of a transfer pursuant to this Section 11.2(b), the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

11.3 Transfer of LP Units. (a) LP Units may be transferred only in the manner described in Section 10.2. The transfer of any LP Units and the admission of any new Partner shall not constitute an amendment to this Agreement.

(b) Until admitted as a Substituted Limited Partner pursuant to Article 12, the Record Holder of an LP Unit shall be an Assignee in respect of such LP Unit. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity

(c) Each distribution in respect of LP Units shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holders thereof as of the Record Date set for the distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(d) A transferee who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the capacity and authority to enter into this Agreement, (iv) made the powers of attorney set forth in this Agreement and (v) given the consents and made the waivers contained in this Agreement.

11.4 Restrictions on Transfers. Notwithstanding the other provisions of this Article 11, no transfer of any LP Unit or interest therein of any Limited Partner or Assignee shall be made if such transfer would (a) violate the then applicable federal or state securities laws or rules and regulations of the Securities and Exchange Commission, any state securities commission or any other governmental authorities with jurisdiction over such transfer, (b) result in the taxation of the Partnership as a corporation or otherwise taxed as an entity for federal income tax purposes or (c) affect the Partnership's existence or qualification as a limited partnership under the Delaware Act.

11.5 Citizenship Certificates; Non-citizen Assignees. (a) If the Partnership or a Subsidiary is or becomes subject to any federal, state or local law or regulation which, in the reasonable determination of the General Partner, provides for the cancellation or forfeiture of any property in which the Partnership or a Subsidiary has an interest based on the nationality, citizenship or other status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within thirty days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned thirty-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the LP Units

owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 11.6. In addition, the General Partner may require that the status of any such Limited Partner or Assignee be changed to that of a Non-citizen Assignee, and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his LP Units.

(b) The General Partner shall, in exercising voting rights in respect of LP Units held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Limited Partners in respect of LP Units other than those of Non-citizen Assignees are cast, either foil against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 14.4 but shall be entitled to the cash equivalent thereof, and the General Partner shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the General Partner from the Non-citizen Assignee of his Partnership Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any LP Units of such Non-citizen Assignee not redeemed pursuant to Section 11.6, and upon his admission pursuant to Section 12.2 the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's LP Units.

11.6 Redemption of Interests. (a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the thirty-day period specified in Section 11.5(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his LP Units to a Person who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the thirtieth day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable LP Units, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the LP Unit Certificate evidencing the Redeemable LP Units and that on and after date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable LP Units will accrue or be made.

(ii) The aggregate redemption price for Redeemable LP Units shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed

for redemption) of LP Units of the class to be so redeemed multiplied by the number of LP Units of each such class included among the Redeemable LP Units. The redemption price shall be paid, in the sole discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the LP Unit Certificate evidencing the Redeemable LP Units, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable LP Units shall no longer constitute issued and Outstanding LP Units.

(b) The provisions of this Section 11.6 shall also be applicable to LP Units held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 11.6 shall prevent the recipient of a notice of redemption from transferring his LP Units before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided, the transferee of such LP Units certifies in the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

(d) If the Partnership is or becomes subject to any federal, state or local law or regulation which, in the reasonable determination of the General Partner, provides for the cancellation or forfeiture of any property in which the Partnership or a Subsidiary has an interest, based on the nationality (or other status) of the General Partner, whether or not in its capacity as such, the Partnership may, unless the General Partner has furnished a Citizenship Certification or transferred its Partnership Interest or LP Units to a Person who furnishes a Citizenship Certification prior to the date fixed for redemption, redeem the Partnership Interest or Interests of the General Partner in the Partnership as provided in Section 11.7(a), which redemption shall also constitute redemption of the general partner interest of the general partner of the Operating Partnership. If such redemption includes a redemption of the Combined Interest, the redemption price thereof shall be equal to the aggregate sum of the Current Market Price (the date of determination for which shall be the date fixed for redemption) of each class of LP Units then Outstanding, in each such case multiplied by the number of LP Units of such class into which the Combined Interest would then be convertible under the terms of Section 13.3(b) if the General Partner were to withdraw or be removed as the General Partner (the date of determination for which shall be the date fixed for redemption). The redemption price shall be paid in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal, together with accrued interest, commencing one year after the redemption date.

ARTICLE 12 - ADMISSION OF PARTNERS

12.1 Admission of Substituted Limited Partners. By transfer of an LP Unit in accordance with Article 11, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of an LP Unit Certificate shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (i) the right to negotiate such LP Unit Certificate to a purchaser or other transferee and (ii) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred LP Units. Each transferee of an LP Unit (including, without limitation, any nominee holder or an agent acquiring such LP Unit for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the LP Units so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (i) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's sole discretion, and (ii) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including, without limitation, liquidating distributions, of the Partnership. With respect to voting rights attributable to LP Units that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such LP Units on any matter, vote such LP Units at the written discretion of the Assignee who is the Record Holder of such LP Units. If no such written direction is received, such LP Units will not be voted. An Assignee shall have no other rights of a Limited Partner.

12.2 Admission of Successor General Partner. A successor General Partner approved pursuant to Section 13.1 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 11.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the General Partner pursuant to Section 13.1 or the transfer of the General Partner's Partnership Interest pursuant to Section 11.2; provided, however, that no such successor shall be admitted to the Partnership until the terms of Section 11.2 have been complied with. Any such successor shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

12.3 Admission of Additional Limited Partners. (a) A person (other than a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 1.4 and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 12.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

12.4 Amendment of Agreement and Certificate of Limited Partnership. To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, to prepare and file an amendment to the Certificate of Limited Partnership and may for this purpose, among others, exercise the power of attorney granted pursuant to Section 1.4.

ARTICLE 13 - WITHDRAWAL OR REMOVAL OF PARTNERS

13.1 Withdrawal of the General Partner. (a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) the General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 11.2:

(iii) the General Partner is removed pursuant to Section 13.2;

(iv) the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition; (C) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this sentence; or (E) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or

(vi) a certificate of dissolution or its equivalent is filed for the General Partner, or ninety days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

If an Event of Withdrawal specified in this Section 13.1(a)(iv), (v) or (vi) occurs, the withdrawing General Partner shall give written notice to the Limited Partners within thirty days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 13.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal will not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period prior to January 1, 2000 the General Partner voluntarily withdraws by giving at least ninety days' advance notice of its intention to withdraw to the Limited Partners, provided, that prior to the effective date of such withdrawal the withdrawal is approved by at least 662/3% of the Outstanding LP Units (including for this purpose LP Units held by the General Partner and its Affiliates); (ii) at any time after December 31, 1999, the General Partner voluntarily withdraws by giving at least ninety days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be a General Partner pursuant to Section 13.1(a)(i) or is removed pursuant to Section 13.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least ninety days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at that time such notice is given more than 50% of the Outstanding LP Units that are held by Persons other than by the General Partner and its Affiliates are owned beneficially or of record or controlled at any time by one Person or its Affiliates. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the general partner from the Operating Partnership. If the General Partner gives a notice of withdrawal pursuant to Section 13.1(a)(i) or if the General Partner is removed pursuant to Section 13.2, holders of at least a majority of the Outstanding LP Units (excluding for purposes of such determination LP Units owned by the General Partner and its Affiliates) may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected shall automatically become the successor General Partner of the Operating Partnership, as provided in the Operating Partnership Agreement. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive an Opinion of Counsel that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of the limited partner of the Operating Partnership or cause the Partnership or the Operating Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes, the Partnership shall be dissolved in accordance with Section 14.1. If a successor General Partner is elected and the Opinion of Counsel is rendered as provided in the immediately preceding sentence, such successor shall be admitted (subject to Section 12.2) immediately prior to the effective time of the withdrawal or removal of the Departing Partner and shall continue the business of the Partnership and the Operating Partnership without dissolution.

13.2 Removal of the General Partner. The General Partner may be removed if such removal is approved by at least 662/3% of the Outstanding LP Units held by Persons other than the General Partner and its Affiliates. Any such action by the Limited Partners for removal of the General Partner must also provide for the election and succession of a new General Partner. Such removal shall be effective immediately following the admission of the successor General Partner pursuant to Article 12. The removal of the General Partner shall also automatically constitute the removal of the general partner of the Operating Partnership, as provided in the Operating Partnership Agreement.

The Person elected as successor General Partner shall automatically become the successor general partner of the Operating Partnership. The right of the Limited Partners to remove the General Partner shall not exist or be exercised unless the Partnership has received an Opinion of Counsel that the removal of the General Partner and the selection of a successor General Partner will not result in the loss of limited liability of any Limited Partner or of the limited partner of the Operating Partnership or the taxation of the Partnership or the Operating Partnership as a corporation or otherwise taxed as an entity for federal income tax purposes.

13.3 Interest of Departing Partner and Successor General Partner. (a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the Limited Partners under circumstances where Cause does not exist, the Departing Partner shall, at its option exercisable prior to the effective date of the departure of such Departing Partner, promptly receive from its successor in exchange for its Partnership Interest as General Partner an amount in cash equal to the fair market value of the Departing Partner's Partnership Interest as General Partner, such amount to be determined and payable as of the effective date of its departure. If the General Partner is removed by the Limited Partners under circumstances where Causes exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement or the Operating Partnership Agreement, its successor shall have the option described in the immediately preceding sentence, and the Departing Partner shall not have such option. In either case, if the successor acquires the Departing Partner's Partnership Interest as the general partner, such successor General Partner must also acquire at such time each general partner interest of such Departing Partner or its Affiliate as general partner of the Operating Partnership, for an amount in cash equal to the fair market value of such interest, determined as of the effective date of its departure. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 6.4, including, without limitation, any employee-related liabilities (including, without limitation, severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership or any Subsidiary. Subject to Section 13.3(b), the Departing Partner shall, as of the effective date of its departure, cease to share in any allocations or distributions with respect to its Partnership Interest as the General Partner and Partnership income, gain, loss, deduction and credit will be prorated and allocated as set forth in Section 5.2(g).

For purposes of this Section 13.3(a), the fair market value of the Departing Partner's Partnership Interest as the general partner of the Partnership herein and the partnership interest of such Departing Partner or its Affiliate as the general partner of any Subsidiary (collectively, the "Combined Interest") shall be determined by agreement between the Departing Partner its successor or, failing agreement within thirty days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within forty-five days after the effective date or such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which shall determine the fair market

value of the Combined Interest. In making its determination, such independent investment banking firm or other independent expert shall consider the then current trading price of LP Units on any National Securities Exchange on which LP Units are then listed, the value of the Partnership's assets, the rights and obligations of the General Partner and other factors it may deem relevant.

(b) If the Combined Interest is not acquired in the manner set forth in Section 13.3(a) the Departing Partner and its Affiliate shall become a Limited Partner and their Combined Interest shall be converted into Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 13.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner becomes a Limited Partner. For purposes of this Agreement, conversion of the General Partner's Partnership Interest to Units will be characterized as if the General Partner contributed its Partnership Interest to the Partnership in exchange for the newly-issued Units.

(c) If the option described in Section 13.3(a) is not exercised by the party entitled to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the capital of the Partnership cash in an amount such that its Capital Account, after giving effect to such contribution and any adjustments made to the Capital Accounts of all Partners pursuant to Section 4.3(d)(i), shall be equal to that percentage of the Capital Accounts of all Partners that is equal to its Percentage Interest as the General Partner. In such event, each successor General Partner shall, subject to the following sentence, be entitled to such Percentage Interest of all Partnership allocations and distributions and any other allocations and distributions to which the Departing Partner was entitled. In addition, such successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 1.0%, and that of the Unitholders shall be 99%.

13.4 Withdrawal of Limited Partners. No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's LP Units becomes a Record Holder, such transferring Limited Partner shall cease to be a Limited Partner with respect to the LP Units so transferred.

ARTICLE 14 - DISSOLUTION AND LIQUIDATION

14.1 Dissolution. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs should be wound up, upon:

(a) the expiration of its term as provided in Section 1.5;

(b) an Event of Withdrawal of the General Partner as provided in Section 13.1(a), unless a successor is named as provided in Section 13.1(b) and the continuation of the business of the

Partnership is approved by at least 662/3% of the Outstanding LP Units (and all Limited Partners hereby expressly consent that such approval may be effected upon written consent of at least 662/3% of the Outstanding LP Units);

(c) an election to dissolve the Partnership by the General Partner that is approved by at least 662/3% of the Outstanding LP Units (and all Limited Partners hereby expressly consent that such approval may be effected upon written consent of at least 662/3% of the Outstanding LP Units);

(d) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(e) the sale of all or substantially all of the assets and properties of the Partnership and its Subsidiaries, taken as a whole.

14.2 Liquidation. Upon dissolution of the Partnership, the General Partner, or in the event the General Partner has been dissolved or removed, become bankrupt as set forth in Section 13.1 or withdrawn from the Partnership, a liquidator or liquidating committee approved by at least 662/3% of the Outstanding LP Units, shall be the Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by at least 662/3% of the Outstanding LP Units. The Liquidator shall agree not to resign at any time without fifteen days' prior written notice and (if other than the General Partner) may be removed at any time, with or without cause by notice of removal approved by at least 662/3% of the Outstanding LP Units. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within thirty days thereafter be approved by at least 662/3% of the Outstanding LP Units. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article 14, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 6.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding-up and liquidation of the Partnership as provided for herein. The Liquidator shall liquidate the assets of the Partnership, and apply and distribute the proceeds of such liquidation in the following order of priority, unless otherwise required by mandatory provisions of applicable law:

(a) the payment to creditors of the Partnership, including, without limitation, Partners who are creditors, in the order of priority provided by law; and the creation of a reserve of cash or other assets of the Partnership for contingent liabilities in an amount, if any, determined by the Liquidator to be appropriate for such purposes;

(b) to all Partners in accordance with the positive balances in their respective Capital Accounts after taking into account adjustments to such Capital Accounts pursuant to Section 5.1(c).

14.3 Distributions in Kind. Notwithstanding the provisions of Section 14.3, which require the liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including, without limitation, those to Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 14.3, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Limited Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreement governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

14.4 Cancellation of Certificate of Limited Partnership. Upon the completion of the distribution of Partnership cash and property as provided in Sections 14.3 and 14.4, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

14.5 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of business and affairs of the Partnership and the liquidation of its assets pursuant to Section 14.3 in order to minimize any losses otherwise attendant upon such winding up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

14.6 Return of Capital. The General Partner shall not be personally liable for the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

14.7 No Capital Account Restoration. No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership.

14.8 Waiver of Partition. Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE 15 - AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

15.1 Amendment to be Adopted Solely by General Partner. Each Limited Partner agrees that the General Partner (pursuant to its powers of attorney from the Limited Partners and Assignees), without the approval of any Limited Partner or Assignee, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or that is necessary or advisable in the opinion of the General Partner to ensure that the Partnership will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change (i) that, in the sole discretion of the General Partner, does not adversely affect the Limited Partners in any material respect, (ii) that is necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state agency, or judicial authority or contained in any federal or state statute (including, without limitation, the Delaware Act) or that is necessary or appropriate to facilitate the trading of the LP Units (including, without limitation, the division of Outstanding LP Units into different classes to facilitate uniformity of tax consequences within such classes (of LP Units) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which any LP Units are or will be listed for trading, compliance with any of which the General Partner determines in its sole discretion to be in the best interests of the Partnership and the Limited Partners or (iii) that is required to effect the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership or the General Partner or its directors or officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(f) subject to the terms of Section 4.1, an amendment that the General Partner determines in its sole discretion to be necessary or appropriate in connection with the authorization for issuance of any class or series of LP Units pursuant to Section 4.1;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 16.3; or

(i) any other amendments similar to the foregoing.

15.2 Amendment Procedures. Except as provided in Sections 15.1 and 15.3, all amendments to this Agreement shall be made in accordance with the following requirements.

Amendments to this Agreement may be proposed solely by the General Partner. Each such proposal shall contain the text of the proposed amendment. If an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding LP Units or call a meeting of the Limited Partners to consider and vote on such proposed amendment. A proposed amendment shall be effective upon its approval by the holders of at least 662/3% of the Outstanding LP Units unless a greater or different percentage is required under this Agreement; provided that if the effect of any amendment shall be to affect materially and adversely any holders of LP Units of a particular class in relation to any other class of LP Units, the affirmative vote of the holders of at least a majority in interest of the Outstanding LP Units of the class so affected shall be required to adopt such amendment. The General Partner shall notify all Record Holders upon final adoption of any proposed amendment.

15.3 Amendment Requirements. (a) Notwithstanding the provisions of Sections 15.1 and 15.2, no provision of this Agreement that establishes a percentage of Outstanding LP Units required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting requirement unless such amendment is approved by the written consent or the affirmative vote of Unitholders whose aggregate percentage of Outstanding LP Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 15.1 and 15.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner or, without its consent, which may be given or withheld in its sole discretion, of the General Partner, (ii) modify the compensation payable to the General Partner or any of its Affiliates by the Partnership or any Subsidiary, (iii) change Section 14.1(a) or (c), (iv) restrict in any way any action by or rights of the General Partner as set forth in this Agreement, (v) change the term of the Partnership or, except as set forth in Section 14.1(c), give any Person the right to dissolve the Partnership or (vi) modify the last sentence of Section 1.2.

(c) Except as otherwise provided, the General Partner may amend the Partnership Agreement without the approval of Unitholders, except that any amendment that would have a material adverse effect on the holders of any class of Outstanding LP Units must be approved by the holders of not less than 662/3% of the Outstanding LP Units of such class.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 6.3 or 15.1, no amendments shall become effective without the approval of the Record Holders of 95% of the LP Units unless the Partnership obtains an Opinion of Counsel to the effect that (a) such amendment will not cause the Partnership or the Operating Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes and (b) such amendment will not affect the limited liability of any Limited Partner or any limited partner of the Operating Partnership under applicable law.

(e) This Section 15.3 shall only be amended with the approval of not less than 95% of the Outstanding LP Units.

15.4 Meetings. All acts of Limited Partners to be taken hereunder shall be taken in the manner provided in this Article 15. Meetings of the Limited Partners may be called by the General

Partner or by Limited Partners owning 20% or more of the Outstanding LP Units of the class for which a meeting is proposed. Limited Partners shall call a meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a meeting and indicating the general or specific purposes for which the meeting is to be called. Within sixty days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not more than sixty days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

15.5 Notice of a Meeting. Notice of a meeting called pursuant to Section 15.4 shall be given to the Record Holders in writing by mail or other means of written communication in accordance with Section 17.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

15.6 Record Date. For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 15.11, the General Partner may set a Record Date, which shall not be less than ten nor more than sixty days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which any LP Units are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

15.7 Adjournment. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than forty-five days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than forty-five days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article 15.

15.8 Waiver of Notice; Approval of Meeting; Approval of Minutes. The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the Limited Partners entitled to vote, present in person or by proxy, signs a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner disapproves, at the beginning of the meeting, the transaction of any business because the meeting is

not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, in either case if the disapproval is expressly made at the meeting.

15.9 Quorum. The holders of 662/3% of the Outstanding LP Units of the class for which a meeting has been called represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class unless any such action by the Limited Partners requires approval by holders of a majority in interest of such LP Units, in which case the quorum shall be a majority. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding LP Units that in the aggregate represent at least 662/3% of the Outstanding LP Units entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding LP Units that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding LP Units specified in this Agreement. In the absence of a quorum, any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of a majority of the Outstanding LP Units represented either in person or by proxy, but no other business may be transacted, except as provided in Section 15.7.

15.10 Conduct of Meeting. The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including, without limitation, the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 15.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting, in either case including, without limitation, a Partner or a director or officer of the General Partner. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including, without limitation, regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

15.11 Action Without a Meeting. Any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding LP Units that would be necessary to authorize to take such action at a meeting at which all the Limited Partners were present and voted. Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action

without a meeting shall be returned to the Partnership within the time period, which shall be not less than twenty days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the LP Units held by the Limited Partner, the Partnership shall be deemed to have failed to receive a ballot for the LP Units that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than ninety days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, (ii) will not jeopardize the status of the Partnership as a partnership under applicable tax laws and regulations and (iii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

15.12 Voting and Other Rights. (a) Only those Record Holders of LP Units on the Record Date set pursuant to Section 15.6 shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which holders of the Outstanding LP Units have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding LP Units shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding LP Units.

(b) With respect to LP Units that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such LP Units are registered, such broker, dealer or other agent shall, in exercising the voting rights in respect of such LP Units on any matter, and unless the arrangement between such Persons provides otherwise, vote such LP Units in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 15.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 10.4.

ARTICLE 16 - MERGER

16.1 Authority. The Partnership may merge or consolidate with one or more corporations, business trusts or associations, real estate investment trusts, common law trusts, limited liability companies or unincorporated businesses, including, without limitation, a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article.

16.2 Procedure for Merger or Consolidation. Merger or consolidation of the Partnership pursuant to this Article requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its sole discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The name and jurisdiction of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdictions of formation or organization of the business entity that is to survive the proposed merger or consolidation (hereafter designated as the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partnership interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partnership interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partnership interest are to receive in exchange for, or upon conversion of, their securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity or any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 16.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, it shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Any amendment to this Agreement or the adoption, if any, of a new limited partnership agreement for any limited partnership that is the Surviving Business Entity, as permitted by Section 211(g) of the Delaware Act.

(h) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

16.3 Approval by Limited Partners of Merger or Consolidation. (a) The General Partner of the Partnership, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners whether at a meeting or by written consent, in either case in accordance with the requirements of Article 15. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a meeting or the written consent.

(b) The Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of at least 662/3% of the Outstanding LP Units, unless the Merger Agreement contains any provision which, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require the vote or consent of a greater percentage of the Outstanding LP Units of the Limited Partners or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) After such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 16.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

16.4 Certificate of Merger. Upon the required approval by the General Partner and Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

16.5 Effect of Merger. (a) Upon the effective date of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and shall not be in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interest in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity, and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred.

ARTICLE 17 - RIGHT TO ACQUIRE LP UNITS

17.1 Right to Acquire LP Units. (a) Notwithstanding any provision of this Agreement, if at any time less than 15% of the total LP Units then issued and Outstanding are held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right which right it may assign and transfer to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of the LP Units then Outstanding held by Persons other than the General Partner and its Affiliates, at the higher of (a) the highest cash price paid by the

General Partner or any of its Affiliates for any LP Unit purchased during the ninety-day period preceding the date that the notice described in Section 17.1(c) is mailed and (b) the Current Market Price (as defined below) as of the date the General Partner (or any of its assignees) mails the notice described in Section 17.1(b) of its election to purchase such LP Units. As used in this Agreement, (i) "Current Market Price" of an LP Unit listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per LP Unit of such class for the twenty consecutive Trading Days (as hereinafter defined) immediately prior to, but not including, such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the LP Units of a class are not listed or admitted to trading on the New York Stock Exchange as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal National Securities Exchange on which the LP Units of such class are listed or admitted to trading or, if the LP Units of a class are not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or such other system then in use, or if on any such day the LP Units of a class are not quoted by any such organization, the average of the closing bid and asked priced on such day as furnished by a professional market maker making a market in the LP Units of such class selected by the Board of Directors of the General Partner, or if on any such day no market maker is making a market in the LP Units of such class, the fair value of such LP Units on such day as determined reasonably and in good faith by the Board of Directors of the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which the LP Units of any class are listed or admitted to trading is open for the transaction of business or, if LP Units of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open. Notwithstanding anything herein to the contrary, the Current Market Price of each Class B Unit shall be deemed to be the same as the Current Market Price of one Unit.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase LP Units granted pursuant to Section 17.1(a), the General Partner shall deliver to the Transfer Agent written notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of LP Units (as of a Record Date selected by the General Partner) at least ten, but not more than sixty days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published in daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 17.1(a) at which LP Units will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such LP Units, upon surrender of LP Unit Certificates representing such LP Units in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which the LP Units are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of LP Units at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given whether or not the owner receives

such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of the LP Units to be purchased in accordance with this Section 17.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least ten days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of LP Units subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any LP Unit Certificate shall not have been surrendered for purchase, all rights of the holders of such LP Units (including, without limitation, any rights pursuant to Articles 4, 5 and 14) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 17.1(a)) for the LP Units therefor, without interest, upon surrender to the Transfer Agent of the LP Unit Certificates representing such LP Units, and such LP Units shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such LP Units from and after the Purchase Date and shall have all rights as the owner of such LP Units (including, without limitations, all rights as owner pursuant to Articles 4, 5 and 14).

(c) At any time from and after the Purchase Date, a holder of an Outstanding LP Unit subject to purchase as provided in this Section 17.1 may surrender his LP Unit Certificate, as the case may be, evidencing such LP Unit to the Transfer Agent in exchange for payment of the amount described in Section 17.1(a), therefor without interest thereon.

ARTICLE 18 - GENERAL PROVISIONS

18.1 Addresses and Notices. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first-class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such LP Unit at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Unit or the Partnership Interest of a General Partner by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 18.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Post Office marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of

such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 1.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

18.2 Titles and Captions. All article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

18.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall including the plural and vice-versa.

18.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

18.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

18.6 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

18.7 Creditors. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

18.8 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

18.9 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring an LP Unit, upon executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

18.10 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

18.11 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By: WILLIAM L. THACKER
Name: William L. Thacker
Title: President and Chief Executive Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: Texas Eastern Products Pipeline Company, General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 1.4.

By: /s/ W L Thacker
Name: William L. Thacker
Title: President and Chief Executive Officer

EXHIBIT A

No transfer of the LP Units evidenced hereby will be registered on the books of TEPPCO Partners, L.P. (the "Partnership"), unless the LP Unit Certificates evidencing the LP Units to be transferred are surrendered for registration of transfer and an Application for Transfer of LP Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the LP Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the LP Units.

APPLICATION FOR TRANSFER OF LP UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the LP Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Agreement of Limited Partnership of TEPPCO Partners, L.P. (the "Partnership"), as amended or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and the liquidator if one is appointed his attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement, any amendment to the Partnership Agreement and the Certificate of Limited Partnership of the Partnership, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement and (e) makes the consents and waivers and gives the approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:

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	Signature of Assignee
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Social Security or other identifying number of Assignee	Name and Address of Assignee
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Purchase Price (including commissions, if any)	

TYPE OF ENTITY (CHECK ONE):

☐ Individual	☐ Partnership	☐ Corporation	
☐ Trust	☐ Other (specify):		

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any Person for whom the Assignee will hold the LP Units shall be made to the best of the Assignee's knowledge.

EXHIBIT 3.5

AGREEMENT OF LIMITED PARTNERSHIP

OF

TCTM, L.P.

November 30, 1998

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AGREEMENT OF LIMITED PARTNERSHIP OF TCTM, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP OF TCTM, L.P., dated as of November 30, 1998 is entered into by and among Texas Eastern Products Pipeline Company, a Delaware corporation (the "Company"), as the General Partner and TEPPCO Partners, L.P., a Delaware limited partnership, as the Limited Partner. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I - ORGANIZATIONAL MATTERS

1.1 Formation. The General Partner and the Limited Partner hereby continue the Partnership as a limited partnership pursuant to the provisions of the Delaware Act, and hereby amend and restate the original Agreement of Limited Partnership in its entirety. Except as expressly provided to the contrary in this Agreement, the rights and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. The Partnership Interest of each Partner shall be personal property for all purposes.

1.2 Name. The name of the Partnership shall be "TCTM, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner, including, without limitation, the name of the General Partner or any Affiliate thereof. The words "Limited Partnership", "L.P.", "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partner of such change in the next regular communication to the Limited Partner. Notwithstanding the foregoing, unless otherwise permitted by PEC and Duke, the Partnership shall change its name to a name not including "TCTM," "TEPPCO," "Texas Eastern", "PanEnergy" or "Duke" and shall cease using the name "TCTM,," "TEPPCO," "Texas Eastern," "PanEnergy" or "Duke" or other names or symbols associated therewith at such time as neither Texas Eastern Products Pipeline Company nor another Affiliate of PanEnergy or Duke is the general partner of the Partnership.

1.3 Registered Office: Principal Office. Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at The Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801 and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership and the address of the General Partner shall be 2929 Allen Parkway, Houston, Texas 77019-2119, or such other place as the General Partner may from time to time designate by notice to the Limited Partner. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

1.4 Power of Attorney.

(a) The Limited Partner hereby constitutes and appoints each of the General Partner and, if a Liquidator shall have been selected pursuant to Section 13.2, the Liquidator severally (and any successor to either thereof by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate of Limited Partnership and all amendments or restatements thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including, without limitation, conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article X, XI, XII or XIII or the Capital Contribution of any Partner; (E) all certificates, documents and other instruments (including, without limitation, agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates and other instruments necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when the consent or approval of the Limited Partner is required by any provision of this Agreement, the General Partner or the Liquidator may exercise the power of attorney made in this Section 1.4(a) (ii) only after the necessary consent or approval of the Limited Partner.

Nothing contained in this Section 1.4 shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIV, or as may be otherwise expressly provided for in this Agreement

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of the Limited Partner

and the transfer of all or any portion of such Limited Partner's Partnership Interest and shall extend to such Limited Partner's heirs, successors, assigns and personal representatives. The Limited Partner hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and the Limited Partner hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. The Limited Partner shall execute and deliver to the General Partner or the Liquidator, within fifteen days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

1.5 Term. The Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2084, or until the earlier termination of the Partnership in accordance with the provisions of Article XIII.

ARTICLE II - DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-(2)(g)(i) and 1.701-2(i)(5) to be allocated to such Partner in subsequent years under items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-2(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 4.4(d).

"Affiliate" means, with respect to any Person, any Other Person that directly or indirectly controls, is controlled by or is under common control with, the Person in question. As used herein, the term control means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 5.1 including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; and the General Partner shall, in its sole discretion,

use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties conveyed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Agreement of Limited Partnership of TCTM, L.P., as it may be amended, supplemented or restated from time to time.

"Available Cash" means, with respect to any calendar quarter, (i) the sum of (A) all cash receipts of the Partnership during such quarter from all sources and (B) any reduction in reserves established in prior quarters, less (ii) the sum of (aa) all cash disbursements of the Partnership during such quarter (excluding cash distributions to Partners, but including disbursements for taxes of the Partnership as an entity, debt service and capital expenditures) and (bb) any reserves established in such quarter in such amounts as the General Partner determines to be necessary or appropriate in its reasonable discretion (x) to provide for the proper conduct of the business of the Partnership (including reserves for future rate refunds or capital expenditures) or (y) to provide funds for distributions with respect to any of the next four calendar quarters and (cc) any other reserves established in such quarter in such amounts as the General Partner determines in its reasonable discretion to be necessary because the distribution of such amounts would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. Taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners shall not be considered cash disbursements of the Partnership which reduce "Available Cash," but the payment or withholding thereof shall be deemed to be a distribution of Available Cash to Partners. Alternatively, in the discretion of the General Partner, such taxes (if pertaining to all partners) may be considered to be cash disbursements of the Partnership which reduce "Available Cash", but the payment or withholding thereof shall not be deemed to be a distribution of Available Cash to Partners. Notwithstanding the foregoing, "Available Cash" shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established after commencement of the dissolution and liquidation of the Partnership.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 4.4 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 4.4.

"Capital Contributor" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner has contributed or may contribute to the Partnership pursuant to Section 4.1, 4.2 or 4.4(c)(i).

"Carrying Value" means (a) with respect to a Contributed Property the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' Capital Accounts, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.4(d)(i) and 4.4(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 6.2 hereof, as such Certificate may be amended and/or restated from time to time.

"Closing Date" means the date on which the "First Time of Delivery" occurs as such term is defined in the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code or otherwise). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.4(d)(i), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contributing Partner" means each Partner contributing (or deemed to have contributed on termination and reconstitution of the Partnership pursuant to Section 708 of the Code or otherwise) a Contributed Property.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 5.1(d) (ix).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. Section 17-101, et. seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner, from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 12.1 or Section 12.2.

"Duke" means Duke Energy Corporation, a Delaware corporation.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.704- 2(i)(1).

"Event of Withdrawal" has the meaning assigned to such term in Section 12.1(a).

"Exchange Act" means the Securities Exchange Act of 1934 as amended, supplemented or restated from time to time, and any successor to such statute.

"General Partner" means Texas Eastern Products Pipeline Company, a Delaware corporation, and its successors as general partner of the Partnership.

"General Partner Equity Value" means, as of any date of determination, the fair market value of the General Partner's Partnership Interest, as determined by the General Partner using whatever reasonable method of valuation it may adopt.

"Indemnitee" means the General Partner, any Departing Partner, any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent or trustee of another Person.

"Initial Offering" means the initial offering of Units to the public, as described in the Registration Statement.

"Investor Partnership" means TEPPCO Partners, L.P. a Delaware limited partnership.

"Investor Partnership Agreement" means the Agreement of Limited Partnership of the Investor Partnership, dated March 7, 1990, as amended and restated.

"Limited Partner" means the Limited Partner, each Substituted Limited Partner, if any, and each other Person, if any, that is admitted to the Partnership as a limited partner pursuant to Section 11.1 and that is shown as a limited partner on the books and records of the Partnership.

"Limited Partner Equity Value" means, as of any date of determination, the fair market value of the Limited Partner's Partnership Interest, as determined by the General Partner using whatever reasonable method of valuation it may adopt.

"Liquidator" means the General Partner or other Person approved pursuant to Section 13.2 who performs the functions described therein.

"Merger Agreement" has the meaning assigned to such term in Section 15.1.

"Minimum Gain Attributable to Partner Nonrecourse" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(i)(3).

"National Securities Exchange" means an exchange registered with the Securities and Exchange Commission under Section 6(a) of the Exchange Act.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 4.4(d) (ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.4(b) and shall not include any items specially allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to a Required Allocation or a Curative Allocation, the applicable Net Income or Net Loss shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.4(b) and shall not include any items specifically allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to a Required Allocation or a Curative Allocation, the applicable Net Income or Net Loss shall be recomputed without regard to such item.

"Net Termination Gain" means, for any taxable period, the sum, if positive, of all items of income, gain or loss recognized by the Partnership from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 4.4(b) and shall not include any items of income, gain or loss specifically allocated under Section 5.1(d). Once an item of income, gain or loss that has been included in the initial computation of Net Termination Gain is subjected to a Required Allocation or a Curative Allocation, the applicable Net Termination Gain or Net Termination Loss shall be recomputed without regard to such item;

"Net Termination Loss" means, for any taxable period, the sum, if negative, of any items of income, gain or loss recognized by the Partnership from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 4.4(b) and shall not include any items or income, gain or loss specifically allocated under section 5.1(d). Once an item of gain or loss that has been included in the initial computation of Net Termination Loss is subjected to a Required Allocation or a Curative Allocation, the applicable Net Termination Gain or Net Termination Loss shall be recomputed without regard to such item;

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 5.2(b) (i) (A), 5.2(b) (ii) (A) or 5.2(b) (iv) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deduction" means any and all items of loss, deduction or expenditure (described in Section 705(a) (2) (B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b)(1) and 1.704-2(c), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.704-2(b).

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner) acceptable to the General Partner.

"Outstanding" means all Partnership Interests of the Limited Partner that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination.

"Partner" means the General Partner and the Limited Partner.

"Partner Nonrecourse" has the meaning set forth in Treasury Regulation Section 1.704-2(b).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including any expenditure described in Section 705(a) (2) (B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i)(1) and 1.704-2(i)(2), are attributable to a Partner Nonrecourse Debt.

"Partnership" means TCTM, L.P., a Delaware limited partnership established pursuant to this Partnership Agreement, and any successor thereto.

"Partnership Inception" means the March 7, 1990.

"Partnership Interests" means the interest of a Partner in the Partnership.

"Partnership Minimum Gain" means the amount determined in accordance with the principles of Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"PEC" means PanEnergy Corp., a Delaware corporation.

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, 1.0101% and (b) as to the Limited Partner, 98.9899%.

"Person" means an individual or a corporation, partnership, trust, unincorporated organization, association or other entity.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Sections 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or assets.

"Record Holder" has the meaning assigned to such term in the Investor Partnership Agreement.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 33-32203), as it may have been amended or supplemented from time to time, filed by the Investor Partnership with the Securities and Exchange Commission under the Securities Act to register the offering and sale of the Units in the Initial Offering.

"Required Allocations" means any allocation (or limitation imposed on any allocation) of an item of income, gain, deduction or loss pursuant to (a) the proviso- clause of Sections 5.1(b)(i) or (b) Sections 5.1(d)(i), 5.1(d) (ii), 5.1(d) (iii), 5.1(d)(iv) 5.1(d)(v), 5.1(d) (vi) and 5.1(d) (viii), such allocations (or limitations thereon) being directly or indirectly required by the Treasury Regulations promulgated under Section 704(b) of the Code.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Sections 5.2(b)(i)(A) or 5.2(b) (ii) (A), respectively, to eliminate Book- Tax Disparities.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.1 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 15.2(b).

"Termination Capital Transactions" means any sale, transfer or other disposition of property of the Partnership occurring upon or incident to the liquidation and winding up of the Partnership pursuant to Article XIII.

"Unit" has the meaning assigned to such term in the Investor Partnership Agreement.

"Unitholder" means a Person who holds Units.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 4.4(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.4(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination the excess, if any, of (a) the (Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.4(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 4.4(d)).

ARTICLE III - PURPOSE

3.1 Purpose and Business. The purpose and nature of the business to be conducted by the Partnership shall be (i) to engage in the gathering, transportation and storage of crude oil and natural gas liquids and related products and related activities, (ii) to engage directly in, or to enter into any partnership, joint venture or similar arrangement to engage in, any business activity that may be lawfully conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (iii) to do anything necessary or appropriate to the foregoing, and (iv) to engage in any other business activity as permitted under Delaware law. The General Partner has no obligation or duty to the Partnership or the Limited Partner to propose or approve, and in its sole discretion may decline to propose or approve, the conduct by the Partnership pursuant to such clauses (ii) and (iv) above of any business other than as contemplated by clause (i) above.

3.2 Powers. The Partnership shall be Empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 3.1 and for the protection and benefit of the Partnership.

ARTICLE IV - CAPITAL CONTRIBUTIONS

4.1 Initial Contributions.

(a) Effective as of the date hereof, the Investor Partnership has contributed and delivered to the Partnership, as a Capital Contribution, all of the limited liability membership interests of DETTCO LLC, a Delaware limited liability company, in exchange for a Partnership Interest as a limited partner in the Partnership that represents a 98.9899% limited partner interest, and the Investor Partnership is hereby admitted to the Partnership as a limited partner of the Partnership.

(b) Effective as of the date hereof, the General Partner has contributed and delivered to the Partnership, as a Capital Contribution, the sum of $1,050,504, in exchange for a Partnership Interest as a general partner in the Partnership that represents a 1.0101% general partner interest, and the General is hereby admitted to the Partnership as the general partner of the Partnership.

(c) The Capital Contribution of the General Partner pursuant to Section 4.1(b) is intended to equal 1.0101% of the Net Agreed Value of the Capital Contribution of the Investor Partnership made pursuant to Section 4.1(a). If the Capital Contribution of the General Partner pursuant to Section 4.1(b) is greater than 1.0101% of the Net Agreed Value of the Capital Contribution of the Investor Partnership made pursuant to Section 4.1(a), as reflected on the Partnership's balance sheet for the year ending December 31, 1998, then the Partnership shall distribute the excess to the General Partner as a special distribution. If the Capital Contribution of the General Partner pursuant to this Section 4.1(b) is less than 1.0101% of the Net Agreed Value of the Capital Contribution of the Investor Partnership made pursuant to Section 4.1(a), as reflected on the Partnership's balance sheet for the year ending December 31, 1998, then the General Partner shall make an additional Capital Contribution to Partnership in an amount equal to the difference.

4.2 Additional Capital Contribution by the Investor Partnership. The Investor Partnership, with the consent of the General Partner, may, but shall not be obligated to, make additional Capital Contributions to the Partnership.

4.3 Preemptive Rights. The Limited Partner shall have preemptive rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

4.4 Capital Accounts.

(a) The Partnership shall maintain for each Partner a separate Capital Account in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 4.4(b) and allocated pursuant to Section 5.1 and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made to such Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 4.4(b) and allocated to such Partner pursuant to Section 5.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an

item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 5.1.

(ii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b) (2) (iv) (m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(l)(B) or 705(a) (2) (B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(iii) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(iv) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 4.4(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(v) If the Partnership's adjusted basis in depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q) (1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 5.1. Any restoration of such basis pursuant to Section 48(q) (2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property, the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership Property, as if such Unrealized Gain or Unrealized Loss had

been recognized on an actual sale of each such Property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 5.1. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of Partnership interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided however, the General Partner, in arriving at such valuation must take into account the Limited Partner Equity Value and the General Partner Equity Value, at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its sole discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b) (2) (iv) (f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of each Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 5.1. Any Unrealized Gain or Unrealized Loss attributable to such property shall be allocated in the same manner as Net Termination Gain or Net Termination Loss pursuant to Section 5.1(c); provided, however, that, in making any such allocation, Net Termination Gain or Net Termination Loss actually realized shall be allocated first. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall be determined and allocated by the Liquidator using such reasonable methods of valuation as it may adopt.

4.5 Interest. No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

4.6 No Withdrawal. No Partner shall be entitled to withdraw any part of its Capital Contributions or its Capital Account or to receive any distribution from the Partnership, except as provided herein.

4.7 Loans from Partners. Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

ARTICLE V - ALLOCATIONS AND DISTRIBUTIONS

5.1 Allocations for Capital Account Purposes. For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items

of income, gain, loss and deduction (computed in accordance with Section 4.4(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided hereinbelow.

(a) Net Income. After giving effect to the special allocations set forth in Section 5.1(d), Net Income for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 5.1(a) (i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 5.1(b) (ii) for all previous taxable years; and

(ii) Second, the balance, if any, 100% to the General Partner and the Limited Partner in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 5.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner and the Limited Partner in accordance with their respective Percentage Interests, provided, that Net Losses shall not be allocated pursuant to this Section 5.1(b) (ii) to the extent that such allocation would cause any Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account); and

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 5.1(d), all items of gain and loss taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 5.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 5.1 and after all distributions of Available Cash have been made with respect to the taxable period ending on the date of the Partnership's liquidation pursuant to Section 13.2.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 4.4(d)) from Termination Capital Transactions, such Net Termination Gain shall be allocated between the General Partner and the Limited Partner in the following manner:

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, 100% to the General Partner and the Limited Partner, in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 4.4(d)) from Termination Capital Transactions, such Net Termination Loss shall be allocated to the Partners in the following manner:

(A) First, 100% to the General Partner and the Limited Partner in proportion to, and to the extent of the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocation. Notwithstanding any other provision of this Section 5.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in proportion to, and to the extent of, an amount equal to the greater of (A) the portion of such Partner's share of the net decrease in Partnership Minimum Gain during such taxable period that is allocable (in accordance with the principles set forth in Treasury Regulation Section 1.704-(2)(g)) to the disposition of Partnership property subject to one or more Nonrecourse Liabilities of the Partnership, or (B) the deficit balance in such Partner's Adjusted Capital Account at the end of such taxable period (modified, as appropriate, by Treasury Regulation Section 1.704-2(g)). The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-(2)(f)(6) and 1.704-2(j)(2) and, for purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d) with respect to such taxable period. This Section 5.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Minimum Gain Attributable to Partner Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d)(i)), if there is a net decrease in Minimum Gain Attributable to Partner Nonrecourse Debt during any Partnership taxable period, any Partner with a share of Minimum Gain Attributable to Partner Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in proportion to, and to the extent of, an amount equal to the greater of (A) the portion of such Partner's share of the net decrease in the Minimum Gain Attributable to Partner Nonrecourse Debt that is allocable (in accordance with the principles set forth in Treasury Regulation Section 1.704-2(i)) to the disposition of Partnership property subject to such Partner Nonrecourse Debt or (B) the deficit balance in such Partner's Adjusted Capital Account at the end of such taxable period (modified, as appropriate, by Treasury Regulation Section

1.704-2(i)). The items to be so allocated shall be determined in a manner consistent with the principles of Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2) and, for purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d), other than Section 5.1(d)(i), with respect to such taxable period. This Section 5.1(d) (ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. Except as provided in Sections 5.1(d)(i) and 5.1(d) (ii), in the event any Partner unexpectedly receives any adjustments, allocation or distributions described in Treasury Regulation Section 1.704-1(b) (2) (ii) (d) (4), 1.704-1(b) (2) (ii) (d) (5), or 1.704-1(b) (2) (ii) (d) (6), items of Partnership income and gain shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible; provided, that an allocation pursuant to this Section 5.1(d) (iii) shall be made only if and to the extent that such partner would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made as if this Section 5.1(d) (iii) were not in this Agreement.

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable Period that is in excess of the sum of (A) the amount such Partner is obligated to restore pursuant to any provision of this Agreement and (B) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(i) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 5.1(d) (iv) shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 5.1 have been tentatively made as if Section 5.1(d) (iii) and this Section 5.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in the same ratios that Net Income or Net Losses, as the case may be, is allocated for the taxable year. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the Limited Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-1T(b)(4)(iv)(h). If

more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. The Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b) (2) (iv) (m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) Curative Allocation. (A) Notwithstanding any other provision of this Section 5.1, other than the Required Allocation provisions, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and this Curative Allocation not otherwise been provided in this Section 5.1. Notwithstanding the preceding sentence, Required Allocations relating to (l) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Minimum Gain Attributable to Partner Nonrecourse Debt. Allocations pursuant to this Section 5.1(d) (ix) (A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 5.1(d) (ix) (A) shall be deferred with respect to allocations pursuant to clauses (l) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 5.1(d) (ix) (A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 5 1(d) (ix) (A) among the Partners in a manner that is likely to minimize such economic distortions.

5.2. Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b) (iv), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manners as its correlative items of "book" gain or loss is allocated pursuant to Section 5.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocators thereof pursuant to Section 4.4(d)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 5.2(b) (i) (A); and (B) except as otherwise provided in Section 5.2(b) (iv), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) Except as otherwise provided in Section 5.2(b) (iv), all other items of income, gain, loss and deduction shall be allocated among the Partners in the same manner as their correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iv) Any items of income, gain, loss or deduction otherwise allocable under Section 5.2(b)(i)(B), 5.2(b) (ii) (B) or 5.2(b) (iii) shall be subject to allocation by the General Partner in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under Section 704(c) of the Code or Section 704(c) principles) to the allocations provided under Section 5.2(b) (i) (A) or 5.2(b) (ii) (A)

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units of the Investor Partnership (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the

Code or (y) otherwise to preserve or achieve uniformity of the Units of the Investor Partnership (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units of the Investor Partnership issued and outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its sole discretion may determine to depreciate the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Partnership's common basis of such property, despite the inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n) and Treasury Regulation Section 1.167(c)-1(a) (6). If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt a depreciation convention under which all purchasers acquiring Units of the Investor Partnership in the same month would receive depreciation, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation convention to preserve the uniformity of the intrinsic tax characteristics of any Units of the Investor Partnership that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Units of the Investor Partnership.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2 be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

5.3 Requirement of Distributions. Within fifty days following the end of each calendar quarter, an amount equal to 100% of Available Cash with respect to such quarter (or period) shall be distributed by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the

extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject.

ARTICLE VI - MANAGEMENT AND OPERATION OF BUSINESS

6.1 Management. The General Partner shall conduct, direct and exercise full control over all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and the Limited Partner shall have no right of control or management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 6.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or desirable (i) to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation, (A) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations and the securing of same by mortgage, deed of trust or other lien or encumbrance; (B) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership, (C) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (C) being subject, however, to any prior approval that may be required by Section 6.3); (D) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership, the lending of funds to other Persons and the repayment of obligations of the Partnership; (E) the negotiation, execution and performance of any contracts, conveyances or other instruments (including, without limitation, instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case); (F) the distribution of Partnership cash; (G) the selection and dismissal of employees and agents (including without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring; (H) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate; (I) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships; (J) the control of any matters affecting the rights and obligations of the Partnership, including, without limitation, the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; (K) the indemnification of any person against liabilities and contingencies to the extent permitted by law; and (L) the undertaking of any action in connection with the Partnership's participation in the business activities that may be made available to it

(including, without limitation, contributions or loans of funds by the Partnership in connection with its participation in such business activities).

6.2 Certificate of Limited Partnership. The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the Limited Partner has limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership in which the Limited Partner has limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 7.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to the Limited Partner.

6.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partner or by other written instrument executed and delivered by the Limited Partner subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement; (ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose; (iii) admit a Person as a Partner, except as otherwise provided in this Agreement; (iv) amend this Agreement in any manner, except as otherwise provided in this Agreement; or (v) transfer its interest as general partner of the Partnership, except as otherwise provided in this Agreement.

(b) Except as provided in Article XIII, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other Person) without the approval of the Limited Partner; provided, however, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Partnership's assets and shall not apply to any forced sale of any or all of the Partnership's assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

(c) At all times while serving as the general partner of the Partnership, the General Partner shall not make any dividend or distribution on, or repurchase any shares of, its stock or take any other action within its control if the effect of such dividend, distribution, repurchase or other action would be to reduce its net worth below an amount necessary to receive an Opinion of Counsel that the Partnership will be treated as a partnership for federal income tax purposes.

6.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 6.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as general partner of the Partnership

(b) The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including, without limitation, amounts paid to any Person to perform services for the Partnership) and (ii) that portion of the General Partner's or its Affiliates' legal, accounting, investor communications, utilities, telephone, secretarial, travel, entertainment, bookkeeping, reporting, data processing, office rent and other office expenses (including, without limitation, overhead charges), salaries, fees and other compensation and benefit expenses of employees, officers and directors, other administrative or overhead expenses and all other expenses, in each such case, necessary or appropriate to the conduct of the Partnership's business and allocable to the Partnership or otherwise incurred by the General Partner in connection with operating the Partnership's business (including, without limitation, expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the fees and expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 6.7. Notwithstanding the foregoing grant of authority, expenses for administrative services and overhead allocated pursuant to this Section 6.4(b) to the Partnership, the Investor Partnership and the General Partner, considered together, by Duke or its Affiliates (excluding the General Partner) shall not exceed $25,000 in each month commencing January 1, 1999.

(c) The General Partner in its sole discretion and without the approval of the Limited Partner may propose and adopt on behalf of the Partnership employee benefit plans (including, without limitation, plans involving the issuance of Units), for the benefit of employees of the General Partner, the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership.

6.5 Outside Activities.

(a) After the Closing Date, the General Partner shall limit its activities to those required or authorized by the Investor Partnership Agreement or this Agreement.

(b) Except as provided in Section 6.5(a), each Indemnitee is free to engage in any business, including any business that is in competition with the business of the Partnership. The General Partner and any other Persons affiliated with the General Partner may acquire Units or other partnership securities of the Investor Partnership and shall be entitled to exercise all rights of an Assignee or limited partner, as applicable, relating to such Units or partnership securities, as the case may be.

(c) Without limiting Sections 6.5(a) and 6.5(b), but notwithstanding anything to the contrary in this Agreement, the competitive activities of Indemnitees described in the Registration Statement are hereby approved by all Partners, and it shall not be deemed to be a breach of the

General Partner's fiduciary duty for the General Partner to permit an Indemnitee to engage in a business opportunity in preference to or to the exclusion of the Partnership.

6.6 Loans to and from the General Partner; Contracts with Affiliates.

(a) The General Partner, the Limited Partner or any Affiliates thereof may lend to the Partnership, and the Partnership may borrow, funds needed or desired by the Partnership for such periods of time as the General Partner may determine; provided, however, that neither the General Partner, the Limited Partner or any of their Affiliates may charge the Partnership interest at a rate greater than the rate that would be charged the Partnership (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The Partnership shall reimburse the General Partner, the Limited Partner or any of their Affiliates, as the case may be, for any costs (other than any additional interest costs) incurred by it in connection with the borrowing of funds obtained by the General Partner, the Limited Partner or any of their Affiliates and loaned to the Partnership.

(b) The Investor Partnership may lend or contribute to the Partnership, and the Partnership may borrow, funds on terms and conditions established in the sole discretion of the General Partner. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of the Investor Partnership or any other Person. The Partnership may not lend funds to the General Partner or any of its Affiliates, otherwise than for short-term funds management purposes.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to the Partnership. Any service rendered to the Partnership by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(c) shall be deemed satisfied as to any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties. The provisions of Section 6.4 shall apply to the rendering of services described in this Section 6.6(c).

(d) The Partnership may transfer assets to joint ventures, other Partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(e) shall be deemed to be satisfied as to any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties.

(f) The General Partner and its Affiliates will have no obligation to permit the Partnership or the Investor Partnership to use any facilities of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such

use, nor shall there be any obligation on the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 6.6(a) through 6.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement under the caption "Conflicts of Interest and Fiduciary Responsibility" are hereby approved by all Partners.

6.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, each Indemnitee shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as (i) the General Partner, a Departing Partner or any of their Affiliates, (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, provided, that in each case the Indemnitee acted in good faith, in a manner which such Indemnitee believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a Presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 6.7 shall be made only out of the assets of the Partnership.

(b) To the fullest extent permitted by law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.7.

(c) The indemnification provided by this Section 6.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitees' capacity as (i) the General Partner, a Departing Partner or an Affiliate thereof, (ii) an officer, director, employee, partner, agent or Departing Partner or an Affiliate thereof or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and as to actions in any other capacity.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner and such other Person as the General Partner shall determine, against any liability that may be asserted against or expense that

may be incurred by such Person in connection with the Partnership's activities, whether or not the Partnership would have the power to indemnify such Person against such liabilities under the provisions of this Agreement.

(e) For purposes of this Section 6.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 6.7(a); and action taken or omitted by it with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partner to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in Part under this Section 6.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligation of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 6.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

6.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partner, or any other Persons who have acquired interests in the Partnerships, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 6.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) Any amendment, modification or repeal of this Section 6.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership and the Limited Partner of the General Partner, its directors, officers and employees under this Section 6.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

6.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or the Investor Partnership Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, or the Investor Partnership, on the other hand, any resolution or course of action in respect of such conflict of interest shall be permitted and deemed approved by the Limited Partner, and shall not constitute a breach of this Agreement, of the Investor Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is or, by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized in connection with its resolution of any conflict of interest to consider (i) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests (ii) any customary or accepted industry practices and any customary or historical dealings with a Particular Person; (iii) any applicable generally accepted accounting or engineering practices or principles; and (iv) such additional factors as the General Partner determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion", that it deems "necessary or appropriate" or under a grant of similar authority or latitude, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Investor Partnership, the Limited Partner or any holder of Units, or (ii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Investor Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partner. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership, other than in the ordinary course of business. No borrowing by the Partnership or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited

Partner by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to enable the General Partner to receive incentive distributions pursuant to the Investor Partnership Agreement.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

6.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted in reliance upon the opinion (including, without limitation, an Opinion of Counsel) of such Persons as to matters that such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or committed in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement so long as such action is reasonably believed by the General Partner to be in the best interests of the Partnership.

6.11 Title to Partnership Assets. Title to Partnership Assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any Ownership interest in such Partnership Assets or any portion thereof. Title to any or all of the Partnership Assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership Assets for which record title is held in the name of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and

difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable. All Partnership Assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership Assets are held.

6.12 Reliance by Third Parties. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. The Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VII - RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNER

7.1 Limitation of Liability. The Limited Partner shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

7.2 Management of Business. The Limited Partner shall not take part in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, in its capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partner under this Agreement.

7.3 Return of Capital. The Limited Partner shall not be entitled to the withdrawal or return of his Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement.

7.4 Rights of the Limited Partner Relating to the Partnership.

(a) In addition to other rights provided by this Agreement or by applicable law and except as limited by Section 7.4(b), the Limited Partner shall have the right, for a purpose reasonably related

to the Limited Partner's interest as a limited partner to the Partnership, upon reasonable demand and at the Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local tax returns for each year;

(iii) to have furnished to him, upon notification to the General Partner, a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him, upon notification to the General Partner, a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto;

(v) to obtain true and full information regarding the amount of cash and description and statement of the Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) Notwithstanding any other provision of this Agreement, the General Partner may keep confidential from the Limited Partner for such period of time as the General Partner deems reasonable, any information that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the partnership or the Investor Partnership or that the Partnership or the Investor Partnership is required by law or by agreements with third parties to keep confidential.

ARTICLE VIII - BOOKS, RECORDS, ACCOUNTING AND REPORTS

8.1 Records and Accounting. The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership business including, without limitation, all books and records necessary to provide to the Limited Partner any information, lists and copies of documents required to be provided pursuant to Section 7.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including, without limitation, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard disks, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

8.2 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

ARTICLE IX - TAX MATTERS

9.1 Preparation of Tax Returns. The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety days of the close of each taxable year of the Partnership, the tax information reasonably required by the Limited Partner for federal and state income tax reporting purposes. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes. The taxable year of the Partnership shall be the calendar year.

9.2 Tax Elections. Except as otherwise provided herein, the General Partner shall in its sole discretion, determine whether to make any available election pursuant to the Code; provided, however, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole discretion that such revocation is in the best interests of the Limited Partner.

9.3 Tax Controversies. Subject to the provisions hereof, the General Partner is designated the Tax Matters Partner (as defined in Section 6231 of the Code), and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including, without limitation, resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. The Limited Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

9.4 Organizational Expenses. The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

9.5 Withholding. Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its sole discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including, without limitation, by reason of Section 1446 of the Code), the amount withheld shall be treated as a distribution of cash pursuant to Section 5.3 in the amount of such withholding from such Partner.

9.6 Opinions of Counsel. Notwithstanding any other provision of this Agreement, if the Partnership is taxable for federal income tax purposes as a corporation or otherwise taxed for federal income tax purposes as an entity at any time and, pursuant to the provisions of this Agreement, an Opinion of Counsel could otherwise be required to the effect that an action will not cause the Partnership to become so taxable as a corporation or other entity or to be treated as an association

taxable as a corporation, such requirement for an Opinion of Counsel shall be deemed automatically waived.

ARTICLE X - TRANSFER OF INTERESTS

10.1 Transfer.

(a) The term "transfer," when used in this Article X with respect to a Partnership Interest, shall be deemed to refer to an appropriate transaction by which a Partner disposes of its Partnership Interest to another Person and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article X. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article X shall be null and void.

10.2 Transfer of General Partner's Partnership Interest.

(a) If the general partner of the Investor Partnership transfers its partnership interest as a general partner therein to any Person in accordance with the provisions of the Investor Partnership Agreement, the General Partner shall contemporaneously therewith transfer its Partnership Interest as the General Partner of the Partnership to such Person, and the Limited Partner hereby expressly consents to such transfer. Except as set forth in the immediately preceding sentence and in Section 10.2(b), the General Partner may not transfer all or any part of its Partnership Interest.

(b) Neither Section 10.2(a) nor any other provision of this Agreement shall, be construed to prevent (and the Limited Partner does hereby expressly consent to) (i) the transfer by the General Partner of all of its Partnership Interest to an Affiliate or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Investor Partnership Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. In the case of a transfer pursuant to this Section 10.2(b), the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

10.3 Transfer of the Limited Partner's Partnership Interest. If the Limited Partner merges, consolidates or otherwise combines into any other Person or transfers all or substantially all of its assets to another Person, such Person may become a substituted Limited Partner pursuant to Article XI. Except as set forth in the immediately preceding sentence, the Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

ARTICLE XI - ADMISSION OF PARTNERS

11.1 Admission of Substituted Limited Partner. Any Person that is the successor in interest to the Limited Partner as described in Section 10.3 shall be admitted to the Partnership as a limited partner upon (a) furnishing to the General Partner (i) acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement and (ii) such other documents or instruments as may be required to effect its admission as a limited partner in the Partnership and (b) obtaining the consent of the General Partner, which consent may be withheld or granted in the sole discretion of the General Partner. Such Person shall be admitted to the Partnership as a Limited Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

11.2 Admission of Successor or General Partner. A successor General Partner approved pursuant to Section 12.1 or the transferee of or successor to all of the General Partner's Partnership Interest Pursuant to Section 10.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the General Partner pursuant to Section 12.1 or the transfer of the General Partner's Partnership Interest pursuant to Section 10.2; provided, however, that no such successor shall be admitted to the Partnership until the terms of Section 10.2 have been complied with. Any such successor shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

11.3 Amendment of Agreement and Certificate of Limited Partnership. To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, to prepare and file an amendment to the Certificate of Limited Partnership and may for this purpose, among others, exercise the power of attorney granted pursuant to Section 1.4.

ARTICLE XII - WITHDRAWAL OR REMOVAL OF PARTNERS

12.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) the General Partner voluntarily withdraws from the Partnership by giving written notice to the Limited Partner;

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 10.2;

(iii) the General Partner is removed pursuant to Section 12.2;

(iv) the general partner of the Investor Partnership withdraws from, or is removed as the general partner of, the Investor Partnership;

(v) the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition; (C) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this sentence; or (E) seeks, consents to or acquiesces in the appointment of a trustee receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or

(vii) a certificate of dissolution or its equivalent is filed for the General Partner, or ninety days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

If an Event of Withdrawal specified in this Section 12.1(a)(v), (vi) or (vii) occurs, the withdrawing General Partner shall give written notice to the Limited Partner within thirty days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 12.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal will not constitute a breach of this Agreement under the following circumstances: (i) at any time that the General Partner ceases to be a General Partner pursuant to Section 12.1(a) (ii) or is removed pursuant to Section 12.2; or (ii) at any time that the General Partner is removed as provided in Section 12.1(a) (iii). If the General Partner gives a notice of withdrawal pursuant to Section 12.1(a) (i) or if the General Partner is removed pursuant to Section 12.2 or withdraws pursuant to Section 12.1(a) (ii), the Limited Partner may, prior to the effective date of such withdrawal, elect a successor General Partner, provided, that such successor shall be the same Person, if any, that is elected by the Unitholders pursuant to Section 13.1(b) of the Investor Partnership Agreement, as applicable, as the successor to the General Partner in its capacity as general partner of the Investor Partnership. If, prior to the effective date of the General Partner's withdrawal or removal, a successor is not selected by the Limited Partner as provided herein or the Partnership does not receive an Opinion of Counsel that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes, the Partnership shall be dissolved in accordance with Section 13.1. If a successor General Partner is elected and the Opinion of Counsel is rendered as provided in the immediately preceding sentence, such successor shall be admitted (subject to Section 11.2)

immediately prior to the effective time of the withdrawal or removal of the Departing Partner and shall continue the business of the Partnership without dissolution.

12.2 Removal of the General Partner. The General Partner may be removed if such removal is approved by the Limited Partner. Any such action by the Limited Partner for removal of the General Partner must also provide for the election and succession of a new General Partner. Such removal shall be effective immediately following the admission of the successor General Partner pursuant to Article XI. The right of the Limited Partner to remove the General Partner shall not exist or be exercised unless the Partnership has received an Opinion of Counsel that the removal of the General Partner and the selection of a successor General Partner will not result in the loss of limited liability of the Limited Partner or the taxation of the Partnership as a corporation or otherwise result in the Partnership being taxed as an entity for federal income tax purposes.

12.3 Interest of Departing Partner and Successor General Partner.

The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal Pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Units pursuant to Section 13.2(b) of the Investor Partnership Agreement) be Purchased by the successor to the Departing Partner for cash in amount equal to the fair market value of the Departing Partner's Partnership Interest, determined as of the effective date of its departure in the manner specified in the Investor Partnership Agreement. Such purchase (or conversion into Units, as applicable) shall be a condition to the admission to the Partnership of the Successor as the General Partner.

12.4 Reimbursement of Departing Partner. The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 6.4, including, without limitation, any employee-related liabilities (including, without limitation, severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership.

12.5 Withdrawal of the Limited Partner. The Limited Partner shall not have any right to withdraw from the Partnership without the prior consent of the General Partner.

ARTICLE XIII - DISSOLUTION AND LIQUIDATION

13.1 Dissolution. The Partnership shall not be dissolved by the admission of a Substituted Limited Partner or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs should be wound up, upon:

(a) the expiration of its term as provided in Section 1.5;

(b) an Event of Withdrawal of the General Partner as provided in Section 12.1(a), unless a successor is named as provided in Section 12.1(b) and the continuation of the business of the Partnership is approved by the Limited Partner;

(c) an election to dissolve the Partnership by the General Partner that is approved by the Limited Partner hereby;

(d) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership; or

(f) the dissolution of the Investor Partnership.

13.2 Liquidation. Upon dissolution of the Partnership, the General Partner, or in the event the General Partner has been dissolved or removed, become bankrupt as set forth in Section 12.1 or withdrawn from the Partnership, a liquidator or liquidating committee approved by the Limited Partner, shall be the Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by the Limited Partner. The Liquidator shall agree not to resign at any time without fifteen days' prior written notice and (if other than the General Partner) may be removed at any time, with or without cause by notice of removal approved by the Limited Partner. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within thirty days thereafter be approved by the Limited Partner. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XIII, the Liquidator approved in the manner Provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 6.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein. The Liquidator shall liquidate the assets of the Partnership, and apply and distribute the proceeds of such liquidation in the following order of priority, unless otherwise required by mandatory provisions of applicable law:

(a) the payment to creditors of the Partnership, including, without limitation, Partners who are creditors, in the order of priority provided by law; and the creation of a reserve of cash or other assets of the Partnership for contingent liabilities in an amount, if any, determined by the Liquidator to be appropriate for such purposes; and

(b) to all Partners in accordance with the positive balances in their respective Capital Accounts after taking into account adjustments to such Capital Accounts pursuant to Section 5.1(c).

13.3 Distributions in Kind. Notwithstanding the provisions of Section 13.2, which require the liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the

Partners, the Liquidator may, in its absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including, without limitation, those to Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Limited Partner, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreement governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

13.4 Cancellation of Certificate of Limited Partnership. Upon the completion of the distribution of Partnership cash and property as provided in Sections 13.2 and 13.3, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

13.5 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 in order to minimize any losses otherwise attendant upon such winding up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

13.6 Return of Capital. The General Partner shall not be personally liable for the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

13.7 No Capital Account Restoration. No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership.

13.8 Waiver of Partition. Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE XIV - AMENDMENT OF PARTNERSHIP AGREEMENT

14.1 Amendment to be Adopted Solely by General Partner. The Limited Partner agrees that the General Partner (pursuant to its powers of attorney from the Limited Partner), without the approval of the Limited Partner, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or that is necessary or advisable in the opinion of the General Partner to ensure that the Partnership will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change (i) that, in the sole discretion of the General Partner, does not adversely affect the Limited Partner in any material respect, (ii) that is necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including, without limitation, the Delaware Act) or that is necessary or appropriate to facilitate the trading of the Units (including, without limitation, the division of Outstanding Units into different classes to facilitate uniformity of tax consequences within such classes of Units) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Units are or will be listed for trading, compliance with any of which the General Partner determines in its sole discretion to be in the best interests of the Partnership and the Limited Partner or (iii) that is required to effect the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership or the General Partner or its directors or officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(f) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(g) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 15.3; or

(j) any other amendments similar to the foregoing.

14.2 Amendment Procedures. (a) Except as provided in Section 14.1 all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed solely by the General Partner. Each such proposal shall contain the text of the proposed amendment. A proposed amendment shall be effective upon its approval by the Limited Partner.

(b) Notwithstanding the provisions of Sections 14.1 and 14.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner, or without its consent, which may

be given or withheld in its sole discretion, of the General Partner, (ii) modify the compensation payable to the General Partner or any of its Affiliates by the Partnership or the Operating Partnership, (iii) change Section 13.1(a) or (c), (iv) restrict in any way any action by or rights of the General Partner as set forth in this Agreement, (v) charge the term of the Partnership or, except as set forth in Section 13.1(c), give any Person the right to dissolve the Partnership or (vi) modify the last sentence of Section 1.2.

ARTICLE XI - MERGER

15.1 Authority. The Partnership may merge or consolidate with one or more corporations, business trusts, limited liability companies or associations, real estate investment trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article.

15.2 Procedure for Merger or Consolidation. Merger or consolidation of the Partnership pursuant to this Article requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its sole discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The name and jurisdiction of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdictions of formation or organization of the business entity that is to survive the proposed merger or consolidation (hereafter designated as the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partnership interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partnership interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partnership interest are to receive in exchange for, or upon conversion of, their securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity or any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership

or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 15.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, it shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Any amendment to this Agreement or the adoption, if any, of a new limited partnership agreement for any limited partnership that is the Surviving Business Entity, as permitted by Section 211(g) of the Delaware Act.

(h) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

15.3 Approval by Limited Partner of Merger or Consolidation.

(a) The General Partner of the Partnership, upon its approval of the Merger Agreement, shall submit a copy or summary of the Merger Agreement to the Limited Partner for its approval.

(b) The Merger Agreement shall be approved upon receiving the consent of the Limited Partner. After such approval by the Limited Partner, and at any time prior to the filing of the certificate of merger pursuant to Section 15.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

15.4 Certificate of Merger. Upon the required approval by the General Partner and the Limited Partner of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

15.5 Effect of Merger.

(a) Upon the effective date of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and shall not be in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interest in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity, and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred.

ARTICLE XVI - GENERAL PROVISIONS

16.1 Addresses and Notice. Any notice, demand, request or report required or permitted to be given or made to a Partner under this Agreement shall be in writing and shall be deemed given or made where received by it at the principal office of the Partnership referred to in Section 1.3.

16.2 Titles and Captions. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

16.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice-versa.

16.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

16.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

16.6 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

16.7 Creditors. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

16.8 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

16.9 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

16.10 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

16.11 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By: /s/ WILLIAM L. THACKER

Name: William L. Thacker
Title: President and Chief Executive Officer

LIMITED PARTNER:

TEPPCO PARTNERS, L.P.

By: Texas Eastern Products Pipeline Company, General Partner

By: /s/ WILLIAM L. THACKER

Name: William L. Thacker
Title: President and Chief Executive Officer

EXHIBIT 4.3

TEPPCO PARTNERS, L.P.
CERTIFICATE EVIDENCING LP UNITS REPRESENTING LIMITED PARTNERSHIP INTERESTS

3,916,547 Class B Units

This certifies that DUKE ENERGY TRANSPORT AND TRADING COMPANY, a Colorado corporation, is the registered holder of THREE MILLION NINE HUNDRED SIXTEEN THOUSAND FIVE HUNDRED FORTY-SEVEN and No/100 (3,916,547) CLASS B UNITS

representing Class B Units of Limited Partnership Interests in TEPPCO PARTNERS, L.P., a limited partnership formed under the laws of the State of Delaware (the "Partnership"), transferrable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a property executed Application for Transfer of the Class B Units represented by this Certificate. This Certificate and the Class B Units represented hereby are issued and shall in all respects be subject to all of the provisions of the Second Amended and Restated Agreement of Limited Partnership of the Partnership, as amended or restated from time to time, to all of which the holder, by acceptance hereof, assents and to the additional terms and provisions on the reverse side hereof.

Witness the signature of the duly authorized officer of the General Partner of the Partnership.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, as General Partner

By: /s/ William L. Thacker
Name: William L. Thacker
Title: President and Chief Executive Officer

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TEPPCO Partners, L.P., a limited partnership formed under the laws of the State of Delaware (the "Partnership"), will furnish to the holder and each assignee of the Certificate and the Class B Units evidenced hereby, without charge, on written request to the Partnership at its principal place of business, P. O. Box 2521, Houston, Texas 77252-2521, a copy of the Agreement of Limited Partnership of the Partnership, as amended or restated from time to time.

The holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner or a Substituted Limited Partner (as defined in the Partnership Agreement, the terms of which are incorporated herein by reference), as applicable, and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the holder has all right, power and authority necessary to enter into the Partnership Agreement, (iii) appointed the General Partner and, if a liquidator shall be appointed, the liquidator of the Partnership as the holder's attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement, any amendment to the Partnership Agreement and the Certificate of Limited Partnership of the Partnership, necessary or appropriate for the holder's admission as a Limited Partner or a Substituted Limited Partner, as applicable, in the Partnership and as a party to the Partnership Agreement, (iv) given the powers of attorney provided for in the Partnership Agreement and (v) made the waivers and given the approvals contained in the Partnership Agreement.

TEPPCO PARTNERS, L.P.

NO TRANSFER OF THE LP UNITS EVIDENCED HEREBY WILL BE REGISTERED ON THE BOOKS OF TEPPCO PARTNERS, L.P. (THE "PARTNERSHIP"), UNLESS THE LP UNIT CERTIFICATES EVIDENCING THE LP UNITS TO BE TRANSFERRED ARE SURRENDERED FOR REGISTRATION OF TRANSFER AND AN APPLICATION FOR TRANSFER OF LP UNITS HAS BEEN EXECUTED BY A TRANSFEREE EITHER (A) ON THE FORM SET FORTH BELOW OR (B) ON A SEPARATE APPLICATION THAT THE PARTNERSHIP WILL FURNISH ON REQUEST WITHOUT CHARGE. A TRANSFEROR OF THE LP UNITS SHALL HAVE NO DUTY TO THE TRANSFEREE WITH RESPECT TO EXECUTION OF THE TRANSFER APPLICATION IN ORDER FOR SUCH TRANSFEREE TO OBTAIN REGISTRATION OF THE TRANSFER OF THE LP UNITS.

APPLICATION FOR TRANSFER OF LP UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the LP Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Agreement of Limited Partnership of TEPPCO Partners, L.P. (the "Partnership"), as amended or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and the liquidator if one is appointed his attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement, any amendment to the Partnership Agreement and the Certificate of Limited Partnership of the Partnership, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement and (e) makes the consents and waivers and gives the approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:
---------- ----------
Signature of Assignee

Social Security or other identifying number of Assignee
- ---------- ----------

- ---------- ----------
Name and Address of Assignee

- ----------
Purchase Price
(including commissions, if any)

Type of Entity (check one): [ ] Individual [ ] Partnership [ ] Corporation [ ] Trust [ ] Other (specify):

- ---
Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any Person for whom the Assignee will hold the LP Units shall be made to the best of the Assignee's knowledge.

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You have acquired an interest in TEPPCO Partners, L.P., Houston, Texas 77252, whose taxpayer identification number is 76-0291058. The Internal Revenue Service has issued TEPPCO Partners, L.P. the following as tax shelter registration number: 90036000017

You must report this REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN TEPPCO PARTNERS, L.P.

You must report the registration number (as well as the name and taxpayer identification number of TEPPCO Partners, L.P.) on Internal Revenue Service Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.
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EXHIBIT 10.16

CONTRIBUTION AGREEMENT

BETWEEN

DUKE ENERGY TRANSPORT AND TRADING COMPANY

AND

TEPPCO PARTNERS, L.P.

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CONTRIBUTION AGREEMENT

This Contribution Agreement ("Agreement"), dated as of October 15, 1998, is by and between Duke Energy Transport and Trading Company, a Colorado corporation ("DETTCO"), and TEPPCO Partners, L.P., a Delaware limited partnership ("Partnership").

W I T N E S S E T H:

WHEREAS, as of the Closing (i) DETTCO will own all of the outstanding limited liability company membership interests of DETTCO LLC, a Delaware limited liability company ("DETTCO LLC"), and (ii) DETTCO LLC will own all of the outstanding limited liability company membership interests of DEPLC LLC ("DEPLC LLC") and LSI LLC ("LSI LLC"), both Delaware limited liability companies (DETTCO LLC, DEPLC LLC and LSI LLC are sometimes hereinafter collectively referred to as the "LLCs") and (iii) the LLCs collectively will own all of the Assets and will operate the Businesses;

NOW, THEREFORE, in consideration of the premises and the mutual promises and obligations contained herein, and intending to be legally bound, Partnership and DETTCO agree as follows:

ARTICLE I.
DEFINITIONS AND CONSTRUCTION

1.1 DEFINED TERMS. The capitalized terms used in this Agreement shall have the meanings ascribed to them as follows:

"Affiliate" shall mean, when used with respect to a specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the specified Person as of the time or for the time periods during which such determination is made. By way of example, the LLCs shall be deemed Affiliates of DETTCO during the time period prior to the Effective Time and shall be deemed Affiliates of Partnership for time periods subsequent to the Effective Time. For purposes of this definition "control", when used with respect to any specified Person, means the power to direct the management and policies of the Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing. Notwithstanding the foregoing, the term "Affiliate" when applied to DETTCO shall not include Duke Energy Trading and Marketing, L.L.C., a Delaware limited liability company ("DETM"), Texas Eastern Products Pipeline Company, a Delaware corporation and the general partner of Partnership ("General Partner" or "TEPPCO"), or any entities controlled, directly or indirectly, by Partnership or the General Partner (such entities controlled by Partnership or the General Partner, together with the General Partner and Partnership, the "TEPPCO

Entities"); and as applied to Partnership, shall not include DETM, Duke Energy Corporation, a Delaware corporation, or any entities controlled, directly or indirectly, by Duke Energy Corporation other than the TEPPCO Entities;

"Amended Limited Partnership Agreement" shall mean Partnership's Second Amended and Restated Agreement of Limited Partnership to be dated on or before the Effective Time in such form and substance as shall be satisfactory to both Parties;

"Assets" shall mean the DETTCO Assets, the DEPLC Assets and the LSI Assets, collectively, but shall not include the Excluded Assets;

"Assignment of Subject Interest" shall mean the agreement by and between DETTCO and Partnership or its designee regarding the assignment of the Subject Interest to Partnership, in the form of Exhibit A attached hereto;

"Assumed Obligations" shall mean those obligations and liabilities listed in Exhibit H;

"Balance Sheet Date" shall have the meaning given that term in Section 5.6(a);

"Balance Sheets" shall have the meaning given that term in Section 5.6(a), and "Balance Sheet" shall refer to such balance sheets individually as the context requires;

"Businesses" shall mean the crude oil and natural gas liquids gathering, transportation and storage business, together with the related marketing and trading activities conducted by any of the DE Entities or the LLCs, utilizing the DETTCO Assets and the DEPLC Assets, and the petroleum lubricant storage and distribution businesses conducted by any of the DE Entities or the LLCs, utilizing the LSI Assets;

"Business Day" shall mean any day on which federal commercial banks are open for business for the purpose of sending and receiving wire transfers in Houston, Texas;

"Buy/Sell Agreement" shall mean an agreement between the Parties or certain of their Affiliates for the purchase and sale of crude oil and condensate in such form and substance as shall be satisfactory to both Parties;

"Capital Projects" shall have the meaning given that term in Section 5.21;

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. Section 9601 et seq.;

"Certain LLC Obligations" shall have the meaning given such term in Section 2.2 of the Disclosure Schedule;

"Certain Transaction Costs" shall have the meaning given such term in Section 10.10;

"Claim" shall mean any demand, demand letter, claim or notice of noncompliance or violation (written or oral) or Proceeding;

"Claim Notice" shall have the meaning given such term in Section 11.5(a);

"Class B Units" shall mean one of that certain class of limited partnership interests of Partnership with those special rights and obligations specified in the Amended Limited Partnership Agreement as being appurtenant to a "Class B Unit";

"Closing" shall have the meaning given such term in Article IV;

"Closing Date" shall have the meaning given such term in Article IV;

"Code" shall mean the Internal Revenue Code of 1986, as amended, or any amending or superseding tax laws of the United States of America;

"Condensate Purchase Agreement" shall mean an agreement among the Parties and/or certain of their Affiliates for the purchase of crude oil, condensate, including drip, and natural gas liquids in such form and substance as shall be satisfactory to both Parties;

"Consideration" shall have the meaning given such term in Section 2.2(a);

"Contracts" shall have the meaning given such term in Section 5.5(a);

"Credit Facility" shall have the meaning given such term in Section 7.1(k);

"Crude Contracts" shall mean any agreement to acquire, buy, sell, exchange, transport, market or trade crude oil, condensate, including drip, or natural gas liquids in connection with the Businesses;

"Designated Plans" shall have the meaning given such term in Section 5.13;

"DE Entities" shall mean, collectively, DETTCO, DEPLC and LSI, and "DE Entity" shall refer to the individual DE Entities as the context requires (see also Section 1.2(d));

"DEPLC" shall mean Duke Energy Pipe Line Company, a Delaware corporation;

"DEPLC Assets" shall be those assets and properties listed or described on Exhibit B and any other asset relating to, or used by DEPLC or DEPLC LLC in, the Businesses, other than the Excluded Assets;

"DEPLC LLC" shall have the meaning given such term in the preamble;

"DETTCO" shall have the meaning given such term in the preamble and any successor or assign permitted by this Agreement;

"DETTCO Assets" shall be those assets and properties listed or described on Exhibit C and any other asset relating to, or used by DETTCO or DETTCO LLC in, the Businesses, other than the Excluded Assets;

"DETTCO Indemnitees" shall have the meaning given such term in Section 11.4;

"DETTCO LLC" shall have the meaning given such term in the preamble;

"DETTCO's Damages" shall mean Claims against and Losses incurred by DETTCO Indemnitees;

"DETTCO Property Tax" shall have the meaning given such term in Section 2.4(a);

"Disclosure Schedule" shall mean the disclosure schedule of even date with this Agreement prepared and delivered to Partnership by DETTCO;

"Disputes" shall have the meaning given such term in Section 15.1;

"Division Order Contracts" shall mean any contract evidenced only by a division order or similar document, or by the parties' course of dealing, for the purchase or sale of crude oil, condensate, including drip, or natural gas liquids.

"Effective Time" shall mean 7:00 a.m., Houston, Texas time on November 1, 1998 or such other time and date as the Parties shall agree;

"Environmental Condition" shall mean any environmental pollution, contamination, degradation, damage or injury caused by, related to, arising from, or in connection with the generation, handling, use, treatment, storage, transportation, disposal, discharge, release or emission of any Hazardous Materials, or violation of or remediation required under any Environmental Law;

"Environmental Laws" shall mean all laws, rules, regulations, statutes, ordinances, decrees or orders of any Governmental Authority in effect as of the Closing Date relating to (a) the control of any pollutant or potential pollutant or

protection of the air, water, or land, (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, including all Hazardous Materials, and (c) exposure to hazardous, toxic or other substances alleged to be harmful and includes without limitation, (1) the terms and conditions of any Environmental Permits and (2) judicial, administrative, or other regulatory decrees, judgments, and orders of any Governmental Authority. "Environmental Laws" shall include, but not be limited to, the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Clean Water Act, 33 U.S.C. Section 1251 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq., the Superfund Amendments and Reauthorization Act, 42 U.S.C. Section 11001, et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq. and CERCLA. The term "Environmental Laws" shall also include all state, local and municipal laws, rules, regulations, statutes, ordinances and orders dealing with the same subject matter or promulgated by any Governmental Authority thereunder or to carry out the purposes of any federal, state, local and municipal law;

"Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remedial, removal, response, abatement, clean-up, investigative, or monitoring costs and any other related costs and expenses), other causes of action, damages, settlements, expenses, charges, assessments, liens, penalties, fines, pre-judgment and post-judgment interest, attorneys' fees and other legal fees (a) pursuant to any agreement, order, notice, or responsibility, directive (including directives embodied in Environmental Laws), injunction, judgment, or similar documents (including settlements), arising out of or in connection with any Environmental Laws, or (b) pursuant to any claim by a Governmental Authority or other Person for personal injury, property damage, damage to natural resources, remediation, or payment or reimbursement of response costs incurred or expended by the Governmental Authority or Person pursuant to common law or statute and relating to an Environmental Condition;

"Environmental Material Adverse Effect" shall mean any Environmental Liabilities that are reasonably expected to exceed $100,000 per occurrence, or $250,000 in the aggregate;

"Environmental Permit" shall mean any permit, license, approval, registration, identification number or other authorization covering the ownership or operation of the Assets granted under or pursuant to any applicable law, regulation or other requirement of the United States or of any state, municipality or other subdivision thereof relating to the control of any pollutant or protection of health or the environment, including, without limitation, all applicable Environmental Laws;

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended;

"ERISA Affiliate" shall mean any entity (whether or not incorporated) that is treated as a single employer, together with any LLC under section 414 of the Code but excluding the TEPPCO Entities;

"Exchange Act" shall have the meaning given such term in Section 6.6;

"Excluded Assets" shall mean those assets and properties listed or described on Exhibit D;

"[F]air market value" as such term is used in Section 10.4 hereof shall mean the market value of the Other Inventory or the Inventory Deficit, as the case may be, as of the Closing Date as determined by the mutual agreement of the Parties;

"Financial Statements" shall have the meaning given such term in Section 5.6(a);

"GAAP" means generally accepted accounting principles in the United States consistently applied for the time periods involved;

"General Partner" shall mean Texas Eastern Products Pipeline Company, a Delaware corporation and the general partner of Partnership;

"Governmental Authority" shall mean any entity of or pertaining to government, including any federal, state, local, other governmental or administrative authority, agency, court, tribunal, arbitrator, commission, board or bureau;

"Guaranty Agreement" shall mean an agreement between Duke Energy Natural Gas Corporation, a Delaware corporation, and Partnership, in form and substance as shall be satisfactory to the Parties, pursuant to which Duke Energy Natural Gas Corporation shall guarantee the performance of the obligations of DETTCO and its Affiliates under this Agreement and the Other Agreements;

"Hazardous Materials" shall mean (a) toxic or hazardous materials or substances; (b) solid wastes, including asbestos, polychlorinated biphenyls, mercury, buried contaminants, chemicals, flammable or explosive materials; (c) radioactive materials; (d) petroleum wastes and any spills or releases of any crude oil, petroleum wastes or petroleum products; and (e) any other chemical, pollutant, contaminant, substance or waste that is regulated by any Governmental Authority under any Environmental Law;

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

"Indemnified Party" shall have the meaning given such term in Section 11.5;

"Indemnifying Party" shall have the meaning given such term in Section 11.5;

"Intellectual Property" shall mean any and all technical information, know-how, trade secrets, shop rights, designs, plans, manuals, computer software, specifications and other proprietary and nonproprietary technology, data and information used in connection with the operation of the Assets or the Businesses;

"Inventory Deficit" shall have the meaning given such term in Section 10.4(a).

"IRS" shall mean the Internal Revenue Service of the United States of America;

"LLC Agreement" shall have the meaning given such term in Section 5.1(b);

"LLCs" shall have the meaning given such term in the preamble, and "LLC" shall refer to such limited liability companies individually as the context requires;

"Lien" shall mean, except for the Permitted Encumbrances, any lien, mortgage, pledge, claim, charge, security interest, collateral assignment, clouds-on- title, irregularities, defects, options, imperfections of title or other encumbrance;

"Limited Partnership Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of Partnership dated as of July 21, 1998;

"Losses" shall mean any and all damages, losses, liabilities, payments, obligations, penalties, assessments, costs, disbursements or expenses (including interest, awards, judgments, settlements, fines, costs of remediation, diminutions in value, fees, disbursements and expenses of attorneys, accountants and other professional advisors and of expert witnesses and costs of investigation and preparation of any kind or nature whatsoever);

"LSI" shall mean Lubrication Services, Inc., a Colorado corporation;

"LSI Assets" shall mean those assets and properties listed or described on Exhibit F and any other asset relating to, or used by LSI or LSI LLC in, the Businesses, other than the Excluded Assets;

"LSI LLC" shall have the meaning given such term in the preamble;

"Lubrication Sales Agreement" shall mean the two agreements for the sale and purchase of products distributed by LSI LLC, to be between such party and each of Duke Energy Field Services, Inc. and Panhandle Field Services Company, and in such form and substance as shall be satisfactory to the Parties;

"Material Adverse Effect" shall mean a single event, occurrence or fact that, alone or together with all other events, occurrences and facts, could reasonably be expected to result in a material loss to or material diminution in value of the Assets to an acquirer thereof or prohibit or delay the consummation of the transactions contemplated hereby; provided that the term "Material Adverse Effect" shall not include changes in general economic, industry or market conditions, or changes in law, including Environmental Laws, or regulatory policy;

"Membership Interests" shall mean, with respect to each of DETTCO LLC, DEPLC LLC and LSI LLC, all of the limited liability company membership interests of such limited liability company;

"Minimum Operating Inventory" shall mean the minimum operating inventory of crude oil, condensate, including drip, and natural gas liquids owned by the LLCs and utilized as linefill (including any linefill in third-party pipelines) and minimum operating inventory in tanks and other of the Assets which is necessary to operate such Assets and consists of those volumes shown on Exhibit E;

"Mobil Contract" shall mean that certain letter agreement dated July 15, 1996 between DETTCO and Mobil Oil Corporation concerning the exchange of 100,000 bbls of WTI crude oil;

"NGL Transportation Agreement" shall mean an agreement for the transportation of natural gas liquids, to be between the Parties and/or certain of their Affiliates and in such form and substance as shall be satisfactory to both Parties;

"NOTTI Walk-Away Fee" shall mean any fee, charge or other cost payable by DETTCO or an Affiliate to Dynegy Inc. pursuant to that certain Letter of Intent between such parties dated July 17, 1998 ("LOI") or in connection with the purported or actual termination or breach of such LOI;

"Other Agreement" shall mean any of the Condensate Purchase Agreement, Lubrication Sales Agreement, NGL Transportation Agreement, Transition Services Agreement and Buy/Sell Agreement, and "Other Agreements" means all of the foregoing agreements;

"Other Inventory" shall mean the aggregate amount of crude oil, condensate, including drip, and natural gas liquids owned by any of the DE Entities or LLCs in excess of the Minimum Operating Inventory and the petroleum lubricants and chemicals owned and held in storage by LSI or LSI LLC;

"Other Sites" shall mean all properties and interests in properties (including right-of-ways, listed on Exhibits B, C and F), or which comprise a part of the Assets or are used in conjunction with the Assets or the Businesses, excluding in each case, the Phase II Sites;

"Partnership" shall have the meaning given that term in the preamble and any successor or assign permitted by this Agreement;

"Partnership Assumed Obligations" shall mean one-half of Certain LLC Obligations;

"Partnership's Damages" shall mean Claims against and Losses incurred by Partnership Indemnitees;

"Partnership Indemnitees" shall have the meaning given such term in Section 11.1;

"Partnership Material Adverse Effect" shall mean a single event, occurrence or fact that, alone or together with all other events, occurrences and facts, could reasonably be expected to result in a material loss to or material diminution in value of the Class B Units to an acquirer thereof or prohibit or delay the consummation of the transactions contemplated hereby; provided, however, that the term "Partnership Material Adverse Effect" shall not include changes in general economic, industry or market conditions, or changes in law, including Environmental Laws, or regulatory policy;

"Party" shall mean DETTCO or Partnership; and "Parties" means DETTCO and Partnership;

"Party Indemnitee" shall mean the DETTCO Indemnitees or the Partnership Indemnitees, as the context requires;

"PBGC" shall mean the Pension Benefit Guaranty Corporation;

"Permit" shall mean any license, permit, concession, franchise or other authorization or approval granted by any Governmental Authority;

"Permitted Encumbrances" shall mean (a) Liens for current taxes and assessments not yet due or which DETTCO is contesting in good faith, (b) inchoate mechanic and materialmen liens for construction in progress, (c) workmen, repairmen, warehousemen, customer, employee and carriers liens arising in the ordinary course of business for liquidated amounts for which the LLCs or the DE Entities have agreed to pay or are contesting in good faith; (d) liens or security interests created by law or reserved in the instruments creating the Assets comprised of leases, easements, rights-of-way or similar Assets for rental or created within such instruments to secure compliance with the terms of such instruments; (e) any obligations or duties affecting the Assets to any Governmental Authority with respect to any Permit and all applicable laws, rules, regulations and orders of any Governmental Authority; (f) preferential rights to purchase the Assets which are not applicable to the transfer of the Assets to the LLCs or transfer of the Subject Interest contemplated by this

Agreement or which have been waived or with respect to which the appropriate time periods for asserting the rights have expired; (g) third-party consent requirements and similar restrictions (x) which are not applicable to the transfer of the Assets to the LLCs or the transfer of the Subject Interest contemplated by this Agreement, (y) with respect to which waivers or consents are obtained from the appropriate parties prior to the Closing Date or the appropriate time period for asserting the right has expired or (z) with respect to which arrangements have been made in accordance with Section 2.6 hereof for Partnership or the LLCs to receive the same economic benefit as if such consents have been obtained; (h) easements, rights-of-way, servitudes, permits, surface leases and other similar rights encumbering surface property to the extent the same do not materially interfere in the conduct of the Businesses; (i) any encumbrance on or affecting the Assets which is expressly assumed or waived by Partnership at or prior to Closing pursuant to a written agreement specifically identifying such encumbrance or which is discharged by the DE Entities or the LLCs at or prior to Closing; (j) any matters shown on Exhibit K; (k) Liens created by Partnership or the LLCs post-Closing; and (l) Liens that, singly or in the aggregate, would not have a Material Adverse Effect;

"Person" shall mean any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization, Governmental Authority or government (or agency or political subdivision thereof);

"Phase II Sites" shall mean those properties comprising part of or used in connection with the Assets and/or Businesses listed on Exhibit J at which Partnership completed its sampling and analysis of soils, water, and/or groundwater;

"Proceeding" shall mean any action, suit, claim, investigation, review or other judicial or administrative proceeding, at law or in equity, before or by any Governmental Authority;

"RCRA" shall mean the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.;

"Records" shall mean all agreements, documents, books, records and files relating to the Assets and the LLCs, including without limitation, accounting records, operating records, charts, maps, surveys, drawings, prints and any physical embodiment of the Intellectual Property, however, Records shall not include the corporate, financial, tax and litigation files of any DE Entity or records relating to Excluded Assets, the transactions contemplated herein or any gas purchase, processing and/or gathering agreements of any DE Entity;

"Retained Obligations" shall have the meaning given such term in Article III;

"Securities Act" shall have the meaning given such term in Section 5.18;

"Short Term Contracts" shall mean the Crude Contracts and any contracts relating to the sale of petroleum lubricants and chemicals by LSI or LSI LLC that, in each case, expire or are terminable in 30 days or less or upon 30 days or less notice, and any Division Order Contracts;

"Software" shall mean all computer programs and software systems, regardless of format or medium, including both object code and source code (to the extent available to the DE Entities), automated routines used to cause a computer or computer aided device to perform a desired task, and all firmware and embedded systems;

"Subject Employees" shall mean those individuals who are listed on Section 10.5(a) of the Disclosure Schedule;

"Subject Interest" shall mean the Membership Interest of DETTCO LLC;

"Suspense Account Funds" shall have the meaning given such term in Section 10.7(a);

"Suspense Cash Assets" shall have the meaning given such term in Section 10.7(b);

"Tax" or "Taxes" shall mean any United States or foreign federal, state or local income tax, ad valorem tax, excise tax, sales tax, use tax, franchise tax, real or personal property tax, transfer tax, gross receipts tax or other tax, assessment, duty, fee, levy or other governmental charge, together with and including, any and all interest, fines, penalties, assessments, and additions to Tax resulting from, relating to, or incurred in connection with any of those or any contest or dispute thereof;

"Tax Return" shall mean any report, statement, form, return or other document or information required to be supplied to a taxing authority in connection with Taxes;

"TEPPCO" shall mean the General Partner;

"TEPPCO Entities" shall have the meaning given such term in the definition of "Affiliate";

"Territory" shall have the meaning given such term in Section 9.1;

"Third Party" shall mean any Person other than the Parties, any Affiliate of a Party or DETM;

"Third Party Affected Site" shall have the meaning given such term in Section 11.2(b);

"Transition Services Agreement" shall mean an agreement between the Parties or their Affiliates providing for the provision of certain specified administrative and other services for the benefit of the LLCs, and in such form and substance as shall be satisfactory to both Parties;

"Units" shall have the meaning given such term in Section 2.2(b); and

"WARN Act" shall mean the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Sections 2101-2109.

1.2 OTHER DEFINITIONAL PROVISIONS.

(a) As used in this Agreement, unless expressly stated otherwise, references to (a) "including" mean "including, without limitation", and the words "hereof", "herein", and "hereunder", and similar words, refer to this Agreement as a whole and not to any particular article, provision, section or paragraph of this Agreement and (b) "or" mean "either or both". Unless otherwise specified, all references in this Agreement to Sections, paragraphs or Exhibits are deemed references to the corresponding Sections, paragraphs or Exhibits in this Agreement.

(b) Whenever a statement is qualified by the term "knowledge," "best knowledge" or similar term or phrase, it is intended to indicate actual knowledge of the Persons identified below. As applied to DETTCO, such terms or phrases shall be limited to the actual knowledge of the Persons listed in Part I of Section 1.2(b) of the Disclosure Schedule; and as applied to Partnership, such terms or phrases shall be limited to the actual knowledge of the Persons listed in Part II of Section 1.2(b) of the Disclosure Schedule.

(c) Reference to "day" or "days" in this Agreement shall refer to Business Days unless otherwise stated.

(d) The Parties recognize that as of the Closing the DE Entities will be merged, with DETTCO being the surviving corporation. Accordingly, the term "DE Entities" in this Agreement shall refer to only the surviving DE Entity except where the context refers to or includes periods during which the other DE Entities were in existence or to actions or omissions of all of such other DE Entities, in which event, the use of the term "DE Entities" refers to all such entities.

(e) Reference to the "predecessor" of an LLC shall mean, in the case of DETTCO LLC, DETTCO; in the case of DEPLC LLC, DEPLC; and in the case of LSI LLC, LSI.

1.3 HEADINGS. The headings of the Articles and Sections of this Agreement and of the Disclosure Schedule and Exhibits are included for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation hereof or thereof.

1.4 OTHER TERMS. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement.

ARTICLE II.
CONTRIBUTION OF THE SUBJECT INTEREST AND
ISSUANCE OF THE CLASS B UNITS

2.1 THE TRANSACTION. At the Closing, but effective for all purposes as of the Effective Time, DETTCO shall contribute to Partnership the Subject Interest in exchange for the issuance of the Consideration to DETTCO by Partnership.

2.2 CONSIDERATION AND ASSUMED OBLIGATIONS.

(a) In consideration for the contribution of the Subject Interest, Partnership shall issue and deliver to DETTCO at the Closing one or more certificates duly registered in the name of DETTCO and representing 3,916,547 Class B Units of Partnership (the "Consideration").

(b) Notwithstanding any other provision in this Agreement, should the average closing price for the outstanding units of limited partnership interest in Partnership listed on the New York Stock Exchange (the "Units") fall below $24.56 for the ten (10) Business Days immediately preceding the Closing Date as reported by The Wall Street Journal, either Party shall be entitled to terminate this Agreement upon written notice to the other Party.

(c) The LLCs shall retain or shall otherwise assume the Assumed Obligations consisting solely of those described in Exhibit H.

2.3 ADJUSTMENTS.

(a) The value of the Consideration shall be subject to cash adjustments pursuant to Sections 2.4 and 10.4.

(b) All adjustments to the value of the Consideration provided for in this Section 2.3 shall be made by payment in cash and not by adjustment of the number of Class B Units received by DETTCO. Each payment of an adjustment to the Consideration shall be made at Closing if the adjustment is determined by such date, or otherwise, within ninety (90) days of the resolution or determination of the amount of such adjustment, and shall be made in immediately available funds by wire transfer to an account specified in writing by the Party receiving such payment.

(c) The Parties shall use all commercially reasonable efforts to agree upon the adjustments set forth in Section 2.3, and to resolve any differences with respect thereto, prior to the first anniversary date of the Closing Date.

2.4 PRORATIONS OF EXPENSES AND CERTAIN PROPERTY TAXES.

(a) Any general property Tax assessed against or pertaining to the Assets for the taxable period that includes the Effective Time shall be prorated between

DETTCO and the LLCs as of the Effective Time. Prior to the Closing, DETTCO shall determine, in accordance with Section 2.4(b), the portion of such general property Tax attributable to the period from January 1, 1998 to the Effective Time (the "DETTCO Property Tax"), and shall provide Partnership with a reasonable opportunity to review and comment on such determination. DETTCO and Partnership shall cooperate in good faith with each other to reach agreement as to the aggregate amount of the DETTCO Property Tax, and DETTCO shall pay the amount of the DETTCO Property Tax to Partnership at Closing.

(b) The DETTCO Property Tax shall be an amount equal to the product of (i) the amount of such general property Tax for the entire taxable period that includes the Effective Time (or the amount of such general property Tax for the immediately preceding taxable period in the case of those Assets, if any, for which such general property Tax for the current period cannot be determined), times (ii) a fraction, the numerator of which is the number of days from January 1, 1998 to the Effective Time and the denominator of which is the total number of days in the entire taxable period. Notwithstanding anything in this Agreement to the contrary, no further adjustment shall be made for such general property Tax, Partnership hereby agreeing to cause the LLCs to assume the payment of all such general property Tax effective upon the Closing.

(c) Except as otherwise provided in this Agreement, DETTCO and Partnership agree that amounts payable with respect to utility charges and other items of expense attributable to the operation of the Assets shall be prorated as of the Effective Time to the extent the charges and expenses cannot be identified as to the Party who received the benefits to which the charges and expenses relate.

(d) To the extent the amounts described in Section 2.4(c) are estimated at Closing and the prorations are inaccurate, DETTCO and Partnership agree to make or cause to be made such payment (or reimbursement) to the other after the amounts are correctly computed, that is necessary to allocate the charges properly between DETTCO and Partnership as of the Effective Time.

2.5 CONSENTS. DETTCO shall use all reasonable commercial efforts to secure, prior to the Closing Date, any and all Third Party consents, except those relating to Short Term Contracts, that are necessary and proper to consummate the (i) conveyance of the Assets to the LLCs as contemplated by the Parties and this Agreement, including without limitation, contracts, rights-of-way, easements and Permits included in the Assets or otherwise used in the Businesses, and (ii) transfer of the Subject Interest to Partnership. However, in the event that any such Third Party consents have not been obtained prior to Closing which Partnership, in the exercise of its reasonable business judgment, deems to be material, DETTCO will enter into an agency agreement(s) or other arrangements as are mutually satisfactory to the Parties to allow Partnership to receive substantially the same economic benefits as if such consents had been obtained. In the event mutual agreement cannot be achieved as to such arrangements, either Party shall have the right to terminate this Agreement upon written notice to the other Party prior to the Closing Date, and both Parties shall be released from all further obligations related to this Agreement and the transactions contemplated by it.

ARTICLE III.
RETAINED OBLIGATIONS

LIABILITIES NOT ASSUMED BY PARTNERSHIP. Except for the Assumed Obligations, the Partnership Assumed Obligations and as otherwise provided in Section 11.4(e), DETTCO and its Affiliates shall pay and discharge in due course all of the liabilities, debts and obligations, whether known or unknown, now existing or hereafter arising, contingent or liquidated as the same relate to the Assets or the Businesses for all periods of time prior to the Effective Time, including without limitation, all trade and other payables of the DE Entities and the LLCs and those items listed on Exhibit I (collectively, the "Retained Obligations"). Except as otherwise provided in Section 11.4(e), neither Partnership nor any of its Affiliates shall assume, or in any way be liable or responsible for, any of the Retained Obligations.

ARTICLE IV.
CLOSING DATE AND EFFECTIVE TIME

The closing of the contribution of the Subject Interest from DETTCO to Partnership (the "Closing") shall take place at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney Street, Suite 5100, Houston, Texas, or at such other place as the Parties may mutually agree to in writing. The Closing shall take place at 10:00 a.m. on the later of (i) November 1, 1998, (ii) five (5) Business Days after the date DETTCO and Partnership obtain all necessary regulatory approvals, if any, required by each of them, respectively, containing terms and conditions acceptable to both Parties, or (iii) such other date and time as the Parties may agree. The date of the Closing is referred to herein as the "Closing Date". Regardless of the actual Closing Date, the transactions contemplated by this Agreement shall be effective as of the Effective Time.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF DETTCO

Except as set forth in the Disclosure Schedule (whereunder disclosure under any Section thereof shall constitute disclosure under all other Sections thereof provided appropriate cross-references are included to such other Sections) delivered to Partnership herewith, DETTCO represents and warrants to Partnership as follows:

5.1 CORPORATE MATTERS.

(a) DETTCO is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado and has all requisite corporate power and authority to own, operate and lease its properties and assets and to carry on its

business in the places and in the manner currently conducted. Partnership has been provided with a true and correct copy of DETTCO's Articles of Incorporation and Bylaws as currently in effect. DETTCO has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder, including, without limitation, the transfer by DETTCO of the Subject Interest in accordance with this Agreement. DETTCO is duly licensed or qualified and in good standing as a foreign corporation authorized to do business in all jurisdictions wherein the character of the property owned or leased, or the nature of the activities conducted, by it make such licensing or qualification necessary, except where the failure to be so licensed or qualified would not constitute a Material Adverse Effect. Such jurisdictions as of the Closing Date are listed in Section 5.1(a) of the Disclosure Schedule. This Agreement and the transactions contemplated hereby have been duly authorized by all requisite corporate and stockholder action on the part of DETTCO, and the Agreement has been duly executed and delivered by DETTCO.

(b) Each of the LLCs is a duly organized and validly existing limited liability company in good standing under the laws of the State of Delaware and has all requisite power and authority for the ownership and operation of its properties and assets and for the carrying on of its business as now conducted or as now proposed to be conducted. Upon Closing, each of the LLCs will be duly licensed or qualified and in good standing as a foreign limited liability company authorized to do business in all jurisdictions wherein the character of the property owned or leased, or the nature of the activities conducted (including its respective portion of the Businesses), by it make such licensing or qualification necessary, except where the failure to be so licensed or qualified would not constitute a Material Adverse Effect. Such jurisdictions for each of the LLCs as of the Closing Date are listed in Section 5.1(b) of the Disclosure Schedule. DETTCO has delivered to Partnership true and correct copies of the Certificate of Formation and Limited Liability Company Agreement ("LLC Agreement") of each of the LLCs as currently in effect. The transactions contemplated by this Agreement, including the transfers of the Assets referred to in Section 5.4(b) by the DE Entities to the LLCs, have been duly authorized by all requisite corporate and stockholder action on the part of each of the DE Entities (to the extent applicable to such entity) and all requisite limited liability company action on the part of each of the LLCs (to the extent applicable to such entity).

(c) Each of the DE Entities (other than DETTCO) was, during the period in which such entity conducted its portion of the Businesses, duly licensed or qualified and in good standing as a foreign corporation authorized to do business in all jurisdictions wherein the character of the property owned or leased, or the nature of the activities conducted, by it in connection with the Businesses made such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have had during such period, or would not today constitute, a Material Adverse Effect. Such jurisdictions for each of the other DE Entities immediately prior to the respective transfer of the Assets by such entity to the respective LLC, are listed in Section 5.1(c) of the Disclosure Schedule.

(d) DETTCO owns, beneficially and otherwise, all of the Subject Interest, and as of the Closing DETTCO LLC will own, beneficially and otherwise, all of the Membership Interests of DEPLC LLC and LSI LLC, in each case, free and clear of all Liens, options, warrants or claims (contingent or absolute) of any kind or character except as arise out of this Agreement and subject to the terms of the respective LLC Agreements. Upon transfer of the Subject Interest to Partnership at the Closing, Partnership will own, beneficially and otherwise, the Subject Interest, and DETTCO LLC will continue to own, beneficially and otherwise, the Membership Interests of DEPLC LLC and LSI LLC, in each case, free and clear of any Lien, option, warrant or claim, except for (i) any Lien, option, warrant or claim created by or through Partnership or, in the case of the Membership Interests of DEPLC LLC and LSI LLC, DETTCO LLC from and after the Closing, (ii) the terms of the applicable LLC Agreement and (iii) any restriction on transferability of the Subject Interest arising under applicable securities laws.

5.2 VALIDITY OF AGREEMENT; NO CONFLICT.

(a) This Agreement is a legal, valid and binding obligation of DETTCO, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect that affect creditors' rights generally and by legal and equitable limitations on the availability of specific remedies.

(b) The execution, delivery and performance of this Agreement by DETTCO and the other agreements and documents to be delivered by DETTCO to Partnership hereunder, the consummation of the transactions contemplated hereby or thereby, and the compliance with the provisions hereof or thereof, by DETTCO will not, with or without the passage of time or the giving of notice or both:

(i) conflict with, constitute a breach, violation or termination of any provision of, or give rise to any right of termination, cancellation or acceleration, or loss of any right or benefit or both, under any agreement to which DETTCO, any DE Entity or any LLC is a party or by which DETTCO, any DE Entity or any LLC or the Assets or Membership Interests are bound;

(ii) conflict with or violate (x) the Articles of Incorporation or Bylaws of DETTCO or (y) the LLC Agreement or the Certificate of Formation of any LLC;

(iii) result in the creation or imposition of any Lien on any of the Assets or the Membership Interests; or

(iv) to DETTCO's knowledge, violate any law, statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order or any other

restriction of any kind or character applicable to DETTCO or its properties or assets;

except any matters described in clauses (i), (iii) or (iv) that would not have a Material Adverse Effect.

5.3 CONSENTS, APPROVALS, AUTHORIZATIONS AND PERMITS.

(a) Except (i) as set forth in Section 5.3(a) of the Disclosure Schedule, (ii) as contemplated in Section 8.1, (iii) as required pursuant to any Short Term Contract and (iv) for any required filings with the SEC pursuant to the Exchange Act, no order, license, consent, waiver, authorization, filing or approval of any Person not a Party hereto, including any Governmental Authority, is necessary on behalf of DETTCO to authorize the execution, delivery and performance of this Agreement or any other agreement contemplated hereby to be executed and delivered by it and the consummation of the transactions contemplated hereby or thereby, including the transfers of the Assets to the LLCs by the DE Entities, or to effect the legality, validity, binding effect or enforceability of such transactions, other than (x) any requirement that is applicable to Partnership or as a result of any other facts that specifically relate to the business or activities in which Partnership is engaged or (y) as will not have a Material Adverse Effect if not obtained.

(b) Except as set forth in Section 5.3(b), Part I of the Disclosure Schedule, prior to the transfer of the Assets and the Businesses to the LLCs, all Permits required or necessary for the DE Entities and the LLCs to own and operate the Assets and to conduct the Businesses in the places and in the manner currently or previously conducted by them have been duly obtained, are in full force and effect and are accurately set forth in Section 5.3(b), Part II of the Disclosure Schedule. All of such Permits shall be transferred by the applicable DE Entity to the applicable LLC in connection with the transfer of the Assets and Businesses to the LLCs. Neither the DE Entities nor the LLCs, nor any of them, has received notification concerning, and DETTCO has no knowledge of, violations that are in existence with respect to those Permits and no Proceeding is pending or, to the knowledge of DETTCO, threatened with respect to the revocation or limitation of any of the Permits.

5.4 TITLE TO AND CONDITION OF THE ASSETS.

(a) (i) A complete listing of all material assets owned or leased by DETTCO (other than Excluded Assets) is set forth in Exhibit C. As of the Closing, all of the tangible DETTCO Assets will be in DETTCO LLC's possession and control or subject to valid and existing Contracts. DETTCO owns all of the DETTCO Assets free and clear of all Liens except the Permitted Encumbrances and, as of the Closing, DETTCO LLC will own all of the DETTCO Assets, free and clear of all Liens except the Permitted Encumbrances.

(ii) A complete listing of all material assets owned or leased by DEPLC (other than Excluded Assets) is set forth in Exhibit B. As of the Closing, all of the tangible DEPLC Assets will be in DEPLC LLC's possession and control or subject to valid and existing Contracts. DEPLC owns all of the DEPLC Assets free and clear of all Liens except the Permitted Encumbrances and, as of the Closing, DEPLC LLC will own all of the DEPLC Assets, free and clear of all Liens except the Permitted Encumbrances.

(iii) A complete listing of all material assets owned or leased by LSI (other than Excluded Assets) is set forth in Exhibit F. As of the Closing, all of the tangible LSI Assets will be in LSI LLC's possession and control or subject to valid and existing Contracts. LSI owns all of the LSI Assets free and clear of all Liens except the Permitted Encumbrances and, as of the Closing, LSI LLC will own all of the LSI Assets, free and clear of all Liens except the Permitted Encumbrances.

(b) As of the Closing, and except for the Excluded Assets and assets sold in the ordinary course of business, all of the assets utilized by DETTCO in its business operations will have been transferred by it to DETTCO LLC; all of the assets utilized by DEPLC in its business operations will have been transferred by it to DEPLC LLC; and all of the assets utilized by LSI in its business operations will have been transferred by it to LSI LLC.

(c) Except as would not have a Material Adverse Effect, as of Closing, all of the pipelines, plants and fixtures comprising a part of the Assets will be located on lands owned in fee by, or covered by a lease, easement, license or right-of-way agreement owned by, one of the LLCs and which leases, easements, licenses or rights-of-way agreements are in full force and effect and to the extent material, are listed on the respective lists of the Assets of the LLCs in Exhibits B, C and F. Except as would not have a Material Adverse Effect, all real property and real property interests included in the Assets are described in Exhibits B, C and F and constitute the only interest in real property included in the Assets. Except as would not have a Material Adverse Effect, as to those Assets that are pipeline assets, all rights-of-way (including lease, license and easement agreements) are contiguous.

(d) None of the DE Entities or any of the LLCs has received any notice of infringement, misappropriation or conflict with respect to the Intellectual Property of any other Person relating to the operation of the Assets or the Businesses except as noted in Section 5.4(d) of the Disclosure Schedule, and the operation of the Assets or the Businesses has not (and does not) infringed, misappropriated or otherwise conflicted with any Intellectual Property.

(e) Except as described in Section 5.4(e) of the Disclosure Schedule, the operation of the Businesses in the ordinary course of business as they are now conducted is not dependent upon the right to use the property of Persons other than the DE Entities' or the LLCs', except (i) as would not cause a Material Adverse Effect

or (ii) such property as is leased, covered by an easement or other contract for the use thereof or licensed to the DE Entities or the LLCs pursuant to any of the Assets, which leases, easements, contracts (other than Short Term Contracts) and licenses, to the extent material, are listed in Exhibits B, C and F. As of Closing, except for contractual rights of parties to contracts other than the DE Entities or the LLCs and as would not have a Material Adverse Effect, no Person, other than the LLCs, will own or have any interest in any of the Assets or any asset currently used by the DE Entities or LLCs in the operation of the Businesses, except such assets as are leased, covered by an easement contract or license that will be owned, as of the Closing, by one of the LLCs and which are, to the extent material, listed in Exhibits B, C and F.

(f) Except as described in Section 5.4(f) of the Disclosure Schedule, the Assets listed in Exhibits B, C and F which consist of plants, pipelines, fixtures or equipment are, in all material respects, (i) in good operating condition and repair, in accordance with standards generally acceptable in the industry, ordinary wear and tear excepted, (ii) adequate and sufficient for the operations of the Businesses and (iii) conforming in use to all applicable laws.

(g) Except as set forth in Section 5.4(g) of the Disclosure Schedule, upon consummation of the transactions contemplated by this Agreement, each of the LLCs shall have a nonexclusive right to use the Intellectual Property in connection with its ownership and operation of the Assets and its operation of its respective Business, in the manner now owned or conducted.

5.5 CONTRACTS AND COMMITMENTS.

(a) Except for this Agreement, the Short Term Contracts, those contracts covered by Section 5.5(b) below and as set forth in Section 5.5(a) of the Disclosure Schedule, none of the LLCs are party to, and none of the Assets are subject to or include, the following (the "Contracts"):

(i) any agreement, contract or commitment requiring the expenditure or series of related expenditures of funds in excess of $100,000;

(ii) any agreement, contract or commitment requiring the payment for goods or services (whether or not the goods or services are actually provided) or the provision of goods or services at a price less than the LLCs' cost of producing the goods or providing the services;

(iii) any loan or advance to, or investment in, any Person or any agreement, contract, commitment or understanding relating to the making of any loan, advance or investment;

(iv) other than as contemplated by the Credit Facility, any contract, agreement, indenture, note or other instrument relating to the borrowing of money or any guarantee or other contingent liability in respect of any indebtedness or obligation of any Person (other than the endorsement of negotiable instruments for deposit or collection in the ordinary course of business);

(v) any management service, union, employment, consulting, severance or other similar type contract or agreement;

(vi) any agreement, contract or commitment that would limit the freedom of Partnership, any LLCs or any Affiliate of Partnership following the Effective Time to own, operate, sell, transfer, pledge or otherwise dispose of or encumber any of the Assets or to compete with any Person or to engage in any business or activity in any geographic area;

(vii) any agreement, lease, contract or commitment or series of related agreements, leases, contracts or commitments not entered into in the ordinary course of business;

(viii) other than rights-of-way, easement agreements, licenses, access agreements and surface leases, any agreement or contract that would obligate or require Partnership or any LLC or any subsequent owner of any of the Assets to provide for indemnification or contribution with respect to any matter;

(ix) any license, royalty or similar agreement;

(x) any other agreement, contract or commitment that could reasonably be expected to have a Material Adverse Effect;

(xi) any agreement, written or oral, or other continuing transactions between a DE Entity or an LLC, on the one hand, and any other Affiliate of DETTCO, on the other hand, except for the Other Agreements or as otherwise contemplated by this Agreement;

(xii) any agreement or other commitment relating to rights, options, warrants or agreements granted or issued by or binding upon an LLC for the purchase or acquisition of Membership Interests of such LLC or any outstanding preemptive, conversion or other such rights with respect to such interests;

(xiii) any agreements containing preferential rights to purchase all or any portion of the Assets (other than in the ordinary

course of business) which rights have not, or by the Closing Date will not have been, terminated or expired;

(xiv) any swaps or futures instruments; or

(xv) except for the transactions contemplated by this Agreement, any agreement binding upon any of the LLCs to make any acquisitions of any business or business operations other than the Businesses, whether by way of acquisition of assets or equity interest in another entity, by merger or otherwise.

(b) Section 5.5(b) of the Disclosure Schedule, as of the date hereof, identifies and summarizes the principal terms (in the opinion of DETTCO) of the following described contracts (other than Short Term Contracts), which summary is substantially correct to the knowledge of DETTCO:

(i) Crude Contracts to which DETTCO or any of the other DE Entities or the LLCs is a party.

(ii) Contracts to which LSI or LSI LLC is a party and pursuant to which it may purchase or sell the lubrication products currently and historically handled by such entities.

(c) None of the DE Entities is, and as of the Closing, none of the LLCs that is a party thereto will be, in material breach of any Contract, or is in material default (or knows of any event or circumstance that with notice, or lapse of time or both, would constitute an event of a material default) under the terms of any of the Contracts and all of such Contracts are valid and enforceable against such Person, and to DETTCO's knowledge, against such other parties to such Contracts, and are in full force and effect. DETTCO has no knowledge of any pending or threatened disputes, or of any occurrence or event which in DETTCO's reasonable judgement could reasonably lead to a material dispute, with respect to any of such Contracts.

5.6 FINANCIAL STATEMENTS; LIABILITIES.

(a) Set forth in Section 5.6(a) of the Disclosure Schedule are true and complete copies of the unaudited consolidated balance sheets of the DE Entities (collectively, the "Balance Sheets") as of December 31, 1997 and August 31, 1998 (the "Balance Sheet Date") and the unaudited consolidated statements of income of the DE Entities for their respective 12 and eight month periods then ended (collectively, with the Balance Sheets, the "Financial Statements"). The Financial Statements fairly present the consolidated financial position of the DE Entities as of their respective dates and the results of their respective operations for the 12 and eight month periods, respectively, then ended. The Financial Statements were prepared in

accordance with GAAP except for the inclusion of notes and, as to the interim Financial Statements, normal and reoccurring year-end adjustments.

(b) As of the Effective Time, none of the LLCs will have any liabilities or obligations, contingent or otherwise, other than the Assumed Obligations, Certain LLC Obligations and obligations arising on or after the Effective Time by operation of law.

5.7 TAXES.

(a) The LLCs have not, and will not on or prior to the Closing Date, file an election under Treasury Reg Section 301.7701-3 to be classified as a corporation for U.S. federal income tax purposes. During the entirety of the period from the date of its formation through the Effective Time, each of the LLCs has been and will be a business entity that has had and will have a single owner at any given point in time and is and will be disregarded as an entity separate from its owner for federal Tax purposes under Treasury Regulation Sections 301.7701-2 and -3 and any comparable provision of applicable state or local Tax law that permits such treatment.

(b) Each of the DE Entities and the LLCs has filed when due in accordance with all applicable laws (or properly and timely filed an extension therefor) all Tax Returns required under applicable statutes, rules or regulations to be filed with respect to Taxes relating to such entity. Such Tax Returns are true, accurate and complete in all respects and all Taxes with respect to which any of the DE Entities or the LLCs has become obligated (whether or not shown on any Tax Return) have been paid in full.

(c) There are no liens for Taxes upon the assets of any of the DE Entities or of the LLCs, other than with respect to ad valorem Taxes which are not yet delinquent. Section 5.7(c) of the Disclosure Schedule sets forth all material elections made by or relating to each such entity. Each of the DE Entities and the LLCs has fully complied with all applicable federal, state and local employment tax, withholding and contribution obligations with respect to its employees, and all other Tax withholding obligations required by law.

(d) None of the LLCs (i) has agreed to make, or is required to make, any adjustment under Section 481 of the Code or any comparable provision of state, local or foreign law by reason of a change in accounting method or otherwise, or (ii) is a party to or bound by (or will become a party to or bound by) any Tax sharing, Tax indemnity, or Tax allocation agreement. No asset of any of such entities: (X) is property such entity is required to treat as owned by another person pursuant to the "safe-harbor lease" provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, (Y) is "tax-exempt use property" within the meaning of Section 168(h) of the Code or (Z) directly or indirectly secures any debt the interest on which is tax-exempt under the Code.

(e) The Assets are not, and on the Effective Time will not be, subject to or liable for any special Tax assessments (other than general property Taxes).

5.8 NO VIOLATIONS OF LAW. None of the DE Entities or any of the LLCs has violated any order of any Governmental Authority or any law, ordinance, regulation, order, judgment, writ, injunction, requirement, statute, rule or other governmental authorization relating or applicable to the ownership or operation of any of the Assets or the Businesses that would have a Material Adverse Effect.

5.9 NO ADVERSE CHANGES OR EVENTS. Since the Balance Sheet Date, the DE Entities (and upon the transfer of the Assets and the Businesses to the LLCs, the LLCs) have operated the Assets, and have conducted the Businesses only in the ordinary course, consistent with past practices, and there has not been:

(a) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), results of operations or prospects of the Assets or the Businesses;

(b) any material damage, destruction or loss, whether or not covered by insurance, adversely affecting the Assets or the Businesses;

(c) any mortgage, pledge or creation of any Lien (other than a Permitted Encumbrance) with respect to any of the Assets;

(d) any sale, transfer or other disposition of any of the Assets (other than the sale or other disposition of inventory or disposable assets or assets that have become obsolete or unusable, all in the ordinary course of business);

(e) any material change in the customary methods used in operating the Assets or conducting the Businesses;

(f) any adverse change in the Crude Contracts (other than termination or expiration pursuant to the terms of such contract) which, in the aggregate, might reasonably be expected to have a Material Adverse Effect; or

(g) Any declaration, setting aside or payment of any dividend or other distribution or payment (including equity securities or property but specifically excluding cash) in respect of any equity interest in any of the DE Entities or LLCs, or any redemption or other acquisition of any such equity interest by any of the DE Entities or LLCs, other than the transactions contemplated by this Agreement.

5.10 ENVIRONMENTAL MATTERS. Except as set forth in Section 5.10 of the Disclosure Schedule:

(a) Except as would not have an Environmental Material Adverse Effect, the DE Entities and the LLCs have operated the Assets and the Businesses in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Authority;

(b) Except as would not have an Environmental Material Adverse Effect, there are no Claims or Proceedings pending or to the knowledge of DETTCO, threatened by or before any court or any other Governmental Authority directed against any of the DE Entities or the LLCs that pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations by any of the DE Entities or the LLCs of any Environmental Law, (iii) personal injury or property damage claims relating to a release of chemicals or Hazardous Materials, or (iv) response, removal, or remedial costs under CERCLA, RCRA or any similar state laws in each case to the extent pertaining to the operation of the Assets or Businesses;

(c) Except as would not have an Environmental Material Adverse Effect, (i) all Environmental Permits required under Environmental Laws that are necessary to the operation of the Assets or the Businesses by the DE Entities or the LLCs have been obtained and are in full force and effect and DETTCO is unaware of any basis for revocation or suspension of any such Environmental Permits; and (ii) the DE Entities' and the LLCs' facilities subject to such Environmental Permits were constructed and have been operated by the DE Entities and/or the LLCs during their ownership or operation thereof in accordance with the representations and conditions made or set forth in the Environmental Permit applications and the Environmental Permits for the DE Entities and the LLCs;

(d) Except as would not have an Environmental Material Adverse Effect, no portion of any of the Assets is listed on the National Priorities List or the Comprehensive Environmental Response, Compensation, and Liability Information System list under CERCLA, or any similar ranking or listing under any state law;

(e) To the knowledge of DETTCO, except as would not have an Environmental Material Adverse Effect, all Hazardous Materials generated by the DE Entities or the LLCs in connection with the operation of the Assets or the Businesses have been transported, stored, treated and disposed of by carriers or treatment, storage and disposal facilities authorized or maintaining valid Environmental Permits under all applicable Environmental Laws;

(f) To the knowledge of DETTCO, except as would not have an Environmental Material Adverse Effect, no person has disposed of or released any Hazardous Materials on, at, or under any properties included in the Assets, except in compliance with Environmental Laws;

(g) Except as would not have an Environmental Material Adverse Effect, DETTCO has no knowledge of any specific facts or circumstances which could reasonably be expected to result in any liability to the DE Entities, the LLCs or Partnership with respect to the current or past operations of the Assets or the Businesses in connection with (i) any release, transportation or disposal of any Hazardous Materials, or (ii) any action taken or omitted that was not in full compliance with or was in violation of any applicable Environmental Law; and

(h) There are no written notices of violation, non-compliance, or similar notifications relating to Environmental Liabilities currently pending or, to DETTCO's knowledge, threatened, relating or pertaining to the Assets or Businesses.

Except with respect to the representation of DETTCO contained in Section 5.3(a), notwithstanding anything to the contrary in this Agreement (including without limitation the representations contained in Sections 5.3(b), 5.8 and 5.14), the foregoing representations and warranties in this Section 5.10 are the exclusive representations made by DETTCO with respect to any Environmental Conditions or Environmental Liabilities.

5.11 PRODUCT LIABILITY. To DETTCO's knowledge and except as disclosed in Section 5.11 of the Disclosure Schedule, there are no facts or events forming the basis of any present claim for Losses based on any "product liability" theory against the DE Entities or the LLCs not fully covered by insurance, except for deductibles and self-insurance retentions, for personal injury or property damage alleged to be caused by products, materials or other goods produced or sold by or on behalf of the DE Entities or the LLCs.

5.12 NO UNTRUE STATEMENTS. This Agreement, the Disclosure Schedule and the Exhibits hereto, and all other documents and certificates delivered to Partnership and its representatives at Closing in connection with this Agreement or the transactions contemplated hereby, do not and will not contain when delivered any untrue statement of any material fact and do not and will not omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they are made, not misleading. To the knowledge of DETTCO, there is no material fact relating to the Assets or the Businesses that has not been disclosed in writing to Partnership by DETTCO that could reasonably be expected to have a Material Adverse Effect.

5.13 EMPLOYEE BENEFITS. Section 5.13 of the Disclosure Schedule contains a complete and correct list of (i) all employee welfare benefit and employee pension benefit plans as defined in sections 3(1) and 3(2) of ERISA including, but not limited to, plans that provide retirement income or result in deferrals of income by employees for periods extending to their terminations of employment or beyond, and plans that provide medical, surgical, or hospital care benefits or benefits in the event of sickness, accident, disability, death or unemployment and (ii) all other material employee benefit agreements or arrangements, including without limitation, deferred compensation plans, incentive plans, bonus plans or arrangements, stock option plans, stock purchase plans, stock award plans, golden parachute agreements, severance pay plans, dependent care plans, cafeteria plans, employee assistance programs, scholarship programs, employment contracts, retention incentive agreements, noncompetition agreements, consulting agreements, confidentiality agreements, vacation

policies, and other similar plans, agreements and arrangements that are sponsored or maintained by DETTCO or any Affiliate of DETTCO, for the benefit of Subject Employees (or their beneficiaries or dependents) (such plans and benefit arrangements being collectively referred to as "Designated Plans"). Section 5.13 of the Disclosure Schedule identifies each of the Designated Plans that is subject to section 302 or Title IV of ERISA or section 412 of the Code.

(a) With respect to each Designated Plan, DETTCO has heretofore or prior to Closing will have delivered to Partnership or an Affiliate of Partnership possesses, as applicable, complete and correct copies of each of the following documents:

(i) the Designated Plan and any amendments thereto (or if the Designated Plan is not a written agreement, a description thereof);

(ii) the most recent actuarial report; and

(iii) the most recent summary plan description and summaries of material modifications thereto.

(b) No asset of any LLC or any ERISA Affiliate is the subject of any lien arising under section 302(f) of ERISA or section 412(n) of the Code; no LLC or ERISA Affiliate has been required to post any security under section 307 of ERISA or section 401(a)(29) of the Code; and no fact or event exists that could reasonably be expected to give rise to any such lien or requirement to post any such security.

(c) The PBGC has not instituted proceedings to terminate any pension benefit plan as defined in section 3(2) of ERISA that is maintained by any ERISA Affiliate and no condition exists that presents a material risk that such proceedings will be instituted.

(d) No pension benefit plan as defined in section 3(2) of ERISA that is maintained by any ERISA Affiliate had an accumulated funding deficiency as defined in section 302 of ERISA and section 412 of the Code, whether or not waived, as of the last day of the most recent fiscal year of the plan ending on or prior to the Closing Date.

(e) No ERISA Affiliate has ever maintained, had an obligation to contribute to, contributed to, or incurred any liability with respect to a plan that is both a multiemployer plan (as defined in section 3(37) of ERISA) and a pension plan (as defined in section 3(2) of ERISA) or a plan described in section 4063(a) of ERISA that could give rise to any liability under Title IV of ERISA that would have a Material Adverse Effect on Partnership or the LLCs.

(f) No ERISA Affiliate has engaged in a transaction that could result in the imposition upon any LLC of a civil penalty under ERISA or a tax under the Code

with respect to any Designated Plan, and no fact or event exists that could give rise to any such liability that would have a Material Adverse Effect on Partnership or the LLC.

(g) Except as otherwise provided by the PanEnergy Corp. Change in Control Severance Benefits Plan, no Designated Plan provides medical, surgical, hospitalization, or life insurance benefits (whether or not insured by a Third Party) for Subject Employees for periods extending beyond their retirements or other terminations of service, other than coverage mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"); and neither DETTCO nor an Affiliate of DETTCO has made any commitment to provide retiree medical, surgical, hospitalization or life insurance coverage for any Subject Employees (except as required by COBRA).

(h) Neither any LLC nor any ERISA Affiliate has incurred any liability under Title IV of ERISA that has not been satisfied (other than liability to the PBGC for the payment of premiums pursuant to section 4007 of ERISA). No condition exists for which the PBGC is authorized to seek from any LLC or an ERISA Affiliate a late payment charge under section 4007(b) of ERISA except in any case that would not have a Material Adverse Effect on Partnership or the LLC. No condition exists that presents a risk that any LLC or an ERISA Affiliate will incur any liability under Title IV of ERISA (other than liability to the PBGC for the payment of premiums pursuant to section 4007 of ERISA).

(i) No LLC has ever had any employees.

(j) No LLC has entered into any agreement to assume responsibility for contributions to or benefits under any Designated Plan.

(k) None of the LLCs is liable or obligated under any employee benefit plan or for any other employee benefits that may have been established by DETTCO or an Affiliate of DETTCO for its employees.

5.14 LITIGATION.

(a) Except as set forth in Section 5.14(a) of the Disclosure Schedule, there are no actions, suits, examinations or proceedings relating to any of the Assets, the LLCs or the DE Entities that are pending or, to the knowledge of DETTCO, threatened with respect to any of such assets or parties before or by any Governmental Authority or other Person.

(b) Except as set forth in Section 5.14(b) of the Disclosure Schedule, there is no Proceeding or written Claim relating to, or, to DETTCO's knowledge, any change in, any zoning or building ordinance pending or threatened against or affecting any of the Assets or the ownership or operation of such Assets, at law or in equity,

before or by any Governmental Authority and to the knowledge of DETTCO, no basis exists for any such Claim.

5.15 INVESTMENTS IN OTHER PERSONS. Except as set forth in Section 5.15 of the Disclosure Schedule, none of the LLCs has made any loan or advance to any Person which is outstanding on the date of this Agreement, nor is it committed or obligated to make any such loan or advance, nor does any LLC own any equity interest in any other Person except (i) that, as of the Closing, DETTCO LLC will own the Membership Interests of DEPLC LLC and LSI LLC and (ii) for trade receivables and other current assets as disclosed in this Agreement.

5.16 INSURANCE. Section 5.16 of the Disclosure Schedule lists the insurance policies carried by any of the DE Entities or the LLCs covering the Assets and/or the Businesses.

5.17 FINDER'S FEES. Except for Merrill Lynch & Co., whose fees will be paid by DETTCO, no investment banker, broker or finder has acted directly or indirectly for DETTCO or any Affiliate of DETTCO in connection with this Agreement or the transactions contemplated hereby. No other investment banker, broker, finder or other Person is entitled to any brokerage or finder's fee or similar commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of DETTCO or any of its Affiliates. DETTCO agrees to indemnify and hold Partnership harmless from and against any and all claims, liabilities or obligations with respect to all fees, commissions or expenses asserted by any Person on the basis of any act, statement, agreement or commitment alleged to have been made by DETTCO or any of its Affiliates with respect to any such fee, expense or commission.

5.18 INVESTMENT INTENT. DETTCO is acquiring the Class B Units for DETTCO's own account, and not with a view to, or for sale in connection with, the distribution thereof in violation of state or federal law. DETTCO acknowledges that the Class B Units have not been registered under the Securities Act of 1933, as amended, ("Securities Act") or the securities laws of any state. Without such registration, the Class B Units may not be sold, pledged, hypothecated or otherwise transferred unless it is determined that registration is not required. DETTCO, itself or through its officers, employees or agents, has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment such as an investment in the Class B Units, and DETTCO, either alone or through its officers, employees or agents, has evaluated the merits and risks of the investment in the Class B Units.

5.19 PERSONNEL INFORMATION; LABOR RELATIONS. Except as and to the extent set forth in Section 5.19 of the Disclosure Schedule: (i) there is no labor strike, stoppage, lockout or material dispute or material slowdown pending that involves the Subject Employees or, to the knowledge of DETTCO, threatened, and there has not been any such action during the last three years; (ii) no Subject Employee is represented by any labor organization and, to the knowledge of DETTCO, there are no current union organizing activities among the Subject Employees and; (iii) except for those Duke Energy Corporation policies, rules or procedures that are common to DETTCO and the General Partner, there are no material written personnel policies, rules or procedures applicable to Subject Employees.

5.20 YEAR 2000 WARRANTY.

(a) Except as to (i) Year 2000 compliance matters included in the Assumed Obligations, (ii) Software utilized by both DETTCO and Partnership and provided by Duke Energy Corporation or its Affiliate and (iii) information provided in Section 5.20(a) of the Disclosure Schedule, when used in accordance with applicable supplied documentation, all Software utilized in connection with the Businesses (whether or not forming a part of the Assets) will to DETTCO's knowledge, (x) operate accurately prior to, during and after the calendar year 2000 A.D. with respect to date and time dependent data, computations, output or other functions, will accurately process, calculate, compare and sequence date and time data from, into and between the twentieth and twenty-first centuries, and further including leap year calculations, and will properly exchange accurate date and time data during or related to the aforementioned time periods with all relevant hardware, firmware, software and embedded systems used in connection with it, or (y) be modified, repaired or replaced so as to comply prior to the earlier of (A) June 1, 1999, or (B) the earliest date on which the Software may be required to perform date/time processing involving dates later than December 31, 1999.

(b) With respect to any Software that DETTCO or its Affiliates is acquiring or may acquire prior to the Closing Date to be used in connection with the Businesses, all such Software will comply with the provisions of paragraph (a) above or, alternatively, DETTCO will require by written contract that the vendor of such Software will place such Software in compliance in accordance with the time schedule set forth in paragraph (a) above.

(c) Except as would not have a Material Adverse Effect, all Software and computer hardware used by DETTCO or its Affiliates in conjunction with, and which are necessary for, the Businesses as of the Closing Date that will not be a part of the Assets and that will not be available to the LLCs following the Closing on substantially the same terms as immediately prior to the Closing Date are listed in Section 5.20(c) of the Disclosure Schedule.

5.21 CAPITAL PROJECTS. Section 5.21 of the Disclosure Schedule contains a complete and accurate summary description of all capital projects relating to the Assets or the Businesses currently in progress, and all material capital projects currently planned, by any of the DE Entities or the LLCs ("Capital Projects"). Section 5.21 of the Disclosure Schedule also sets forth, as of the date set forth therein, (i) the total capital expenditures appropriated for each such project, (ii) amounts expended for each such project, (iii) the forecast for each such project for the amounts remaining to be expended, (iv) the total estimated cost for each such project and (v) all material Contracts relating to such projects. The total estimated costs for each such project are DETTCO's good faith estimate, based upon facts currently known by DETTCO as of the date hereof, as to the cost of each such project through completion.

ARTICLE VI.
REPRESENTATIONS AND WARRANTIES OF PARTNERSHIP

6.1 LIMITED PARTNERSHIP MATTERS. Partnership is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited partnership power and authority to own, operate and lease its properties and assets and to carry on its business in the places and in the manner currently conducted. DETTCO has been provided with a true and correct copy of Partnership's Limited Partnership Agreement. Partnership has all requisite limited partnership power and authority to enter into this Agreement and to perform its obligations under this Agreement. This Agreement and the transactions contemplated hereby have been duly authorized by all requisite limited partnership action on the part of Partnership. This Agreement has been duly executed and delivered by Partnership.

6.2 VALIDITY OF AGREEMENT; NO CONFLICT.

(a) This Agreement is a legal, valid and binding obligation of Partnership, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect that affect creditors' rights generally and by legal and equitable limitations on the availability of specific remedies.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and the other agreements and documents to be delivered by Partnership to DETTCO hereunder, the consummation of the transactions contemplated hereby or thereby, and the compliance with the provisions hereof or thereof, by Partnership will not, with or without the passage of time or the giving of notice or both:

(i) conflict with, constitute a breach, violation or termination of any provision of, or give rise to any right of termination, cancellation or acceleration, or loss of any right or benefit or both, under any material agreement to which Partnership is a party or by which Partnership or its assets are bound;

(ii) conflict with or violate the organization documents of Partnership or the General Partner;

(iii) result in the creation or imposition of any Lien on any of the assets of Partnership, the Consideration or the Units; or

(iv) to Partnership's knowledge, violate any law, statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order or any other restriction of any kind or character applicable to Partnership or its properties or assets;

except any matters described in clauses (i), (iii) or (iv) that would not have a Partnership Material Adverse Effect.

6.3 INVESTMENT INTENT. Partnership is acquiring the Subject Interest for its own account, and not with a view to, or for sale in connection with, the distribution thereof in violation of state or federal law. Partnership acknowledges that the Subject Interest has not been registered under the Securities Act or the securities laws of any state and neither DETTCO nor any of its Affiliates has any obligation to register the Subject Interest. Without such registration, the Subject Interest may not be sold, pledged, hypothecated or otherwise transferred unless it is determined that registration is not required. Partnership, itself or through its officers, employees or agents, has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment such as an investment in the Subject Interest, and Partnership, either alone or through its officers, employees or agents, has evaluated the merits and risks of the investment in the Subject Interest.

6.4 FINDER'S FEE. Except for Simmons & Company International and The Ownby Companies, whose fees will be paid by Partnership, no investment banker, broker or finder has acted directly or indirectly for Partnership or any Affiliate of Partnership in connection with this Agreement or the transactions contemplated hereby. No other investment banker, broker, finder or other Person is entitled to any brokerage or finder's fee or similar commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Partnership or any of its Affiliates. Partnership agrees to indemnify and hold DETTCO harmless from and against any and all claims, liabilities or obligations with respect to all fees, commissions or expenses asserted by any Person on the basis of any act, statement, agreement or commitment alleged to have been made by Partnership or any of its Affiliates with respect to any such fee, expense or commission.

6.5 SECTION 704(c) ALLOCATIONS. Partnership agrees to adopt the remedial method described in Treas. Reg. Section 1.704-3(d) in allocating income, gains, losses and deductions with respect to the Assets for U.S. federal and state income tax purposes.

6.6 SEC REPORTS. Partnership has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since January 1, 1998 (collectively, "Partnership's SEC Reports"). Partnership's SEC Reports have complied in all material respects with all applicable requirements of the Exchange Act. As of their respective dates, none of Partnership's SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Partnership has heretofore delivered to DETTCO, in the form filed with the SEC, all of Partnership's SEC Reports.

6.7 FINANCIAL STATEMENTS. The audited consolidated financial statements of Partnership included in Partnership's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 10-K"), which consist of (i) consolidated balance sheets as of December 31, 1997 and 1996,

(ii) consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1997 and (iii) the notes thereto, certified by KPMG Peat Marwick LLP, whose report thereon is included therewith, were prepared in accordance with GAAP and present fairly Partnership's consolidated financial position and the consolidated results of its operations and cash flows as of the relevant dates thereof and for the periods covered thereby. The unaudited consolidated financial statements of Partnership contained in Partnership's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 ("Partnership 10-Q"), which consist of (a) a consolidated balance sheet as of June 30, 1998 and December 31, 1997, (b) consolidated statements of income for the three months and six months ended June 30, 1998 and 1997, (c) consolidated statements of cash flows for the six months ended June 30, 1998 and (d) the notes thereto, were prepared in accordance with GAAP, subject to the absence of notes and schedules, and present fairly Partnership's consolidated financial position and the consolidated results of its operations and cash flows as of the relevant dates thereof and for the periods covered thereby, subject to normal and recurring year-end adjustments.

6.8 ABSENCE OF CERTAIN CHANGES. Except as otherwise disclosed in Partnership's SEC Reports (without further amendment), since June 30, 1998 there have not been any events or conditions of any character that, individually or in the aggregate, have or would reasonably be expected to have a Partnership Material Adverse Effect.

6.9 ABSENCE OF UNDISCLOSED LIABILITIES. Neither Partnership nor any of its subsidiaries has any material indebtedness, liability or obligation of the type required by GAAP to be reflected on a balance sheet that is not reflected or reserved against in the balance sheet dated as of June 30, 1998 included in Partnership 10-Q or otherwise disclosed in Partnership SEC Reports, except for such indebtedness, liabilities or obligations which have arisen after such date in the ordinary course of business.

6.10 CONSENTS, APPROVALS, AUTHORIZATIONS AND PERMITS. The issuance and sale of the Class B Units to DETTCO hereunder does not require any vote of the holders of the outstanding Units under the rules or policies of the New York Stock Exchange. Except for the matters described in Section 8.1, no other consent, authorization or approval of, any Person not a Party, including any Governmental Authority, is necessary on behalf of Partnership to authorize the execution, delivery and performance of this Agreement or any other agreement contemplated hereby to be executed and delivered by it and the consummation of the transactions contemplated hereby or thereby, except as would not have a Partnership Material Adverse Effect.

ARTICLE VII.
CONDITIONS PRECEDENT

7.1 CONDITIONS TO OBLIGATIONS OF PARTNERSHIP AT CLOSING. The obligation of Partnership to acquire the Subject Interest and to issue the Consideration to DETTCO as contemplated hereby is, at the option of Partnership, subject to the satisfaction on or before the Closing Date of the conditions set forth below, any of which may be waived by Partnership in writing.

(a) Representations, Warranties and Covenants. DETTCO shall have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed, satisfied, or complied with by it on or before the Closing, and all representations and warranties of DETTCO contained in this Agreement or in any certificate, document, instrument or writing delivered to Partnership by or on behalf of DETTCO pursuant to this Agreement, to the extent qualified as to materiality, shall be accurate in all respects, and, to the extent not so qualified, shall be accurate in all material respects, on and as of the Closing Date with the same force and effect as though they had been made on and as of such date, and Partnership shall have received a certificate, dated as of the Closing Date, signed by a duly authorized officer of DETTCO certifying the same.

(b) Corporate Approvals. Partnership shall have received a certificate, dated as of the Closing Date, signed by DETTCO's Secretary or Assistant Secretary certifying (i) the accuracy and completeness of the copies of, as well as the current effectiveness of, the resolutions to be attached thereto of the Board of Directors of DETTCO authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein, including the transfer of the DETTCO Assets to the DETTCO LLC, (ii) the incumbency of the officers executing this Agreement on behalf of DETTCO and any documents to be executed and delivered by DETTCO at the Closing, and (iii) that attached to the certificate are true and correct copies of the charter documents and bylaws of DETTCO, as in force and effect on the Closing Date.

(c) Subsidiary Approvals. Partnership shall have received certificates, dated as of the Closing Date, signed by the Secretary or Assistant Secretary or comparable officer of DETTCO, as to the DE Entities (other than DETTCO), and of each of the LLCs, as to themselves, certifying (i) the accuracy and completeness of the copies of, as well as the current effectiveness of, all resolutions to be attached thereto of the Board of Directors or Board of Managers, as the case may be, of such entities authorizing the execution, delivery and performance of all transactions relating to the transfer of Assets and of Membership Interests or other transactions contemplated by this Agreement, (ii) the incumbency of the officers or managers of each such party executing documents to be executed and delivered at or in connection with the Closing or such transfer of Assets and Membership Interests, and (iii) that attached to the certificate are true and correct copies of the charter documents and bylaws, as applicable, of each such entity (other than DETTCO), as in force and effect on the Closing Date.

(d) Good Standing. DETTCO shall have delivered to Partnership certificates issued by appropriate Governmental Authorities evidencing the good standing and existence of DETTCO and each of the LLCs, as of a date not more than ten (10) Business Days prior to the Closing Date, in each of the jurisdictions listed in Section 5.1 of the Disclosure Schedule for such entity. To the extent provided for under applicable law, DETTCO shall have delivered to Partnership certificates or

other writings issued by appropriate Governmental Authorities evidencing that all applicable state franchise and similar Taxes have been paid in such jurisdictions for the DE Entities and the LLCs.

(e) Instruments of Transfer. DETTCO shall have executed and delivered to Partnership the Assignment of Subject Interest.

(f) No Adverse Effect. There shall have been no Material Adverse Effect on the Assets or the Businesses since the Balance Sheet Date (regardless of insurance coverage).

(g) Consents. All consents, licenses and approvals from all third Persons necessary or appropriate for Partnership to consummate the transactions contemplated by this Agreement and for the consummation of the transactions with respect to the transfer of the Assets to the LLCs, including those listed in Section 5.3(a) of the Disclosure Schedule, shall have been received.

(h) Delivery of Other Agreements. DETTCO or its Affiliates, as the case may be, shall have executed and delivered to Partnership or its Affiliates all of the Other Agreements to which such Person is a party.

(i) No Litigation. No Proceeding that is meritorious in the opinion of counsel to Partnership shall have been instituted or threatened relating to this Agreement or the transactions contemplated hereby, and no Governmental Authority shall have taken any other action to challenge or delay the transactions contemplated hereby.

(j) HSR Act. Any required waiting period under the HSR Act shall have expired or early termination shall have been granted with respect to such period.

(k) Credit Facility. DETTCO or an Affiliate of DETTCO shall have established for the benefit of the LLCs a credit facility that is satisfactory for the operations for the LLCs in Partnership's and DETTCO's reasonable judgment ("Credit Facility").

(l) Truck Lease Agreement. DETTCO LLC shall have entered into a new lease agreement with Ryder Trucks on terms reasonably satisfactory to Partnership with respect to the tractor-trailers used in connection with the Assets and Businesses, and which are currently under lease from Ryder Trucks to DETTCO.

(m) Due Diligence. Partnership shall have completed its due diligence reviews with results satisfactory to Partnership.

(n) Employment Agreements. Satisfactory employment agreements shall have been entered into between Partnership or its Affiliates and those employees of DETTCO and its Affiliates as Partnership may reasonably require.

(o) Guaranty Agreement. The Guaranty Agreement shall have been executed and delivered.

(p) Amended Limited Partnership Agreement; Capital Contribution. The Amended Limited Partnership Agreement shall have been adopted and approved by all appropriate partnership action on the part of Partnership and shall be effective on or prior to the Effective Time. The General Partner shall have contributed to Partnership the capital contribution required pursuant to Section 4.1(d) of the Amended Limited Partnership Agreement as a result of the issuance of the Consideration.

(q) Adjustments. Settlement of all adjustments to the value of the Consideration shall have been agreed to as provided in Section 2.3(a).

(r) Side Letter Agreements. Side letter agreements satisfactory to both Parties shall have been entered into between:

(i) the General Partner and Duke Energy Corporation pursuant to which the amount of indirect costs, general and administrative costs and other similar costs charged to the LLCs shall not exceed $300,000 per year for the period ending on the fifth anniversary date of the Closing Date; and

(ii) DETTCO and the Partnership providing for the resolution of the amounts payable by such parties pursuant to the Mobil Contract.

7.2 CONDITIONS TO OBLIGATIONS OF DETTCO AT CLOSING. The obligation of DETTCO to transfer the Subject Interest and acquire the Consideration as contemplated hereby is, at the option of DETTCO, subject to the satisfaction on or before the Closing Date of the conditions set forth below, any of which may be waived by DETTCO in writing.

(a) Representations, Warranties and Covenants. Partnership shall have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed, satisfied, or complied with by it on or before the Closing, and the representations and warranties of Partnership contained in this Agreement or in any certificate, document, instrument or writing delivered to DETTCO by or on behalf of Partnership pursuant to this Agreement, to the extent qualified as to materiality, shall be accurate in all respects, and, to the extent not so qualified, shall be accurate in all material respects, on and as of the Closing Date with the same force and effect as though they had been made on and as of such date, and DETTCO shall have received a certificate, dated as of the

Closing Date, signed by the President or a Vice President of Partnership's General Partner certifying the same.

(b) Partnership Approvals. DETTCO shall have received a certificate, dated as of the Closing Date, signed by the Secretary or Assistant Secretary of the General Partner certifying (i) the accuracy and completeness of the copies of, as well as the current effectiveness of, the resolutions to be attached thereto of (A) the Special Committee of the Board of Directors of the General Partner authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and (B) resolutions of the Board of Directors of the General Partner establishing the Special Committee and approving the Amended Limited Partnership Agreement and the issuance and sale of the Class B Units, (ii) the incumbency of the officers executing this Agreement on behalf of Partnership and any documents to be executed and delivered by Partnership or its Affiliates at the Closing, and (iii) that attached to the certificate are true and correct copies of the Amended Limited Partnership Agreement and the charter documents and bylaws of the General Partner, as in force and effect on the Closing Date.

(c) Good Standing. Partnership shall have delivered to DETTCO certificates issued by appropriate Governmental Authorities evidencing the good standing and existence of Partnership, as of a date not more than ten (10) Business Days prior to the Closing Date, in Texas and Delaware. To the extent provided for under applicable law, Partnership shall have delivered to DETTCO certificates or other writings issued by appropriate Governmental Authorities evidencing that all applicable state franchise and similar Taxes have been paid in such jurisdictions.

(d) Delivery of Other Agreements. Partnership or its Affiliates, as may be the case, shall have executed and delivered to DETTCO or its Affiliates all of the Other Agreements to which such Person is a party.

(e) No Litigation. No Proceeding that is meritorious in the opinion of counsel to DETTCO shall have been instituted or threatened relating to this Agreement or the transactions contemplated hereby, and no Governmental Authority shall have taken any other action to challenge or delay the transactions contemplated hereby.

(f) Consents. All consents, licenses and approvals from all third Persons necessary or appropriate for DETTCO to consummate the transactions contemplated by this Agreement, and for the consummation of the transactions with respect to the transfer of the Assets to the LLCs including those listed in Section 5.3(a) of the Disclosure Schedule, shall have been received.

(g) HSR Act. Any required waiting period under the HSR Act shall have expired or early termination shall have been granted with respect to such period.

(h) Delivery of the Consideration. Partnership shall have delivered to DETTCO on the Closing Date the Consideration in accordance with Sections 2.1 and 2.2.

(i) Amended Limited Partnership Agreement; Capital Contribution. The Amended Limited Partnership Agreement shall have been adopted and approved by all appropriate partnership action on the part of Partnership and shall be effective on or before the Effective Time. The General Partner shall have contributed to Partnership the capital contribution required of it pursuant to Section 4.1(d) of the Amended Limited Partnership Agreement as a result of the issuance of the Consideration.

(j) Adjustments. Settlement of all adjustments to the value of the Consideration shall have been agreed to as provided in Section 2.3(a).

(k) Credit Facility. The Credit Facility shall have been established for the benefit of the LLCs that is satisfactory for the operations for the LLCs in Partnership's and DETTCO's reasonable judgment.

(l) Truck Lease Agreement. DETTCO LLC shall have entered into a new lease agreement with Ryder Trucks on terms reasonably satisfactory to Partnership with respect to the tractor-trailers used in connection with the Assets and Businesses, and which are currently under lease from Ryder Trucks to DETTCO.

(m) Side Letter Agreement. DETTCO and the Partnership shall have entered into a side letter agreement satisfactory to both Parties providing for the resolution of the amounts payable by such parties pursuant to the Mobil Contract.

ARTICLE VIII.
HSR FILING; ACCESS TO INFORMATION BY PARTIES; MATTERS PENDING CLOSING

8.1 HSR FILING. Each Party shall (i) file promptly with the Department of Justice ("DOJ") and the Federal Trade Commission ("FTC") any notification and report form required for the transactions contemplated hereunder by the HSR Act, requesting early termination of the waiting period thereunder, (ii) respond promptly to any inquiries from the DOJ or the FTC in connection with such filings and (iii) comply in all material respects with the requirements of the HSR Act. Subject to regulatory constraints, DETTCO and Partnership shall cooperate with each other and promptly furnish all information to the other Party that is necessary in connection with the Parties' compliance with the HSR Act. DETTCO and Partnership shall coordinate their initial filing of the notification and report form so that such filings are made on the same day. Subject to regulatory constraints, DETTCO and Partnership shall each keep the other Party fully advised with respect to any requests from or communications with the DOJ or FTC and shall consult with the other Party with respect to all filings and responses thereto.

8.2 DUE DILIGENCE PRIOR TO CLOSING. Until the Closing, during normal business hours and subject to the confidentiality provisions of Section 9.5, DETTCO will allow Partnership and its employees, officers, accountants, attorneys, agents, investment bankers and other authorized representatives to examine all financial, operating and other data and information relating to the ownership and operation of the Assets and the Businesses as Partnership shall from time to time reasonably request and will afford Partnership and its employees, officers, accountants, attorneys, agents and other authorized representatives access to offices, facilities, properties, books, records, contracts and documents of DETTCO, the DE Entities and the LLCs, and will be given the opportunity to ask questions of, and receive answers from, representatives of DETTCO, the DE Entities and the LLCs with respect to the Businesses and the Assets. Except as specifically provided herein, no investigations by Partnership or its employees, representatives or agents shall reduce or otherwise affect the obligation or liability of DETTCO with respect to any representations, warranties, covenants or agreements made herein or in the Disclosure Schedule or any Exhibit or other certificate, instrument, agreement or document executed and delivered in connection with this Agreement. Each Party will cooperate with the other Party and its employees, officers, accountants, attorneys, agents and other authorized representatives in the preparation of any documents or other materials that may be required by any Governmental Authority.

8.3 PUBLIC ANNOUNCEMENTS. Until the Closing or termination hereof, Partnership and DETTCO will consult in advance on the necessity for, and the timing and content of, any communications to be made to the public and, subject to legal constraints, to the form and content of any application or report to be made to any Governmental Authority that relates to the transactions contemplated by this Agreement and, except with respect to public announcements or disclosures that are, in the opinion of the Party proposing to make the announcement or disclosure, legally required to be made, all public announcements and disclosures shall require the consent of Partnership and DETTCO, which consent shall not be unreasonably withheld. Should an announcement or disclosure be made by one Party, the other Party shall be immediately advised of the text and time of release of such announcement or disclosure.

8.4 ACTIONS PENDING CLOSING. (a) From the date hereof until the Closing, except as contemplated by this Agreement, DETTCO covenants that, unless the prior written consent of Partnership is obtained, it will not take, and it will cause the DE Entities and the LLCs not to take, any direct or indirect action that would result in a violation of any of the following:

(i) The DE Entities, and upon conveyance of the Assets and Businesses to the LLCs, the LLCs will operate the Assets and the Businesses diligently and in the usual, regular and ordinary manner.

(ii) None of the DE Entities or the LLCs will enter into or modify any Contract or other commitment not in the usual and ordinary course of its business consistent with past business practices, or engage in any transaction not in the usual and ordinary course of its business consistent with past business practices.

(iii) None of the DE Entities or the LLCs will:

(A) create, assume or permit to exist any Lien (except Permitted Encumbrances) upon any of the Assets, whether now owned or hereafter acquired; or

(B) sell, assign, lease or otherwise transfer or dispose of any of the Assets, except for the sale of inventory in the ordinary course of business.

(iv) All tangible property that constitutes part of the Assets will be maintained in accordance with past practice.

(v) The DE Entities or the LLCs will maintain insurance on the Assets in accordance with the DE Entities' past practices and will not permit any insurance policy naming it as a beneficiary or a loss payee to be canceled or terminated or any of the coverage thereunder to lapse unless simultaneously with such termination or cancellation replacement policies providing substantially the same coverage are in full force and effect.

(vi) To the extent related to the ownership and operation of the Assets, each of DETTCO and the LLCs will maintain its books, accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior years, and will not introduce any method of accounting inconsistent with that used in prior periods, and will comply with all laws applicable to it and to the conduct of its business.

(vii) DETTCO and its Affiliates will timely file all Tax Returns and all reports required to be filed with any federal, state or local governmental agency or regulatory body to the extent they relate to the Assets or the Businesses.

(viii) The DE Entities will not, and will cause the LLCs not to, enter into any transaction, make any agreement or commitment or take any other action that would result in any of the representations or warranties contained in this Agreement not being true and correct as of the Closing Date or that would in any material way hinder or prevent DETTCO's performance of its obligations under this Agreement.

(ix) Except with respect to the Businesses, the LLCs will not make any acquisitions of any other business or business operations, whether by way of acquisition of assets or equity interests in any other entity, by merger or otherwise, nor will they enter into any agreements, understandings, negotiations or letters of intent with third parties with respect to any such acquisition. Any such agreements or understandings currently existing are listed in Section 8.4 of the Disclosure Schedule.

(b) From the date hereof until the Closing, except as contemplated by this Agreement, Partnership covenants that, unless the prior written consent of DETTCO is obtained, it will not take, and it will cause its subsidiaries not to take, any direct or indirect action that would result in a violation of any of the following:

(i) The assets and the businesses of Partnership and its subsidiaries shall be operated diligently and in the usual, regular and ordinary manner.

(ii) Partnership will not, and will cause its subsidiaries not to, enter into any transaction, make any agreement or commitment or take any other action that would result in any of Partnership's representations or warranties contained in this Agreement not being true and correct as of the Closing Date or that would in any material way hinder or prevent Partnership's performance of its obligations under this Agreement.

(iii) Partnership will not split or combine the Units or cause the Units to be delisted from the New York Stock Exchange.

8.5 NO-SHOP. DETTCO represents that neither it nor its Affiliates have entered into or executed any instrument with any other Person which would constitute a currently binding purchase and sale agreement or right to match any proposed sale relating to the sale of the Membership Interests, the Assets (other than in the ordinary course of business), the Businesses or any part thereof. DETTCO agrees promptly to (i) terminate any and all negotiations and discussions in which DETTCO may be currently involved with any other Persons with regard to the sale of all or any part of the Membership Interests, the Assets (other than in the ordinary course of business) or the Businesses, and (ii) neither solicit nor evaluate additional bids nor discuss with or provide information to third Persons with respect to the purchase by or sale to any other Person of all or any part of the Membership Interests, the Assets (other than in the ordinary course of business) or the Businesses.

8.6 NOTICE OF DEFAULT BY DETTCO. From the date hereof until the Closing, DETTCO shall give written notice to Partnership promptly after DETTCO obtains knowledge of or receives any notice claiming or alleging the occurrence of:

(a) Any breach or default, or event which notice or the passage of time or both might constitute a breach or default, with respect to any Contracts, Permits, or rights-of-way or similar rights relating to any portion of the Assets;

(b) Any damages or losses reasonably estimated to exceed $100,000 in the aggregate with respect to the Assets;

(c) Any circumstance, event or omission which would result in (i) any of DETTCO's or Partnership's representations or warranties contained in this Agreement being or becoming inaccurate or misleading, or (ii) the creation of any Lien on any of the Assets except for any Permitted Encumbrance; or

(d) Any breach by DETTCO of this Agreement.

8.7 NOTICE OF DEFAULT BY PARTNERSHIP. From the date hereof until the Closing, Partnership shall give written notice to DETTCO promptly after Partnership obtains knowledge of or receives any notice claiming or alleging the occurrence of:

(a) Any circumstance, event or omission which would result in any of Partnership's or DETTCO's representations or warranties contained in this Agreement being or becoming inaccurate or misleading; or

(b) Any breach by Partnership of this Agreement.

8.8 EFFORTS TO SATISFY CONDITIONS. Partnership and DETTCO agree to use their commercially reasonable efforts to bring about the satisfaction of the conditions specified in Article VII hereof.

8.9 DISCLAIMERS. The Assets are being transferred to the LLCs by the DE Entities without warranty and "AS IS, WHERE IS" with all faults. Partnership acknowledges that (a) it has had and pursuant to this Agreement will have prior to the Closing access to the DE Entities, the LLCs and the Assets and the officers and employees of the DE Entities and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Partnership has relied solely on the basis of its own independent investigation and upon the expressed representations, warranties, covenants and agreements set forth in this Agreement and written agreements and certificates delivered at Closing as contemplated by this Agreement. Except as specifically set forth herein and in the written agreements and certificates delivered at Closing as contemplated by this Agreement, DETTCO (on behalf of itself and the other DE Entities) hereby expressly disclaims and negates to Partnership and the LLCs ALL WARRANTIES, EXPRESS OR IMPLIED OR STATUTORY, REGARDING THE ASSETS INCLUDING WITHOUT LIMITATION, (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN, PERFORMANCE, CONDITION, CERTIFICATE, MAINTENANCE, OR SPECIFICATION AND (ii) ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED TO PARTNERSHIP BY OR ON BEHALF OF DETTCO, AND PARTNERSHIP WILL HAVE SOLE RESPONSIBILITY FOR ANY ACTION TAKEN BY PARTNERSHIP, OR BY OTHERS RELYING ON PARTNERSHIP'S ADVICE, BASED ON THE RECORDS. As used in the disclaimer provisions of this Section 8.9, "DETTCO" shall include all of the DETTCO Indemnitees.

ARTICLE IX.
NONCOMPETITION AGREEMENT; CONFIDENTIALITY

9.1 NONCOMPETITION COVENANT. DETTCO agrees that, for a period beginning on the Closing Date and ending on the second anniversary of the Closing Date, neither it nor any of its Majority Affiliates will engage or participate in, or carry on, either as owner, proprietor, partner, stockholder, agent, member, consultant, advisor, trustee or otherwise, whether or not for compensation, the operation of a business that competes with the Businesses in the Territory, nor will such parties acquire assets which are used for, or acquire entities or enter into joint ventures which

are engaged principally in, a business that competes with the Businesses in the Territory. For purposes of Sections 9.1, 9.2 and 9.3, the defined terms:

(i) "Territory" shall mean North America with the exception of Canada, the Gulf of Mexico and the area within 25 miles of the Gulf Coast of Louisiana, Mississippi and Alabama.

(ii) "Businesses" shall mean the crude oil gathering, transportation and storage business, together with related marketing and trading activities, excluding, however any such activities to the extent arising or occurring in connection with the ownership or operation of any exploration and production business or assets.

(iii) "Majority Affiliate" shall mean any entity in which Duke Energy Corporation owns, directly or indirectly, the following interests: with respect to each such entity that is: (x) a corporation, the majority of all outstanding equity interests which are, in the normal course of business, entitled to elect the Board of Directors (or equivalent governing body) of such entity, (y) a partnership, the majority of the partnership interests thereof, or (z) a limited partnership or limited liability company, a majority of the equity interest (as specified in this paragraph 9.1(iii)) of the entity serving as the managing general partner or managing member, as applicable (provided that the term "Majority Affiliate" shall not include DETM or the TEPPCO Entities).

(iv) "Engaged principally in" or any similar phrase shall mean that the majority of the assets in question, or assets of the entity in question, based on the value of such assets as determined in good faith by DETTCO, are utilized for the Businesses.

(v) "Crude Oil Assets" shall mean assets principally used to engage in the Businesses.

9.2 EXCEPTIONS. Notwithstanding the provisions of Section 9.1, the restrictions specified in Section 9.1: (i) shall terminate with respect to any asset or entity that is sold by DETTCO or a Majority Affiliate to another Person that is not a Majority Affiliate, and (ii) shall not apply to (w) assets constructed by DETTCO or a Majority Affiliate, (x) the acquisition of any entity or the entering into of a joint venture by DETTCO or a Majority Affiliate, which entity or joint venture is not engaged principally in the Business, (y) Crude Oil Assets acquired in any particular transaction if the majority of the aggregate assets acquired in such transaction are not Crude Oil Assets, or (z) the business of DETTCO or a Majority Affiliate as currently conducted with respect to Crude Oil Assets currently owned by DETTCO or a Majority Affiliate (other than the Assets). Notwithstanding anything herein to the contrary, with respect to Crude Oil Assets acquired as permitted by this Section 9.2 or the Crude Oil Assets of entities acquired or currently owned as permitted by this Section 9.2, the continued operation of such Crude Oil Assets shall not be deemed to violate the restrictions of Section 9.1 hereof. DETTCO agrees to give Partnership written notice of all determinations by DETTCO made in accordance with Section 9.1(iv) with respect to assets or entities

acquired; provided, however, that there shall be no obligation to provide such notice with respect to acquisitions (of entities or assets) which involve a de minimus amount of assets in the Businesses.

9.3 REASONABLENESS OF COVENANT. DETTCO acknowledges that the covenant provided in Section 9.1 hereof is manifestly reasonable on its face and is no more restrictive than is required for the protection of Partnership in its acquisition and operation of the LLCs and the Businesses in that such covenant is given in consideration for Partnership's performance of its obligations under this Agreement and the other agreements called for herein. In the event the provisions of Section 9.1 should ever be deemed to exceed the time and geographic limitations permitted by applicable law, then such provisions shall be reformed to the maximum time or geographic limitations permitted by applicable law.

9.4 INJUNCTIVE RELIEF. It is specifically understood and agreed that any breach or threatened breach of the provisions of Section 9.1 hereof is likely to result in irreparable harm to Partnership and that an action at law for damages alone will be an inadequate remedy for such breach or threatened breach, and that Partnership would suffer irreparable harm in the event DETTCO or its Affiliates fail to comply with its obligations hereunder. Therefore, in addition to any other remedy that may be available to it, Partnership shall be entitled to enforce the specific performance of Section 9.1 by DETTCO and its Affiliates and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without the necessity of proving actual damages, and such other relief as the court may allow. The provisions of Article XV (except for Sections 15.4 and 15.5) shall not be applicable to the injunctive relief provided in this Section 9.4 or to the enforcement of the injunctive remedies provided in this Section 9.4.

9.5 CONFIDENTIALITY.

(a) Prior to the Closing, each of DETTCO and Partnership shall not use or provide, and shall prohibit any of its Affiliates, employees, agents, accountants, legal counsel or other representatives from directly or indirectly using or providing to any Person, any confidential information of any kind provided by the other Party in connection with the transactions contemplated by this Agreement except as otherwise required to be disclosed by applicable law or regulation or as may reasonably be deemed necessary by DETTCO or Partnership, as the case may be, in the prosecution of any Proceeding; provided, however, that as to any disclosure that shall be made, the Party making such disclosure shall as soon as practicable give written notification to the other Party that explains in reasonable detail the information disclosed and the basis for such disclosure.

(b) In the event the Closing does occur, for a period ending on the second anniversary date of the Closing, DETTCO shall not use or provide, and shall prohibit any of its Affiliates, employees, agents, accountants, legal counsel or other representatives from directly or indirectly using or providing to any Person any confidential information of any kind concerning the Assets or the Businesses, except as otherwise required to be disclosed by applicable law or regulation or as may reasonably be deemed necessary by DETTCO in the prosecution of any Proceeding;

provided, however, that as to any disclosure that shall be made, DETTCO shall as soon as practicable give Partnership written notification that explains in reasonable detail the information disclosed and the basis for such disclosure.

(c) In the event the Closing does not occur, for a period ending on the second anniversary date of the date hereof, Partnership shall not use or provide, and shall prohibit any of its Affiliates, employees, agents, accountants, legal counsel or other representatives from directly or indirectly using or providing to any Person any confidential information of any kind obtained by it from DETTCO in connection with the transactions contemplated by this Agreement, except as otherwise required to be disclosed by applicable law or regulation or as may reasonably be deemed necessary by Partnership in the prosecution of any Proceeding; provided, however, that as to any disclosure that shall be made, Partnership shall as soon as practicable give DETTCO written notification that explains in reasonable detail the information disclosed and the basis for such disclosure.

(d) Information shall not be subject to the provisions of this Section 9.5 which (i) is or becomes generally available to the public other than as a result of a disclosure in breach of these or other confidentiality provisions, (ii) was in the possession of the recipient on a nonconfidential basis prior to its disclosure in connection with the transactions contemplated by this Agreement, or (iii) was or becomes available to the recipient Party on a nonconfidential basis from a third Person who is not bound by a similar confidentiality arrangement.

9.6 RESTRICTIONS REGARDING EMPLOYEES. Until the second anniversary date of the Closing Date, without the prior written approval of the Chief Executive Officer of the General Partner, which approval shall not be unreasonably withheld, neither DETTCO nor its Affiliates will hire or seek to hire those former employees of DETTCO or its Affiliates who enter into employment agreements with an Affiliate of Partnership at the Closing or within ninety (90) days following the Closing in connection with the transactions contemplated by this Agreement.

ARTICLE X.
ADDITIONAL AGREEMENTS

10.1 DELIVERY OF CORPORATE DOCUMENTS. As soon as practical after the Closing, DETTCO shall deliver to Partnership a copy of all Records, including computer disks reflecting such Records. DETTCO agrees that Partnership and its authorized representatives, upon the execution of DETTCO's standard confidentiality agreement, shall have the right to inspect and, at Partnership's expense, copy, at any time during regular business hours for any proper purpose, the corporate, accounting, auditing and tax books, records (including work papers) and other books and records relating to the ownership and operation of the Assets as are retained by DETTCO or its Affiliates.

10.2 FURTHER ASSURANCES. DETTCO and its Affiliates shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered to Partnership at or following the

Closing such other instruments of transfer, assignment and conveyance, in form and substance satisfactory to counsel for Partnership, as shall be necessary or desirable to vest in Partnership all the right, title and interest in and to the Subject Interest and in the Membership Interests other than the Subject Interest and to vest in the LLCs the Assets pursuant to the terms of this Agreement and shall take and shall cause its Affiliates to take, and shall use all commercially reasonable efforts to cause non-affiliated Persons to take, all other action as Partnership reasonably may require, before or after Closing, to more effectively implement and carry into effect the transactions contemplated by this Agreement.

10.3 COOPERATION AFTER CLOSING.

(a) For the greater of five years from the Closing Date and the period as may be required by any statute, regulation or Governmental Authority or any then pending litigation, Partnership shall permit DETTCO and its representatives reasonable access to the Records that are transferred to Partnership in connection herewith in anticipation of, or preparation for, existing or future litigation or any Tax audit in which DETTCO or any of its Affiliates is involved and which is related to the Businesses or the Assets, during regular business hours and upon reasonable notice at Partnership's principal places of business or at any location where the Records are stored; provided that (i) any access shall be had or done in a manner so as to not interfere with the normal conduct of the Businesses, (ii) Partnership shall not be required to provide access to any confidential record or records, the disclosure of which would violate any statute or regulation or applicable confidentiality agreement with any Person, and (iii) Partnership shall not be required to provide access to any confidential record or records, the disclosure of which would cause Partnership or any of its Affiliates to waive its attorney-client privilege or attorney work product privilege.

(b) For the greater of five years from the Closing Date and the period as may be required by any statute, regulation or Governmental Authority or any then pending litigation, DETTCO shall permit Partnership and its representatives reasonable access to the general business records and files of DETTCO in anticipation of, or preparation for, existing or future litigation or any Tax audit in which Partnership or any of its Affiliates is involved and which is related to the Businesses or the Assets, during regular business hours and upon reasonable notice at DETTCO's principal places of business or at any location where the records or files are stored; provided that (i) any access shall be had or done in a manner so as to not interfere with the normal conduct of DETTCO's business, (ii) DETTCO shall not be required to provide access to any confidential record or records, the disclosure of which would violate any statute or regulation or applicable confidentiality agreement with any Person, and (iii) DETTCO shall not be required to provide access to any confidential records or files, the disclosure of which would cause DETTCO or any of its Affiliates to waive its attorney-client privilege or attorney work product privilege.

10.4 PAYMENT FOR OTHER INVENTORY AND IMBALANCES.

(a) Within sixty (60) calendar days following the Closing Date, Partnership shall deliver to DETTCO a schedule setting forth all Other Inventory as of the Effective Time, as determined in the manner set forth in Part I of Exhibit G. The Other Inventory comprises a part of the Assets and after the Closing shall continue to be owned by the LLC owning such Assets as of the Closing. The value of the Consideration shall be adjusted upwardly, however, by cash payment by Partnership to DETTCO for the fair market value of the Other Inventory. Should such schedule disclose that the total inventory of crude oil, condensate, including drip, and natural gas liquids is less than the Minimum Operating Inventory ("Inventory Deficit"), the value of the Consideration shall be adjusted downwardly by cash payment by DETTCO to Partnership for the fair market value of such deficit. The Consideration adjustment payment shall equal the fair market value of the Other Inventory or the Inventory Deficit, as the case may be, as of the Effective Time. A Consideration adjustment payment made pursuant to this paragraph (a) shall be treated: (i) if made by Partnership to DETTCO, as a purchase by Partnership of the Other Inventory; and (ii) if made by DETTCO to Partnership, as a contribution to the capital of Partnership by DETTCO in the amount of the Inventory Deficit.

(b) Within ninety (90) calendar days after the Closing Date, the Parties shall settle by cash payment any and all buy/sell, exchange and other imbalances of crude oil, condensate, including drip, and natural gas liquids in accordance with Part II of Exhibit G. A cash settlement payment made pursuant to this paragraph (b) shall be treated: (i) if made by Partnership to DETTCO, as a purchase by Partnership from DETTCO of a net receivable for other imbalances; and (ii) if made by DETTCO to Partnership, as a payment by DETTCO in exchange for Partnership's assumption of a net payable for other imbalances.

10.5 EMPLOYEES.

(a) Effective as of and contingent upon the Closing, an Affiliate of Partnership shall offer to hire those individuals who perform services with respect to the LLCs, the Businesses or the Assets and are listed on Section 10.5(a) of the Disclosure Schedule ("Subject Employees"). Each such offer shall contain the following terms: (1) the Subject Employee's base rate of salary or hourly rate of pay (not including any bonus amounts) will not be less than the amount reported by DETTCO to the Chief Executive Officer of General Partner pursuant to Section 10.5(f), (2) the Subject Employee will be employed in substantially the same position as is reported by DETTCO to the Chief Executive Officer of General Partner pursuant to Section 10.5(f) with substantially the same authority as such Subject Employee has in his position with DETTCO or an Affiliate of DETTCO immediately prior to Closing, and (3) the Subject Employee's regular assigned work place will not be relocated by more than 25 miles further from his residence than was his regular assigned work place with DETTCO or an Affiliate of DETTCO immediately prior to Closing.

(b) No successor clause or successor agreement in any labor contracts or other labor arrangements to which DETTCO or any Affiliate of DETTCO is a party shall be applicable to the transfer of the Assets to the LLCs or otherwise affect or impose any conditions or obligations upon Partnership, or the LLCs, except to the extent such conditions or obligations may arise as a matter of law independently of the terms of this Agreement.

(c) [Intentionally omitted.]

(d) With respect to each of the Subject Employees, DETTCO shall comply with all applicable laws, including, without limitation, the WARN Act.

(e) Partnership hereby agrees to fully pay or otherwise satisfy any Claims by Subject Employees that arise under the PanEnergy Corp Change in Control Severance Benefits Plan to the extent that such Subject Employees are hired by an Affiliate of Partnership.

(f) DETTCO will provide to the Chief Executive Officer of the General Partner within five (5) days of the date of this Agreement a complete and correct list of the following information with respect to each Subject Employee: such individual's title and/or job description, date of hire by DETTCO or its Affiliate, annual salary or hourly rate of compensation, and, for each individual who is compensated on a salaried basis, the last date of increase of his/her salary and a description of any incentive compensation arrangements with DETTCO or its Affiliates.

10.6 REVENUES AND REMITTANCE OF MONIES.

(a) Revenues. Subject to the terms hereof, all monies, proceeds, receipts, credits and income attributable to the Assets or the Businesses or for any delivery or performance by Partnership or the LLCs for any period of time on or subsequent to the Effective Time shall be the sole property and entitlement of Partnership (or the LLCs), and to the extent received by DETTCO or its Affiliates, DETTCO shall promptly and fully disclose, account for and transmit same to Partnership or the appropriate LLC. Unless otherwise provided herein or by the Parties in writing, all monies, proceeds, receipts and income attributable to the Assets or the Businesses (including, without limitation, any imbalance of crude oil, condensate, including drip, and natural gas liquids for which a settlement payment has not been made pursuant to Section 10.4(b)) or for any delivery or performance by any of the DE Entities or the LLCs for any period of time prior to the Effective Time shall be the sole property and entitlement of DETTCO and, to the extent received by Partnership (or the LLCs), Partnership shall (or shall cause the LLCs to) promptly and fully disclose, account for and transmit same to DETTCO.

(b) Expenses. Subject to the terms of this Agreement, all operating costs and expenses attributable to the Assets or the Businesses (including, without limitation, any imbalance of crude oil, condensate, including drip, or natural gas liquids for which a settlement payment has not been made pursuant to Section 10.4(b)) or for any delivery or performance by any of the DE Entities or the LLCs for any period of time prior to the Effective Time, regardless of when due or payable, shall be (subject to the further provisions hereof) the sole obligation of DETTCO, and DETTCO shall promptly pay such costs and expenses to, or if paid by Partnership (or the LLCs), promptly reimburse, Partnership. All operating costs and expenses attributable to the Assets or the Businesses or for any delivery or performance by DETTCO or the LLCs for any periods of time on or subsequent to the Effective Time shall be the sole obligation of the appropriate LLC and, Partnership shall (or shall cause the LLCs to) promptly pay such costs and expenses to, or if paid by DETTCO, promptly reimburse, DETTCO.

10.7 SUSPENSE ACCOUNT FUNDS AND DIVISION ORDERS.

(a) DETTCO acknowledges that certain funds otherwise payable to operators and/or working and royalty interest owners in wells connected, or other owners delivering crude oil, condensate, including drip, or natural gas liquids to the Assets have been placed in suspense pending resolution of questions of title, execution of division or transfer orders, or for similar reasons (the "Suspense Account Funds"), provided that the definition of Suspense Account Funds shall not include any negative suspense amounts or entries (i.e., funds payable to a DE Entity by operators and/or working and royalty interest owners).

(b) On or before the Closing Date, DETTCO shall make a good faith estimate of the DE Entities' liability as of the Effective Time for Suspense Account Funds. As of the Closing, each of the LLCs shall have acquired cash (the "Suspense Cash Assets") equal to the Suspense Account Funds attributable to their respective Assets. Notwithstanding anything in this Agreement to the contrary, the LLCs shall assume and agree to be solely responsible for all Suspense Account Funds to the extent of the amount of the Suspense Cash Assets received by the LLCs.

(c) If any negative suspense account is subsequently collected by any LLC (which the LLCs shall exercise reasonable commercial efforts to accomplish to the extent they are able to do so), the amount thereof (less actual out of pocket expenses of collection) shall be remitted promptly to the appropriate DE Entity.

(d) Within ninety (90) days following the Closing Date, DETTCO shall determine the actual amount of Suspense Account Funds for which the DE Entities are liable as of the Effective Time, and shall provide to Partnership a statement thereof with reasonable evidence confirming the actual amount of such liability as of the Effective Time. If the actual amount of liability exceeds the amount of Suspense Cash Assets, then DETTCO shall pay to the appropriate LLC(s) in cash the amount of such

excess contemporaneously with furnishing to Partnership said statement. If, however, the actual amount of liability for Suspense Account Funds is less than the amount of Suspense Cash Assets, Partnership shall cause the LLCs to reimburse to the appropriate DE Entities in cash the amount of such difference promptly upon receipt by Partnership of said statement. Partnership and DETTCO agree to cooperate and to make available to each other all information necessary to calculate and to confirm and verify the actual amount of Suspense Account Funds (including all computer data files). Partnership agrees that DETTCO may retain copies of such records as are necessary for DETTCO to make the calculations herein provided to be made by DETTCO. The Assets shall also include all of the DE Entities rights under division orders relating to properties for which the LLCs shall distribute revenues after Closing.

(e) For each specific suspense account within the Suspense Account Funds for which an LLC receives Suspense Cash Assets, such LLC shall assume and shall be solely responsible for Claims relating to such specific suspense account to the extent that such Claims (including Claims for the actual payment of the Suspense Account Funds for which such LLC receives a Suspense Cash Asset in such amount) are attributable solely to periods on or after the Effective Time, including, but not limited to, Claims arising from (i) identifying and verifying the rightful owners of the suspended funds, (ii) litigation in the event that litigation over the suspended funds arises, and (iii) demands for and the actual payment of interest (whether statutory, contractual, common law, or otherwise) on the suspended funds. Each LLC shall also assume and be responsible for payment of each Suspense Account Fund for which it receives Suspense Cash Assets and Claims relating thereto, but only to the extent of such Suspense Cash Assets. Claims relating to Suspense Account Funds (excluding Claims for the actual payment of the Suspense Account Funds for which an LLC receives a Suspense Cash Asset in such amount), to the extent that such Claims are attributable solely to periods prior to the Effective Time, shall be a Retained Obligation listed on Exhibit I and shall be the responsibility of DETTCO, together with the Claims listed in clauses (i), (ii) and (iii) above related to such Suspense Account Funds.

10.8 NON-INSTIGATION OF CLAIMS. Partnership agrees that it shall not (and it shall cause its Affiliates, including the LLC's, to not) (i) file any lawsuit seeking declaratory relief with respect to the potential claim(s) of any Third Party for Environmental Liabilities that may be subject to the indemnification provisions of Section 11.2 hereof, and (ii) actively encourage or solicit Third Parties to instigate Claims against DETTCO or its Affiliates on account of Environmental Liabilities, provided, however, in no event shall the Partnership or its Affiliates be deemed to have breached this Section 10.8 by (a) making any notifications required under any law, or under any order or directive of any Governmental Authority, (b) responding to requests for information from Third Parties, or (c) taking any actions that the Partnership or its Affiliates deem necessary, in their discretion, to complete the investigation or remediation of any Environmental Condition, or remedy any non-compliances, that may be subject to the indemnification provisions of Section 11.2 hereof.

10.9 CAPITAL ACCOUNT ADJUSTMENTS. The contribution by DETTCO of the Subject Interest to Partnership and the issuance by Partnership of the Class B Units in exchange for such Subject Interest shall be treated as an event requiring adjustment of the capital accounts of the holders of the Units in accordance with the provisions of Treas. Reg. Section 1.704-1(b)(2)(iv)(f).

10.10 CERTAIN TRANSACTION COSTS. DETTCO's contribution to Partnership of the Subject Interest in exchange for the issuance of the Consideration to DETTCO by Partnership, subject to certain cash adjustments and the assumption and/or retention of certain obligations and liabilities, is the contribution of intangible personal property in exchange for other intangible personal property, which the Parties understand is not subject to any sales, use, transfer or other similar Taxes or any recording, filing and other fees (collectively, "Certain Transaction Costs"). In the event any Certain Transaction Costs are asserted in connection with the consummation of such contribution and exchange, each of the Parties hereto shall consult and cooperate in good faith with each other on a timely basis in order to effectively contest, defend, prosecute, settle and/or compromise any audit, examination, investigation or administrative, court or other proceeding relating to such Certain Transaction Costs and to mutually agree on the handling thereof. Any costs, disbursements or expenses (including, but not limited to, fees, disbursements and expenses of attorneys, accountants and other professional Tax advisors and of expert witnesses) incurred in connection with any such audit, examination, investigation or administrative, court or other proceeding shall be borne equally by Partnership and DETTCO. In the event any Certain Transaction Costs are imposed in connection with the consummation of such contribution and exchange, such Certain Transaction Costs shall be borne equally by Partnership and DETTCO. Notwithstanding any other provision herein to the contrary, the respective rights and obligations of the Parties under this Section 10.10 shall survive the Closing indefinitely and shall not be subject to any of the limitations contained in Section 11.6 and Section 11.8(c).

10.11 CHANGE IN NAME. As promptly as practicable, but in any case (i) within 30 days after the Closing Date, the Partnership shall change the name of the LLCs to eliminate any references to the names "DETTCO" or "Duke", and (ii) within 360 days after the Closing Date, Partnership shall eliminate (or cause the LLCs to eliminate) from the Assets and the Businesses the names "DETTCO" and "Duke" and, except with respect to such grace period for eliminating existing usage, shall have no right to use any logos, trademarks or trade names belonging to DETTCO or any of its Affiliates.

ARTICLE XI.
INDEMNIFICATION

11.1 DETTCO'S INDEMNITY. Assuming the Closing occurs and subject to the provisions of this Article XI, DETTCO agrees to indemnify, defend (with counsel reasonably acceptable to Partnership) and hold Partnership and its Affiliates and their respective officers, directors, shareholders, unitholders, members, managers, agents, employees, representatives, successors and permitted assigns (said Persons being sometimes referred to as "Partnership Indemnitees") harmless from and against and in respect of any Partnership's Damages arising out of or resulting from, and shall pay Partnership Indemnitees the full amount of Partnership's Damages that Partnership Indemnitees may be obligated to pay on account of:

(a) any breach of a representation or breach of warranty contained in this Agreement (or in the certificate delivered to Partnership pursuant to Section 7.1(a) of this Agreement) or any failure to perform any covenant or agreement made or undertaken by DETTCO in this Agreement (or any omission relating thereto from the certificate delivered to Partnership pursuant to Section 7.1(a) of this Agreement);

(b) the Retained Obligations;

(c) the ownership or operation of the Assets or the Businesses prior to the Effective Time or the occurrence of any damages or injuries prior to the Effective Time related to the operation of the Assets or the Businesses prior to the Effective Time regardless of when a Claim is recognized or asserted with respect to such damages or injuries; or

(d) one-half of all Certain Transaction Costs.

Notwithstanding the foregoing, there shall be no obligation or liability of DETTCO or its Affiliates with respect to the Assumed Obligations specified in Exhibit H or Partnership Assumed Obligations, including any obligations for indemnification under this Section 11.1, or any breach of its representations and warranties contained herein relating to such matters.

Indemnification by DETTCO of the Partnership Indemnitees with respect to all Environmental Liabilities shall be governed solely by Section 11.2 hereof.

11.2 ENVIRONMENTAL INDEMNIFICATION AND OTHER MATTERS.

(a) Assuming the Closing occurs and subject to the provisions of this Article XI, DETTCO agrees to indemnify, defend and hold each Partnership Indemnitee harmless from and against and in respect of any and all Partnership's Damages for Environmental Liabilities that may be imposed upon or incurred by any Partnership Indemnitees with respect to the Other Sites, arising out of or in connection with:

(i) the acts or omissions of any of the DE Entities or the LLCs prior to the Effective Time relating to the ownership or operation of the Other Sites;

(ii) the on-site or off-site handling, storage, release, treatment or disposal of any Hazardous Materials generated by the DE Entities or the LLCs at the Other Sites prior to the Effective Time;

(iii) any and all Environmental Conditions, known or unknown, existing prior to the Effective Time on, at or underlying or that migrated from any of the Other Sites; or

(iv) any breach by DETTCO of a representation or warranty contained in Section 5.10 with respect to any of the Other Sites.

(b) DETTCO further agrees to indemnify, defend and hold each Partnership Indemnitee harmless from and against and in respect of any and all Partnership's Damages for Environmental Liabilities asserted by any Third Party that may be imposed upon or incurred by any Partnership Indemnitees with respect to the Phase II Sites, arising out of or in connection with any spill, release, handling, or disposal of any Hazardous Materials on, at, or underlying any property owned by a Third Party, where such Hazardous Materials have migrated, flowed, or been carried through any environmental media from any Phase II Site prior to the Effective Time (hereinafter "Third Party Affected Site"); provided, however, that the investigation and remediation of any such Hazardous Materials on the Phase II Sites or any Third Party Affected Site shall be excluded from this Section 11.2(b) and shall be the responsibility of Partnership. The indemnification set forth in this Section 11.2(b) shall be DETTCO's sole liability with respect to Environmental Liabilities relating to any Third Party Affected Site.

(c) (i) To the extent that remediation is required at any Other Sites on or after the Effective Time, and notwithstanding any related Proceedings which DETTCO retains as a Retained Obligation, Partnership will use, or will cause each of the LLCs to use, its commercially reasonable efforts to undertake and diligently complete such remediation, with the reasonable costs incurred by Partnership or the LLCs, to be reimbursed pursuant to the indemnification obligations under the terms of this Agreement as and to the extent applicable; and (ii) to the extent that remediation of any Environmental Condition existing as of the Effective Time at, on, or underlying any of the Phase II Sites or Third Party Affected Sites is required to be remediated under applicable Environmental Laws, the Partnership agrees to use, or to cause each LLC to use, its commercially reasonable efforts to undertake and diligently complete such remediation.

(d) Notwithstanding anything herein to the contrary, any indemnification by DETTCO under this Agreement for any Partnership's Damages for Environmental Liabilities shall be deemed to specifically exclude, and neither DETTCO nor its Affiliates shall be liable for, any Partnership's Damages for Environmental Liabilities resulting from a change in any Environmental Law on or after the Effective Time.

11.3 EMPLOYEE BENEFITS AND EMPLOYMENT MATTERS.

Assuming the Closing occurs and subject to the provisions of this Article XI, DETTCO agrees to indemnify, defend and hold each Partnership Indemnitee harmless from and against and in respect of any and all Partnership's Damages arising out of or resulting from, and shall pay Partnership Indemnities the full amount of Partnership's Damages that Partnership Indemnitees may be obligated to pay on account of:

(a) any breach by DETTCO of a representation or warranty contained in Section 5.13.

(b) the employment of the Subject Employees by DETTCO or its Affiliates or the cessation of such employment (including, but not limited to unfair labor practice charges, employment discrimination charges, wrongful termination claims, workers' compensation claims, and any employment-related tort claims),

(c) any employment contract with DETTCO or an Affiliate of DETTCO which is not expressly assumed by Partnership or an Affiliate of Partnership,

(d) any Designated Plan or other benefit liabilities of DETTCO or its Affiliates (including, without limitation, liabilities arising under the PanEnergy Corp Change in Control Severance Benefits Plan with respect to Subject Employees, whether or not they are hired by an Affiliate of Partnership other than those liabilities that are expressly assumed by Partnership under Section 10.5(e)),

(e) any law or regulation requiring DETTCO or its Affiliates to provide severance benefits or notices of termination of employment, and

(f) any COBRA claims pertaining to individuals (and their spouses and children) who are or were employed by DETTCO or its Affiliates other than Subject Employees (and their spouses and children) who are hired by an Affiliate of the Partnership.

Notwithstanding any other provision of this Agreement, the agreements contained in this Section 11.3 shall survive indefinitely and inure to the benefit of all successors and permitted assigns of Partnership.

11.4 PARTNERSHIP'S INDEMNITY. Assuming the Closing occurs and subject to the provisions of this Article XI, Partnership agrees to indemnify, defend (with counsel reasonably acceptable to DETTCO) and hold DETTCO and its Affiliates and their respective officers, directors, shareholders, unitholders, members, managers, agents, employees, representatives, successors and permitted assigns (said Persons being sometimes referred to as the "DETTCO Indemnitees") harmless from and against and in respect of any DETTCO's Damages arising out of or resulting from, and shall pay the DETTCO Indemnitees the full amount of DETTCO's Damages that the DETTCO Indemnitees may be obligated to pay on account of:

(a) any breach of a representation or breach of warranty contained in this Agreement (or in the certificate delivered to DETTCO pursuant to Section 7.2(a) of this Agreement) or any failure to perform any covenant or agreement made or undertaken by Partnership in this Agreement (or any omission relating thereto from the certificate delivered to DETTCO pursuant to Section 7.2(a) of this Agreement);

(b) the ownership or operation of the Assets or the Businesses from and after the Effective Time, or the occurrence of any damages or injuries on or subsequent to the Effective Time related to the operation of the Assets or the Businesses regardless of when the fact or event giving rise to such damages or injuries occurs, and regardless of when a Claim is recognized or asserted with respect to such damages or injuries;

(c) one-half of all Certain Transaction Costs;

(d) the Assumed Obligations and the Partnership Assumed Obligations;

(e) following the fifth anniversary of the Closing Date, (i) the ownership or operation of the Assets or the Businesses prior to the Closing Date, including without limitation, the matters specified in Section 11.1 (except for Section 11.1(d) and the Retained Obligations described in Exhibit I) and in Section 11.2, and (ii) the Retained Obligations other than those Retained Obligations described in Exhibit I; or

(f) any failure to perform the covenant by Partnership made in Section 11.2(c) of this Agreement.

11.5 PROCEDURE. All claims for indemnification by a Party or a Party Indemnitee under this Article XI (the Party or the Party Indemnitee claiming indemnification and the Party against whom such claims are asserted being hereinafter called the "Indemnified Party" and the "Indemnifying Party", respectively) shall be asserted and resolved as follows:

(a) In the event that any Claim for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a Third Party, such Indemnified Party shall, within 45 calendar days of the receipt thereof, give notice (the "Claim Notice") to the Indemnifying Party of such Claim, specifying the nature of and specific basis for such Claim and the amount or the estimated amount thereof to the extent then feasible, which estimate shall not be binding upon the Indemnifying Party in its effort to collect the final amount of such Claim. The failure to give any such notice shall not affect the rights of the Indemnified Party to indemnification hereunder unless the Indemnified Party has proceeded to contest, defend or settle the Claim with respect to which it has failed to give prior notice to the Indemnifying Party. Additionally, to the extent the Indemnifying Party is prejudiced thereby, the failure to so notify the Indemnifying Party of any such Claims shall relieve the Indemnifying Party from liability that it may have to the Indemnified Party under the indemnification provisions contained in this Article XI, but only to the extent of the loss directly attributable to such failure to notify, and shall not relieve the Indemnifying Party from any liability that it may have to the Indemnified Party otherwise than under this Article XI.

(b) The Indemnifying Party shall be given the opportunity, at its cost and expense, to contest and defend by all appropriate legal proceedings any Claim with

respect to which it is called upon to indemnify the Indemnified Party under the provisions of this Agreement; provided, however, that notice of the intention so to contest and defend shall be delivered by the Indemnifying Party to the Indemnified Party within thirty (30) days following receipt of the notice provided for in Section 11.5(a) above. If the Indemnifying Party does not give notice to the Indemnified Party of its election to contest and defend any such Claim within such period then the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party and shall be responsible for all costs incurred in connection therewith. The Claim which the Indemnifying Party elects to contest and defend may be conducted in the name and on behalf of the Indemnifying Party or the Indemnified Party as may be appropriate. Such Claim shall be conducted by counsel employed by the Indemnifying Party who shall be reasonably satisfactory to the Indemnified Party, and the Indemnified Party shall have the right to participate in such Claim and to be represented by counsel of its own choosing at its cost and expense. If the Indemnified Party joins in any such Claim, the Indemnifying Party shall have full authority to determine all action to be taken with respect thereto; provided that if the Indemnifying Party reserves its rights with respect to its indemnification obligations under this Agreement as to such Claim, then the Indemnified Party shall have the full authority to determine all action to be taken with respect thereto. At any time after the commencement of defense of any Claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the abandonment of such contest or to the payment or compromise by the Indemnifying Party of the asserted Claim, provided the Indemnifying Party agrees in writing to be solely liable for all losses relating to such Claim; whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued and notifies the Indemnifying Party in writing within fifteen (15) days of such request from the Indemnifying Party. In the event that the Indemnified Party determines that the contest should be continued, the amount for which the Indemnifying Party would otherwise be liable hereunder shall not exceed the amount which the Indemnifying Party had agreed to pay in payment or consideration of such Claim, provided the other party to the contested Claim had agreed in writing to accept such amount in payment or compromise of the Claim as of the time the Indemnifying Party made its request therefor to the Indemnified Party, and further provided that, under such proposed compromise, the Indemnified Party would be fully and completely released from any further liability or obligation with respect to the matters which are the subject of such contested Claim.

(c) If requested by the Indemnifying Party, the Indemnified Party agrees, at the Indemnifying Party's expense, to cooperate with the Indemnifying Party and its counsel in contesting any Claim that the Indemnifying Party elects to contest, or, if appropriate and related to the Claim in question, in making any counterclaim against the person asserting the Third Party Claim, or any cross-complaint against any person other than an affiliate of the Indemnified Party.

(d) If any Indemnified Party should have a Claim against the Indemnifying Party hereunder that does not involve a Claim being asserted against or sought to be

collected from it by a Third Party, the Indemnified Party shall send a Claim Notice with respect to such Claim to the Indemnifying Party. If the Indemnifying Party disputes such Claim, such dispute shall be resolved in the manner set forth in Article XV hereof.

(e) The Indemnified Party agrees to afford the Indemnifying Party and its counsel the opportunity, at the Indemnifying Party's expense, to be present at, and to participate in, conferences with all Persons, asserting any Claim against the Indemnified Party and conferences with representatives of or counsel for such Persons.

(f) Notwithstanding anything contained in Section 11.5(a) through (e) to the contrary, each of the Parties hereto shall, or shall cause their Affiliates to, consult and cooperate in good faith with each other on a timely basis in order to effectively contest, defend, prosecute, settle and/or compromise any audit, examination, investigation or administrative, court or other proceeding relating to the Certain LLC Obligations and to mutually agree on the handling thereof.

11.6 INDEMNIFICATION THRESHOLD. Except for the matters described in Exhibits H and I or covered by Sections 10.10, 11.1(d), 11.3 and 11.4(b), (c), (d) or (f) which shall have no minimum threshold:

(a) DETTCO shall not be obligated to indemnify Partnership Indemnitees pursuant to Section 11.1 or 11.2 unless and until Partnership's Damages have exceeded in the aggregate $3,000,000, and then DETTCO's obligation to indemnify shall apply only to amounts in excess of such threshold.

(b) Partnership shall have no obligation to indemnify the DETTCO Indemnitees pursuant to Section 11.4(a) or (e) unless and until the DETTCO's Damages have exceeded in the aggregate $500,000 and then such Partnership's obligation to indemnify shall apply only to amounts in excess of such threshold.

11.7 EXPRESS NEGLIGENCE. TO THE EXTENT A PARTY OR A PARTY INDEMNITEE HEREUNDER IS ENTITLED TO INDEMNIFICATION UNDER THIS ARTICLE XI, SUCH INDEMNIFICATION SHALL APPLY NOTWITHSTANDING THE NEGLIGENCE, GROSS NEGLIGENCE, WILLFUL OR OTHER ACT BY THE PARTY OR THE PARTY INDEMNITEE TO BE SO INDEMNIFIED AND NOTWITHSTANDING SUCH ACT MAY OCCUR IN THE FUTURE, IT BEING THE INTENT OF THE PARTIES HERETO THAT SUCH INDEMNIFICATION SHALL APPLY TO ALL SUCH ACTS.

11.8 EXCLUSIVE REMEDY; LIMITATIONS.

(a) PARTNERSHIP AND DETTCO (I) AGREE THAT ONLY ACTUAL DAMAGES SHALL BE RECOVERABLE UNDER THIS AGREEMENT AND (II) HEREBY WAIVE ANY RIGHT TO RECOVER SPECIAL, PUNITIVE, CONSEQUENTIAL, INCIDENTAL OR EXEMPLARY DAMAGES EXCEPT TO THE EXTENT ANY SUCH PARTY

(OR A PARTY INDEMNITEE, AS THE CASE MAY BE) SUFFERS SUCH DAMAGES TO AN UNAFFILIATED THIRD-PARTY IN CONNECTION WITH A THIRD-PARTY CLAIM, IN WHICH EVENT SUCH DAMAGES SHALL BE RECOVERABLE. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, THE INDEMNIFICATION PROVISIONS OF THIS AGREEMENT SHALL BE THE EXCLUSIVE REMEDIES FOR ANY CLAIM BASED UPON THIS AGREEMENT OR THE TRANSACTIONS DESCRIBED HEREIN FOLLOWING CLOSING (EXCEPT WITH RESPECT TO THE PARTIES' OR THEIR AFFILIATES' OBLIGATIONS UNDER THE OTHER AGREEMENTS OR ANY OTHER WRITTEN AGREEMENT ENTERED INTO BY THE PARTIES OR THEIR RESPECTIVE AFFILIATES AS OF THE CLOSING DATE). IN FURTHERANCE OF THE FOREGOING AND EXCEPT FOR THE INDEMNIFICATION PROVISIONS OF THIS AGREEMENT, EFFECTIVE UPON THE CLOSING, DETTCO AND PARTNERSHIP, ON BEHALF OF THEMSELVES AND THEIR AFFILIATES, EACH RELEASE, REMISE AND FOREVER DISCHARGE THE OTHER PARTY AND ITS AFFILIATES AND ALL SUCH PARTIES' STOCKHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ADVISORS AND REPRESENTATIVES FROM ANY AND ALL CLAIMS AND LOSSES, IN LAW OR IN EQUITY, KNOWN OR UNKNOWN, WHICH SUCH PARTIES MIGHT NOW OR SUBSEQUENTLY MAY HAVE, BASED ON, RELATING TO OR ARISING OUT OF THIS AGREEMENT, OWNERSHIP, USE OR OPERATION OF THE ASSETS, OR THE CONDITION, QUALITY, STATUS OR NATURE OF THE ASSETS, INCLUDING RIGHTS TO CONTRIBUTION UNDER APPLICABLE ENVIRONMENTAL LAWS, EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY RELEASED PERSON, EXCLUDING, HOWEVER, ANY CONTRACTUAL RIGHTS ARISING UNDER THE OTHER AGREEMENTS OR ANY OTHER WRITTEN AGREEMENT ENTERED INTO BY THE PARTIES OR THEIR RESPECTIVE AFFILIATES AS OF THE CLOSING DATE.

(b) No Claim of indemnification hereunder can be brought by any Indemnified Party against an Indemnifying Party unless written notice of such Claim has been given on or before the termination date of the representation, warranty or covenant relating thereto. Indemnity obligations of any Indemnifying Party shall be reduced by any insurance proceeds realized by any Indemnified Party.

(c) Notwithstanding anything to the contrary contained elsewhere in this Agreement, DETTCO shall not be required to indemnify the Partnership Indemnitees for aggregate Partnership's Damages in excess of $25,000,000.

11.9 EXCLUSION OF MATERIALITY. For purposes of this Article XI and notwithstanding any provision to the contrary in this Agreement, in determining whether there has occurred a breach of a representation or warranty of either DETTCO or Partnership contained in or made pursuant to this Agreement, as well as the amount of any Loss resulting therefrom, (i) the provisions of Article V that are qualified by (a) "material" (except with respect to Sections 5.4(a), 5.4(c) and 5.4(e)), (b) Material Adverse Effect or (c) Environmental Material Adverse Effect shall be read and interpreted as if such qualification was not included therein, and (ii) the provisions of Article VI that are qualified

by "material" or a Partnership Material Adverse Effect shall be read and interpreted as if such qualification was not included therein.

ARTICLE XII.
TERMINATION

12.1 TERMINATION. The obligations to close the transactions contemplated by this Agreement may be terminated by:

(a) mutual agreement of Partnership and DETTCO;

(b) Partnership, if a material default shall be made in the observance or performance by DETTCO of any agreements and covenants of DETTCO herein contained, or if there shall have been a material breach by DETTCO of any warranties and representations and the same is not cured within thirty (30) days after receipt of written notice from Partnership;

(c) DETTCO, if a material default shall be made by Partnership in the observance or performance by Partnership of any agreements and covenants of Partnership herein contained, or if there shall have been a material breach by Partnership of any warranties and representations and the same is not cured within thirty (30) days after receipt of written notice from DETTCO;

(d) the Party, and in accordance with the provisions, specified in Sections 2.2(b) or 2.6, or

(e) either Party if the Closing has not occurred by December 1, 1998, upon giving of ten (10) days' prior written notice to the other Party.

12.2 LIABILITY UPON TERMINATION. If the obligation to close the transactions contemplated by this Agreement is terminated pursuant to any provision of Section 12.1, then neither Party shall be under any liability to the other Party hereto other than as provided in Section 9.5 and Article XIV hereof. Section 9.5 and Articles XIV, XV and XVI shall survive any termination of this Agreement.

ARTICLE XIII.
NATURE OF STATEMENTS AND SURVIVAL OF COVENANTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS

13.1 NO MERGER. All representations, warranties, covenants and agreements made by the Parties in this Agreement or pursuant hereto shall survive the Closing as hereinafter provided, notwithstanding any investigation heretofore or hereafter made by or on behalf of any of them and shall not be deemed merged into any instruments or agreements delivered at Closing.

13.2 INACCURACIES AND DEFECTS. Notwithstanding the foregoing, there shall be no indemnification obligation by DETTCO under this Agreement with respect to (i) any inaccuracies in any representations or warranties made by DETTCO herein or (ii) defects relating to the Assets, to the extent such inaccuracies or defects have been specifically disclosed to Partnership in writing by DETTCO prior to the Closing Date. Likewise, there shall be no indemnification obligation by Partnership under this Agreement with respect to any inaccuracies in any representations or warranties made by Partnership herein to the extent such inaccuracies have been specifically disclosed to DETTCO in writing by Partnership prior to the Closing Date. Any such inaccuracies or defects shall provide a basis for the other Party electing not to close the transactions contemplated by this Agreement, but shall not form any basis for a cause of action or indemnity hereunder.

13.3 SURVIVAL PERIOD. All representations, warranties and indemnifications herein (and the corresponding representations and warranties set forth in certificates given at Closing), the covenants of the Parties and the indemnification obligations of the Parties shall survive until the fifth anniversary date of the Closing Date, except that (i) all representations, warranties and indemnities relating to Tax matters and matters relating to employees, employee Claims or employee benefit matters shall survive until ninety (90) calendar days following the termination of any statute of limitations applicable to such matter, (ii) DETTCO's indemnification obligation under Sections 11.1(b) as it relates to the matters described on Exhibit I and Section 11.1(d) shall survive indefinitely, and (iii) Partnership's indemnification obligations under Section 11.4 (b) through (e) shall survive indefinitely. Notwithstanding the foregoing, in the event a Claim for indemnification is made in accordance with the provisions hereof on or before the expiration of the respective survival period set forth above, the obligations of the indemnifying party under Article XI shall continue as to such claim until it has been finally resolved.

ARTICLE XIV.
EXPENSES

Except as otherwise set forth herein, and whether or not the transactions contemplated by this Agreement shall be consummated, each Party agrees to pay, without right of reimbursement from the other Party, the costs incurred by the Party incident to the preparation and execution of this Agreement and performance of its obligations hereunder, including the fees and disbursements of legal counsel, accountants and consultants employed by the Party in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, each Party agrees to share equally the filing fee for filings made pursuant to the HSR Act.

ARTICLE XV.
DISPUTES

15.1 NEGOTIATION. Except for the injunctive remedies provided by Section 9.4, in the event of any claims, counterclaims, demands, causes of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement or the relationship between

the Parties created by this Agreement, involving the Parties and/or their respective representatives and/or Affiliates, including, without limitation, arising out of the Other Agreements or the Guaranty Agreement (all of which are referred to herein as "Disputes"), the Parties shall promptly seek to resolve any such Dispute by negotiations between senior executives of the Parties who have authority to settle the Dispute. When a Party believes there is a Dispute under this Agreement, that Party will give the other Party written notice of the Dispute. Within thirty (30) days after receipt of such notice, the receiving Party shall submit to the other a written response. Both the notice and response shall include (i) a statement of each Party's position and a summary of the evidence and arguments supporting its position, and (ii) the name, title, fax number, and telephone number of the executive who will represent that Party. In the event the Dispute involves a claim arising out of the actions of any Person or entity not a signatory to this Agreement, the receiving Party shall have such additional time as necessary, not to exceed an additional thirty (30) days, to investigate the Dispute before submitting a written response. The executives shall meet at a mutually acceptable time and place within fifteen (15) days after the date of the response and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute. If one of the executives is an attorney or intends to be accompanied at a meeting by an attorney, the other executive shall be given at least five (5) days' notice of such intention and may also be accompanied by an attorney. All negotiations and communications pursuant to this Article XV shall be treated and maintained by the Parties as confidential information and shall be treated as compromise and settlement negotiations for the purposes of the Federal and State Rules of Evidence.

15.2 FAILURE TO RESOLVE. If the Dispute has not been resolved within sixty (60) days after the date of the response given pursuant to Section 15.1 above, or such additional time, if any, that the Parties mutually agree to in writing, or if the Party receiving such notice denies the applicability of the provisions of Section 15.1 or otherwise refuses to participate under the provisions of Section 15.1, either Party may initiate binding arbitration pursuant to the provisions of Section 15.3 below.

15.3 ARBITRATION. Any Disputes not settled pursuant to the foregoing provisions shall be submitted to binding arbitration in accordance with the following provisions. Arbitration shall be the sole and exclusive manner in which to resolve any Disputes hereunder.

(a) The Party desiring to initiate arbitration in connection with any Dispute shall send, via certified mail, written notice of demand of arbitration to the other Party and the name of the arbitrator appointed by the Party demanding arbitration together with a statement of the matter in controversy.

(b) Within fifteen (15) days after receipt of such demand, the receiving Party shall name its arbitrator. If the receiving Party fails or refuses to name its arbitrator within such 15-day period, the second arbitrator shall be appointed, upon request of the Party demanding arbitration, by the Chief U.S. District Court Judge for the Southern District of Texas or such other person designated by such judge. The two arbitrators so selected shall within fifteen (15) days after their designation select a third arbitrator; provided, however, that if the two arbitrators are not able to agree on a third arbitrator within such 15-day period, either Party may request the Chief U.S. District Court Judge for the Southern District of Texas or such other person

designated by such judge to select the third arbitrator as soon as possible. In the event the Judge declines to appoint an arbitrator, appointment shall be made, upon application of either Party, pursuant to the Commercial Arbitration Rules of the American Arbitration Association. If any arbitrator refuses or fails to fulfill his or her duties hereunder, such arbitrator shall be replaced by the Party which selected such arbitrator (or if such arbitrator was selected by another Person, through the procedure which such arbitrator was selected) pursuant to the foregoing provisions.

(c) Each arbitrator selected by the Parties shall be a certified public accountant or licensed attorney with at least fifteen (15) years of oil and gas experience as a certified public accountant and/or practicing attorney. The arbitrators selected by the Parties are not required to be neutral, but the third arbitrator shall be neutral and shall be a retired judge.

(d) The Parties hereto hereby request and consent to the three (3) arbitrators conducting a hearing in Houston, Texas no later than sixty (60) days following their selection or thirty (30) days after all prehearing discovery has been completed, whichever is later, at which the Parties shall present such evidence and witnesses as they may choose, with or without counsel.

(e) Arbitration shall be conducted in accordance with the Commercial Arbitration Rules and procedures of the American Arbitration Association.

(f) The Federal Rules of Civil Procedure, as modified or supplemented by the local rules of civil procedure for the U.S. District Court for the Southern District of Texas, shall apply in the arbitration. The Parties shall make their witnesses available in a timely manner for discovery pursuant to such rules. If a Party fails to comply with this discovery agreement within the time established by the arbitrators, after resolving any discovery disputes, the arbitrators may take such failure to comply into consideration in reaching their decision. All discovery disputes shall be resolved by the arbitrators pursuant to the procedures set forth in the Federal Rules of Civil Procedure.

(g) Adherence to formal rules of evidence shall not be required. The arbitrators shall consider any evidence and testimony that they determine to be relevant.

(h) The Parties hereto hereby request that the arbitrators render their decision within thirty (30) calendar days following conclusion of the hearing.

(i) Any decision by a majority of the arbitration panel shall be final, binding and non-appealable. Any such decision may be filed in any court of competent jurisdiction and may be enforced by either Party as a final judgment in such court. There shall be no grounds for appeal of any arbitration award hereunder.

(j) The defenses of statute of limitations and laches shall be tolled from and after the date a Party gives the other Party written notice of a Dispute as provided in Section 15.1 above until such time as the Dispute has been resolved pursuant to Section 15.1, or an arbitration award has been entered pursuant to this Section 15.3.

15.4 RECOVERY OF COSTS AND ATTORNEYS' FEES. In the event arbitration (or, despite the Parties' agreement to resolve the Disputes through binding arbitration, litigation) arising out of this Agreement is initiated by either Party, the prevailing Party, after the entry of a final non-appealable order, shall be entitled to recover from the other Party, as a part of said order, all court costs, fees and expenses of such arbitration (or litigation), including, without limitation, reasonable attorneys' fees.

15.5 CHOICE OF FORUM. If, despite the Parties' agreement to submit any Disputes to binding arbitration, there are any court proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, such proceedings shall be brought and tried in the federal or state courts situated in the City of Houston, Texas.

15.6 JURY WAIVERS. THE PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY.

ARTICLE XVI.
GENERAL PROVISIONS

16.1 NOTICES. All notices, requests, demands and other communications required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and delivered personally or sent via first-class, postage prepaid, registered or certified mail (return receipt requested), or by overnight delivery service or facsimile transmission addressed as follows:

If to DETTCO:

Duke Energy Transport and Trading Company
370 - 17th Street, Suite 900
Denver, Colorado 80202
Attn: President
Telephone: (303) 595-3331
Facsimile: (303) 893-2613

and copy to:

Duke Energy Field Services, Inc.
370 - 17th Street, Suite 900
Denver, Colorado 80202
Attn: General Counsel
Telephone: (303) 595-3331
Facsimile: (303) 893-8902

If to Partnership:

TEPPCO Partners, L.P.
2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Attention: President
Telephone: (713) 759-3636
Facsimile: (713) 759-3957

and copy to:

Texas Eastern Products Pipeline Company
2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Attention: General Counsel
Telephone: (713) 759-3968
Facsimile: (713) 759-3645

Either Party may change the address to which the communications are to be directed to it by giving notice to the other in the manner provided in this Section 16.1. Notice by mail shall be deemed to have been given and received on the third day after posting. Notice by overnight delivery service, facsimile transmission or personal delivery shall be deemed given on the date of actual delivery.

16.2 GOVERNING LAW. This Agreement and the performance of the transactions contemplated hereby shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to any conflict-of-laws provision thereof that would otherwise require the application of the law of any other jurisdiction.

16.3 ENTIRE AGREEMENT. This Agreement and the Exhibits hereto, together with the Disclosure Schedule and the Assignment of Subject Interest, the transfer documents pursuant to which the Assets are to be transferred to the LLCs and the other documents effecting such transfer of the Assets, the Other Agreements and all certificates, documents, instruments and writings that are delivered pursuant hereto at Closing set forth the entire agreement and understanding of the Parties with respect of the transactions contemplated hereby and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intention with respect to the subject matter of this Agreement has been

made by either Party that is not embodied in this Agreement and the Exhibits hereto, the Disclosure Schedule, the Assignment of Subject Interest, the Other Agreements, the other documents referred to hereinabove in this Section 16.3 and the certificates, documents, instruments and writings that are delivered pursuant hereto at Closing, and neither of the Parties shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

16.4 ASSIGNMENT. Neither Party to this Agreement may sell, transfer, assign, pledge or hypothecate, in each case, by operation of law, change in control or otherwise, its rights, interests or obligations under this Agreement without the consent of the other Party; provided, however, that (i) Partnership may assign its rights to an Affiliate, but such Party shall remain liable for the performance of its obligations hereunder, and (ii) DETTCO may assign its rights to an Affiliate, but such Party shall remain liable for the performance of its obligations hereunder.

16.5 SUCCESSORS. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Parties hereto and their respective successors and permitted assigns.

16.6 AMENDMENTS; WAIVER. This Agreement may be amended, superseded or canceled, and any of the terms hereof may be waived, only by a written instrument specifically stating that it amends, supersedes or cancels this Agreement or waives any of the terms herein, executed by all Parties or, in the case of a waiver, by the Party waiving compliance. The failure of either Party at any time to require performance of any provision herein shall in no manner affect the right at a later time to enforce the same. No waiver by either Party of any condition, or of any breach of any term, covenant, representation or warranty, shall be deemed or constitute a waiver of any other condition, or breach of any other term, covenant, representation or warranty, nor shall the waiver constitute a continuing waiver unless otherwise expressly provided.

16.7 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

16.8 SEVERABILITY. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16.9 NO THIRD PARTY BENEFICIARIES. Except to the extent a Third Party is expressly given rights herein, any agreement contained, expressed or implied in this Agreement shall be only for the benefit of the Parties hereto and their respective legal representatives, successors and permitted assigns, and such agreements shall not inure to the benefit of the obligees of any indebtedness of either Party hereto, it being the intention of the Parties hereto that no Person shall be deemed a third party beneficiary of this Agreement, except to the extent a Third Party is expressly given rights herein. Notwithstanding anything herein to the contrary, nothing herein shall be deemed to create any rights with respect to any employee of either Party or any employee of any Affiliate of a Party, except as expressly provided herein with respect to Party Indemnitees.

16.10 NEGOTIATED TRANSACTION. The provisions of this Agreement were negotiated by the Parties hereto, and this Agreement shall be deemed to have been drafted by all of the Parties hereto.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first set forth above.

DETTCO:

DUKE ENERGY TRANSPORT AND TRADING COMPANY

By: /s/ J.W. Mogg

Name: J.W. Mogg

Title: Vice Chairman

PARTNERSHIP:

TEPPCO PARTNERS, L.P.
By: Texas Eastern Products Pipeline Company, its General Partner

By: /s/ W.L. Thacker

Name: W.L. Thacker

Title: Chairman, President & CEO

EXHIBIT 10.17

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") dated November 30, 1998, but effective as of November 1, 1998 (the "Effective Date"), is by DUKE ENERGY NATURAL GAS CORPORATION, a Delaware corporation (the "Guarantor"), for the benefit of TEPPCO PARTNERS, L.P., a Delaware limited partnership ("TEPPCO" and, together with the Guarantor, the "Parties").

W I T N E S S E T H:

WHEREAS, Duke Energy Transport and Trading Company, a Colorado corporation ("Duke"), is a direct, wholly owned subsidiary of the Guarantor;

WHEREAS, Duke owns all of the issued and outstanding limited liability company membership interests of DETTCO, LLC, a Delaware limited liability company (the "Company");

WHEREAS, pursuant to a Contribution Agreement, dated October 15, 1998, by and between Duke and TEPPCO (the "Contribution Agreement" and, together with the agreements listed on Schedule 1 hereto, the "Transaction Agreements"), Duke will convey, and TEPPCO will acquire, all of the Membership Interests of the Company (capitalized terms not otherwise defined herein having the meanings ascribed to them in the Contribution Agreement);

WHEREAS, the Guarantor, as the parent of Duke, will derive a substantial benefit from the acquisition of the Company by TEPPCO from Duke;

WHEREAS, to induce TEPPCO to enter into the Contribution Agreement, and in consideration of TEPPCO entering into the Contribution Agreement, the Guarantor desires to guarantee (i) the obligations of Duke under the Contribution Agreement upon the terms and conditions set forth herein, and (ii) the obligations under the other Transaction Agreements of Duke and those Affiliates of Duke who are parties to such agreements (such Affiliates, together with Duke, are sometimes herein collectively referred to as the "Guaranty Parties"); and

WHEREAS, pursuant to Section 7.1(o) of the Contribution Agreement, it is a condition to the obligation of TEPPCO to acquire the Membership Interests of the Company that the Guarantor enter into and deliver this Guaranty to TEPPCO;

NOW, THEREFORE, in consideration of premises, the terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor covenants and agrees with TEPPCO as follows:

1. Subject to the terms and conditions of this Guaranty, the Guarantor hereby irrevocably and unconditionally guarantees to TEPPCO and TEPPCO's Affiliates the performance of all of the Guaranty Parties' obligations under the Transaction Agreements and any and all documents and agreements now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to

the terms of any of the Transaction Agreements, including the performance of the Guaranty Parties' respective covenants thereunder, whether for the payment of money or the giving of indemnification or otherwise.

2. The Guarantor represents and warrants to TEPPCO that the following are true and correct as of the Effective Date and as of the date hereof:

(a) The Guarantor is duly organized, validly existing, and in good standing under the laws of the State of Delaware.

(b) The Guarantor has full power and authority (including full corporate power and authority and all necessary board approvals) to execute and deliver this Guaranty and to perform its obligations hereunder. This Guaranty constitutes the valid and legally binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms and conditions, except as such enforceability may be limited by or subject to (i) any bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Guarantor need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of, any government or governmental agency or any other person or entity to perform its obligations under this Guaranty.

(c) Neither the execution and the delivery of this Guaranty, nor the performance by the Guarantor of its obligations hereunder, will in any material respect violate any statute, regulation, rule, injunction, judgment, order, decree or ruling of any government, governmental agency, or court to which the Guarantor is subject, or any provision of its charter or bylaws or any material agreement or instrument to which the Guarantor is a party.

3. The obligations of the Guarantor hereunder shall remain in full force and effect without regard to, and shall not be affected or impaired by, any of the following, any of which may be taken without the consent of, or notice to, the Guarantor, nor shall any of the following give the Guarantor any recourse or right of action against TEPPCO:

(a) Any amendment, modification, addition, supplement, extension or acceleration of or to any part of any of the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements;

(b) Any exercise or non-exercise by TEPPCO of any right or privilege under any of the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements;

(c) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Duke, the Company, or any Affiliate of Duke or the Guarantor, whether or not the Guarantor shall have disclosed any of the foregoing; it being expressly agreed that if and to the extent any payment or other obligation by or on behalf of any of the Guaranty Parties pursuant to any of the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements is rescinded or is otherwise restored by TEPPCO as a result of any bankruptcy or other proceedings referred to above, such payment shall not be deemed to have been made for purposes of this Guaranty; and

(d) The existence of any facts or circumstances which cause (or result in) any of the representations and warranties of Duke in Article V of the Contribution Agreement to be (or being) inaccurate.

4. The Guarantor's obligations hereunder shall be no more nor any less extensive than those required of the Guaranty Parties under the Transaction Agreements and any document and agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements, as applicable, and the Guarantor shall be entitled to assert with respect to any claim under this Guaranty, any and all defenses, set-offs, counterclaims and other rights or remedies available to the Guaranty Parties under the applicable Transaction Agreements and any document and agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements, as applicable, or otherwise at law or equity, excluding those matters herein set forth in Section 3 and Section 6 hereof.

5. The obligations of the Guarantor hereunder are independent of the obligations of the Guaranty Parties and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against the Guarantor whether or not the Guarantor is the alter ego of any of the Guaranty Parties and whether or not any of the Guaranty Parties is joined therein or a separate action or actions are brought against any of the Guaranty Parties. Subject to the terms and provisions of this Guaranty, TEPPCO's rights hereunder shall not be exhausted until all obligations required of the Guaranty Parties under the Transaction Agreements and any and all documents and agreements now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements have been performed. All remedies of TEPPCO are cumulative.

6. The Guarantor unconditionally waives:

(a) Presentments, demands, protests or notices as the same pertain to the Guaranty Parties; provided, that the foregoing shall not waive or release any obligation of TEPPCO to provide notice to the respective Guaranty Parties or their respective successors or permitted assigns in accordance with and to the extent required by the terms of any of the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements, as applicable;

(b) Any right to require TEPPCO to proceed against the Guaranty Parties or to exhaust any security held by TEPPCO or to pursue any other remedy;

(c) Any defense based upon an election of remedies by TEPPCO, unless the same would excuse performance by the Guaranty Parties under the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements, as applicable; and

(d) Any duty of TEPPCO to advise the Guarantor of any information known to TEPPCO regarding any of the Guaranty Parties or their ability to perform pursuant to any of the Transaction Agreements or any document or agreement now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements, as applicable.

7. Subject to the terms and provisions of this Guaranty, the Guarantor agrees to pay all costs and expenses, including reasonable attorneys' fees, that may be incurred by TEPPCO in any legal proceeding resolved in favor of TEPPCO to enforce the obligations of the Guarantor hereunder.

8. This is a continuing guaranty and, subject to the terms and provisions of this Guaranty, the obligations of the Guarantor under this Guaranty shall continue in full force and effect until the Guaranty Parties' obligations under the Transaction Agreements and any and all documents and agreements now or hereafter executed and/or delivered by any of the Guaranty Parties pursuant to the terms of any of the Transaction Agreements shall have been fully paid and performed or excused under any such Transaction Agreement, any such document or agreement, or at law or equity, at which time this Guaranty and all of the Guarantor's obligations hereunder shall terminate and expire.

9. This Guaranty shall not confer any rights or remedies upon any Person other than the Parties and their respective Affiliates, successors and permitted assigns and other Persons, if any, given rights of indemnification under the Transaction Agreements.

10. This Guaranty constitutes the entire agreement among the Parties regarding the guaranty by Guarantor with respect to the transactions contemplated by the Transaction Agreements and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

11. This Guaranty shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign either this Guaranty or any of its rights, interests or obligations hereunder without the prior written approval of the other. Any such assignment consented to by TEPPCO shall not relieve the Guarantor of its obligations hereunder, and the Guarantor's assignee or successor shall provide TEPPCO with a written acknowledgment of the assumption of the Guarantor's obligations hereunder by such assignee or successor. If the Guarantor intends to consolidate with, merge into, or sell or otherwise transfer all or substantially all of its assets to another Person, the Guarantor shall give TEPPCO 30 days prior written notice of such consolidation, merger or transfer, and the surviving or purchasing Person, as the case may be, shall

be deemed to have assumed the Guarantor's obligations hereunder, and shall acknowledge to TEPPCO such assumption in writing.

12. This Guaranty may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

13. All notices, requests, demands and other communications required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and delivered personally or sent via first-class, postage prepaid, registered or certified mail (return receipt requested), or by overnight delivery service or facsimile transmission addressed as follows:

If to the Guarantor, to:

Duke Energy Natural Gas Corporation
370 - 17th Street, Suite 900
Denver, Colorado 80202
Telephone: (303) 595-3331
Facsimile: (303) 893-2613
Attention: President

With a copy to:

Duke Energy Natural Gas Corporation
370 - 17th Street, Suite 900
Denver, Colorado 80202
Telephone: (303) 595-3331
Facsimile: (303) 893-8902
Attention: General Counsel

If to TEPPCO, to:

TEPPCO Partners, L.P.
c/o Texas Eastern Products Pipeline Company
2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Telephone: (713) 759-3636
Facsimile: (713) 759-3957
Attention: President

With a copy to:

Texas Eastern Products Pipeline Company
2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Telephone: (713) 759-3968
Facsimile: (713) 759-3645
Attention: General Counsel

Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

14. This Guaranty shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

15. This Guaranty may not be effectively amended, changed, modified, altered or terminated, except as provided herein, without the written consent of the Parties and such consent shall be effective only in the specific instance and for the specific purpose for which it is given.

16. Any term or provision of this Guaranty that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

17. The word "including" shall mean including, without limitation. If the date specified in this Guaranty for giving any notice or taking any action is not a business day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a business day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a business day.

18. Arbitration.

(a) In the event of any claims, counterclaims, demands, causes of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement or the relationship between the Parties created by this Agreement, involving the Parties and/or their respective representatives and/or Affiliates, including, without limitation, arising out of the Other Agreements or the Guaranty Agreement (all of which are referred to herein as "Disputes"), the Parties shall promptly seek to resolve any such Dispute by negotiations between senior executives of the Parties who have authority to settle the Dispute. When a Party believes there is a Dispute under this Agreement, that Party will give the other Party written notice of the Dispute. Within thirty (30) days after receipt of such notice, the receiving Party shall submit to the other a written response. Both the notice and response shall include (i) a statement of each Party's position and a summary of the

evidence and arguments supporting its position, and (ii) the name, title, fax number, and telephone number of the executive who will represent that Party. In the event the Dispute involves a claim arising out of the actions of any Person or entity not a signatory to this Agreement, the receiving Party shall have such additional time as necessary, not to exceed an additional thirty (30) days, to investigate the Dispute before submitting a written response. The executives shall meet at a mutually acceptable time and place within fifteen (15) days after the date of the response and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute. If one of the executives is an attorney or intends to be accompanied at a meeting by an attorney, the other executive shall be given at least five (5) days' notice of such intention and may also be accompanied by an attorney. All negotiations and communications pursuant to this Section 18 shall be treated and maintained by the Parties as confidential information and shall be treated as compromise and settlement negotiations for the purposes of the Federal and State Rules of Evidence.

(b) If the Dispute has not been resolved within sixty (60) days after the date of the response given pursuant to Section 18(a) above, or such additional time, if any, that the Parties mutually agree to in writing, or if the Party receiving such notice denies the applicability of the provisions of Section 18(a) or otherwise refuses to participate under the provisions of Section 18(a), either Party may initiate binding arbitration pursuant to the provisions of Section 18(c) below.

(c) Any Disputes not settled pursuant to the foregoing provisions shall be submitted to binding arbitration in accordance with the following provisions. Arbitration shall be the sole and exclusive manner in which to resolve any Disputes hereunder.

(i) The Party desiring to initiate arbitration in connection with any Dispute shall send, via certified mail, written notice of demand of arbitration to the other Party and the name of the arbitrator appointed by the Party demanding arbitration together with a statement of the matter in controversy.

(ii) Within fifteen (15) days after receipt of such demand, the receiving Party shall name its arbitrator. If the receiving Party fails or refuses to name its arbitrator within such 15-day period, the second arbitrator shall be appointed, upon request of the Party demanding arbitration, by the Chief U.S. District Court Judge for the Southern District of Texas or such other person designated by such judge. The two arbitrators so selected shall within fifteen (15) days after their designation select a third arbitrator; provided, however, that if the two arbitrators are not able to agree on a third arbitrator within such 15-day period, either Party may request the Chief U.S. District Court Judge for the Southern District of Texas or such other person designated by such judge to select the third arbitrator as soon as possible. In the event the Judge declines to appoint an arbitrator, appointment shall be made, upon application of either Party, pursuant to the Commercial Arbitration Rules of

the American Arbitration Association. If any arbitrator refuses or fails to fulfill his or her duties hereunder, such arbitrator shall be replaced by the Party which selected such arbitrator (or if such arbitrator was selected by another Person, through the procedure which such arbitrator was selected) pursuant to the foregoing provisions.

(iii) Each arbitrator selected by the Parties shall be a certified public accountant or licensed attorney with at least fifteen (15) years of oil and gas experience as a certified public accountant and/or practicing attorney. The arbitrators selected by the Parties are not required to be neutral, but the third arbitrator shall be neutral and shall be a retired judge.

(iv) The Parties hereby request and consent to the three (3) arbitrators conducting a hearing in Houston, Texas no later than sixty (60) days following their selection or thirty (30) days after all prehearing discovery has been completed, whichever is later, at which the Parties shall present such evidence and witnesses as they may choose, with or without counsel.

(v) Arbitration shall be conducted in accordance with the Commercial Arbitration Rules and procedures of the American Arbitration Association.

(vi) The Federal Rules of Civil Procedure, as modified or supplemented by the local rules of civil procedure for the U.S. District Court for the Southern District of Texas, shall apply in the arbitration. The Parties shall make their witnesses available in a timely manner for discovery pursuant to such rules. If a Party fails to comply with this discovery agreement within the time established by the arbitrators, after resolving any discovery disputes, the arbitrators may take such failure to comply into consideration in reaching their decision. All discovery disputes shall be resolved by the arbitrators pursuant to the procedures set forth in the Federal Rules of Civil Procedure.

(vii) Adherence to formal rules of evidence shall not be required. The arbitrators shall consider any evidence and testimony that they determine to be relevant.

(viii) The Parties hereby request that the arbitrators render their decision within thirty (30) calendar days following conclusion of the hearing.

(ix) Any decision by a majority of the arbitration panel shall be final, binding and non-appealable. Any such decision may be filed in any court of competent jurisdiction and may be enforced by either Party as a final judgment in such court. There shall be no grounds for appeal of any arbitration award hereunder.

(x) The defenses of statute of limitations and laches shall be tolled from and after the date a Party gives the other Party written notice of a Dispute as provided in Section 18(a) above until such time as the Dispute has been resolved pursuant to Section 18(a), or an arbitration award has been entered pursuant to this Section 18(c).

(d) In the event arbitration (or, despite the Parties' agreement to resolve the Disputes through binding arbitration, litigation) arising out of this Agreement is initiated by either Party, the prevailing Party, after the entry of a final non-appealable order, shall be entitled to recover from the other Party, as a part of said order, all court costs, fees and expenses of such arbitration (or litigation), including, without limitation, reasonable attorneys' fees.

(e) If, despite the Parties' agreement to submit any Disputes to binding arbitration, there are any court proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, such proceedings shall be brought and tried in the federal or state courts situated in the City of Houston, Texas.

(f) THE PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY.

IN WITNESS WHEREOF, the Parties have executed this Guaranty to be effective as of the Effective Date.

GUARANTOR:

DUKE ENERGY NATURAL GAS CORPORATION

By: /s/ J.W. Mogg

Name: J.W. Mogg

Title: Executive Vice President

TEPPCO:

TEPPCO PARTNERS, L.P.

By: Texas Eastern Products Pipeline Company,
its General Partner

By: /s/ W.L. Thacker

Name: W.L. Thacker

Title: Chairman of the Board, President
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and Chief Executive Officer

EXHIBIT 10.18

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REVOLVING CREDIT AGREEMENT

BETWEEN

TCTM, L.P.
AS BORROWER

AND

DUKE CAPITAL CORPORATION
AS LENDER

DATED AS OF NOVEMBER 30, 1998

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REVOLVING CREDIT AGREEMENT

REVOLVING CREDIT AGREEMENT, dated as of November 30, 1998, between TCTM, L.P., a Delaware limited partnership (the "Borrower"), and DUKE CAPITAL CORPORATION, a Delaware corporation (the "Lender").

SECTION 1 INTERPRETATIONS AND DEFINITIONS.

1.1 Definitions. The following terms, as used herein, shall have the following respective meanings:

"Agreement" means this Revolving Credit Agreement, as amended, restated, extended or otherwise modified from time to time in accordance with the terms hereof.

"Base Rate" means a fluctuating per annum rate of interest as shall be in effect from time to time, which rate shall at all times be equal to .50 of 1% per annum above LIBOR. Any change in the Base Rate due to a change in LIBOR shall be effective as of the effective date of such change in LIBOR.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or directed to close.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Commitment" means $30,000,000, as such amount may be reduced from time to time pursuant to Section 2.7 hereof.

"Consolidated" refers to the results obtained by the consolidation of the accounts of the Borrower and its Subsidiaries in accordance with Generally Accepted Accounting Principles.

"Consolidated Subsidiaries" means the Subsidiaries of Borrower which are consolidated with Borrower for financial reporting purposes.

"Contribution Agreement" shall have the meaning given to that term in Section 4.5 hereof.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt

of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others Guaranteed by such Person.

"Default" means any event or condition which constitutes an Event of Default or which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Dollars" and the sign "$" mean lawful money of the United States.

"Environmental Laws" means federal, state or local statutes, laws, ordinances, codes, rules, regulations, consents, decrees and administrative orders relating to protection of the environment, such as CERCLA, the Resource Conservation and Recovery Act and analogous state laws and regulations.

"ERISA" means the Employee Retirement Income Security Act of 1974, as in effect from time to time.

"Events of Default" shall have the meaning given to that term in Section 7 hereof.

"Funded Debt" means, without duplication, the sum of (i) all debt for borrowed money which would be reported on the Consolidated balance sheet of the Borrower as a liability, (ii) all debt for borrowed money created, incurred, assumed or guaranteed by, or otherwise existing as a liability of, any association, partnership, joint venture or other business entity not in corporate form with respect to which the Borrower or any of its Subsidiaries is liable as a primary obligor, and (iii) all guaranties by the Borrower or its Subsidiaries of, and all reimbursement obligations of the Borrower or its Subsidiaries (whether or not matured) with respect to surety bonds, letters of credit, bankers' acceptances or other similar instruments but only to the extent such instruments are in support of, debt of any Person for borrowed money.

"Generally Accepted Accounting Principles" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and promulgations of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or entity whose stock or capital ownership is owned or controlled by any of the foregoing.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person or in any manner providing for the payment of any Debt of any other Person or otherwise protecting the holder of such Debt against loss (whether by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Leverage Ratio" will have the meaning given that term in Section 6.1.

"LIBOR" means the one-month London inter-bank offered rate for deposits in United States dollars, determined as of approximately 11:00 a.m. (London time) as set forth on the display designated as the "BBAM" page on the Bloomberg Service, or such other well recognized source or service as the parties hereto may agree in writing, on the Business Day immediately preceding the day on which notice is given pursuant to Section 2.2(a) hereof. If such rate is not so quoted and the parties do not agree in writing to an alternative source or service, "LIBOR" shall be reasonably determined by the Lender on such day by reference to the rate quoted for the offering by leading banks (reasonably selected by the Lender) in the London inter-bank market of dollars for deposit.

"Lien" means with respect to any property or asset (or any income or profits therefrom) of any Person (in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise) (a) any mortgage, lien, pledge, attachment, levy or other security interest of any kind thereupon or in respect thereof, but not including the interest of a third party in receivables sold by such Person to such third party on a non-recourse basis or (b) any other arrangement, express or implied, under which the same is subordinated, transferred, sequestered or otherwise identified so as to subject the same to, or make the same available for, the payment or performance of any liability in priority to the payment of the ordinary, unsecured liabilities of such Person. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a loan made by the Lender to Borrower pursuant to Section 2, or all such Loans, as the context may require.

"Net Worth" means, at any date, the excess of

(a) the Consolidated total assets of the Borrower over

(b) the Consolidated total liabilities of the Borrower,

as each would be reported on a Consolidated balance sheet of the Borrower as of such date and calculated in accordance with Generally Accepted Accounting Principles, consistently applied.

"Material Adverse Effect" shall mean a material adverse effect on (a) the ability of the Borrower to perform its obligations under this Agreement, (b) the validity or enforceability of this Agreement, (c) the rights and remedies of the Lender under this Agreement, or (d) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

"Obligation" means as applied to any Person, any law, decree, regulation or similar enactment, any instrument, agreement or other obligation or any judgment, injunction or other order or award of any judicial, administrative or governmental authority or arbitrator by which such Person or any of its Properties is bound.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a business trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Property" means any estate or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Subsidiary" means, as to any Person, any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting capital stock or other voting ownership interests is owned or controlled directly or indirectly by such Person or by one or more of the Subsidiaries of such Person or by a combination thereof.

"Tax" means all taxes, levies, imposts, stamp taxes, sales tax, goods and services tax, duties, charges to tax, fees, deductions, withholdings and any restrictions or conditions resulting in a charge to tax, in each case imposed by or payable to a government or governmental agency, and all penalty, interest and other payments on or in respect thereof.

"Term of this Agreement" means the period from the date hereof to and including the Termination Date.

"Termination Date" means the six-month anniversary of the date of this Agreement.

SECTION 2 THE LOANS.

2.1 Commitment to Lend.

(a) During the Term of this Agreement the Lender agrees, on the terms and conditions contained in this Agreement, to make Loans to the Borrower at any time prior to the Termination Date in an aggregate amount not exceeding at any one time outstanding the Commitment in effect at the time the Loans are made. The Borrower shall repay Loans in accordance with Section 2.3 and may reborrow under this Section 2.1(a) at any time.

(b) Any other provision of this Agreement to the contrary notwithstanding, the Lender shall not be obligated to make a Loan to the Borrower at any time that the Borrower is, or after giving effect to the making of the Loan the Borrower would be, in violation of any of the terms, conditions, covenants or provisions of this Agreement including, without limitation, the terms and conditions contained in Section 3 hereof.

2.2 Method of Borrowing.

(a) With respect to each Loan made pursuant to Section 2.1 hereof, the Borrower shall give the Lender a notice of borrowing notifying the Lender of its request to borrow hereunder, which notice will specify (i) the date of the Loan, which date shall be a Business Day, and (ii) the principal amount of the Loan, which shall be $100,000 or a greater integral multiple thereof. The notice of borrowing shall be written.

(b) If the Borrower gives the notice required by Section 2.2(a) with respect to any Loan before 1:00 p.m. (Eastern Time), the Lender will disburse the proceeds of the Loan to the Borrower in immediately available funds on the Business Day following the date of such notice. The Lender will disburse all Loans to the Borrower in such account as shall be designated by the Borrower in the applicable notice of borrowing.

2.3 Repayment of the Loans.

(a) The Borrower agrees that it shall repay all Loans no later than the Termination Date.

(b) The Lender may, in its sole discretion, set off any amounts due and owing to it by the Borrower hereunder (and not otherwise paid by the Borrower) against amounts owed by the Lender to the Borrower.

(c) The Borrower may repay the outstanding principal amount of Loans in whole or in part on any Business Day upon irrevocable notice to the Lender given not later than 1:00 p.m. (Eastern Time) on the Business Day prior to the proposed payment date. Notice hereunder shall specify the date of the repayment and the principal amount to be repaid (which amount shall be an integral multiple of $100,000). Each such repayment shall be made on the dates specified and shall be accompanied by payment of all accrued interest thereon and, subject to compliance with the foregoing procedures, may be made at any time without cost or penalty of any kind.

2.4 Evidence of the Loans.

(a) The Loans made to the Borrower shall be evidenced by this Agreement and by a loan account in the Borrower's name to be maintained by the Lender. All Loans shall be payable by the Borrower to the order of the Lender not later than the Termination Date.

(b) The Lender's loan account shall reflect appropriate notations evidencing the date and the amount of each Loan and the date and amount of each payment of principal and interest made by the Borrower with respect thereto. The loan account shall be conclusive evidence, absent manifest error, of the amount of the Loans, the interest accrued and payable thereon and all interest and principal payments made thereon. Any failure to record or any error therein shall in no way limit or otherwise affect the obligations of the Borrower hereunder to pay any amount owing with respect to the Loans.

2.5 Interest Rate and Payments.

(a) Loans shall bear interest on the outstanding principal amount thereof, for each day during which any Loans are outstanding, at a rate per annum equal to the Base Rate as in effect from time to time. Interest on Loans shall be payable monthly in arrears and on the Termination Date. The Lender will notify the Borrower in writing, not later than ten days after the end of each month, of the amount of interest payable hereunder with respect to Loans, which notice will set forth in reasonable detail the calculation of such amount. The Borrower agrees that it shall pay each monthly installment of interest within five Business Days of the date on which it receives such notice.

(b) To the extent permitted by law, overdue interest on the outstanding principal amount of the Loans shall bear interest, payable on demand of the Lender, for each day until paid at a rate per annum equal to the Base Rate plus 2%.

2.6 Commitment Fee. During the Term of this Agreement, the Borrower shall pay to the Lender a commitment fee computed at a rate per annum equal to .150% on the total amount of the Commitment. Such commitment fee shall accrue daily from the date hereof to and including the Termination Date and shall be payable monthly in arrears and on the Termination Date. The Lender will notify the Borrower, not later than ten days after the end of each month, of the amount of the commitment fee payable hereunder. The Borrower agrees that it shall pay the commitment fee within five Business Days of the date on which it receives such notice.

2.7 Reduction and Cancellation of the Commitment.

(a) The Borrower shall have the right, upon at least 5 days' prior written notice to the Lender, to terminate or reduce the unused portion of the Commitment. Any such reduction of the Commitment shall be in the minimum amount of $100,000 or a greater integral multiple thereof (except that any such reduction may be in the full amount of the unused portion of the Commitment). The accrued commitment fee with respect to the terminated or reduced portion of the Commitment shall be payable on the effective date of such reduction or termination.

(b) The Commitment shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon) shall be repaid in full on such date.

2.8 General Provisions as to Payments. Subject to the provisions of Section 2.3(b), the Borrower shall make each payment of principal of, and interest on, the Loans and the Borrower shall make each payment of commitment fees hereunder on the date when due in funds immediately available in the account that the Lender shall designate. Whenever any payment of principal of, or interest on, the Loans or of commitment fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest shall be payable for such extended time at a rate per annum equal to the Base Rate.

2.9 Computation of Interest and Fees. Interest on Loans and the commitment fee shall be computed for each day on the basis of a year of 360 days.

2.10 No Deduction. All amounts payable by the Borrower under this Agreement are payable without deduction or set-off unless specifically agreed to by the Lender in writing.

2.11 Use of Proceeds. The proceeds of Loans will be employed by the Borrower for general corporate purposes including, without limitation, as working capital for the Borrower and its Subsidiaries.

SECTION 3. CONDITIONS OF LENDING.

The obligation of the Lender to make each Loan hereunder is subject to the performance by the Borrower of all its obligations under this Agreement and to the satisfaction of the following further conditions:

3.1 All Loans. In the case of each Loan hereunder, including the initial Loan:

(a) receipt by the Lender of a notice of borrowing from the Borrower required by Section 2.2(a) hereof;

(b) the fact that immediately after the making of the Loan no Default or Event of Default shall have occurred and be continuing; and

(c) the fact that the representations and warranties contained in this Agreement are true and correct on and as of the date of the Loan with the same force and effect as if made on and as of such date.

Each notice of borrowing and each borrowing by the Borrower hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Loan as to the facts specified in (b) and (c) above. If the Lender reasonably believes, acting in good faith, that the conditions set forth in (b) and (c) above cannot or would not be satisfied, the Lender will have no obligation to make the applicable Loan.

3.2 Initial Loan. In the case of the initial Loan receipt by the Lender of a certificate of a duly authorized officer of the Borrower as to the incumbency, and setting forth a specimen signature, of each person who has signed this Agreement on behalf of the Borrower and who will, until replaced by other persons duly authorized for that purpose, act as the representatives of such Borrower for the purpose of signing documents in connection with this Agreement and the transactions contemplated hereby.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to the Lender that:

4.1 Corporate Existence and Power. The Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has full power and authority to carry on its business as now being conducted and to own its properties and is duly licensed or qualified and in good standing as a foreign corporation or partnership in each other jurisdiction in which failure to qualify would have a Material Adverse Effect. The Borrower is in compliance with its organizational and governing documents.

4.2 Corporate Authorization. The execution, delivery and performance by the Borrower of this Agreement are within the Borrower's corporate or partnership power and have been duly authorized by all necessary corporate or partnership action.

4.3 Binding Effect. This Agreement constitutes the valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

4.4 No Contravention. The Borrower's execution and delivery of, and performance of its obligations under, this Agreement do not, and consummation of the transactions contemplated hereby will not, result in:

(a) a violation of or a conflict with any provision of the charter, bylaws or any other organizational or governing document of the Borrower;

(b) a breach or default under any provision of any contract, agreement, lease, commitment, license, franchise or permit to which the Borrower is a party or by which any property of the Borrower is bound;

(c) a violation of any applicable statute, rule, regulation, ordinance, order, judgment, writ, injunction, decree or award of any judicial, administrative, governmental or other authority or of any arbitrator; or

(d) an imposition on the business of the Borrower or on any of its properties of any Lien;

in each case, the effect of which would be a Material Adverse Effect.

4.5 Financial Statements. Set forth in Schedule 4.5 attached are true and complete copies of the unaudited consolidated balance sheets of the DE Entities, as such term is defined in the Contribution Agreement dated October 15, 1998 (the "Contribution Agreement") between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P. (collectively, the "Balance Sheets") as of December 31, 1997 and August 31, 1998 and the unaudited consolidated statements of income of the DE Entities for their respective 12 and eight month periods then ended (collectively, with the Balance Sheets, the "Financial Statements"). The Financial Statements fairly present the consolidated financial position of the DE Entities as of their respective dates and the results of their respective operations for the 12 and eight month periods, respectively, then ended. The Financial Statements were prepared in accordance with Generally Accepted Accounting Principles except for the inclusion of notes and, as to the interim Financial Statements, normal and reoccurring year-end adjustments.

4.6 Litigation. There is no action, suit, litigation or proceeding at law or in equity or by or before any Governmental Authority now pending against or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries or any of their respective Properties an adverse decision in which could reasonably be expected to have a Material Adverse Effect.

4.7 Licenses and Authorizations. The Borrower and the Borrower's Subsidiaries have obtained all licenses, permits and certificates and all other approvals, orders, authorizations

and consents and have made all declarations, filings and registrations which are necessary for the ownership by the Borrower and the Borrower's Subsidiaries of their respective Properties and for the conduct by the Borrower and the Borrower's Subsidiaries of their respective businesses, except for those, which, if not obtained or made, could not reasonably be expected to have a Material Adverse Effect. No approval of or filing with any Governmental Authority is or will be necessary for the valid execution, delivery or performance by the Borrower of this Agreement or for the performance by the Borrower of any of the terms or conditions hereof or thereof, except for such approvals as have been obtained.

4.8 No Default. None of the Borrower or the Borrower's Subsidiaries (i) is in breach or violation of any of the terms, covenants, conditions or provisions of any of its Obligations such as reasonably could be expected to have a Material Adverse Effect; or (ii) has done or omitted to do anything which, with the giving of notice or lapse of time, or both, would constitute a material default under any of its obligations or reasonably could be expected to have a Material Adverse Effect.

4.9 No Event of Default. No Event of Default or other material event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default has occurred and is continuing.

4.10 Adverse Change. There have been no material adverse changes in the financial condition, results of operations or business of the Borrower and its Subsidiaries taken as a whole since September 30, 1998.

4.11 Liens. The Borrower and the Borrower's Subsidiaries have good and indefeasible title to each of their respective Properties, free and clear of all material Liens, except for Liens, if any, now existing in the nature of those that are, or would be, permitted under Section 6.3 of this Agreement. The obligations of the Borrower under this Agreement rank at least pari passu to all other debt of the Borrower.

4.12 Compliance with Laws. The Borrower and each Subsidiary is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities (including, without limitation, ERISA and Environmental Laws) except where (i) non-compliance would not have a Material Adverse Effect, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

4.13 Taxes. All federal, state and other income tax returns of the Borrower and each of the Borrower's Subsidiaries required by law to be filed have been duly filed, and all federal, state and other taxes, assessments and other governmental charges or levies upon the Borrower and each of the Borrower's Subsidiaries and any of their respective Properties, income, profits and assets, which are due and payable, have been paid, except as permitted by Section 5.3.

4.14 Labor Matters. There are no strikes or other labor disputes, grievances, charges or complaints with respect to any employee or group of employees pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of the Borrower's Subsidiaries which reasonably could be expected to have a Material Adverse Effect.

4.15 Completeness. None of the statements of the Borrower contained in this Agreement or in any certificate or written statement furnished by the Borrower to the Lender pursuant hereto when made (as limited or qualified in such documents) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained therein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Lender which reasonably could be expected to have a Material Adverse Effect.

SECTION 5. AFFIRMATIVE COVENANTS.

So long as the Lender's commitment to make Loans hereunder shall be in effect or any amount payable hereunder remains unpaid, unless compliance shall have been waived in writing by the Lender, the Borrower agrees that:

5.1 Financial Statements. The Borrower will:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, deliver to the Lender a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such year, and consolidated statements of earnings, partnership's equity and cash flows of the Borrower and its Consolidated Subsidiaries for such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding fiscal year, and certified by the Chief Financial Officer of the Borrower that such statements have been prepared in accordance with Generally Accepted Accounting Principles consistently applied;

(b) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, deliver to the Lender a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such quarter and the related consolidated statements of earnings, partners' equity and cash flows of the Borrower and its Consolidated Subsidiaries for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year; prepared in accordance with Generally Accepted Accounting Principles;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, deliver to the Lender, a certificate of the Borrower signed by an authorized officer of the Borrower, (i) stating that, as of the date of such financial statements, the representations and warranties set forth in Article IV of this Agreement are true, correct and complete in all material respects as though made on and as of the date, and (ii) stating whether, to the best of his or her knowledge after due inquiry, there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto, and (iii) setting forth in reasonable detail a calculation of the Leverage Ratio as of the applicable day;

(d) promptly upon the chief financial officer, treasurer, or chief accounting officer of the Borrower, or any other officer of similar responsibility, becoming aware of the occurrence of any Default or Event of Default, a certificate of the Borrower, signed by chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto; and

(e) promptly upon the reasonable request of the Lender, deliver to the Lender, any other information reasonably requested by the Lender.

5.2 Notices, Litigation, etc. The Borrower will, through one of its executive officers and within 10 business days after its knowledge thereof, promptly give written notice to the Lender of the following:

(a) Any significant litigation or other proceeding before any judicial, administrative or arbitral body to which the Borrower or any of its Subsidiaries is a party or any dispute which may exist between the Borrower or any of its Subsidiaries and any Governmental Authority which reasonably could be expected to have a Material Adverse Effect; and

(b) Any significant work stoppage which reasonably could be expected to have a Material Adverse Effect.

5.3 Maintenance of Existence, etc. The Borrower will, and will cause its Subsidiaries to:

(a) do or cause to be done all things necessary to preserve and keep in full force and effect its or their existence and all rights, privileges and franchises currently existing other than those rights, privileges and franchises that the failure to have or maintain could not reasonably be expected to have a Material Adverse Effect;

(b) comply with all material requirements of all applicable laws, decrees, regulations and similar enactments and with all applicable judgments, injunctions and other orders and awards of judicial, administrative, governmental and other authorities and arbitrators the violation of which, individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect or unless they are being contested in good faith and, if appropriate, by legal proceedings;

(c) maintain and preserve all of its or their Properties in good working order and condition (normal wear and tear excepted), and maintain, preserve and replace all plant and equipment necessary in the proper conduct of its or their business; and

(d) with respect to the business of the Borrower and its Subsidiaries, taken as a whole, remain in, and continue to operate substantially in, the business of being conducted by the Borrower and its Subsidiaries on the date of this Agreement.

5.4 Obligations and Taxes. The Borrower shall, and shall cause its Subsidiaries to, (i) pay or discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits before the same shall become in default, and (ii) pay all of their material liabilities and obligations when due and

prior to the date on which penalties attach thereto, except, in each case with respect to clauses (i) and (ii), such as are being contested in good faith or which, if taken in the aggregate, reasonably could not be expected to have a Material Adverse Effect.

5.5 Books and Records. The Borrower shall, and shall cause its Subsidiaries to, keep adequate records and books of account in which complete entries will be made in accordance with Generally Accepted Accounting Principles so that Consolidated financial statements can be prepared in accordance with Generally Accepted Accounting Principles.

5.6 Insurance. The Borrower shall, and shall cause its Subsidiaries to, (i) maintain and keep in full force and effect general business insurance in such amounts and against such risks as is customary for businesses similarly situated, with responsible insurance companies or, to the customary extent, self-insurance, including reasonable protection against loss of use and occupancy, and, (ii) furnish the Lender upon request with full information as to the insurance carried.

5.7 Compliance with Laws. The Borrower will comply, and will cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities (including, without limitation, ERISA and Environmental Laws) except where (i) non-compliance would not have a Material Adverse Effect, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

SECTION 6. NEGATIVE COVENANTS.

Until the later of the cancellation in full of the Commitment and the payment in full of all sums due from the Borrower pursuant to this Agreement, the Borrower covenants and agrees as follows:

6.1 Maximum Leverage Ratio. The Borrower shall not permit the ratio (the "Leverage Ratio") (stated as a percentage) of

(a) Funded Debt to

(b) the sum of Net Worth plus its Funded Debt

to exceed at any time 65%.

6.2 Prohibition of Liens. The Borrower shall not, nor shall Borrower permit any of its Subsidiaries to create, assume or suffer to exist any Lien securing Debt on any Property now owned or hereafter acquired by it, except for:

(a) any Lien existing on any asset of any entity at the time such entity becomes a Subsidiary and not created in contemplation of such event;

(b) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof;

(c) any Lien on any asset of any entity existing at the time such entity is merged into or consolidated with the Borrower or a Subsidiary and not created in contemplation of such event;

(d) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

(e) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section 6.3, provided that such Debt is not increased and is not secured by any additional assets; and

(f) any Lien arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings.

6.3 Mergers, Consolidations, etc. The Borrower shall not enter into any consolidation, merger or other combination with any other Person or sell, lease or otherwise transfer all or any substantial part of its assets to any other Person.

SECTION 7. EVENTS OF DEFAULT.

If any one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay any interest on the Loans or any commitment fee, in each case, within 30 days of the date when due or the Borrower shall fail to pay any principal of the Loans when due; or

(b) any representation and warranty made by the Borrower herein or in any document or instrument delivered pursuant hereto (which shall not include the Contribution Agreement) shall prove to be incorrect or misleading in any material respect on the date when made or deemed to be made, and not corrected by Borrower within 10 days after Borrower becomes aware, or reasonably should have become aware, of such incorrect or misleading representation or warranty; or

(c) the Borrower shall fail to perform or observe any of the covenants contained in Sections 5.1(e), 5.2, 6.1 and 6.2 of this Agreement; or

(d) the Borrower shall fail to pay or otherwise default on any term, covenant or agreement contained herein (other than those specified in clauses (a), (b) or (c) above) for 30 days after written notice thereof has been given to such Borrower by the Lender; or

(e) the Borrower or any of its Subsidiaries shall (i) fail to pay any indebtedness (other than under this Agreement) with an aggregate principal amount in excess of $10,000,000 when due or to pay interest thereon and, with respect to interest, such failure shall continue for more than any applicable grace period, or (ii) fail to observe or perform any other term, covenant or agreement contained in any agreement, instrument, agreements, or instruments (other than this Agreement) by which it is bound evidencing, securing or relating to indebtedness in an aggregate principal amount in excess of $10,000,000, if the effect thereof is to permit (or, with the giving of notice or lapse of time or both, would permit) the holder or holders thereof or of any obligations issued thereunder or a trustee or trustees acting on behalf of such holder or holders to cause acceleration of the maturity thereof or of any such obligations; or

(f) the Borrower or any of its Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(g) an involuntary case or other proceeding shall be commenced against the Borrower or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any of its Subsidiaries under the federal bankruptcy laws as now or hereafter in effect;

(h) one or more judgments against the Borrower or any of its Subsidiaries, or attachments against the Property of either, the operation or result of which reasonably could be expected to have a Material Adverse Effect, remain unpaid, unstayed on appeal, not being appealed in good faith, undischarged, unbonded or undismissed for a period of 60 days after effectiveness of any such judgment or attachment; or

(i) The Borrower or any of its material Subsidiaries shall voluntarily suspend for more than 30 days the transaction of all or substantially all of its business (a shutdown due to strikes, labor disputes, government action, or action arising from acts of God are not to be deemed voluntary);

then, and in every such event, (1) in the case of any of the Events of Default specified in paragraphs (f) or (g) above, the Commitment shall thereupon automatically be terminated and the principal of and accrued interest on the Loans shall automatically become due and payable without presentment, demand, protest or other notice or formality of any kind, all of which are hereby expressly waived and (2) in the case of any other Event of Default specified above, the Lender may, by notice in writing to the Borrower and so long as such Event of Default is

continuing, terminate the Commitment and declare the Loans and all other sums payable under this Agreement to be, and the same shall thereupon forthwith become, due and payable.

SECTION 8. MISCELLANEOUS.

8.1 Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or from the parties hereto shall be made by personal delivery, mail or telecopy and shall be effective upon receipt by such party. Any such notice, request, demand or communication shall be delivered or addressed as follows:

(i) if to the Lender, to it at:

Duke Capital Corporation
422 South Church Street
Charlotte, North Carolina 28202
Attention: Treasurer
Telephone: (704) 382-5963
Telecopy: (704) 382-1452

(ii) if to the Borrower, to it at:
TCTM, L.P.
370 17th Street, Suite 2350
Denver, Colorado 80202
Attention: Senior Vice President
Telephone: (303) 595-3331
Telecopy: (303) 893-2613

With a copy to:
Texas Eastern Products Pipeline Company
2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Attention: Senior Vice President and CFO
Telephone: (713) 759-3636
Telecopy: (713) 759-3957

or at such other address or telex number or telecopy number as any party hereto may designate by written notice to the other party hereto.

8.2 Amendments and Waivers; Cumulative Remedies.

(a) None of the terms of this Agreement may be waived, altered or amended except by an instrument in writing duly executed by the Borrower and the Lender; and

(b) No failure or delay on the part of the Lender in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided and contemplated by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

8.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Borrower and the Lender and their respective successors and assigns, provided that the Borrower may not assign its rights and obligations hereunder without the prior written consent of the Lender. The Lender shall notify the Borrower in writing promptly upon any assignment by the Lender of its rights and obligations hereunder, including any such assignment to Duke Energy Corporation or any other Subsidiary thereof.

8.4 Expenses and Withholding.

(a) The Borrower shall pay all reasonable out-of-pocket expenses of the Lender in connection with the preparation and administration of this Agreement (not to exceed $5,000) and, if there is an Event of Default, all out-of-pocket expenses incurred by the Lender (including reasonable fees and disbursements of counsel and reasonable time charges of lawyers who may be employees of the Lender) in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom.

(b) All payments to be made by or on behalf of the Borrower under or in connection with this Agreement are to be made without deduction or withholding for or on account of any Tax. If any Tax is deducted or withheld from any payment, the Borrower shall promptly remit to the Lender, the equivalent of the amount so deducted or withheld together with relevant receipts, if available, addressed to the Lender. If the Borrower is prevented by operation of law or otherwise from paying, causing to be paid or remitting such Tax, the interest payable under this Agreement shall be increased to such rates as are necessary to yield and remit to the Lender the principal sum advanced together with interest at the rates specified in this Agreement after provision for payment of such Tax. The Borrower shall from time to time at the request of the Lender execute and deliver any and all further instruments necessary or advisable to give full force and effect to such increase in the rates of interest as are necessary to yield to the Lender interest at the specified rates. The Borrower shall also indemnify the Lender in respect of any claim or loss which it may suffer as a result of the delay or failure of the Borrower to make any such payment including penalties relating thereto or interest thereon.

8.5 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.6 Headings; Table of Contents. The section and subsection headings used herein and the Table of Contents have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

8.7 Governing Law.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of North Carolina, without reference to the conflict of law provisions of such laws.

(b) The Borrower (i) hereby irrevocably submits to the jurisdiction of the courts of the State of North Carolina over any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby and (ii) hereby agrees with the Lender that the courts of the State of North Carolina will have exclusive jurisdiction over any such suits, actions or proceedings. Final judgment in any such suit, action or proceeding in any such court shall be conclusive and binding upon the Borrower and may be enforced in any court in which the Borrower is subject to jurisdiction by suit upon such judgment provided that service of process is effected as permitted by applicable law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TCTM, L.P.
BY ITS GENERAL PARTNER,
TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By: /s/ WILLIAM L. THACKER

William L. Thacker
Chairman, President and CEO

DUKE CAPITAL CORPORATION

By: /s/ DAVID L. HAUSER

David L. Hauser
Vice President and Treasurer

EXHIBIT 10.19

DUKE CAPITAL CORPORATION

November 30, 1998

TCTM, L.P.
370 17th Street, Suite 2350
Denver, Colorado 80202

Re: Payment Guarantees of Certain Obligations of TCTM, L.P.

Dear Sirs:

In connection with the acquisition of certain assets of Duke Energy Transport and Trading Company ("DETTCO") by TEPPCO Partners, L.P. ("TEPPCO"), Duke Capital Corporation (the "Corporation") agrees to guarantee the payment obligations of TCTM, L.P. and its subsidiaries (the "Operating Partnership") under certain commercial contracts between the Operating Partnership and third parties. In each case, however, a guarantee will be provided under this agreement with respect to any such contract only to the extent that a guarantee of such payment obligations by TEPPCO is not acceptable to the beneficiary of the guarantee. Guarantee agreements delivered pursuant to this agreement will be in such form and on such terms as will be satisfactory to the Corporation and TEPPCO. The aggregate outstanding amount of guarantees provided by the Corporation under this agreement will not exceed $100 million at any point in time.

The obligation of the Corporation to provide guarantees hereunder will expire on November 30, 2001. In consideration of this agreement, TEPPCO will pay the Corporation an annual fee of $100,000, payable annually within thirty days after the date of this letter and after each of the first and second anniversaries thereof during the term of this agreement. In addition, TCTM, L.P. agrees to promptly repay to the Corporation any and all amounts paid by the Corporation on any guarantee provided pursuant to this agreement, and further agrees to indemnify the Corporation against any and all losses, claims, liabilities, damages and expenses ("Losses") arising from or related to the Corporation's performance of its obligations hereunder or under any guarantee provided hereunder, including the fees and expenses of its counsel related thereto, provided, that no indemnification shall be payable hereunder with respect to Losses arising primarily from the gross negligence or willful misconduct of the Corporation.

DUKE CAPITAL CORPORATION

By: /s/ DAVID L. HAUSER

David L. Hauser
Vice President and Treasurer

AGREED, ACCEPTED AND ACKNOWLEDGED:
TCTM, L.P.

By its general partner,
TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By: /s/ WILLIAM L. THACKER

William L. Thacker
Chairman of the Board, President and Chief Executive Officer

EXHIBIT 10.20

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into this ____ day of December, 1998, by and between TEXAS EASTERN PRODUCTS PIPELINE COMPANY, ("TEPPCO") a Delaware corporation with its principal executive offices in Houston, Texas and _____("Executive").

WHEREAS, Executive is now and for a number of years has been in the employ of TEPPCO and TEPPCO desires to continue the employment of Executive and to receive the benefit of the Executive's knowledge, experience, reputation and contacts, and

WHEREAS, the parties desire that this Agreement set forth the terms and conditions of Executive's employment by TEPPCO and that it represents the entire agreement of the parties with respect to that subject;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. TEPPCO hereby employs Executive, and Executive hereby accepts to continue such employment, upon the terms and conditions set forth herein.

2. Position and Duties.

(a) Position. At all times during the term of employment under this Agreement, Executive shall hold a position of responsibility and importance with the functions, duties and responsibility of _____ of TEPPCO. It is expressly understood that nothing in the immediately foregoing sentence shall preclude the Chief Executive Officer of TEPPCO

("CEO") from making such organizational and reporting changes as well as promotions as the CEO may in good faith deem desirable for the good of TEPPCO.

(b) Duties. Executive's duties shall include, in addition to those enumerated in the charter and bylaws of TEPPCO, managing such functions or segments of TEPPCO's business as may be directed from time-to-time by the CEO. Executive acknowledges and agrees that whatever his duties hereunder may be he owes TEPPCO a duty of loyalty, fidelity and allegiance to act at all times in the best interests of TEPPCO and to do no act that would injure TEPPCO's reputation.

(c) Performance. Throughout the period of employment Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of TEPPCO, except for reasonable vacation periods and except for periods of illness or incapacity. Executive may reasonably participate as a member in community, civic or similar organizations and may pursue personal investments that do not interfere with the normal business activities of TEPPCO or TEPPCO Partners, L.P. ("Partnership").

(d) Loyal and Conscientious Performance. Executive shall act at all times in compliance with the policies, rules and decisions adopted from time-to-time by TEPPCO and perform all duties and obligations required of him by this Agreement in a loyal and conscientious manner.

(e) Location. Executive's office shall be located in Houston, Texas, or such other place as CEO shall designate.

(f) Authority. Executive shall be vested with all authority reasonably necessary to carry out his duties and responsibilities as set forth in this Section 2.

3. Term of Employment. The term of employment pursuant to this Agreement shall commence on December 1, 1998 and shall continue until terminated as hereinafter provided..

4. Base Compensation. Executive's base annual salary is $_____. This base compensation will be payable in equal installments as specified by the policies of TEPPCO and subject to applicable state and federal income tax and social security tax withholding requirements. Executive's base annual salary shall be subject to increases by the Compensation Committee of the Board of Directors of TEPPCO ("Compensation Committee"), which shall review the Executive's salary and total compensation periodically.

5. Bonus. Executive shall be eligible to participate in the annual bonus program for employees of TEPPCO. Such bonus shall be determined under the terms of the Management Incentive Compensation Plan, Long Term Incentive Compensation Plan, and any other bonus or compensation plan (whether in effect on the date of this Agreement or thereafter) which shall be approved by the Compensation Committee in January of each year.

6. Executive Benefits. Executive shall participate in all benefit plans that are available to officers of TEPPCO. The availability and terms of such benefit plans are set by the Compensation Committee and subject to change from time-to-time. There is no assurance that the benefit plans will not be changed or eliminated. Executive shall also be eligible to participate

in the Duke Energy Executive Cash Balance, Executive Savings Plans and any other similar or dissimilar plans if such plans are made available to the officers of TEPPCO.

7. Confidentiality. Executive shall not, at any time, use (other than in the ordinary course of fulfilling his duties as an employee of TEPPCO), divulge or otherwise disclose, either directly or indirectly, any confidential or proprietary information (including without limitation any customer or prospect list, supplier list, acquisition or merger targets, business plans or strategies, data, records, or financial information) concerning the business, policies or operations of TEPPCO, Partnership or their affiliates, which Executive may have learned on or prior to the date hereof or during the term of Executive's employment by TEPPCO (as employee, consultant, shareholder, officer, controlling person, agent or otherwise) and which information is not generally known to the public. Executive's obligations under this Section 7 shall survive any termination of his employment.

8. Termination.

(a) Notwithstanding anything to the contrary contained herein, Executive may terminate his employment at any time by resigning, and Executive's employment may be terminated by TEPPCO at any time as follows:

(i) due to the death of Executive;

(ii) due to a disability which prevents Executive from performing the essential functions of his full duties for a period of ninety (90) consecutive business days at anytime during the term of this Agreement;

(iii) for cause, which shall mean (w) the willful and continued failure by Executive to substantially perform his duties with TEPPCO or

the Partnership or their affiliates (other than any such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance is delivered to him by the CEO which specifically identifies the manner in which the CEO believes the Executive has not substantially performed his duties, (x) the willful engaging by the Executive in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO, Partnership or any of their affiliates, (y) the willful material violation of Section 7, or (z) fraud, misappropriation or commission of felony. For purposes of this subsection, no act or failure to act on the Executive's part will be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the TEPPCO or the Partnership or not opposed to the interests of TEPPCO or the Partnership.

(iv) for any reason other than death, disability or for cause.

(b) In the event of Executive's resignation or early termination pursuant to subsections 8(a)(i), (ii), or (iii) directly above, Executive shall be entitled only to his base salary earned through the date of termination. Executive's rights to any bonus shall be forfeited, but the termination shall not affect any rights of Executive that have become vested under any employee benefit plan or arrangement. In the event that TEPPCO terminates Executive pursuant to subsection 8(a)(iv) above, Executive shall be

entitled to his base salary earned through the date of termination plus a severance payment calculated in accordance with the provisions of Section 9(a) hereof.

(c) This Agreement does not create any obligation on the part of TEPPCO or Executive for continued employment for a fixed period of time and in that regard, Executive shall be an employee-at-will whose employment can be terminated at any time for any reason by TEPPCO or Executive. If TEPPCO decides to terminate Executive, TEPPCO will cooperate with Executive in determining when and how to announce such termination. Executive shall not receive any compensation for any period of time post-termination, except for the severance benefits provided in Section 9 hereof.

9. Severance Payment.

(a) In the event that within twelve (12) months following a change in control as set forth in Section 9(b), Executive's employment shall be involuntarily terminated or Executive shall have a reduction in responsibility, he shall be entitled to a lump sum severance payment equal to two (2) times his base annual salary plus two (2) times target bonus. For the purposes of this Section 9(a), target bonus will be the dollar amount approved under the MICP at the most recent January meeting of the Compensation Committee.

(b) For the purposes of this Section 9, a "change in control" shall be deemed to have occurred if:

(i) any person becomes the beneficial owner, directly or indirectly, of securities of Partnership representing 66 2/3% or more of the Partnership's then outstanding units of limited partnership interests (the "Units"); or

(ii) any person becomes the beneficial owner, directly or indirectly, of 50% or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iii) the merger or consolidation of Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership or limited partnership, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998, as may from time-to-time be amended and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50% of the combined voting power of TEPPCO's then outstanding voting securities; or

(v) all or substantially all of the assets and business of TEPPCO, Partnership or TE Products Pipeline Company, Limited Partnership ("Operating Partnership") are sold, transferred or assigned to, or otherwise acquired by, any other person or persons; or

(vi) the dissolution or liquidation of Partnership, Operating Partnership, or TEPPCO; or

(vii) adoption by the Board of Directors of TEPPCO of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, Partnership, or Operating Partnership.

(c) The term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, trust, unincorporated organization, association or other entity provided that the term "person" shall not include (i) Duke Energy Corporation ("Duke"), (ii) any affiliate of Duke, or (iii) any employee benefit plan maintained by Duke or any affiliate of Duke. The term "affiliate" or "affiliated" as used in this Agreement shall mean when used with respect to a specified person or entity, any other person or entity directly or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. For the purpose of this Section 9, "control" or "controlled" when used with respect to any specified person or entity means the power to direct the

management and policies of that person or entity whether through the ownership of voting securities, membership interest or by contract.

10. Notice. Any notice to be given hereunder by either party to the other party may be effectuated either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to TEPPCO:

Mr. William L. Thacker
President & CEO
Texas Eastern Products Pipeline Company
2929 Allen Parkway
Houston, Texas 77019

If to Executive:

Mr.

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11. Waiver of Breach. The waiver by any party to a breach of any provision in this Agreement cannot operate or be construed as a waiver of any subsequent breach by a party.

12. Severability. The invalidity or unenforceability of any particular provision in this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

13. Entire Agreement. Except as otherwise provided herein, this Agreement contains the entire understanding of the parties as to the employment of Executive, superseding all prior understandings and agreements, and no modifications or amendments of the terms and conditions herein shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

14. Governing Law. This Agreement shall be interpreted, construed and governed according to the laws of the State of Texas, without reference to conflicts of law principles thereof.

15. Dispute Resolution. In the event any dispute arises concerning the provisions of this Agreement or Executive's employment with TEPPCO, the parties agree that such dispute shall be resolved in accordance with the Employment Dispute Resolution procedures of the American Arbitration Association and that any arbitration pursuant to such procedures shall be held in Houston, Texas.

16. Consent to Jurisdiction. Employee hereby consents to the nonexclusive jurisdiction of any state court within Houston, Texas or any federal court located within the same city for any proceeding instituted hereunder or arising out of or in connection with this Agreement.

17. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their permitted successors, assigns, legal representatives and heirs, but neither this Agreement nor any rights hereunder shall be assignable by Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By:

President and Chief Executive Officer

EXECUTIVE

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EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

To the Partners of
TEPPCO Partners, L.P.:

We consent to incorporation by reference in the registration statement (No. 33-81976) on Form S-3 of TEPPCO Partners, L.P. of our report dated January 15, 1999, relating to the consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 1998 and 1997, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998, annual report on Form 10-K of TEPPCO Partners, L.P.

KPMG LLP

Houston, Texas
March 10, 1999

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and/or officers of TEXAS EASTERN PRODUCTS PIPELINE COMPANY (Company), a Delaware corporation, acting in its capacity as general partner of TEPPCO Partners, L.P., does hereby constitute and appoint WILLIAM L. THACKER, CHARLES H. LEONARD AND JAMES C. RUTH, and each of them, his true and lawful attorney and agent to do any and all acts and things, and execute any and all instruments which, with the advise and consent of Counsel, said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as Amended, and any rules regulations, and requirements of the Securities and Exchange Commission, including specifically, but without limitation thereof, to sign his name as a director and/or officer of the Company to the Form 10-K Report for TEPPCO Partners, L.P. for the year ended December 31, 1998, and to any instrument or document filed as a part of, or in accordance with, said Form 10-K or Amendment thereto; and the undersigned to hereby ratify and confirm all that said attorney and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents this 10th day of March, 1999.

\s\ William L. Thacker
- ----------
William L. Thacker

\s\ Fred J. Fowler

Fred J. Fowler

\s\ Ruth G. Shaw
- ----------
Ruth G. Shaw

\s\ Jim W. Mogg

Jim W. Mogg

\s\ Richard J. Osborne
- ----------
Richard J. Osborne

\s\ Derrill Cody

Derrill Cody

\s\ Milton Carroll
- ----------
Milton Carroll

\s\ Carl D. Clay

Carl D. Clay

\s\ John P. DesBarres
- ----------
John P. Desbarres

\s\ Charles H. Leonard

Charles H. Leonard
Senior Vice President,
CFO & Treasurer

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YEAR	
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	JAN-01-1998
	DEC-31-1998
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	(0.60)