UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2003

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 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)

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 12 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 ☑ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Limited Partner Units outstanding as of July 29, 2003: 57,751,447

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,824	$ 30,968
Accounts receivable, trade (net of allowance for doubtful accounts of $5,395 and $4,537)	344,255	276,163
Accounts receivable, related parties	3,153	4,313
Inventories	20,225	17,166
Other	28,722	31,670
Total current assets	427,179	360,280
Property, plant and equipment, at cost (net of accumulated depreciation and amortization of $315,231 and $338,746)	1,526,153	1,587,824
Equity investments	375,863	284,705
Intangible assets	445,633	465,374
Goodwill	16,944	16,944
Other assets	59,782	55,228
Total assets	$2,851,554	$2,770,355
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 336,001	$ 261,080
Accounts payable, related parties	14,619	6,619
Accrued interest	34,957	29,726
Other accrued taxes	11,801	11,260
Other	55,110	57,811
Total current liabilities	452,488	366,496
Senior Notes	1,144,094	945,692
Other long-term debt	263,000	432,000
Other liabilities and deferred credits	15,524	30,962
Redeemable Class B Units held by related party	—	103,363
Commitments and contingencies		
Partners' capital:		
Accumulated other comprehensive loss	(11,351)	(20,055)
General partner's interest	5,849	12,770
Limited partners' interests	981,950	899,127
Total partners' capital	976,448	891,842
Total liabilities and partners' capital	$2,851,554	$2,770,355

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per Unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Operating revenues:				
Sales of petroleum products	$ 927,232	$800,107	$1,903,192	$1,345,315
Transportation – Refined products	37,802	31,803	64,696	56,947
Transportation – LPGs	13,357	10,813	44,178	34,173
Transportation – Crude oil	7,059	7,095	13,964	13,223
Transportation – NGLs	9,440	10,544	19,339	16,850
Gathering – Natural gas	32,264	11,454	66,546	20,974
Mont Belvieu operations	—	2,889	—	7,395
Other	13,646	13,624	28,124	24,589
Total operating revenues	1,040,800	888,329	2,140,039	1,519,466
Costs and expenses:				
Purchases of petroleum products	912,344	787,574	1,875,188	1,320,545
Operating, general and administrative	46,390	35,083	89,025	66,528
Operating fuel and power	9,970	7,243	20,147	15,832
Depreciation and amortization	23,487	17,599	50,800	33,640
Taxes – other than income taxes	4,571	3,474	9,499	7,979
Gain on sale of assets	(3,948)	—	(3,948)	—
Total costs and expenses	992,814	850,973	2,040,711	1,444,524
Operating income	47,986	37,356	99,328	74,942
Interest expense	(23,513)	(16,829)	(45,420)	(33,616)
Interest capitalized	963	1,029	1,559	3,138
Equity earnings	8,250	2,414	11,960	5,986
Other income – net	258	407	442	735
Net income	$ 33,944	$ 24,377	$ 67,869	$ 51,185
Net Income Allocation:				
Limited Partner Unitholders	$ 24,654	$ 16,467	$ 47,741	$ 35,061
Class B Unitholder	126	1,441	1,806	3,234
General Partner	9,164	6,469	18,322	12,890
Total net income allocated	$ 33,944	$ 24,377	$ 67,869	$ 51,185
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.43	$ 0.39	$ 0.86	$ 0.84
Weighted average Limited Partner and Class B Units outstanding	57,749	46,346	57,739	45,457

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2003	**2002**
Cash flows from operating activities:		
Net income	$ 67,869	$ 51,185
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	50,800	33,640
Earnings in equity investments, net of distributions	(1,220)	7,444
Gain on sale of assets	(3,948)	—
Non-cash portion of interest expense	3,075	2,284
Increase in accounts receivable	(68,092)	(56,270)
(Increase) decrease in inventories	(3,059)	3,568
(Increase) decrease in other current assets	2,948	(11,557)
Increase in accounts payable and accrued expenses	80,174	74,716
Other	3,994	(7,552)
Net cash provided by operating activities	132,541	97,458
Cash flows from investing activities:		
Acquisition of additional interest in Centennial Pipeline LLC	(20,000)	—
Acquisition of crude oil assets	(5,459)	—
Proceeds from the sale of assets	8,531	3,380
Purchase of Val Verde Gas Gathering System	—	(444,150)
Purchase of Chaparral NGL System	—	(132,140)
Purchase of Jonah Gas Gathering Company	—	(7,315)
Investment in Centennial Pipeline LLC	(1,000)	(7,726)
Capital expenditures	(45,919)	(63,560)
Net cash used in investing activities	(63,847)	(651,511)
Cash flows from financing activities:		
Proceeds from term and revolving credit facilities	335,000	642,000
Repayments on term and revolving credit facilities	(504,000)	(570,660)
Issuance of Senior Notes	198,570	497,805
Debt issuance costs	(3,079)	(7,043)
Issuance of Limited Partner Units, net	114,457	59,234
Repurchase and retirement of Class B Units	(113,814)	—
General Partner’s contributions	2	1,217
Distributions paid	(95,974)	(68,575)
Net cash provided by (used in) financing activities	(68,838)	553,978
Net decrease in cash and cash equivalents	(144)	(75)
Cash and cash equivalents at beginning of period	30,968	25,479
Cash and cash equivalents at end of period	$ 30,824	$ 25,404
Non-cash investing activities:		
Net assets transferred to Mont Belvieu Storage Partners, L.P.	$ 69,459	$ —
Supplemental disclosure of cash flows:		
Cash paid for interest (net of amounts capitalized)	$ 39,567	$ 19,499

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(Unaudited)
(in thousands, except Unit amounts)

	Outstanding Limited Partner Units	General Partner's Interest	Limited Partners' Interests	Accumulated Other Comprehensive Loss	Total
Partners' capital at December 31, 2002	53,809,597	$ 12,770	$899,127	$(20,055)	$891,842
Issuance of Limited Partner Units, net	3,938,750	—	114,422	—	114,422
Retirement of Class B Units	—	—	(10,993)	—	(10,993)
Net gain on cash flow hedges	—	—		8,704	8,704
Net income allocation	—	18,322	47,741	—	66,063
Cash distributions	—	(25,245)	(68,382)	—	(93,627)
Issuance of Limited Partner Units upon exercise of options	3,100	2	35	—	37
Partners' capital at June 30, 2003	57,751,447	$ 5,849	$981,950	$(11,351)	$976,448

See accompanying Notes to Consolidated Financial Statements.

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, is a master limited partnership formed in March 1990. We operate through TE Products Pipeline Company, Limited Partnership ("TE Products"), TCTM, L.P. ("TCTM") and TEPPCO Midstream Companies, L.P. ("TEPPCO Midstream"). Collectively, TE Products, TCTM and TEPPCO Midstream are referred to as the "Operating Partnerships." Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company, serves as our general partner and owns a 2% general partner interest in us. The General Partner is a wholly owned subsidiary of Duke Energy Field Services, LLC ("DEFS"), a joint venture between Duke Energy Corporation ("Duke Energy") and ConocoPhillips. Duke Energy holds an approximate 70% interest in DEFS, and ConocoPhillips holds the remaining 30%. The Company, as general partner, performs all management and operating functions required for us, except for the management and operations of certain of the TEPPCO Midstream assets that are managed by DEFS on our behalf. We reimburse the General Partner for all reasonable direct and indirect expenses incurred in managing us.

As used in this Report, "we," "us," "our," and the "Partnership" means TEPPCO Partners, L.P. and, where the context requires, includes our subsidiaries.

The accompanying unaudited consolidated financial statements reflect all adjustments that are, in the opinion of the management of the Company, of a normal and recurring nature and necessary for a fair statement of our financial position as of June 30, 2003, and the results of our operations and cash flows for the periods presented. The results of operations for the three months and six months ended June 30, 2003, are not necessarily indicative of results of our operations for the full year 2003. You should read the interim financial statements in conjunction with our consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2002. We have reclassified certain amounts from prior periods to conform with the current presentation.

We operate and report in three business segments: transportation and storage of refined products, liquefied petroleum gases ("LPGs") and petrochemicals ("Downstream Segment"); gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals ("Upstream Segment"); and gathering of natural gas, fractionation of natural gas liquids ("NGLs") and transportation of NGLs ("Midstream Segment"). Our reportable segments offer different products and services and are managed separately because each requires different business strategies.

Our interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). We refer to refined products, LPGs, petrochemicals, crude oil, NGLs and natural gas in this Report, collectively, as "petroleum products" or "products."

Net Income Per Unit

Basic net income per Limited Partner and Class B Unit (collectively, "Units") is computed by dividing net income, after deduction of the General Partner's interest, by the weighted average number of Units outstanding (a total of 57.7 million and 45.5 million Units for the six months ended June 30, 2003, and 2002, respectively, and 57.7 million and 46.3 million Units for the three months ended June 30, 2003, and 2002, respectively). The General Partner's percentage interest in our net income is based on its percentage of cash distributions from Available Cash for each period (see Note 10. Quarterly Distributions of Available Cash). The General Partner was allocated $18.3 million (representing 26.99%) and $12.9 million (representing 25.18%) of net income for the six months ended June 30, 2003, and 2002, respectively. The General Partner's percentage interest in our net income increases as cash distributions paid per Unit increase, pursuant to our limited partnership agreement.

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 the three months ended June 30, 2003, and 2002, the denominator was increased by 25,115 Units and 39,958 Units, respectively. For the six months ended June 30, 2003, and 2002, the denominator was increased by 23,414 Units and 45,036 Units, respectively.

New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The provisions of SFAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. We have not granted options for any periods presented. For options outstanding under our 1994 Long Term Incentive Plan, we followed the intrinsic value method of accounting for recognizing stock-based compensation expense. Under this method, we record no compensation expense for unit options granted when the exercise price of the options granted is equal to, or greater than, the market price of our Units on the date of the grant. Assuming we had used the fair value method of accounting for our unit option plan, pro forma net income for the six months ended June 30, 2002, would be lower than reported net income by an immaterial amount. Pro forma net income would equal reported net income for the three months ended June 30, 2003, and 2002, and for the six months ended June 30, 2003. Pro forma net income per Unit would equal reported net income per Unit for the periods presented. The adoption of SFAS 148 did not affect our financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We are required to apply FIN 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, we are required to apply FIN 46 on July 1, 2003. In connection with the adoption of FIN 46, we evaluated our investments in Centennial Pipeline LLC, Seaway Crude Pipeline Company and Mont Belvieu Storage Partners, L.P. and determined that these entities are not variable interest entities as defined by FIN 46, and thus we have accounted for them as equity method investments (see Note 7. Equity Investments). We do not believe that the adoption of FIN 46 will have an effect on our financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 amends SFAS 133 to conform and incorporate derivative implementation issues and subsequently issued accounting guidance. SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* and amends certain other existing pronouncements. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively. However, certain SFAS 133 implementation issues that were effective for all fiscal quarters prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. We are required to adopt SFAS 149 effective July 1, 2003. We

do not believe that the adoption of SFAS 149 will have a material effect on our financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS 150 establishes standards for how an issuer classifies and measures certain freestanding financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). We are required to adopt SFAS 150 effective July 1, 2003. We do not believe that the adoption of SFAS 150 will have a material effect on our financial position, results of operations or cash flows.

In May 2003, the Emerging Issues Task Force ("EITF") reached consensus in EITF 03-04, *Accounting for "Cash Balance" Pension Plans*, to specifically address the accounting for certain cash balance pension plans. The consensus reached in EITF 03-04 requires certain cash balance pension plans to be accounted for as defined benefit plans. For cash balance plans described in the consensus, the consensus also requires the use of the traditional unit credit method for purposes of measuring the benefit obligation and annual cost of benefits earned as opposed to the projected unit credit method. We have historically accounted for our cash balance plans as defined benefit plans; however, we are required to adopt the measurement provisions of EITF 03-04 in our cash balance plans' next measurement date of December 31, 2003. Any differences in the measurement of the obligation as a result of applying the consensus will be reported as a component of actuarial gain or loss. We do not believe that the adoption of EITF 03-04 will have a material effect on our financial position, results of operations or cash flows.

In May 2003, the EITF reached consensus in EITF 01-08, *Determining Whether an Arrangement Contains a Lease*, to clarify the requirements of identifying whether an arrangement should be accounted for as a lease at its inception. The guidance in the consensus is designed to mandate reporting revenue as rental or leasing income that otherwise would be reported as part of product sales or service revenue. EITF 01-08 requires both parties to an arrangement to determine whether a service contract or similar arrangement is or includes a lease within the scope of SFAS No. 13, *Accounting For Leases*. We have historically leased storage capacity to outside parties as well as entered into pipeline capacity lease agreements both as the lessee and as a lessor. Upon application of EITF 01-08, the accounting requirements under the consensus could affect the timing of revenue and expense recognition, and revenues reported as transportation and storage services might have to be reported as rental or leasing income. Should capital-lease treatment be necessary, purchasers of transportation and storage services in the arrangements would have to recognize new assets on their balance sheets. The consensus is to be applied prospectively to arrangements agreed to, modified, or acquired in business combinations in fiscal periods beginning after May 28, 2003. Previous arrangements that would be leases or would contain a lease according to the consensus will continue to be accounted for as transportation and storage purchases or sales arrangements. We do not believe the adoption of EITF 01-08 will have a material effect on our financial position, results of operations or cash flows.

NOTE 2. ASSET RETIREMENT OBLIGATIONS

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires us to record the fair value of an asset retirement obligation as a liability in the period in which we incur a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

The Downstream Segment assets consist primarily of a pipeline system and a series of storage facilities that originate along the upper Texas Gulf Coast and extend through the Midwest and northeastern United States. We transport refined products, LPGs and petrochemicals through the pipeline system. These products are primarily received in the south end of the system and stored and/or transported to various points along the system per customer nominations. The Upstream Segment's operations include purchasing crude oil from producers at the wellhead and providing delivery, storage and other services to its customers. The properties in the Upstream Segment consist of interstate trunk pipelines, pump stations, trucking facilities, storage tanks and various gathering systems primarily in Texas and Oklahoma. The Midstream Segment gathers natural gas from wells owned by producers and transports natural gas and NGLs on its pipeline systems, primarily in Texas, Wyoming, New Mexico and Colorado. The Midstream Segment also owns and operates two NGL fractionator facilities in Colorado.

We have completed our assessment of SFAS 143, and we have determined that we are obligated by contractual or regulatory requirements to remove facilities or perform other remediation upon retirement of our assets. However, we are not able to reasonably determine the fair value of the asset retirement obligations for our trunk, interstate and gathering pipelines and our surface facilities, since future dismantlement and removal dates are indeterminate.

In order to determine a removal date for our gathering lines and related surface assets, reserve information regarding the production life of the specific field is required. As a transporter and gatherer of crude oil and natural gas, we are not a producer of the field reserves and as such, we do not have access to adequate forecasts that predict the timing of expected production for existing reserves on those fields in which we gather crude oil and natural gas. In the absence of such information, we are not able to make a reasonable estimate of when future dismantlement and removal dates of our gathering assets will occur. With regard to our trunk and interstate pipelines and their related surface assets, it is impossible to predict when demand for transportation of the related products will cease. Our right-of-way agreements allow us to maintain the right-of-way rather than remove the pipe. In addition, we can evaluate our trunk pipelines for alternative uses, which can be and have been found.

We will record such asset retirement obligations in the period in which more information becomes available for us to reasonably estimate the settlement dates of the retirement obligations. The adoption of SFAS 143 did not have an effect on our financial position, results of operations or cash flows.

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and is presented on the consolidated balance sheets net of accumulated amortization. We account for goodwill under SFAS No. 142, *Goodwill and Other Intangible Assets*, which was issued by the FASB in July 2001. SFAS 142 prohibits amortization of goodwill and intangible assets with indefinite useful lives, but instead requires testing for impairment at least annually.

To perform an impairment test of goodwill, we have identified our reporting units and have determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. We then determine the fair value of each reporting unit and compare it to the carrying value of the reporting unit. We will continue to compare the fair value of each reporting unit to its carrying value on an annual basis to determine if an impairment loss has occurred.

At June 30, 2003, we had $16.9 million of unamortized goodwill and $25.5 million of excess investment in our equity investment in Seaway Crude Pipeline Company (equity method goodwill). The excess investment is included in our equity investments account at June 30, 2003. The following table presents the carrying amount of goodwill and equity method goodwill at June 30, 2003, by business segment (in thousands):

	Downstream Segment	Midstream Segment	Upstream Segment	Segments Total
Goodwill	$ —	$2,777	$14,167	$16,944
Equity method goodwill	—	—	25,502	25,502

Other Intangible Assets

The following table reflects the components of amortized intangible assets (in thousands):

	June 30, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Fractionation agreement	$ 38,000	$ (9,975)	$ 38,000	$ (9,025)
Natural gas gathering contracts	462,449	(47,178)	462,449	(28,710)
Other	3,745	(1,408)	3,745	(1,085)
Total	$504,194	$(58,561)	$504,194	$(38,820)

At June 30, 2003, we had $33.4 million of excess investment in our equity investment in Centennial Pipeline LLC, which was created upon formation of the company (see Note 7. Equity Investments). The excess investment is included in our equity investments account at June 30, 2003. This excess investment is accounted for as an intangible asset with an indefinite life. We will assess the intangible asset for impairment on an annual basis.

SFAS 142 requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives. If an intangible asset has a finite useful life, but the precise length of that life is not known, that intangible asset shall be amortized over the best estimate of its useful life. At a minimum, we will assess the useful lives and residual values of all intangible assets on an annual basis to determine if adjustments are required. With respect to our natural gas gathering contracts, we update throughput estimates and evaluate the remaining expected useful life of the contract assets on a quarterly basis based on the best available information. Amortization expense on intangible assets was $8.3 million and $4.7 million for the three months ended June 30, 2003 and 2002, respectively, and $19.7 million and $9.3 million for the six months ended June 30, 2003 and 2002, respectively.

The value assigned to our intangible assets for natural gas gathering contracts is amortized on a unit-of-production basis, based upon the actual throughput of the system over the expected total throughput for the lives of the contracts. Due to our recent expansions on the gathering systems at Jonah Gas Gathering Company (“Jonah”) and because of certain limited production forecasts obtained from producers on the Jonah system related to the expansions, we have increased, in the second quarter of 2003, our best estimate of future throughput on the Jonah system. This increase in the estimate of future throughput will extend the amortization period of Jonah’s natural gas gathering contracts by an estimated 9 years, increasing from approximately 16 years to 25 years. Further revisions to this estimate may occur as additional information becomes available.

The following table sets forth the estimated amortization expense on intangible assets for the years ending December 31 (in thousands):

2003	$42,455
2004	40,167
2005	39,534
2006	36,834
2007	33,990

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

We have entered into an interest rate swap agreement to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. This interest rate swap matures on April 6, 2004. We designated this swap agreement, which hedges exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three-month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the six months ended June 30, 2003, and 2002, we recognized increases in interest expense of $7.0 million and $6.3 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended June 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. On June 27, 2003, we repaid the amounts outstanding under the revolving credit facility with borrowings under a new three year revolving credit facility and canceled the old facility (see Note 9. Debt). We redesignated the interest rate swap as a hedge of our exposure to increases in the benchmark interest rate underlying the new variable rate revolving credit facility. The fair value of the interest rate swap was a loss of approximately $11.4 million and $20.1 million at June 30, 2003, and December 31, 2002, respectively. The remaining fair value of the interest rate swap will be transferred into earnings over the remaining term of the interest rate swap.

On October 4, 2001, our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its fixed rate 7.51% Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate based on a three-month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the six months ended June 30, 2003, and 2002, we recognized reductions in interest expense of $4.9 million and $3.6 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended June 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of this interest rate swap was a gain of approximately $15.1 million and $13.6 million at June 30, 2003, and December 31, 2002, respectively.

On February 20, 2002, we entered into interest rate swap agreements, designated as fair value hedges, to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate of interest based on a U.S. Dollar LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, the swap agreements were terminated resulting in a gain of approximately $18.0 million. Concurrent with the swap terminations, we entered into new interest rate swap agreements, with identical terms as the previous swap agreements; however, the

floating rate was based upon a spread of an additional 50 basis points. In December 2002, the swap agreements entered into on July 16, 2002, were terminated, resulting in a gain of approximately $26.9 million. The gains realized from the July 2002 and December 2002 swap terminations have been deferred as adjustments to the carrying value of the Senior Notes and are being amortized using the effective interest method as reductions to future interest expense over the remaining term of the Senior Notes. At June 30, 2003, the unamortized balance of the deferred gains was $42.4 million. In the event of early extinguishment of the Senior Notes, any remaining unamortized gains would be recognized in the consolidated statement of income at the time of extinguishment.

NOTE 5. ACQUISITIONS AND DISPOSITIONS

Jonah Gas Gathering Company

On September 30, 2001, our subsidiaries completed the purchase of Jonah from Alberta Energy Company for $359.8 million. The acquisition served as our entry into the natural gas gathering industry. We paid an additional $7.3 million on February 4, 2002, for final purchase adjustments related primarily to construction projects in progress at the time of closing.

Chaparral NGL System

On March 1, 2002, we completed the purchase of the Chaparral NGL system (“Chaparral”) for $132.4 million from Diamond-Koch II, L.P. and Diamond-Koch III, L.P., including acquisition related costs of approximately $0.4 million. We funded the purchase by a borrowing under our $500.0 million revolving credit facility (see Note 9. Debt). Chaparral is an NGL pipeline system that extends from West Texas and New Mexico to Mont Belvieu. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. Under a contractual agreement, DEFS manages and operates Chaparral on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting, and we allocated the purchase price to property, plant and equipment. Accordingly, the results of the acquisition are included in the consolidated financial statements from March 1, 2002.

Val Verde Gas Gathering Company

On June 30, 2002, we completed the purchase of Val Verde Gas Gathering Company (“Val Verde”) for $444.2 million from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., including acquisition related costs of approximately $1.2 million. We funded the purchase by borrowings of $168.0 million under our $500.0 million revolving credit facility, $72.0 million under our 364-day revolving credit facility and $200.0 million under a six-month term loan with SunTrust Bank (see Note 9. Debt). The remaining purchase price was funded through working capital sources of cash. The Val Verde system gathers coal bed methane (“CBM”) from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado. The system is one of the largest CBM gathering and treating facilities in the United States. Under a contractual agreement, DEFS manages and operates Val Verde on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated financial statements from June 30, 2002.

The following table allocates the estimated fair value of the Val Verde assets acquired on June 30, 2002 (in thousands):

Property, plant and equipment	$205,146
Intangible assets (primarily gas gathering contracts)	239,649
Total assets	444,795
Total liabilities assumed	(645)
Net assets acquired	$444,150

The value assigned to intangible assets relates to fixed-term contracts with customers. We are amortizing the value assigned to intangible assets on a units-of-production basis, based upon the actual throughput of the system over the expected total throughput for the contracts. The period of amortization is expected to be approximately 20 years from the date of acquisition.

The following table presents our unaudited pro forma results as though the acquisition of Val Verde occurred at the beginning of 2002 (in thousands, except per Unit amounts). The unaudited pro forma results give effect to certain pro forma adjustments including depreciation and amortization expense adjustments of property, plant and equipment and intangible assets based upon the purchase price allocations, interest expense related to financing the acquisition, amortization of debt issue costs and the removal of income tax effects in historical results of operations. The pro forma results do not include operating efficiencies or revenue growth from historical results.

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Revenues	$908,010	$1,557,251
Operating income	43,909	86,412
Net income	29,652	60,327
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.38	$ 0.79

The summarized pro forma information has been prepared for comparative purposes only. It is not intended to be indicative of the actual operating results that would have occurred had the acquisition been consummated at the beginning of 2002, or the results which may be attained in the future.

Rancho Pipeline

We owned an approximate 25% undivided joint interest in the Rancho Pipeline, which was a pipeline system acquired in connection with our acquisition of crude oil assets in 2000. Under the terms of the Rancho Pipeline operating agreement, the operating agreement terminated in March 2003, and the Rancho Pipeline ceased operations in crude oil service from West Texas to Houston, Texas. The Rancho Pipeline was divided into segments, and these segments were sold to certain of the current owners of the Rancho Pipeline. We acquired approximately 230 miles of the pipeline in exchange for cash of $5.5 million and our interests in other portions of the Rancho Pipeline. We sold portions of the segment acquired to other entities for cash and assets valued at approximately $8.5 million. We recorded a net gain of $3.9 million on the transactions, which is included in the gain on sale of assets in our consolidated statements of income.

NOTE 6. INVENTORIES

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

	June 30, 2003	December 31, 2002
Crude oil	$ 214	$ —
Gasolines	3,305	4,700
Butanes	3,846	1,991
Transmix	1,712	2,526
Other products	4,326	3,836
Materials and supplies	6,822	4,113
Total	$20,225	$17,166

The costs of inventories did not exceed market values at June 30, 2003, and December 31, 2002.

NOTE 7. EQUITY INVESTMENTS

Through one of our indirect wholly owned subsidiaries, we own a 50% ownership interest in Seaway Crude Pipeline Company (“Seaway”). The remaining 50% interest is owned by ConocoPhillips. Seaway owns a pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma, and from a marine terminal at Texas City, Texas, to refineries in the Texas City and Houston areas. The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway partnership. From July 20, 2000, through May 2002, we received 80% of revenue and expense of Seaway. From June 2002 through May 2006, we receive 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and expense to us. For the year ended December 31, 2002, our portion of equity earnings on a pro-rated basis averaged approximately 67%.

In August 2000, TE Products entered into agreements with Panhandle Eastern Pipeline Company (“PEPL”), a former subsidiary of CMS Energy Corporation, and Marathon Ashland Petroleum LLC (“Marathon”) to form Centennial Pipeline LLC (“Centennial”). Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Through February 9, 2003, each participant owned a one-third interest in Centennial. On February 10, 2003, TE Products and Marathon each acquired an additional interest in Centennial from PEPL for $20.0 million each, increasing their percentage ownerships in Centennial to 50% each. During the six months ended June 30, 2003, excluding the amount paid for the acquisition of the additional ownership interest, TE Products contributed approximately $1.0 million for its investment in Centennial, which is included in the equity investment balance at June 30, 2003.

As of January 1, 2003, TE Products and Louis Dreyfus Energy Services, L.P. (“Louis Dreyfus”) effectively formed Mont Belvieu Storage Partners, L.P. (“MB Storage”). TE Products and Louis Dreyfus each own a 50% ownership interest in MB Storage. The purpose of MB Storage is to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections. MB Storage is a service-oriented, fee-based venture with no commodity trading activity. TE Products continues to operate the facilities for MB Storage. Effective January 1, 2003, TE Products contributed property and equipment with a net book value of $75.5 million to MB Storage. Additionally, as of the contribution date, Louis Dreyfus had invested $6.1 million for expansion projects for MB Storage that TE Products was required to reimburse if the original joint development and marketing agreement was

terminated by either party. This deferred liability was also contributed and converted to the capital account of Louis Dreyfus in MB Storage.

We use the equity method of accounting to account for our investments in Seaway, Centennial and MB Storage. Summarized combined financial information for Seaway and Centennial for the six months ended June 30, 2003 and 2002, and MB Storage for the six months ended June 30, 2003, is presented below (in thousands):

	Six Months Ended June 30,	
	2003	2002
Revenues	$59,759	$35,847
Net income	18,301	5,256

Summarized combined balance sheet data for Seaway and Centennial as of June 30, 2003, and December 31, 2002, and for MB Storage as of June 30, 2003, is presented below (in thousands):

	June 30, 2003	December 31, 2002
Current assets	$ 52,362	$ 32,528
Noncurrent assets	619,450	551,324
Current liabilities	39,936	28,681
Long-term debt	140,000	140,000
Noncurrent liabilities	13,831	14,875
Partners' capital	478,045	400,296

Our investments in Seaway and Centennial include excess net investment amounts of $25.5 million and $33.4 million, respectively. Excess investment is the amount by which our investment balance exceeds our proportionate share of the net assets of the investment. Prior to January 1, 2002, and the adoption of SFAS 142, we were amortizing the excess investment in Seaway using the straight-line method over 20 years.

NOTE 8. PARTNERS' CAPITAL

On April 2, 2003, we sold in an underwritten public offering 3.9 million Units at $30.35 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $114.5 million, of which approximately $113.8 million was used to repurchase and retire all of the 3,916,547 previously outstanding Class B Units held by Duke Energy Transport and Trading Company, LLC ("DETTCO"), an affiliate of Duke Energy. We received approximately $0.7 million in proceeds from the offering in excess of the amount needed to repurchase and retire the Class B Units.

NOTE 9. DEBT

Senior Notes

On January 27, 1998, TE Products completed the issuance of $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). The 6.45% TE Products Senior Notes were issued at a discount of $0.3 million and are

being accreted to their face value over the term of the notes. The 6.45% TE Products Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% TE Products Senior Notes due 2028, issued at par, may be redeemed at any time after January 15, 2008, at the option of TE Products, in whole or in part, at a premium.

The TE Products Senior Notes do not have sinking fund requirements. Interest on the TE Products Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The TE Products Senior Notes are unsecured obligations of TE Products and rank on a parity with all other unsecured and unsubordinated indebtedness of TE Products. The indenture governing the TE Products Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of June 30, 2003, TE Products was in compliance with the covenants of the TE Products Senior Notes.

On February 20, 2002, we completed the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of June 30, 2003, we were in compliance with the covenants of these Senior Notes.

On January 30, 2003, we completed the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and are being accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on our $500.0 million revolving credit facility to $250.0 million. The balance of the net proceeds received was used for general purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of June 30, 2003, we were in compliance with the covenants of these Senior Notes.

We have entered into interest rate swap agreements to hedge our exposure to changes in the fair value on a portion of the Senior Notes discussed above. See Note 4. Derivative Financial Instruments.

Other Long Term Debt and Credit Facilities

On April 6, 2001, we entered into a $500.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million (“Three Year Facility”). The interest rate was based, at our option, on either the lender’s base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contained certain restrictive financial covenant ratios. During 2002, borrowings under the Three Year Facility were used to finance the acquisitions of Chaparral on March 1, 2002, and Val Verde on June 30, 2002, and for general purposes. During 2002, repayments were made on the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes, proceeds from the issuance of additional Units and proceeds from the termination of interest rate swaps (see Note 4. Derivative Financial Instruments). During the

first quarter of 2003, we repaid $182.0 million of the outstanding balance of the Three Year Facility with proceeds from the issuance of our 6.125% Senior Notes on January 30, 2003. On June 27, 2003, we repaid the outstanding balance under the Three Year Facility with borrowings under a new credit facility, and canceled the Three Year Facility.

On June 27, 2003, we entered into a $550.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million ("Revolving Credit Facility") with a three year term. The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Revolving Credit Facility contains certain restrictive financial covenant ratios. We borrowed $263.0 million under the Revolving Credit Facility and repaid the outstanding balance of the Three Year Facility. On June 30, 2003, $263.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate, before the effects of hedging activities, of 1.8%. At June 30, 2003, we were in compliance with the covenants contained in this credit agreement.

We have entered into an interest rate swap agreement to hedge our exposure to increases in interest rates on a portion of the credit facilities discussed above. See Note 4. Derivative Financial Instruments.

Short Term Credit Facilities

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. During 2002, borrowings under the Short-term Revolver were used to finance the acquisition of the Val Verde assets and for other purposes. During 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Units in 2002. The Short-term Revolver expired on March 27, 2003.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank ("Six-Month Term Loan") payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire the Val Verde assets (see Note 5. Acquisitions and Dispositions). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Units in September 2002, and canceled the facility.

The following table summarizes the principal outstanding under our credit facilities as of June 30, 2003, and December 31, 2002 (in thousands):

	June 30, 2003	December 31, 2002
Long Term Credit Facilities:		
Three Year Facility, due April 2004	$ —	$ 432,000
Revolving Credit Facility, due June 2006	263,000	—
6.45% TE Products Senior Notes, due January 2008	179,860	179,845
7.625% Senior Notes, due February 2012	498,136	497,995
6.125% Senior Notes, due February 2013	198,630	—
7.51% TE Products Senior Notes, due January 2028	210,000	210,000
Total borrowings	1,349,626	1,319,840
Adjustment to carrying value associated with hedges of fair value	57,468	57,852
Total Long Term Credit Facilities	$1,407,094	$1,377,692

NOTE 10. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

We make quarterly cash distributions of all of our Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions when cash distributions exceed certain target thresholds as follows:

	Unitholders	General Partner
Quarterly Cash Distribution per Unit:		
Up to Minimum Quarterly Distribution ($0.275 per Unit)	98%	2%
First Target - $0.276 per Unit up to $0.325 per Unit	85%	15%
Second Target - $0.326 per Unit up to $0.45 per Unit	75%	25%
Over Second Target - Cash distributions greater than $0.45 per Unit	50%	50%

The following table reflects the allocation of total distributions paid during the six months ended June 30, 2003, and 2002 (in thousands, except per Unit amounts).

	Six Months Ended June 30,	
	2003	2002
Limited Partner Units	$68,382	$47,646
General Partner Ownership Interest	1,444	1,064
General Partner Incentive	23,801	15,361
Total Partners' Capital Cash Distributions	93,627	64,071
Class B Units	2,347	4,504
Total Cash Distributions Paid	$95,974	$68,575
Total Cash Distributions Paid Per Unit	$ 1.225	$ 1.150

On August 8, 2003, we will pay a cash distribution of $0.625 per Unit for the quarter ended June 30, 2003. The second quarter 2003 cash distribution will total $49.4 million.

NOTE 11. SEGMENT DATA

We have three reporting segments: transportation and storage of refined products, LPGs and petrochemicals, which operates as the Downstream Segment; gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, which operates as the Upstream Segment; and gathering of natural gas, fractionation of NGLs and transportation of NGLs, which operates as the Midstream Segment. The amounts indicated below as "Partnership and Other" relate primarily to intersegment eliminations and assets that we hold that have not been allocated to any of our reporting segments.

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. The two largest operating expense items of the Downstream Segment are labor and electric power. We generally realize higher revenues during the first and fourth quarters of each year since our operations are somewhat seasonal. 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. Our Downstream Segment also includes the results of operations of the northern portion of the Dean Pipeline. Beginning in January 2003, the northern portion of the Dean Pipeline was converted to transport refinery grade propylene ("RGPs") from Mont Belvieu to Point Comfort, Texas. As a result, the revenues and expenses of the northern portion of the Dean Pipeline are included in the Downstream Segment. Our Downstream Segment also includes our equity investments in Centennial and MB Storage (see Note 7. Equity Investments).

Our Upstream Segment revenues are earned from gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of aggregating purchased crude oil along our pipeline systems, or from third party pipeline systems, and arranging the necessary logistics for the ultimate sale of the crude oil to local refineries, marketers or other end users. Our Upstream Segment also includes the equity earnings from our investment in Seaway. Seaway consists of large diameter pipelines that transport crude oil from Seaway's marine terminals on the U.S. Gulf Coast to Cushing, Oklahoma, a crude oil distribution point for the Central United States, and to refineries in the Texas City and Houston areas.

Our Midstream Segment revenues are earned from the fractionation of NGLs in Colorado, transportation of NGLs from two trunkline NGL pipelines in South Texas, two NGL pipelines in East Texas and a pipeline system (Chaparral) from West Texas and New Mexico to Mont Belvieu; the gathering of natural gas in the Green River Basin in southwestern Wyoming, through Jonah and the gathering of CBM from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado, through Val Verde. DEFS manages and operates the Val Verde, Jonah and Chaparral assets for us under contractual agreements. The results of operations of the Chaparral and Val Verde acquisitions are included in periods subsequent to their respective acquisition dates (see Note 5. Acquisitions and Dispositions).

The table below includes interim financial information by reporting segment for the interim periods ended June 30, 2003 and 2002 (in thousands):

	Three Months Ended June 30, 2003					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$60,058	$936,698	$44,462	$1,041,218	$(418)	$1,040,800
Purchases of petroleum products	—	912,762	—	912,762	(418)	912,344
Operating expenses, including power	36,268	13,755	10,908	60,931	—	60,931
Depreciation and amortization expense	7,067	2,466	13,954	23,487	—	23,487
Gain on sale of assets	—	(3,948)	—	(3,948)	—	(3,948)
Operating income	16,723	11,663	19,600	47,986	—	47,986
Equity earnings	64	8,186	—	8,250	—	8,250
Other income, net	55	213	27	295	(37)	258
Earnings before interest	$16,842	$ 20,062	$19,627	$ 56,531	$ (37)	$ 56,494

	Three Months Ended June 30, 2002					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$54,656	$809,779	$24,366	$888,801	$(472)	$888,329
Purchases of petroleum products	—	788,046	—	788,046	(472)	787,574
Operating expenses, including power	28,715	12,582	4,503	45,800	—	45,800
Depreciation and amortization expense	7,364	2,089	8,146	17,599	—	17,599
Operating income	18,577	7,062	11,717	37,356	—	37,356
Equity earnings	(2,190)	4,604	—	2,414	—	2,414
Other income, net	70	175	162	407	—	407
Earnings before interest	$16,457	$ 11,841	$11,879	$ 40,177	$ —	$ 40,177

	Six Months Ended June 30, 2003					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$128,023	$1,922,078	$91,366	$2,141,467	$(1,428)	$2,140,039
Purchases of petroleum products	—	1,876,616	—	1,876,616	(1,428)	1,875,188
Operating expenses, including power	67,817	28,592	22,262	118,671	—	118,671
Depreciation and amortization expense	14,214	5,531	31,055	50,800	—	50,800
Gain on sale of assets	—	(3,948)	—	(3,948)	—	(3,948)
Operating income	45,992	15,287	38,049	99,328	—	99,328
Equity earnings	(1,195)	13,155	—	11,960	—	11,960
Other income, net	49	402	64	515	(73)	442
Earnings before interest	$ 44,846	$ 28,844	$38,113	$ 111,803	$ (73)	$ 111,730

	Six Months Ended June 30, 2002					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$114,242	$1,363,667	$42,736	$1,520,645	$(1,179)	$1,519,466
Purchases of petroleum products	—	1,321,724	—	1,321,724	(1,179)	1,320,545
Operating expenses, including power	57,822	24,521	7,996	90,339	—	90,339
Depreciation and amortization expense	14,196	4,153	15,291	33,640	—	33,640
Operating income	42,224	13,269	19,449	74,942	—	74,942
Equity earnings	(2,986)	8,972	—	5,986	—	5,986
Other income, net	194	360	181	735	—	735
Earnings before interest	$ 39,432	$ 22,601	$19,630	$ 81,663	$ —	$ 81,663

The following table provides the total assets, capital expenditures and significant non-cash investing activities for each segment as of and for the periods ended June 30, 2003, and December 31, 2002 (in thousands):

	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
June 30, 2003:						
Total assets	$935,657	$794,164	$1,155,173	$2,884,994	$(33,440)	$2,851,554
Capital expenditures	25,376	6,226	14,317	45,919	—	45,919
Non-cash investing activities	69,459	—	—	69,459	—	69,459
December 31, 2002:						
Total assets	883,163	724,860	1,174,010	2,782,033	(11,678)	2,770,355
Capital expenditures	60,900	10,212	62,260	133,372	—	133,372

The following table reconciles the segments total earnings before interest to consolidated net income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Earnings before interest	$ 56,494	$ 40,177	$111,730	$ 81,663
Interest expense	(23,513)	(16,829)	(45,420)	(33,616)
Interest capitalized	963	1,029	1,559	3,138
Net income	$ 33,944	$ 24,377	$ 67,869	$ 51,185

NOTE 12. COMMITMENTS AND CONTINGENCIES

In the fall of 1999 and on December 1, 2000, the General Partner and the Partnership were named as defendants in two separate lawsuits in Jackson County Circuit Court, Jackson County, Indiana, styled *Ryan E. McCleery and Marcia S. McCleery, et. al. v. Texas Eastern Corporation, et. al.* (including the General Partner and Partnership) and *Gilbert Richards and Jean Richards v. Texas Eastern Corporation, et. al.* (including the General Partner and Partnership). In both cases, the plaintiffs contend, among other things, that we and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in a manner that caused the materials to be released into the air, soil and water. They further contend that the release caused damages to the plaintiffs. In their complaints, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. The plaintiffs are seeking compensatory, punitive and treble damages. We have filed an answer to both complaints, denying the allegations, as well as various other motions. These cases are not covered by insurance. Discovery is ongoing, and we are defending ourselves vigorously against the lawsuits. The plaintiffs have not stipulated the amount of damages that they are seeking in the suit. We cannot estimate the loss, if any, associated with these pending lawsuits.

On December 21, 2001, TE Products was named as a defendant in a lawsuit in the 10th Judicial District, Natchitoches Parish, Louisiana, styled *Rebecca L. Grisham et. al. v. TE Products Pipeline Company, Limited Partnership*. In this case, the plaintiffs contend that our pipeline, which crosses the plaintiff's property, leaked toxic products onto the plaintiff's property. The plaintiffs further contend that this leak caused damages to the plaintiffs. We have filed an answer to the plaintiff's petition denying the allegations. The plaintiffs have not stipulated the amount of damages they are seeking in the suit. We are defending ourselves vigorously against the lawsuit. We cannot estimate the damages, if any, associated with this pending lawsuit; however, this case is covered by insurance.

On April 19, 2002, we, through our subsidiary TEPPCO Crude Oil, L.P., filed a declaratory judgment action in the U.S. District Court for the Western District of Oklahoma against D.R.D. Environmental Services, Inc. ("D.R.D.") seeking resolution of billing and other contractual disputes regarding potential overcharges for environmental remediation services provided by D.R.D. On May 28, 2002, D.R.D. filed a counterclaim for alleged breach of contract in the amount of $2,243,525, and for unspecified damages for alleged tortious interference with D.R.D.'s contractual relations with DEFS. On July 16, 2003, the parties entered into a Settlement Agreement and Mutual Release, dismissing all claims and counterclaims against each other. The terms of the Settlement Agreement and Mutual Release will not have a material adverse effect on our financial position, results of operations or cash flows.

In May 2003, the General Partner was named as a defendant in a lawsuit styled *John R. James, et al. v. J Graves Insulation Company, et al.* as filed in the first Judicial District Court, Caddo Parish, Louisiana. There are numerous plaintiffs identified in the action that are alleged to have suffered damages as the result of alleged exposure to asbestos-containing products and materials. According to the petition and as a result of a preliminary

investigation, the General Partner believes that the only claim asserted against it results from one individual for the period of July 1971 through June 1972, who is alleged to have worked on a facility owned by the General Partner's predecessor. This period is a relatively minor period with respect to the total alleged exposure period for this individual from January 1964 through December 2001. The individual's claims involve numerous employers and alleged job sites. Currently, the General Partner has been unable to confirm involvement by the General Partner or its predecessors with the alleged location, and it is currently uncertain whether this case is covered by insurance. Discovery is planned and, if the General Partner is unable to obtain early voluntary dismissal, the General Partner intends to defend itself vigorously against this lawsuit. The plaintiffs have not stipulated the amount of damages that they are seeking in this suit. We are obligated to reimburse the General Partner for any costs it incurs related to this lawsuit. We cannot estimate the loss, if any, associated with this pending lawsuit. We do not believe that the outcome of this lawsuit will have a material adverse effect on our financial position, results of operations or cash flows.

On April 2, 2003, Centennial was served with a petition in a matter styled *Adams, et al. v. Centennial Pipeline Company LLC, et al*. This matter involves approximately 2,000 plaintiffs who allege that over 200 defendants, including Centennial, generated, transported, and/or disposed of hazardous and toxic waste at two sites in Bayou Sorrell, Louisiana, an underground injection well and a landfill. The plaintiffs allege personal injuries ranging from headaches and allergies to birth defects, cancer and death. The underground injection well has been in operation since May 1976. Based upon current information, Centennial appears to be a *de minimis* contributor, having used the disposal site during the two month time period of December 2001 and January 2002. The plaintiffs have made a global settlement offer of $198.5 million. The defendants have made a global settlement counteroffer of $20.0 million, which is based on a per capita payment of $80,000 per party. Marathon is handling this matter for Centennial under its operating agreement with Centennial. TE Products has a 50% ownership interest in Centennial. Based upon Centennial's limited involvement with the disposal site, we do not believe that the outcome of this matter will have a material adverse effect on our financial position, results of operations or cash flows.

In addition to the litigation discussed above, we have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you 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 our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, the Louisiana Department of Environmental Quality ("LDEQ") issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At June 30, 2003, we have an accrued liability of $0.1 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

On March 17, 2003, we experienced a release of 511 barrels of jet fuel from a tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Preliminary Injunction and Order ("Agreed Order") with the State of Illinois. The Agreed Order requires us, in part, to complete a site investigation plan to delineate the scope of any potential contamination resulting from the release and to remediate any contamination. The Agreed Order does not contain any provision for any fines or penalties; however, it does not preclude the State of Illinois from assessing these at a later date. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

At June 30, 2003, we have an accrued liability of $6.6 million related to various TCTM sites requiring environmental remediation activities. We have a contractual indemnity obligation from DETTCO, an affiliate of Duke Energy, that we received in connection with our acquisition of assets from DETTCO in November 1998. The indemnity relates to future environmental remediation activities attributable to operations of these assets prior to our acquisition. Under this indemnity obligation, we are responsible for the first $3.0 million in specified environmental liabilities, and DETTCO is responsible for those environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. At December 31, 2002, we had a receivable balance from DETTCO of $4.2 million, the majority of which related to remediation activities at the Velma crude oil site in Stephens County, Oklahoma. On March 31, 2003, we received $2.4 million under the indemnity obligation with DETTCO. The remaining $1.8 million due was subsequently written off as a result of final settlement discussions with DETTCO on this matter. The accrued liability balance at June 30, 2003, also includes an accrual of $2.3 million related to a crude oil site. We are currently in discussions with DETTCO regarding various matters relative to DETTCO's indemnifications. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Centennial entered into credit facilities totaling $150.0 million, and as of June 30, 2003, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. Each of the participants in Centennial, including TE Products, originally guaranteed one-third of Centennial's debt up to a maximum amount of $50.0 million. During the third quarter of 2002, PEPL, one of the participants in Centennial, was downgraded by Moody's and Standard & Poors to below investment grade, which resulted in PEPL being in default under its portion of the Centennial guaranty. Effective September 27, 2002, TE Products and Marathon increased their guaranteed amounts to one-half of the debt of Centennial, up to a maximum amount of $75.0 million each, to avoid a default on the Centennial debt. As compensation to TE Products and Marathon for providing their additional guarantees, PEPL was required to pay interest at a rate of 4% per annum to each of TE Products and Marathon on the portion of the additional guaranty that each had provided for PEPL. In connection with the acquisition of the additional interest in Centennial on February 10, 2003, the guaranty agreement between TE Products, Marathon, and PEPL was terminated. TE Products' guaranty of up to a maximum of $75.0 million of Centennial's debt remains in effect.

In May 2003, we entered into an agreement with Williams Gas Processing Company ("Williams") that requires Williams to build, own, and operate a central dehydration facility to be used as a bulk water removal plant for gas gathered on the Jonah system. The cost of building this facility was estimated at $4.5 million. Under the agreement, Williams will supply the land for the facility, and we are required to deposit $4.5 million into an escrow account to be used by Williams to cover costs of construction of the facility. Williams will retain ultimate title to the facility, and we will be reimbursed for the escrowed amounts used by Williams through surcharges paid to us by the producers on the Jonah system. In accordance with the agreement, we funded $1.0 million of the $4.5 million required escrow amount in the second quarter of 2003, and we are obligated to fund the remaining $3.5 million by August 31, 2003.

NOTE 13. COMPREHENSIVE INCOME

SFAS No. 130, *Reporting Comprehensive Income* requires certain items such as foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on certain investments to be reported in a financial statement. As of and for the six months ended June 30, 2003, and 2002, the components of comprehensive income were due to the interest rate swap related to our variable rate revolving credit facility, which is designated as a cash flow hedge. Changes in the fair value of the cash flow hedge, to the extent the hedge is effective, are recognized in other comprehensive income until the hedge interest costs are recognized in earnings. The table below reconciles reported net income to total comprehensive income for the three months and six months ended June 30, 2003, and 2002 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income	$33,944	$24,377	$67,869	$51,185
Net income (loss) on cash flow hedges	3,235	(2,952)	8,704	348
Total comprehensive income	$37,179	$21,425	$76,573	$51,533

The accumulated balance of other comprehensive loss related to cash flow hedges is as follows (in thousands):

Balance at December 31, 2001	$(20,324)
Net income on cash flow hedges	269
Balance at December 31, 2002	$(20,055)
Net income on cash flow hedges	8,704
Balance at June 30, 2003	$(11,351)

NOTE 14. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with our issuance of Senior Notes on February 20, 2002, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, our significant operating subsidiaries, issued unconditional guarantees of our debt securities. Effective with the acquisition of the Val Verde assets on June 30, 2002, our subsidiary, Val Verde Gas Gathering Company, L.P. also became a significant operating subsidiary and issued unconditional guarantees of our debt securities. The guarantees are full, unconditional, and joint and several. TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. are collectively referred to as the “Guarantor Subsidiaries.” The Guarantor Subsidiaries have also issued guarantees of our 6.125% Senior Notes issued in January 2003.

The following supplemental condensed consolidating financial information reflects our separate accounts, the combined accounts of the Guarantor Subsidiaries, the combined accounts of our other non-guarantor subsidiaries, the combined consolidating adjustments and eliminations and our consolidated accounts for the dates and periods indicated. For purposes of the following consolidating information, our investments in our subsidiaries and the Guarantor Subsidiaries’ investments in their subsidiaries are accounted for under the equity method of accounting.

	June 30, 2003				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 21,836	$ 100,260	$ 354,522	$ (49,439)	$ 427,179
Property, plant and equipment – net	—	1,068,212	457,941	—	1,526,153
Equity investments	987,830	935,581	213,702	(1,761,250)	375,863
Intercompany notes receivable	996,372	—	—	(996,372)	—
Intangible assets	—	416,438	29,195	—	445,633
Other assets	6,420	33,102	37,204	—	76,726
Total assets	$2,012,458	$2,553,593	$1,092,564	$(2,807,061)	$2,851,554
Liabilities and partners' capital					
Current liabilities	$ 22,444	$ 113,289	$ 354,137	$ (37,382)	$ 452,488
Long-term debt	1,002,214	404,880	—	—	1,407,094
Intercompany notes payable	—	578,832	418,249	(997,081)	—
Other long term liabilities	—	15,315	209	—	15,524
Total partners' capital	987,800	1,441,277	319,969	(1,772,598)	976,448
Total liabilities and partners' capital	$2,012,458	$2,553,593	$1,092,564	$(2,807,061)	$2,851,554

	December 31, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 241	$ 92,511	$ 286,379	$ (18,851)	$ 360,280
Property, plant and equipment – net	—	1,128,803	459,021	—	1,587,824
Equity investments	1,011,935	846,991	211,229	(1,785,450)	284,705
Intercompany notes receivable	986,852	—	—	(986,852)	—
Intangible assets	—	434,941	30,433	—	465,374
Other assets	6,200	31,135	34,837	—	72,172
Total assets	$2,005,228	$2,534,381	$1,021,899	$(2,791,153)	$2,770,355
Liabilities and partners' capital					
Current liabilities	$ 30,715	$ 122,882	$ 272,538	$ (59,639)	$ 366,496
Long-term debt	974,264	403,428	—	—	1,377,692
Intercompany notes payable	—	508,652	437,411	(946,063)	—
Other long term liabilities	6,523	24,230	209	—	30,962
Redeemable Class B Units held by related party	103,363	—	—	—	103,363
Total partners' capital	890,363	1,475,189	311,741	(1,785,451)	891,842
Total liabilities and partners' capital	$2,005,228	$2,534,381	$1,021,899	$(2,791,153)	$2,770,355

	Three Months Ended June 30, 2003				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$ 91,812	$949,406	$ (418)	$1,040,800
Costs and expenses	—	62,363	934,817	(418)	996,762
Gain on sale of assets	—	—	(3,948)	—	(3,948)
Operating income	—	29,449	18,537	—	47,986
Interest expense – net	(19,007)	(14,472)	(8,115)	19,044	(22,550)
Equity earnings	33,944	26,550	8,186	(60,430)	8,250
Other income – net	19,007	49	246	(19,044)	258
Net income	$ 33,944	$ 41,576	$ 18,854	$(60,430)	$ 33,944

	Three Months Ended June 30, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$66,574	$822,227	$ (472)	$888,329
Costs and expenses	—	43,612	807,833	(472)	850,973
Operating income	—	22,962	14,394	—	37,356
Interest expense – net	(11,706)	(8,888)	(6,912)	11,706	(15,800)
Equity earnings	24,377	12,442	4,604	(39,009)	2,414
Other income – net	11,706	220	187	(11,706)	407
Net income	$ 24,377	$26,736	$ 12,273	$(39,009)	$ 24,377

	Six Months Ended June 30, 2003				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$193,891	$1,947,576	$ (1,428)	$2,140,039
Costs and expenses	—	123,240	1,922,847	(1,428)	2,044,659
Gain on sale of assets	—	—	(3,948)	—	(3,948)
Operating income	—	70,651	28,677	—	99,328
Interest expense – net	(36,416)	(27,991)	(15,943)	36,489	(43,861)
Equity earnings	67,869	40,104	13,155	(109,168)	11,960
Other income – net	36,416	38	477	(36,489)	442
Net income	$ 67,869	$ 82,802	$ 26,366	$(109,168)	$ 67,869

	Six Months Ended June 30, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$136,362	$1,384,283	$ (1,179)	$1,519,466
Costs and expenses	—	86,636	1,359,067	(1,179)	1,444,524
Operating income	—	49,726	25,216	—	74,942
Interest expense – net	(23,139)	(16,538)	(13,940)	23,139	(30,478)
Equity earnings	51,185	20,550	8,972	(74,721)	5,986
Other income – net	23,139	353	382	(23,139)	735
Net income	$ 51,185	$ 54,091	$ 20,630	$(74,721)	$ 51,185

	Six Months Ended June 30, 2003				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 67,869	$ 82,802	$ 26,366	$(109,168)	$ 67,869
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	—	40,590	10,210	—	50,800
Equity earnings, net of distributions	28,105	4,670	(2,415)	(31,580)	(1,220)
Changes in assets and liabilities and other	(24,615)	17,259	(1,154)	23,602	15,092
Net cash provided by operating activities	71,359	145,321	33,007	(117,146)	132,541
Cash flows from investing activities	(2,519)	(59,883)	(3,964)	2,519	(63,847)
Cash flows from financing activities	(68,840)	(79,927)	(34,698)	114,627	(68,838)
Net increase (decrease) in cash and cash equivalents	—	5,511	(5,655)	—	(144)
Cash and cash equivalents at beginning of period	—	8,247	22,721	—	30,968
Cash and cash equivalents at end of period	$ —	$ 13,758	$ 17,066	$ —	$ 30,824

	Six Months Ended June 30, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 51,185	$ 54,091	$ 20,630	$ (74,721)	$ 51,185
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	25,021	8,619	—	33,640
Equity earnings, net of distributions	17,391	2,142	4,458	(16,547)	7,444
Changes in assets and liabilities and other	(564,188)	25,389	(17,880)	561,868	5,189
Net cash provided by (used in) operating activities	(495,612)	106,643	15,827	470,600	97,458
Cash flows from investing activities	(58,406)	(511,431)	(140,080)	58,406	(651,511)
Cash flows from financing activities	554,018	408,499	120,467	(529,006)	553,978
Net increase (decrease) in cash and cash equivalents	—	3,711	(3,786)	—	(75)
Cash and cash equivalents at beginning of period	—	3,655	21,824	—	25,479
Cash and cash equivalents at end of period	$ —	$ 7,366	$ 18,038	$ —	$ 25,404

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

General

You should read the following review of our financial position and results of operations in conjunction with the Consolidated Financial Statements. 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. "Other Considerations" addresses trends, future plans and contingencies that are reasonably likely to materially affect future liquidity or earnings. The Consolidated Financial Statements should be read in conjunction with the financial statements and related notes, together with our discussion and analysis of financial position and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2002.

We operate and report in three business segments:

- Downstream Segment – transportation and storage of refined products, LPGs and petrochemicals;
- Upstream Segment – gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals; and
- Midstream Segment – gathering of natural gas, fractionation of NGLs and transportation of NGLs.

Our reportable segments offer different products and services and are managed separately because each requires different business strategies. TEPPCO GP, Inc., our wholly owned subsidiary, acts as managing general partner of our Operating Partnerships, with a 0.001% general partner interest and manages our subsidiaries.

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. The two largest operating expense items of the Downstream Segment are labor and electric power. We generally realize higher revenues during the first and fourth quarters of each year since our operations are somewhat seasonal. 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. Our Downstream Segment also includes the results of operations of the northern portion of the Dean Pipeline. Beginning in January 2003, the northern portion of the Dean Pipeline was converted to transport refinery grade propylene ("RGPs") from Mont Belvieu to Point Comfort, Texas. As a result, the revenues and expenses of the northern portion of the Dean Pipeline are included in the Downstream Segment. Our Downstream Segment also includes our equity investments in Centennial Pipeline LLC ("Centennial") and Mont Belvieu Storage Partners, L.P. ("MB Storage") (see Note 7. Equity Investments).

Our Upstream Segment revenues are earned from gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of aggregating purchased crude oil along our pipeline systems, or from third party pipeline systems, and arranging the necessary logistics for the ultimate sale of the crude oil to local refineries, marketers or other end users. Our Upstream Segment also includes the equity earnings from our investment in Seaway Crude Pipeline Company ("Seaway"). Seaway consists of large diameter pipelines that transport crude oil from Seaway's marine terminals on the U.S. Gulf Coast to Cushing, Oklahoma, a crude oil distribution point for the Central United States, and to refineries in the Texas City and Houston areas.

Our Midstream Segment revenues are earned from the fractionation of NGLs in Colorado, transportation of NGLs from two trunkline NGL pipelines in South Texas, two NGL pipelines in East Texas and a pipeline system ("Chaparral") from West Texas and New Mexico to Mont Belvieu; the gathering of natural gas in the Green River Basin in southwestern Wyoming, through Jonah Gas Gathering Company ("Jonah") and the gathering of CBM from

the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado, through Val Verde Gas Gathering Company ("Val Verde"). DEFS manages and operates the Val Verde, Jonah and Chaparral assets for us under contractual agreements. The results of operations of the Chaparral and Val Verde acquisitions are included in periods subsequent to their respective acquisition dates (see Note 5. Acquisitions and Dispositions).

Results of Operations

The following table summarizes financial data by business segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Operating revenues:				
Downstream Segment	$ 60,058	$ 54,656	$ 128,023	$ 114,242
Upstream Segment	936,698	809,779	1,922,078	1,363,667
Midstream Segment	44,462	24,366	91,366	42,736
Intersegment eliminations	(418)	(472)	(1,428)	(1,179)
Total operating revenues	1,040,800	888,329	2,140,039	1,519,466
Operating income:				
Downstream Segment	16,723	18,577	45,992	42,224
Upstream Segment	11,663	7,062	15,287	13,269
Midstream Segment	19,600	11,717	38,049	19,449
Total operating income	47,986	37,356	99,328	74,942
Earnings before interest:				
Downstream Segment	16,842	16,457	44,846	39,432
Upstream Segment	20,062	11,841	28,844	22,601
Midstream Segment	19,627	11,879	38,113	19,630
Intersegment eliminations	(37)	—	(73)	—
Total earnings before interest	56,494	40,177	111,730	81,663
Interest expense	(23,513)	(16,829)	(45,420)	(33,616)
Interest capitalized	963	1,029	1,559	3,138
Net income	$ 33,944	$ 24,377	$ 67,869	$ 51,185

Below is a detailed analysis of the results of operations, including reasons for changes in results, by each of our operating segments.

Downstream Segment

The following table presents volumes delivered in barrels and average tariff per barrel for the three months and six months ended June 30, 2003, and 2002:

	Three Months Ended June 30,		Percentage Increase (Decrease)	Six Months Ended June 30,		Percentage Increase (Decrease)
	2003	2002		2003	2002	
	(in thousands, except tariff information)					
Volumes Delivered						
Refined products	42,256	35,344	20%	72,488	61,109	19%
LPGs	6,832	7,056	(3%)	20,532	19,091	8%
Total	49,088	42,400	16%	93,020	80,200	16%
Average Tariff per Barrel						
Refined products	$ 0.89	$ 0.90	(1%)	$ 0.89	$ 0.93	(4%)
LPGs	1.96	1.53	28%	2.15	1.79	20%
Average system tariff per barrel	$ 1.04	$ 1.01	3%	$ 1.17	$ 1.14	3%

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Our Downstream Segment reported earnings before interest of $16.8 million for the three months ended June 30, 2003, compared with earnings before interest of $16.4 million for the three months ended June 30, 2002. Earnings before interest increased $0.4 million primarily due to an increase of $5.4 million in operating revenues and increased income of $2.3 million from equity investments, partially offset by an increase of $7.3 million in costs and expenses. We discuss the factors influencing these variances below.

Revenues from refined products transportation increased $6.0 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, due to an overall increase of 20% in the refined products volumes delivered. This increase was primarily due to deliveries of product received into our pipeline from Centennial at Creal Springs, Illinois. Centennial, which commenced refined products deliveries to us in April 2002, has provided our system with additional pipeline capacity for product originating in the U.S. Gulf Coast area. With this incremental pipeline capacity, our previously constrained system has expanded deliveries in markets both south and north of Creal Springs. The 20% increase in our overall refined products deliveries was composed of a 19% increase in motor fuel deliveries, a 29% increase in distillate volume deliveries, a 6% increase in jet fuel deliveries and a 25% increase in natural gasoline deliveries from the prior year period. Volume increases were due to increased demand for product supplied by the U.S. Gulf Coast into Midwest markets resulting from colder weather during the second quarter of 2003, which both increased demand for and caused higher prices of natural gas. As a result of high natural gas prices, utilities use distillates as a substitute for natural gas for their facilities. The refined products average rate per barrel decreased 1% from the prior year period primarily due to the impact of the Midwest origin point for volumes received from Centennial, which resulted in an increase in short-haul volumes transported on our system.

Revenues from LPGs transportation increased $2.5 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, primarily due to increased deliveries of propane in the upper Midwest and Northeast market areas attributable to colder weather during the second quarter of 2003 and the impact of lower inventories at competing supply locations. Butane deliveries also increased in the Midwest as a result of increased isobutane deliveries to refineries in the Chicago area. The decrease in total volumes of LPGs delivered was due primarily to decreased short-haul deliveries of LPGs to Gulf Coast petrochemical facilities attributable to higher prices of propane relative to other feedstocks. The LPGs average rate per barrel increased 28% from the prior year period as a result of an increased percentage of long-haul deliveries during the three months ended June 30, 2003.

Effective January 1, 2003, TE Products' 50% ownership interest in MB Storage is accounted for as an equity investment. Revenues generated from Mont Belvieu operations totaled $2.9 million during the three months ended June 30, 2002. As a result of the formation of MB Storage, revenues and expenses related to Mont Belvieu operations are now recorded within equity earnings. See discussion regarding changes in equity earnings/losses below. The purpose of MB Storage is to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections.

Other operating revenues decreased $0.2 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, primarily due to lower volume of product inventory sales and lower revenues from product location exchanges which are used to position product in the Midwest market area, partially offset by higher propane deliveries at our Providence, Rhode Island import facility and higher refined product rental charges and loading fees. Other operating revenues also increased $1.3 million due to the addition of the northern portion of the Dean Pipeline to the Downstream Segment in January 2003, which began transporting RGPs in January 2003.

Costs and expenses increased $7.3 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002. The increase was made up of an increase of $5.7 million in operating, general and administrative expenses and an increase of $2.2 million in operating fuel and power, partially offset by a decrease of $0.3 million in depreciation and amortization expense and a decrease of $0.3 million in taxes – other than income taxes. Operating, general and administrative expenses increased primarily due to higher pipeline maintenance expenses, increased consulting and contract services, increased labor costs and increased general and administrative supplies expense, increased insurance expense and expense from the Centennial lease agreement that we entered into in 2003. The addition of the northern portion of the Dean Pipeline to the Downstream Segment increased operating, general and administrative expense by $0.2 million. Operating fuel and power expense increased as a result of increased mainline throughput and higher power costs due to an increase in the price of natural gas. Depreciation expense decreased from the prior year period because of assets retired during the three months ended June 30, 2003, which reduced the asset base, and due to the assets transferred to MB Storage, which also reduced depreciation expense. Taxes – other than income taxes decreased as a result of actual property taxes being lower than previously estimated and due to the transfer of assets to MB Storage.

Net losses from equity investments decreased $2.3 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002. Centennial, which commenced operations in April 2002, accounted for $1.8 million of the equity losses during the three months ended June 30, 2003. On February 10, 2003, TE Products acquired an additional 16.7% interest in Centennial, bringing its ownership interest to 50%. The losses from Centennial are offset by equity earnings of $1.9 million from our 50% ownership interest in MB Storage, which was formed effective January 1, 2003. Amounts in the prior year period related to Mont Belvieu operations recorded to revenues and costs and expenses are now being recorded within equity earnings based upon our 50% ownership interest in MB Storage, effective with its formation on January 1, 2003. If the 2002 revenues and costs and expenses from the Mont Belvieu operations had been accounted for under the same method as 2003, equity earnings would have increased $0.4 million in 2003, compared with the prior year, due to increased contract shuttle deliveries and increased storage revenue.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Our Downstream Segment reported earnings before interest of $44.8 million for the six months ended June 30, 2003, compared with earnings before interest of $39.4 million for the six months ended June 30, 2002. Earnings before interest increased $5.4 million primarily due to an increase of $13.8 million in operating revenues and increased income of $1.8 million from equity investments, partially offset by an increase of $10.0 million in costs and expenses and a decrease of $0.2 million in other income – net. We discuss the factors influencing these variances below.

Revenues from refined products transportation increased $7.7 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, due to an overall increase of 19% in the refined products volumes delivered. This increase was primarily due to deliveries of product received into our pipeline from

Centennial at Creal Springs, Illinois. Centennial, which commenced refined products deliveries to us in April 2002, has provided our system with additional pipeline capacity for product originating in the U.S. Gulf Coast area. With this incremental pipeline capacity, our previously constrained system has expanded deliveries in markets both south and north of Creal Springs. The 19% increase in our overall refined products deliveries was composed of an 18% increase in motor fuel deliveries, a 28% increase in distillate volume deliveries, a 4% increase in jet fuel deliveries and a 33% increase in natural gasoline deliveries from the prior year period. Volume increases were due to increased demand for product supplied by the U.S. Gulf Coast into Midwest markets resulting from colder weather during the second quarter of 2003, which both increased demand for and caused higher prices of natural gas. As a result of high natural gas prices, utilities use distillates as a substitute for natural gas for their facilities. The refined products average rate per barrel decreased 4% from the prior year period primarily due to the impact of the Midwest origin point for volumes received from Centennial, which resulted in an increase in short-haul volumes transported on our system.

Revenues from LPGs transportation increased $10.0 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, primarily due to increased deliveries of propane in the upper Midwest and Northeast market areas attributable to colder than normal weather during the first quarter of 2003 and due to low inventories at competing supply locations. Butane deliveries also increased due to the increased demand by refineries for normal butane for use in gasoline blending and increased isobutane deliveries to Chicago area refineries. The LPGs average rate per barrel increased 20% from the prior year period as a result of an increased percentage of long-haul deliveries during the six months ended June 30, 2003.

Effective January 1, 2003, TE Products' 50% ownership interest in MB Storage is accounted for as an equity investment. Revenues generated from Mont Belvieu operations totaled $7.4 million during the six months ended June 30, 2002. As a result of the formation of MB Storage, revenues and expenses related to Mont Belvieu operations are now recorded within equity earnings. See discussion regarding changes in equity earnings/losses below. The purpose of MB Storage is to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections.

Other operating revenues increased $3.5 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, primarily due to higher propane deliveries at our Providence, Rhode Island import facility, higher refined product rental charges and loading fees and higher revenues from product loans. Other operating revenues also increased $2.2 million due to the addition of the northern portion of the Dean Pipeline to the Downstream Segment in January 2003, which began transporting RGPs in January 2003. These increases were partially offset by lower revenues from product location exchanges which are used to position product in the Midwest market area and lower volume of product inventory sales.

Costs and expenses increased $10.0 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002. The increase was made up of an increase of $7.4 million in operating, general and administrative expenses and an increase of $3.3 million in operating fuel and power, partially offset by a decrease of $0.7 million in taxes – other than income taxes. Operating, general and administrative expenses increased primarily due to higher pipeline maintenance expenses, increased consulting and contract services, increased labor costs and increased general and administrative supplies expense, increased insurance expense, expense from the Centennial lease agreement that we entered into in 2003 and the write off of receivables of $0.4 million related to customer bankruptcies. The addition of the northern portion of the Dean Pipeline to the Downstream Segment increased operating, general and administrative expense by $0.4 million. Operating fuel and power expense increased as a result of increased mainline throughput and higher power costs due to an increase in the price of natural gas. Taxes – other than income taxes decreased as a result of actual property taxes being lower than previously estimated and the transfer of assets to MB Storage.

Net losses from equity investments decreased $1.8 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002. Centennial, which commenced operations in April 2002, accounted for $5.0 million of the equity losses during the six months ended June 30, 2003. On February 10, 2003,

TE Products acquired an additional 16.7% interest in Centennial, bringing its ownership interest to 50%. The losses from Centennial are partially offset by equity earnings of $3.8 million from our 50% ownership interest in MB Storage, which was formed effective January 1, 2003. Amounts in the prior year period related to Mont Belvieu operations recorded to revenues and costs and expenses are now being recorded within equity earnings based upon our 50% ownership interest in MB Storage, effective with its formation on January 1, 2003. If the 2002 revenues and costs and expenses from the Mont Belvieu operations had been accounted for under the same method as 2003, equity earnings from MB Storage would have remained unchanged between years.

Other – net decreased $0.2 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, primarily due to lower interest income received on short-term investments.

Upstream Segment

Information presented in the following table includes the margin of the Upstream Segment, which may be viewed as a non-GAAP (Generally Accepted Accounting Principles) financial measure under the rules of the Securities and Exchange Commission. We calculate the margin of the Upstream Segment as revenues generated from the sale of crude oil and lubrication oil, and transportation of crude oil, less the costs of purchases of crude oil and lubrication oil. Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expenses caused by variations in the level of marketing activity and prices for products marketed. Margin and volume information for the three months and six months ended June 30, 2003, and 2002, is presented below (in thousands, except per barrel and per gallon amounts):

	Three Months Ended June 30,		Percentage Increase (Decrease)	Six Months Ended June 30,		Percentage Increase (Decrease)
	2003	2002		2003	2002	
Margins:						
Crude oil transportation	$11,129	$ 9,622	16%	$21,785	$18,693	17%
Crude oil marketing	6,632	5,664	17%	11,515	10,667	8%
Crude oil terminaling	2,429	2,640	(8%)	4,549	5,089	(11%)
Lubrication oil sales	1,339	1,230	9%	2,691	2,365	14%
Total margin	$21,529	$19,156	12%	$40,540	$36,814	10%
Total barrels:						
Crude oil transportation	25,931	21,672	20%	48,556	42,788	13%
Crude oil marketing	36,903	42,927	(14%)	74,575	73,279	2%
Crude oil terminaling	28,193	33,064	(15%)	55,562	62,339	(11%)
Lubrication oil volume (total gallons)	2,310	2,698	(14%)	5,153	4,892	5%
Margin per barrel:						
Crude oil transportation	$ 0.429	$ 0.444	(3%)	$ 0.449	$ 0.437	3%
Crude oil marketing	0.180	0.132	36%	0.154	0.146	5%
Crude oil terminaling	0.086	0.080	8%	0.082	0.082	—
Lubrication oil margin (per gallon)	0.580	0.456	27%	0.522	0.483	8%

The following table reconciles the Upstream Segment margin to the consolidated statements of income using the information presented in the consolidated statements of income and the statements of income in Note 11. Segment Data (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Sales of petroleum products	$ 927,232	$ 800,107	$ 1,903,192	$ 1,345,315
Transportation – Crude oil	7,059	7,095	13,964	13,223
Less: Purchases of petroleum products	(912,762)	(788,046)	(1,876,616)	(1,321,724)
Total margin	$ 21,529	$ 19,156	$ 40,540	$ 36,814

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Our Upstream Segment reported earnings before interest of $20.0 million for the three months ended June 30, 2003, compared with earnings before interest of $11.8 million for the three months ended June 30, 2002. Earnings before interest increased $8.2 million primarily due to an increase of $2.4 million in margin, an increase of $3.6 million in equity earnings of Seaway and a gain of $3.9 million from the sale of assets, partially offset by an increase of $1.5 million in costs and expenses (excluding purchases of crude oil and lubrication oil) and a decrease of $0.2 million in other operating revenues. We discuss factors influencing these variances below.

Our margin increased $2.4 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002. Crude oil transportation margin increased $1.5 million primarily due to increased revenues on our Red River, Basin, South Texas and West Texas systems resulting from an increase of 20% in transportation volumes, slightly offset by a decrease in the margin per barrel. Crude oil marketing margin increased $1.0 million primarily from more favorable crude oil price differentials, renegotiated supply contracts and lower trucking expenses, partially offset by decreased volumes marketed. Lubrication oil sales margin increased $0.1 million due to higher margins on lubrication sales. Crude oil terminaling margin decreased $0.2 million as a result of lower pumpover volumes at Midland, Texas, and Cushing, Oklahoma.

Other operating revenue of the Upstream Segment decreased $0.2 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, due to lower revenues from documentation and other services to support customers' trading activity at Midland and Cushing.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $1.5 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002. Operating, general and administrative expenses increased $0.4 million from the prior year period. The increase includes $2.3 million for environmental remediation and assessment activities in the three months ended June 30, 2003, partially offset by lower labor costs and lower general and administrative supplies expense. Taxes – other than income taxes increased $0.7 million due to increases in property tax accruals. Depreciation and amortization expense increased $0.4 million due to assets placed in service in 2002. Operating fuel and power remained constant during the period due to efficient use of transportation assets in 2003.

Equity earnings in Seaway for the three months ended June 30, 2003, increased $3.6 million from the three months ended June 30, 2002, due to higher long-haul transportation volumes and lower general and administrative expenses, partially offset by our portion of equity earnings decreasing from 80% to 60% on a pro-rated basis in 2002 (averaging approximately 67% for the year ended December 31, 2002), to 60% in 2003.

In June 2003, we recorded a net gain of $3.9 million on the sale of certain of the assets of the Rancho Pipeline. We owned an approximate 25% undivided joint interest in the Rancho Pipeline, which was a pipeline system acquired in connection with our acquisition of crude oil assets in 2000. Under the terms of the Rancho Pipeline operating agreement, the operating agreement terminated in March 2003, and the Rancho Pipeline ceased operations in crude oil service from West Texas to Houston, Texas. The Rancho Pipeline was divided into

segments, and these segments were sold to certain of the current owners of the Rancho Pipeline. We acquired approximately 230 miles of the pipeline in exchange for cash of $5.5 million and our interests in other portions of the Rancho Pipeline. We sold portions of the segment acquired to other entities for cash and assets valued at approximately $8.5 million. We recorded a net gain of $3.9 million on the transactions, which is included in the gain on sale of assets in our consolidated statements of income.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Our Upstream Segment reported earnings before interest of $28.8 million for the six months ended June 30, 2003, compared with earnings before interest of $22.6 million for the six months ended June 30, 2002. Earnings before interest increased $6.2 million primarily due to an increase of $3.7 million in margin, an increase of $4.2 million in equity earnings of Seaway and a gain of $3.9 million from the sale of assets, partially offset by an increase of $5.5 million in costs and expenses (excluding purchases of crude oil and lubrication oil) and a decrease of $0.1 million in other operating revenues. We discuss factors influencing these variances below.

Our margin increased $3.7 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002. Crude oil transportation margin increased $3.1 million primarily due to increased revenues on our Red River, Basin, South Texas and West Texas systems resulting from an increase of 20% in transportation volumes on these systems. Crude oil marketing margin increased $0.8 million primarily due to increased volumes marketed, renegotiated supply contracts, lower trucking expenses and more favorable crude oil price differentials, partially offset by a pricing settlement on a marketing contract in the first quarter of 2003. Lubrication oil sales margin increased $0.3 million due to increased sales of chemical volumes and higher margins on lubrication sales. Crude oil terminaling margin decreased $0.5 million as a result of an 11% decrease in pumpover volumes at Midland, Texas, and Cushing, Oklahoma.

Other operating revenue of the Upstream Segment decreased $0.1 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, due to lower revenues from documentation and other services to support customers' trading activity at Midland and Cushing.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $5.5 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002. Operating, general and administrative expenses increased $3.6 million from the prior year period. The increase includes $3.9 million for environmental assessment and remediation costs in 2003, higher legal costs related to the litigation with D.R.D. (see Note 12. Commitments and Contingencies) and $1.7 million from the net settlement of crude oil imbalances with customers, partially offset by lower labor costs and lower general and administrative supplies expenses during the period. Depreciation and amortization expense increased $1.4 million due to assets placed in service in 2002. Taxes – other than income taxes increased $0.6 million due to increases in property tax accruals. These increases were partially offset by a decrease of $0.1 million in operating fuel and power attributable to a more efficient use of transportation assets in 2003.

Equity earnings in Seaway for the six months ended June 30, 2003, increased $4.2 million from the six months ended June 30, 2002, due to the settlement of crude oil imbalances with customers, lower general and administrative expenses and higher long-haul transportation volumes, partially offset by our portion of equity earnings decreasing from 80% to 60% on a pro-rated basis in 2002 (averaging approximately 67% for the year ended December 31, 2002), to 60% in 2003.

In June 2003, we recorded a net gain of $3.9 million on the sale of certain of the assets of the Rancho Pipeline. We owned an approximate 25% undivided joint interest in the Rancho Pipeline, which was a pipeline system acquired in connection with our acquisition of crude oil assets in 2000. Under the terms of the Rancho Pipeline operating agreement, the operating agreement terminated in March 2003, and the Rancho Pipeline ceased operations in crude oil service from West Texas to Houston, Texas. The Rancho Pipeline was divided into segments, and these segments were sold to certain of the current owners of the Rancho Pipeline. We acquired approximately 230 miles of the pipeline in exchange for cash of $5.5 million and our interests in other portions of the

Rancho Pipeline. We sold portions of the segment acquired to other entities for cash and assets valued at approximately $8.5 million. We recorded a net gain of $3.9 million on the transactions, which is included in the gain on sale of assets in our consolidated statements of income.

Midstream Segment

The following table presents volume and average rate information for the three months and six months ended June 30, 2003, and 2002:

	Three Months Ended June 30,		Percentage Increase (Decrease)	Six Months Ended June 30,		Percentage Increase (Decrease)
	2003	2002		2003	2002	
Gathering – Natural Gas:						
Million cubic feet	110,455	59,805	85%	226,429	109,976	106%
Million British thermal units ("MMBtu")	112,001	66,493	68%	229,212	122,221	88%
Average fee per MMBtu	$ 0.288	$ 0.173	66%	$ 0.290	$ 0.172	69%
Transportation – NGLs:						
Thousand barrels	13,953	15,557	(10%)	28,221	23,471	20%
Average rate per barrel	$ 0.677	$ 0.678	—	$ 0.685	$ 0.718	(5%)
Fractionation – NGLs:						
Thousand barrels	1,007	1,032	(2%)	2,078	2,043	2%
Average rate per barrel	$ 1.846	$ 1.840	—	$ 1.788	$ 1.827	(2%)
Sales – Condensate:						
Thousand barrels	15.2	18.3	(17%)	46.0	50.6	(9%)
Average rate per barrel	$ 27.43	$ 28.37	(3%)	$ 31.05	$ 23.99	29%

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Our Midstream Segment reported earnings before interest of $19.6 million for the three months ended June 30, 2003, compared with earnings before interest of $11.9 million for the three months ended June 30, 2002. Earnings before interest increased $7.7 million due to an increase of $20.1 million in operating revenues, partially offset by an increase of $12.2 million in costs and expenses and a decrease of $0.2 million in other income – net. We discuss factors influencing these variances below.

Operating revenues increased $20.1 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, due to an increase of $20.8 million in natural gas gathering revenues and an increase of $0.4 million in other revenues, partially offset by a decrease of $1.1 million in NGL transportation revenues. Natural gas gathering revenues from the Jonah system increased $3.6 million and volumes delivered increased 10.7 billion cubic feet during the three months ended June 30, 2003, due to the expansions of the Jonah system during 2002. The first expansion, which was completed in March 2002, increased the capacity of the Jonah system by 62%, from approximately 450 million cubic feet per day ("MMcf/day") to approximately 730 MMcf/day. In October 2002, additional expansion projects were completed, which increased the capacity of the Jonah system from 730 MMcf/day to approximately 880 MMcf/day. Natural gas gathering revenues from the Val Verde system, which was acquired on June 30, 2002, totaled $17.2 million and volumes delivered totaled 39.9 billion cubic feet during the three months ended June 30, 2003. NGL transportation revenues decreased primarily due to a decrease of $0.4 million in revenues on the Dean Pipeline as a result of lower transportation volumes in 2003. Lower transportation volumes resulted from the conversion of the northern portion of the pipeline to transport RGPs and

subsequent classification as a part of the Downstream Segment. NGL transportation revenues also decreased $0.6 million due to lower transportation volumes on the Panola Pipeline.

Costs and expenses increased $12.2 million for the three months ended June 30, 2003, compared with the three months ended June 30, 2002, due to an increase of $5.8 million in depreciation and amortization expense, an increase of $5.2 million in operating, general and administrative expense, an increase of $0.7 million in taxes – other than income taxes and an increase of $0.5 million in operating fuel and power. Depreciation and amortization expense increased $7.2 million due to the acquisition of the Val Verde assets on June 30, 2002, and $0.7 million due to assets placed in service in 2002 related primarily to the expansion of the Jonah system. These increases were partially offset by a decrease of $1.5 million in the amortization expense of the Jonah gas gathering contract intangible assets under units-of-production due to an adjustment in estimated total throughput of the system which extended the expected amortization period from 16 years to 25 years (see Note 3. Goodwill and Other Intangible Assets). Operating, general and administrative expense increased $4.3 million from the Val Verde assets acquired, and $1.1 million due to higher general and administrative labor and supplies expense. Operating fuel and power costs increased $0.5 million due to increased transportation volumes on Chaparral. Taxes – other than income taxes increased $0.2 million due to the acquisition of Val Verde, $0.2 million due to a higher property tax base on Jonah as a result of the expansions and $0.3 million due to adjustments to the estimated property taxes for the period.

Other income – net decreased $0.2 million during the three months ended June 30, 2003, compared with the three months ended June 30, 2003, due to a reduction in interest income. During the three months ended June 30, 2002, we recognized interest income on the timing of the debt borrowings related to the Val Verde transaction.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Our Midstream Segment reported earnings before interest of $38.1 million for the six months ended June 30, 2003, compared with earnings before interest of $19.6 million for the six months ended June 30, 2002. Earnings before interest increased $18.5 million due to an increase of $48.6 million in operating revenues, partially offset by an increase of $30.0 million in costs and expenses and a decrease of $0.1 million in other income – net. We discuss factors influencing these variances below.

Operating revenues increased $48.6 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, due to an increase of $45.6 million in natural gas gathering revenues, an increase of $2.5 million in NGL transportation revenues and an increase of $0.5 million in other revenues. Natural gas gathering revenues from the Jonah system increased $9.7 million and volumes delivered increased 34.8 billion cubic feet during the six months ended June 30, 2003, due to the expansions of the Jonah system during 2002. Natural gas gathering revenues from the Val Verde system, which was acquired on June 30, 2002, totaled $35.9 million and volumes delivered totaled 81.6 billion cubic feet during the six months ended June 30, 2003. Other revenues increased $0.5 million primarily due to sales of gas condensate from the Jonah system. NGL transportation revenues increased $2.5 million, primarily due to an increase of $4.3 million related to the acquisition of Chaparral on March 1, 2002. This increase was partially offset by a decrease of $0.8 million on the Dean Pipeline due to decreased transportation volumes. Lower transportation volumes resulted from the conversion of the northern portion of the pipeline to transport RGPs and subsequent classification as a part of the Downstream Segment. NGL transportation revenues also decreased $1.0 million due to lower transportation volumes on the Panola Pipeline. The decrease in the NGL transportation average rate per barrel resulted from a lower average rate per barrel on volumes transported on Chaparral.

Costs and expenses increased $30.0 million for the six months ended June 30, 2003, compared with the six months ended June 30, 2002, due to an increase of $15.8 million in depreciation and amortization expense, an increase of $11.5 million in operating, general and administrative expense, an increase of $1.6 million in taxes – other than income taxes and an increase of $1.1 million in operating fuel and power. Depreciation and amortization expense increased $14.0 million due to the acquisitions of the Chaparral and Val Verde assets acquired on March 1, 2002, and June 30, 2002, respectively, and $1.8 million due to assets placed in service in 2002 related primarily to the expansions of the Jonah system. Operating, general and administrative expense increased $9.7 million from the

assets acquired, and due to higher general and administrative labor and supplies expense. Operating fuel and power costs increased $1.1 million due to the assets acquired and due to increased volumes transported on Chaparral. Taxes – other than income taxes increased $1.1 million due to the assets acquired and $0.4 million due to a higher property tax base on Jonah as a result of the expansions.

Interest Expense and Capitalized Interest

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Interest expense increased $6.7 million during the three months ended June 30, 2003, compared with the three months ended June 30, 2002, primarily due to higher outstanding debt balances used for capital expenditures and to finance the acquisition of assets acquired through the Midstream Segment, an increased percentage of fixed-rate debt in 2003 and $1.3 million of debt issuance costs written off during the three months ended June 30, 2003, related to the refinancing of our revolving credit facility.

Capitalized interest decreased $0.1 million during the three months ended June 30, 2003, compared with the three months ended June 30, 2002, due to interest capitalized on capital expenditures during the construction of the Jonah expansions in 2002 and decreased balances during 2003 on overall construction work-in-progress.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Interest expense increased $11.8 million during the six months ended June 30, 2003, compared with the six months ended June 30, 2002, primarily due to higher outstanding debt balances used for capital expenditures and to finance the acquisition of assets acquired through the Midstream Segment, an increased percentage of fixed-rate debt in 2003 and $1.3 million of debt issuance costs written off during the six months ended June 30, 2003, related to the refinancing of our revolving credit facility.

Capitalized interest decreased $1.6 million during the six months ended June 30, 2003, compared with the six months ended June 30, 2002, due to interest capitalized on capital expenditures during the construction of the Jonah expansions in 2002, interest capitalized on our investment in Centennial during the first quarter of 2002, and decreased balances during 2003 on overall construction work-in-progress.

Financial Condition and Liquidity

Net cash from operating activities totaled $132.5 million for the six months ended June 30, 2003. This cash was made up of $118.7 million of income before charges for depreciation and amortization and $13.8 million of cash provided by working capital. This compares with net cash from operating activities of $97.5 million for the corresponding period in 2002, comprised of $84.8 million of income before charges for depreciation and amortization and $12.7 million of cash provided by working capital. Net cash from operating activities for the six months ended June 30, 2003, and 2002, included interest payments of $39.6 million and $19.5 million, respectively.

Cash flows used in investing activities totaled $63.9 million for the six months ended June 30, 2003, and were comprised of $45.9 million of capital expenditures, $20.0 million for TE Products' acquisition of an additional ownership interest in Centennial, $1.0 million of cash contributions for TE Products' ownership interest in Centennial, and $5.5 million for the purchase of crude oil assets as part of the Rancho transaction. These uses of cash were partially offset by $8.5 million in cash proceeds from the sale of the Rancho assets. Cash flows used in investing activities totaled $651.5 million for the six months ended June 30, 2002, and were comprised of $7.3 million for the final purchase price adjustments on the acquisition of Jonah, $63.6 million of capital expenditures, $7.7 million of cash contributions for TE Products' ownership interest in Centennial, $132.1 million for the purchase of Chaparral on March 1, 2002, and $444.2 million for the purchase of Val Verde on June 30, 2002. These uses of cash were partially offset by $3.4 million in cash proceeds from the sale of assets.

Cash flows used in financing activities totaled $68.8 million for the six months ended June 30, 2003, and were comprised of $335.0 million in proceeds from term and revolving credit facilities; $198.6 million from the issuance in January 2003 of our 6.125% Senior Notes due 2013, partially offset by debt issuance costs of $3.1 million; and $114.5 million from the issuance of 3.9 million Units in April 2003. These sources of cash for the six months ended June 30, 2003, were partially offset by $504.0 million of repayments on our term and revolving credit facilities; $113.8 million to repurchase and retire the outstanding Class B Units, and $96.0 million of distributions to unitholders. Cash flows provided by financing activities totaled $554.0 million for the six months ended June 30, 2002, and were comprised of $642.0 million of proceeds from term and revolving credit facilities; $497.8 million from the issuance in February 2002 of our 7.625% Senior Notes due 2012, partially offset by debt issuance costs of $7.0 million; and $59.3 million from the issuance of 2.0 million Units and $1.2 million of related General Partner contributions. These sources of cash for the six months ended June 30, 2002, were partially offset by $570.7 million of repayments on our term and revolving credit facilities and $68.6 million of distributions to unitholders.

In August 2000, TE Products entered into agreements with Panhandle Eastern Pipeline Company ("PEPL") and Marathon Ashland Petroleum LLC ("Marathon") to form Centennial. Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Through February 9, 2003, each original participant owned a one-third interest in Centennial. On February 10, 2003, TE Products and Marathon each acquired an additional 16.7% interest in Centennial, bringing their ownership interest to 50% each. Excluding TE Products' purchase of its additional ownership interest of 16.7% on February 10, 2003, we expect to contribute an additional $5.0 million to Centennial in 2003.

Centennial entered into credit facilities totaling $150.0 million, and as of June 30, 2003, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. Each of the participants in Centennial, including TE Products, originally guaranteed one-third of Centennial's debt, up to a maximum amount of $50.0 million. During the third quarter of 2002, PEPL, one of the participants in Centennial, was downgraded by Moody's and Standard & Poors to below investment grade, which resulted in PEPL being in default under its portion of the Centennial guaranty. Effective September 27, 2002, TE Products and Marathon increased their guaranteed amounts to one-half of the debt of Centennial, up to a maximum amount of $75.0 million each, to avoid a default on the Centennial debt. As compensation to TE Products and Marathon for providing their additional guarantees, PEPL was required to pay interest at a rate of 4% per annum to each of TE Products and Marathon on the portion of the additional guaranty that each had provided for PEPL. In connection with the acquisition of the additional interest in Centennial on February 10, 2003, the guaranty agreement between TE Products, Marathon and PEPL was terminated. TE Products' guaranty of up to a maximum of $75.0 million of Centennial's debt remains in effect.

Credit Facilities and Interest Rate Swap Agreements

On April 6, 2001, we entered into a $500.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million ("Three Year Facility"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contained certain restrictive financial covenant ratios. During 2002, borrowings under the Three Year Facility were used to finance the acquisitions of Chaparral on March 1, 2002, and Val Verde on June 30, 2002, and for general purposes. During 2002, repayments were made on the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes, proceeds from the issuance of additional Units and proceeds from the termination of interest rate swaps (see Note 4. Derivative Financial Instruments). During the first quarter of 2003, we repaid $182.0 million of the outstanding balance of the Three Year Facility with proceeds from the issuance of our 6.125% Senior Notes on January 30, 2003. On June 27, 2003, we repaid the outstanding balance under the Three Year Facility with borrowings under a new credit facility, and canceled the Three Year Facility.

On June 27, 2003, we entered into a $550.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million ("Revolving Credit Facility") with a three year term. The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings.

The credit agreement for the Revolving Credit Facility contains certain restrictive financial covenant ratios. We borrowed $263.0 million under the Revolving Credit Facility and repaid the outstanding balance of the Three Year Facility. On June 30, 2003, $263.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate, before the effects of hedging activities, of 1.8%. At June 30, 2003, we were in compliance with the covenants contained in this credit agreement.

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. During 2002, borrowings under the Short-term Revolver were used to finance the acquisition of the Val Verde assets and for other purposes. During 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Units in 2002. The Short-term Revolver expired on March 27, 2003.

On February 20, 2002, we completed the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing the 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of June 30, 2003, we were in compliance with the covenants of these Senior Notes.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank ("Six-Month Term Loan") payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire the Val Verde assets (see Note 5. Acquisitions and Dispositions). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Units in September 2002, and canceled the facility.

On January 30, 2003, we completed the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and are being accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on the Three Year Facility to $250.0 million. The balance of the net proceeds received was used for general purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of June 30, 2003, we were in compliance with the covenants of these Senior Notes.

We have entered into interest rate swap agreements to hedge our exposure to cash flows and fair value changes. These agreements are more fully described in Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

The following table summarizes our credit facilities as of June 30, 2003 (in millions):

Description:	As of June 30, 2003		
	Outstanding Principal	Available Borrowing Capacity	Maturity Date
Revolving Credit Facility	$ 263.0	$287.0	June 2006
6.45% Senior Notes (1)	180.0	—	January 2008
7.625% Senior Notes (1)	500.0	—	February 2012
6.125% Senior Notes (1)	200.0	—	February 2013
7.51% Senior Notes (1)	210.0	—	January 2028
Total	$1,353.0	$287.0	

(1) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its 7.51% Senior Notes due 2028. At June 30, 2003, the 15.1% Senior Notes include an adjustment to increase the fair value of the debt by $15.1 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At June 30, 2003, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $42.4 million. At June 30, 2003, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $3.4 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustment and the unamortized debt discounts are excluded from this table.

Distributions and Issuance of Additional Limited Partner Units

We paid cash distributions of $96.0 million ($1.225 per Unit) and $68.6 million ($1.15 per Unit) for each of the six months ended June 30, 2003 and 2002, respectively. Additionally, we declared a cash distribution of $0.625 per Unit for the quarter ended June 30, 2003. We will pay the distribution of $49.4 million on August 8, 2003, to unitholders of record on July 31, 2003.

On March 22, 2002, we sold in an underwritten public offering 1.92 million Units at $31.18 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $57.3 million and were used to repay $50.0 million of the outstanding balance on the Three Year Facility, with the remaining amount being used for general purposes.

On July 11, 2002, we sold in an underwritten public offering 3.0 million Units at $30.15 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $86.6 million and were used to reduce borrowings under our Six-Month Term Loan. On August 14, 2002, 175,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on July 11, 2002. Proceeds from that sale totaled $5.1 million and were used for general purposes.

On September 5, 2002, we sold in an underwritten public offering 3.8 million Units at $29.72 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $108.1 million and were used to reduce borrowings under our Six-Month Term Loan. On September 19, 2002, 570,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on September 5, 2002. Proceeds from that sale totaled $16.2 million and were used to reduce borrowings under our Short-term Revolver.

On November 7, 2002, we sold in an underwritten public offering 3.3 million Units at $26.83 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $84.8 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility. On December 4, 2002, 495,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on

November 7, 2002. Proceeds from that sale totaled $12.7 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility.

On April 2, 2003, we sold in an underwritten public offering 3.9 million Units at $30.35 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $114.5 million, of which approximately $113.8 million was used to repurchase and retire all of the 3,916,547 previously outstanding Class B Units held by Duke Energy Transport and Trading Company, LLC ("DETTCO"), an affiliate of Duke Energy. We received approximately $0.7 million in proceeds from the offering in excess of the amount needed to repurchase and retire the Class B Units.

Future Capital Needs and Commitments

We estimate that capital expenditures, excluding acquisitions, for 2003 will be approximately $150.4 million (which includes $4.1 million of capitalized interest). Of this amount, we expect to spend approximately $104.7 million for revenue generating projects. Capital spending on Downstream Segment revenue generating projects will total approximately $16.8 million, including $7.5 million for the expansion of our pumping capacity of LPGs into the Northeast markets, $6.0 million for the expansion of our Bossier City, Louisiana facilities and $3.3 million for expansion of delivery capacity at various locations. For the Midstream Segment, revenue generating capital expenditures will total approximately $74.9 million, principally for the upgrade of the Jonah system, and for additional well connections on both the Jonah and Val Verde systems. Upstream Segment revenue generating expenditures will be approximately $13.0 million, including $7.0 million for the expansion of our South Texas system and $6.0 million for connections to various other production facilities and pipelines. We expect to spend approximately $29.9 million to sustain existing operations, of which $23.2 million will be for various Downstream Segment pipeline projects, $4.8 million for Upstream Segment facilities and $1.9 million for the Midstream Segment. An additional $15.8 million will be expended on system upgrade projects among all of our business segments. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business segments. These expenditures can vary greatly depending on the magnitude of our transactions. We may finance capital expenditures through internally generated funds, debt or the issuance of additional equity.

As of June 30, 2003, we had a working capital deficit of $25.3 million. In the event of any working capital shortfalls, we have approximately $287.0 million in available borrowing capacity under our Revolving Credit Facility to cover these items.

Our debt repayment obligations consist of payments for principal and interest on (i) outstanding principal amounts under the Revolving Credit Facility due in June 2006 ($263.0 million outstanding at June 30, 2003), (ii) the TE Products $180.0 million 6.45% Senior Notes due January 15, 2008, (iii) our $500.0 million 7.625% Senior Notes due February 15, 2012, (iv) our $200.0 million 6.125% Senior Notes due February 1, 2013, and (v) the TE Products $210.0 million 7.51% Senior Notes due January 15, 2028.

TE Products is contingently liable as guarantor for the lesser of one-half or $75.0 million principal amount (plus interest) of the borrowings of Centennial. We expect to contribute an additional $5.0 million to Centennial in 2003 to provide for its working capital needs. In January 2003, TE Products entered into a pipeline capacity lease agreement with Centennial for a period of five years that contains a minimum capacity requirement. On February 10, 2003, TE Products acquired an additional 16.7% ownership interest in Centennial, bringing its ownership percentage to 50%.

In May 2003, we entered into an agreement with Williams Gas Processing Company ("Williams") that requires Williams to build, own, and operate a central dehydration facility to be used as a bulk water removal plant for gas gathered on the Jonah system. The cost of building this facility was estimated at $4.5 million. Under the agreement, Williams will supply the land for the facility, and we are required to deposit $4.5 million into an escrow account to be used by Williams to cover costs of construction of the facility. Williams will retain ultimate title to the facility, and we will be reimbursed for the escrowed amounts used by Williams through surcharges paid to us by the producers on the Jonah system. In accordance with the agreement, we funded $1.0 million of the $4.5 million

required escrow amount in the second quarter of 2003, and we are obligated to fund the remaining $3.5 million by August 31, 2003.

We do not rely on off-balance sheet borrowings to fund our acquisitions. We have no off-balance sheet commitments for indebtedness other than the limited guaranty of Centennial debt, the remaining escrow commitment to Williams and leases covering assets utilized in several areas of our operations.

The following table summarizes our debt repayment obligations and material contractual commitments as of June 30, 2003 (in millions):

	Amount of Commitment Expiration Per Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Revolving Credit Facility	$ 263.0	$ —	$263.0	$ —	$ —
6.45% Senior Notes due 2008 (1) (2)	180.0	—	—	180.0	—
7.625% Senior Notes due 2012 (2)	500.0	—	—	—	500.0
7.51% Senior Notes due 2028 (1) (2)	210.0	—	—	—	210.0
6.125% Senior Notes due 2013 (2)	200.0	—	—	—	200.0
Debt subtotal	1,353.0	—	263.0	180.0	910.0
Estimated Centennial cash contributions	5.0	5.0	—	—	—
Williams escrow commitments	3.5	3.5	—	—	—
Operating leases	58.0	15.4	27.8	14.2	0.6
Contractual commitments subtotal	66.5	23.9	27.8	14.2	0.6
Total	$1,419.5	$23.9	$290.8	$194.2	$910.6

(1) Obligations of TE Products.

(2) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its 7.51% Senior Notes due 2028. At June 30, 2003, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $15.1 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At June 30, 2003, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $42.4 million. At June 30, 2003, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $3.4 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustments and the unamortized debt discounts are excluded from this table.

We expect to repay the long-term, senior unsecured obligations and bank debt through the issuance of additional long-term senior unsecured debt at the time the 2008, 2012, 2013 and 2028 debt matures, issuance of additional equity, proceeds from dispositions of assets, cash flow from operations or any combination of the above items.

Sources of Future Capital

Historically, we have funded our capital commitments from operating cash flow and borrowings under bank credit facilities or bridge loans. We repaid these loans in part by the issuance of long term debt in capital markets and the public offering of Units. We expect future capital needs would be similarly funded to the extent not otherwise available from cash flow from operations.

As of June 30, 2003, we had approximately $287.0 million in available borrowing capacity under the Revolving Credit Facility.

We expect that cash flows from operating activities will be adequate to fund cash distributions and capital additions necessary to sustain existing operations. However, future expansionary capital projects and acquisitions may require funding through proceeds from the sale of additional debt or equity capital markets offerings.

On May 29, 2002, Moody's Investors Service downgraded our senior unsecured debt rating to Baa3 from Baa2. Our subsidiary, TE Products was also included in this downgrade. These ratings were given with stable outlooks and followed our announcement of the acquisition of Val Verde. The downgrades reflect Moody's concern that we have a high level of debt relative to many of our peers and that our debt may be continually higher than our long-term targets if we continue to make a series of acquisitions of increasingly larger size. Because of our high distribution rate, we are particularly reliant on external financing to finance our acquisitions. Moody's indicated that our cash flows are becoming less predictable as a result of our acquisitions and expansion into the crude oil and natural gas gathering businesses. Further reductions in our credit ratings could increase the debt financing costs or possibly reduce the availability of financing. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold any indebtedness. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it determines that the circumstances warrant such a change. In May 2003, Moody's reaffirmed the Baa3 ratings for us and our subsidiary, TE Products.

Other Considerations

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you 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 our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, the Louisiana Department of Environmental Quality ("LDEQ") issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At June 30, 2003, we have an accrued liability of $0.1 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

On March 17, 2003, we experienced a release of 511 barrels of jet fuel from a tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Preliminary Injunction and Order ("Agreed Order") with the State of Illinois. The Agreed Order requires us, in part, to complete a site investigation plan to delineate the scope of any potential contamination resulting from the release and to remediate any contamination. The Agreed Order does not contain any provision for any fines or penalties; however, it does not preclude the State of Illinois from assessing these at a later date. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

At June 30, 2003, we have an accrued liability of $6.6 million related to various TCTM sites requiring environmental remediation activities. We have a contractual indemnity obligation from DETTCO, an affiliate of Duke Energy, that we received in connection with our acquisition of assets from DETTCO in November 1998. The

indemnity relates to future environmental remediation activities attributable to operations of these assets prior to our acquisition. Under this indemnity obligation, we are responsible for the first $3.0 million in specified environmental liabilities, and DETTCO is responsible for those environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. At December 31, 2002, we had a receivable balance from DETTCO of $4.2 million, the majority of which related to remediation activities at the Velma crude oil site in Stephens County, Oklahoma. On March 31, 2003, we received $2.4 million under the indemnity obligation with DETTCO. The remaining $1.8 million due was subsequently written off as a result of final settlement discussions with DETTCO on this matter. The accrued liability balance at June 30, 2003, also includes an accrual of $2.3 million related to a crude oil site. We are currently in discussions with DETTCO regarding various matters relative to DETTCO's indemnifications. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Recent Accounting Pronouncements

See discussion of new accounting pronouncements in Note 1. Organization and Basis of Presentation – New Accounting Pronouncements in the accompanying consolidated financial statements.

Forward-Looking Statements

The matters discussed in this Report 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 we expect or anticipate 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 our 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 us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our 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 us, competitive actions by other pipeline companies, changes in laws or regulations and other factors, many of which are beyond our control. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and we cannot assure you that actual results or developments that we anticipate will be realized or, even if substantially realized, will have the expected consequences to or effect on us or our business or operations. For additional discussion of such risks and uncertainties, see our Annual Report on Form 10-K, for the year ended December 31, 2002, and other filings we have made with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We may be exposed to market risk through changes in commodity prices and interest rates. We do not have foreign exchange risks. Our Risk Management Committee has established policies to monitor and control these market risks. The Risk Management Committee is comprised, in part, of senior executives of the Company.

At June 30, 2003, we had $263.0 million outstanding under our variable interest rate revolving credit agreement. The interest rate is based, at our option, on either the lender's base rate plus a spread or LIBOR plus a spread in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semiannually. Utilizing the balances of variable interest rate debt outstanding at June 30, 2003, including the effects of hedging activities discussed below, and assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $0.1 million.

We have utilized and expect to continue to utilize interest rate swap agreements to hedge a portion of our cash flow and fair value risks. Interest rate swap agreements are used to manage the fixed and floating interest rate mix of our total debt portfolio and overall cost of borrowing. The interest rate swap related to our cash flow risk is intended to reduce our exposure to increases in the benchmark interest rates underlying our variable rate revolving credit facility. The interest rate swaps related to our fair value risks are intended to reduce our exposure to changes in the fair value of the fixed rate Senior Notes. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional amount upon which the payments are based. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

At June 30, 2003, TE Products had outstanding $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). At June 30, 2003, the estimated fair value of the TE Products Senior Notes was approximately $427.1 million. At June 30, 2003, we had outstanding $500.0 million principal amount of 7.625% Senior Notes due 2012 and $200.0 million principal amount of 6.125% Senior Notes due 2013. At June 30, 2003, the estimated fair value of the $500.0 million 7.625% Senior Notes and the $200.0 million 6.125% Senior Notes was approximately $604.0 million and $212.5 million, respectively.

As of June 30, 2003, TE Products had an interest rate swap agreement in place to hedge its exposure to changes in the fair value of its fixed rate 7.51% TE Products Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate based on a three-month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the six months ended June 30, 2003, and 2002, we recognized reductions in interest expense of $4.9 million and $3.6 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended June 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of this interest rate swap was a gain of approximately $15.1 million and $13.6 million at June 30, 2003, and December 31, 2002, respectively. Utilizing the balance of the 7.51% TE Products Senior Notes outstanding at June 30, 2003, and including the effects of hedging activities, assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $2.1 million.

As of June 30, 2003, we had an interest rate swap agreement in place to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. This interest rate swap matures on April 6, 2004. We designated this swap agreement, which hedges exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three-month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the six months ended June 30, 2003, and 2002, we recognized increases in interest expense of $7.0 million and $6.3 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended June 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. On June 27, 2003, we repaid the amounts outstanding under the revolving credit facility with borrowings under a new three year revolving credit facility and canceled the old facility (see Note 9. Debt). We redesignated the interest rate swap as a hedge of our exposure to increases in the benchmark interest rate underlying the new variable rate revolving credit facility. The fair value of the interest rate swap was a loss of approximately $11.4 million and $20.1 million at June 30, 2003, and December 31, 2002, respectively. The remaining fair value of the interest rate swap will be transferred into earnings over the remaining term of the interest rate swap.

On February 20, 2002, we entered into interest rate swap agreements, designated as fair value hedges, to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate of interest based on a U.S. Dollar

LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, the swap agreements were terminated resulting in a gain of approximately $18.0 million. Concurrent with the swap terminations, we entered into new interest rate swap agreements, with identical terms as the previous swap agreements; however, the floating rate was based upon a spread of an additional 50 basis points. In December 2002, the swap agreements entered into on July 16, 2002, were terminated, resulting in a gain of approximately $26.9 million. The gains realized from the July 2002 and December 2002 swap terminations have been deferred as adjustments to the carrying value of the Senior Notes and are being amortized using the effective interest method as reductions to future interest expense over the remaining term of the Senior Notes. At June 30, 2003, the unamortized balance of the deferred gains was $42.4 million. In the event of early extinguishment of the Senior Notes, any remaining unamortized gains would be recognized in the consolidated statement of income at the time of extinguishment.

Item 4. Controls and Procedures

Included in its recent Release No. 34-46427, effective August 29, 2002, the Securities and Exchange Commission adopted rules requiring reporting companies to maintain disclosure controls and procedures to provide reasonable assurance that a registrant is able to record, process, summarize and report the information required in the registrant's quarterly and annual reports under the Securities Exchange Act of 1934 (the "Exchange Act").

The principal executive officer and principal financial officer of our general partner, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and Rule 15d-14(c)) as of a date within 90 days before the filing date of this Report, have concluded that, as of such date, our disclosure controls and procedures are adequate and effective to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

There have been no changes in our internal controls or in other factors known to us that could significantly affect those internal controls subsequent to the date of the evaluation, nor were there any significant deficiencies or material weaknesses in our internal controls. As a result, no corrective actions were required or undertaken.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on our consolidated financial position, results of operations or cash flows. See discussion of legal proceedings in Note 12. Commitments and Contingencies in the accompanying consolidated financial statements.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

Exhibit Number	Description
3.2	Third Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated September 21, 2001 (Filed as Exhibit 3.7 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
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 (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.4	Form of Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.5	First Supplemental Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003 (Filed as Exhibit 4.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.1+	Duke Energy Corporation Executive Savings Plan (Filed as Exhibit 10.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	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.

Exhibit Number	Description
	(Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	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).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of

Exhibit Number	Description
	ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10- Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.27	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8

Exhibit Number	Description
	to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.29	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.31	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).
10.32	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.33	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.34	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.36	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.38	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002 ($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as

Exhibit Number	Description
	Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.42+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.43 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002 (Filed as Exhibit 10.44 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.44+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003 (Filed as Exhibit 10.45 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.45+	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003 (Filed as Exhibit 10.46 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.46+	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002 (Filed as Exhibit 10.47 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.47	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000 (Filed as Exhibit 10.48 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.48	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000 (Filed as Exhibit 10.49 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.49	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC (Filed as Exhibit 10.50 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.50	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003 (Filed as Exhibit 10.51 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.51	Joint Development Agreement between TE Products Pipeline Company, Limited Partnership and Louis Dreyfus Plastics Corporation dated February 10, 2000 (Filed as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2003 and incorporated herein by reference).
10.52*	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank and The Lenders Party Hereto, as Lenders, dated as of June 27, 2003 ($550,000,000 Revolving Facility).
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.

Exhibit Number	Description
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

\+ A management contract or compensation plan or arrangement.

(b) Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission during the quarter ended June 30, 2003:

A current report on Form 8-K was filed on April 8, 2003, including as an exhibit an underwriting agreement with underwriters named therein in connection with respect to the issue and sale of up to 3,938,750 units of the Partnership.

A current report on Form 8-K was furnished on April 30, 2003, in connection with disclosure of first quarter estimates and earnings guidance.

A current report on Form 8-K was furnished on June 12, 2003, in connection with a presentation to investors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on its behalf by the undersigned duly authorized officer and principal financial officer.

TEPPCO Partners, L.P.

(Registrant)
(A Delaware Limited Partnership)

By: Texas Eastern Products Pipeline Company, LLC, as General Partner

By: /s/ BARRY R. PEARL

Barry R. Pearl,
President and Chief Executive Officer

By: /s/ CHARLES H. LEONARD

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

Date: July 30, 2003

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
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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 (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.4	Form of Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.5	First Supplemental Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003 (Filed as Exhibit 4.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.1+	Duke Energy Corporation Executive Savings Plan (Filed as Exhibit 10.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	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.

Exhibit Number	Description
	(Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	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).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of

Exhibit Number	Description
	ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10- Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.27	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8

Exhibit Number	Description
	to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.29	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.31	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).
10.32	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.33	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.34	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.36	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.38	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002 ($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as

Exhibit Number	Description
	Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.42+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.43 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002 (Filed as Exhibit 10.44 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.44+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003 (Filed as Exhibit 10.45 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.45+	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003 (Filed as Exhibit 10.46 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.46+	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002 (Filed as Exhibit 10.47 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.47	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000 (Filed as Exhibit 10.48 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.48	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000 (Filed as Exhibit 10.49 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.49	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC (Filed as Exhibit 10.50 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.50	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003 (Filed as Exhibit 10.51 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.51	Joint Development Agreement between TE Products Pipeline Company, Limited Partnership and Louis Dreyfus Plastics Corporation dated February 10, 2000 (Filed as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2003 and incorporated herein by reference).
10.52*	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank and The Lenders Party Hereto, as Lenders, dated as of June 27, 2003 ($550,000,000 Revolving Facility).
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.

Exhibit Number	Description
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

+ A management contract or compensation plan or arrangement.

EXHIBIT 10.52

EXECUTION COUNTERPART

CREDIT AGREEMENT

among

TEPPCO PARTNERS, L.P.,
as Borrower,

SUNTRUST BANK,
as Administrative Agent and LC Issuing Bank

and

THE LENDERS PARTY HERETO,
as Lenders

dated as of June 27, 2003

$550,000,000 Revolving Facility

SUNTRUST ROBINSON HUMPHREY CAPITAL MARKETS,
a division of SunTrust Capital Markets, Inc.,
as Sole Lead Arranger

WACHOVIA BANK, NATIONAL ASSOCIATION
and
BANK ONE, NA
as Co-Syndication Agents

BNP PARIBAS
and
KEY BANK, N.A.,
as Co-Documentation Agents

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this ***"Agreement"***) is entered into as of June 27, 2003, among **TEPPCO PARTNERS, L.P.,** a Delaware limited partnership (the ***"Borrower"***), the Lenders (defined below), **SUNTRUST BANK** (***"SunTrust"***), as the Administrative Agent for the Lenders and as the issuer of Letters of Credit (defined below) (the ***"LC Issuing Bank"***), Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents (the ***"Co-Syndication Agents"***) and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents (the ***"Co-Documentation Agents"***).

The Borrower has requested that the Lenders extend to the Borrower a revolving credit facility not to exceed at any time outstanding $550,000,000 (as that amount may be increased, reduced or cancelled pursuant to this Agreement) to be used by the Borrower as provided in Section 7.1.

ACCORDINGLY, for adequate and sufficient consideration, the Borrower, the Lenders, the LC Issuing Bank, the Administrative Agent, the Co-Syndication Agents, and the Co-Documentation Agents agree as follows:

ARTICLE I
DEFINITIONS AND TERMS

SECTION 1.1. Definitions.

As used in the Credit Documents:

"Acquisition" by any Person means any transaction or series of transactions on or after the date hereof pursuant to which that Person directly or indirectly, whether in the form of a capital expenditure, an Investment, a merger, a consolidation or otherwise and whether through a solicitation of tender of Equity Interests, one or more negotiated block, market, private or other transactions, or any combination of the foregoing, purchases (a) all or substantially all of the business or assets of any other Person or operating division or business unit of any other Person, or (b) more than 25% of the Equity Interests in any other Person.

"Additional Debt" means Funded Debt issued or incurred by any Company after the date hereof, other than Funded Debt under this Agreement and Funded Debt (a) that is Permitted Non-Recourse Debt of any Person used for the purposes described in clause (i) of the definition of "Permitted Non-Recourse Debt" or (b) the proceeds of which are used to refinance the Senior Notes, *provided* that the principal amount of the refinancing shall not exceed the sum of (i) the principal amount of, and accrued interest on, the Senior Notes so refinanced and (ii) reasonable fees and expenses and the premium, if any, incurred in connection with any such refinancing.

"Administrative Agent" means, at any time, SunTrust Bank (or its successor appointed under Section 13.1), acting as administrative agent for the Lenders under the Credit Documents.

"Affiliate" of a Person means any other individual or entity that directly or indirectly controls, is controlled by or is under common control with that Person. For purposes of this definition, (a) "control", "controlled by" and "under common control with" mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or other interests, by contract or otherwise), and (b) the General Partner and all of the Companies are Affiliates with each other.

"Agreement" is defined in the preamble to this Agreement.

"Applicable Margin" means, for any LIBOR Rate Borrowing, (i) on any date the Consolidated Funded Debt to Pro Forma EBITDA ratio of the Borrower is less than or equal to 4.5:1.0, the number of basis points set forth below in the columns identified as Level 1, Level 2, Level 3, Level 4 or Level 5, opposite the LIBOR Rate, and (ii) on any date the Consolidated Funded Debt to Pro Forma EBITDA ratio of the Borrower is greater than 4.5:1.0, the number of basis points set forth below in the columns identified as Level 1, Level 2, Level 3, Level 4 or Level 5, opposite the Leveraged LIBOR Rate.

Basis for Pricing	LEVEL 1 Reference Rating at least A- by S&P and A3 by Moody's	LEVEL 2 Reference Rating at least BBB+ by S&P and Baa1 by Moody's	LEVEL 3 Reference Rating at least BBB by S&P and Baa2 by Moody's	LEVEL 4 Reference Rating at least BBB- by S&P and Baa3 by Moody's	LEVEL 5 Reference Rating Lower Than Level 4
LIBOR Rate	50.0	60.0	70.0	100.0	137.5
Leveraged LIBOR Rate	62.5	72.5	82.5	112.5	150.0

The Applicable Margin will be based upon the Level corresponding to the Reference Rating, and the corresponding Consolidated Funded Debt to Pro Forma EBITDA ratio, in each case in effect at the time of determination. For any LIBOR Rate Borrowing, the Applicable Margin will be based upon the Level corresponding to the Reference Rating, and the corresponding Consolidated Funded Debt to Pro Forma EBITDA ratio, in each case in effect on the initial day of the Interest Period for such Borrowing.

"Assignee" is defined in Section 14.10(d).

"Assignment" is defined in Section 14.10(d).

"Base Rate" means, for any day, the greater of (a) the annual interest rate most recently announced by the Administrative Agent as its prime lending rate (which may not necessarily represent the lowest or best rate actually charged to any customer, as the Administrative Agent may make commercial loans or other loans at interest rates higher or lower than that prime lending rate) in effect at its principal office in Atlanta, Georgia,

which rate may automatically increase or decrease without notice to the Borrower or any other Person, and (b) the sum of the Fed Funds Rate plus 0.5%.

"Base Rate Borrowing" means a Borrowing bearing interest at the Base Rate.

"Borrower" is defined in the preamble to this Agreement.

"Borrowing" means any amount disbursed to or on behalf of the Borrower by one or more Lenders under Section 2.1 pursuant to the procedures specified in Section 2.2, either as an original disbursement of funds, a renewal, extension or continuation of an amount outstanding.

"Borrowing Date" is defined in Section 2.2(a).

"Borrowing Request" means a request pursuant to Section 2.2(a), substantially in the form of Exhibit C-1.

"Business Day" means (a) for purposes of any LIBOR Rate Borrowing, a day on which commercial banks are open for international business in London, England, and (b) for all other purposes, any day other than Saturday, Sunday, and any other day on which commercial banks are authorized by Legal Requirement to be closed in Georgia or New York.

"Cash Collateral Account" is defined in Section 12.1(c).

"Capital Lease" means any capital lease or sublease that is required by GAAP to be capitalized on a balance sheet.

"Centennial Guaranty" means the guaranty by TE Products of certain Debt of Centennial Pipeline LLC in a principal amount not to exceed, at any one time outstanding, $75,000,000.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq.

"Closing Date" means the date, which must be a Business Day occurring no later than June 27, 2003, upon which all of the conditions precedent set forth in Article V to the effectiveness of this Agreement have been satisfied.

"Commitment" means, as the context may require and at any time and for any Lender, either (a) the amount stated beside that Lender's name under the column captioned "Commitment" on the most recently amended Schedule 2 (which amount is subject to reduction and cancellation as provided in this Agreement), or (b) the commitment of such Lender to make Extensions of Credit.

"Commitment Percentage" means, for any Lender and at any time, the proportion (stated as a percentage) that its Commitment bears to the total Commitments of all the Lenders.

"Company" means, at any time, each of the Borrower and any of its Subsidiaries, and "Companies" means, collectively, the Borrower and all of its Subsidiaries.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C-4 and signed by a Responsible Officer on behalf of the Borrower.

"Consolidated EBITDA" means EBITDA of the Borrower and its consolidated Subsidiaries.

"Consolidated Funded Debt" means Funded Debt of the Borrower and its Subsidiaries on a consolidated basis other than (i) Permitted Non-Recourse Debt of such Subsidiaries and (ii) Debt arising under the Centennial Guaranty.

"Consolidated Net Worth" means as at any date total partners' capital of the Borrower and its consolidated Subsidiaries as at such date, excluding the effects of any write-ups of assets after December 31, 2002, determined in accordance with GAAP. The effect of any increase or decrease in total partners' capital in any period as a result of (i) items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income, to the extent required by FASB Statement 130 or (ii) items of assets, liabilities, income or loss reflected in the determination of the statement of financial position, to the extent required by FASB Statement 133, each as in effect from time to time, shall be excluded in determining Consolidated Net Worth.

"Constituent Documents" means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership is its partnership agreement, (c) for a limited liability company are its certificate of organization and regulations, and (d) for a trust is the trust agreement or indenture under which it is created.

"Conversion Notice" means a request pursuant to Section 3.10, substantially in the form of Exhibit C-2.

"Credit Documents" means (a) this Agreement, all certificates and reports delivered by or on behalf of any Company or the General Partner under this Agreement and all exhibits and schedules to this Agreement, (b) all agreements, documents and instruments in favor of the Administrative Agent, the LC Issuing Bank or the Lenders (or the Administrative Agent on behalf of the LC Issuing Bank or the Lenders) delivered by or on behalf of any Company or the General Partner in connection with or under this Agreement or otherwise delivered by or on behalf of any Company or the General Partner in connection with all or any part of the Obligations, and (c) all renewals, extensions and restatements of, and amendments and supplements to, any of the foregoing.

"Current Financials" means, unless otherwise specified, either (a) the Borrower's consolidated Financials for the year ended December 31, 2002, or (b) at any time after annual Financials are first delivered under Section 8.1, the Borrower's annual Financials then most recently delivered to the Lenders under Section 8.1(a), together with the Borrower's quarterly Financials then most recently delivered to the Lenders under Section 8.1(b).

"Debt" means, for any Person, at any time and without duplication, the sum of the following obligations of such Person and its consolidated Subsidiaries: (a) all Funded Debt, (b) all obligations arising under acceptance facilities or facilities for the discount or sale of accounts receivable, (c) all direct or contingent obligations in respect of letters of credit and (d) all guaranties, endorsements and other contingent obligations in respect of obligations of other Persons or entities of the nature described in clauses (a) through (c) above.

"Debtor Laws" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, re-organization, suspension of payments or similar Legal Requirements affecting creditors' Rights.

"Default Percentage" means, for any Lender and at any time, the proportion (stated as a percentage) that the aggregate principal amount of Borrowings owed to it bears to the aggregate principal amount of Borrowings owed all the Lenders.

"Default Rate" means, for any day, an annual interest rate equal from day to day to the lesser of (a) the sum of the rate of interest applicable to Base Rate Borrowings plus 2%, and (b) the Maximum Rate.

"Diluted Value" means, with respect to any assets of the Borrower, the Fair Market Value of such assets, and, with respect to any assets of any other Person, the Fair Market Value of such assets multiplied by the percentage of the Equity Interests held directly or indirectly by the Borrower in such Person.

"Distribution" means, with respect to any Equity Interests issued by a Person (a) the retirement, redemption, purchase or other acquisition for value of those Equity Interests, (b) the declaration or payment of any dividend on or with respect to those Equity Interests, (c) any Investment by that Person in the holder of any of those Equity Interests, and (d) any other payment by that Person with respect to those Equity Interests.

"EBITDA" means, for any Person and its consolidated Subsidiaries and for any period, the sum of, without duplication, (i) Net Income of such Person and its consolidated Subsidiaries (other than any Excluded Subsidiary of such Person) for such period plus (ii) to the extent deducted in determining Net Income of such Person and its consolidated Subsidiaries for such period, Interest Expense, Tax Expense, depreciation and amortization, in each case, of such Person and its consolidated Subsidiaries (other than any Excluded Subsidiary of such Person) for such period.

"Employee Plan" means any employee pension benefit plan covered by Title IV of ERISA and established or maintained by any Company or any ERISA Affiliate (other than a Multiemployer Plan).

"Environmental Law" means any applicable Legal Requirement that relates to protection of the environment or to the regulation of any Hazardous Substances, including CERCLA, the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean

Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.), the Safe Drinking Water Act (42 U.S.C. § 201 and § 300f et seq.), the Rivers and Harbors Act (33 U.S.C. § 401 et seq.), the Oil Pollution Act (33 U.S.C. § 2701 et seq.), analogous state and local Legal Requirements, and any analogous future enacted or adopted Legal Requirement.

"Environmental Liability" means any liability, loss, fine, penalty, charge, lien, damage, cost or expense of any kind to the extent that it results (a) from the violation of any Environmental Law, (b) from the Release or threatened Release of any Hazardous Substance, or (c) from actual or threatened damages to natural resources.

"Environmental Permit" means any permit or license from any Person defined in clause (a) of the definition of Governmental Authority that is required under any Environmental Law for the lawful conduct of any business, process or other activity.

"Equity Event" means (a) the contribution in cash of capital (x) to the Borrower by any Person or (y) to any Significant Subsidiary (other than an Excluded Subsidiary) by any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower, or (b) any issuance of Equity Interests (x) by the Borrower to any Person or (y) by any Significant Subsidiary (other than an Excluded Subsidiary) to any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower.

"Equity Interests" means, (a) with respect to a corporation, shares of capital stock of such corporation or any other interest convertible or exchangeable into any such interest, (b) with respect to a limited liability company, a membership interest in such company, (c) with respect to a partnership, a partnership interest in such partnership, and (d) with respect to any other Person, an interest in such Person analogous to interests described in clauses (a) through (c).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any Person that, for purposes of Title IV of ERISA, is a member of any Company's controlled group or is under common control with any Company within the meaning of Section 414 of the IRC.

"Event of Default" is defined in Article 11.

"Excluded Subsidiary" means, for any Person (the ***"first Person"***), any other Person (the ***"second Person"***) in which the first Person owns Equity Interests and where the second Person (a) has no Funded Debt other than Permitted Non-Recourse Debt and (b) the sole purpose of which is to engage in the acquisition, construction, development and/or operation activities financed or refinanced with such Permitted Non-Recourse Debt.

"Existing Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of March 28, 2002, as amended, by and among the Borrower, SunTrust Bank, as Administrative Agent and the lenders from time to time party thereto.

"Extension of Credit" means (a) the disbursement of the proceeds of any Borrowing, (b) the issuance of a Letter of Credit or the amendment of any Letter of Credit having the effect of extending the stated termination date thereof or increasing the maximum amount available to be drawn thereunder or (c) the funding of a participation in the unpaid reimbursement obligation of the Borrower with respect to a payment made by the LC Issuing Bank under a Letter of Credit (excluding any reimbursement obligation that has been repaid with the proceeds of any Borrowing).

"FASB" means the United States Financial Accounting Standards Board.

"Facility Fee" means, for any day, a fee payable on the amount of the Commitment of each Lender on such day, irrespective of usage, payable at the rate (expressed in basis points per annum) set forth below in the columns identified as Level 1, Level 2, Level 3, Level 4 or Level 5 based on the Reference Ratings.

Basis for Pricing	LEVEL 1 Reference Rating at least A- by S&P and A3 by Moody's	LEVEL 2 Reference Rating at least BBB+ by S&P and Baa1 by Moody's	LEVEL 3 Reference Rating at least BBB by S&P and Baa2 by Moody's	LEVEL 4 Reference Rating at least BBB- by S&P and Baa3 by Moody's	LEVEL 5 Reference Rating Lower Than Level 4
Facility Fee	12.5	15.0	17.5	25.0	37.5

The Facility Fee will be based upon the Level corresponding to the Reference Rating at the time of determination. Any change in the Facility Fee resulting from a change in the Reference Rating shall be effective as of the date on which the applicable rating agency announces the applicable change in rating.

"Fair Market Value" means, with respect to any Equity Interest or other property or asset, the price obtainable for such Equity Interest or other property or asset in an arm's-length sale between an informed and willing purchaser under no compulsion to purchase and an informed and willing seller under no compulsion to sell.

"Fed Funds Rate" means, for any day, the annual rate (rounded upwards, if necessary, to the nearest 0.01%) determined (which determination is conclusive and binding, absent manifest error) by the Administrative Agent to be equal to (a) the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers on that day (or, if such day is not a Business Day, then on the immediately preceding Business Day), as published by the Federal Reserve Bank of New York on the next Business Day, or (b) if

those rates are not published for any such day, the average of the quotations at approximately 10:00 a.m. received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Fee Letter" shall mean that certain fee letter, dated as of the date hereof, executed by SunTrust Capital Markets, Inc. and SunTrust Bank and accepted by Borrower.

"Financials" of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus and statements of cash flow of such Person prepared (a) according to GAAP (subject to year-end audit adjustments with respect to interim Financials) and (b) except as stated in Section 1.4, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year or other relevant period, as applicable.

"Funded Debt" means, for any Person at any time, and without duplication, the sum of the following for such Person and its consolidated Subsidiaries: (a) the unpaid principal amount or component of all obligations for borrowed money, (b) the unpaid principal amount or component of all obligations evidenced by bonds, debentures, notes or similar instruments, (c) the unpaid principal amount or component of all obligations to pay the deferred purchase price of property or services except trade accounts payable arising in the ordinary course of business, (d) in respect of all obligations that are secured (or for which the holder of any such obligation has an existing Right, contingent or otherwise, to be so secured) by any Lien on property owned or acquired by that Person, the lesser of (x) the unpaid amount of all of those obligations from time to time outstanding and (y) the Fair Market Value of the property securing all of those obligations, liabilities secured (or for which the holder of such obligations has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by that Person, (e) all Capital Lease obligations, (f) the unpaid principal amount or component of all obligations under synthetic leases, and (g) the unpaid principal amount or component of all guaranties, endorsements, and other contingent obligations in respect of obligations of other Persons or entities of the nature described in clauses (a) through (f) above.

"Funding Loss" means any loss, expense or reduction in yield (but not any Applicable Margin) that any Lender reasonably incurs because (i) the Borrower fails or refuses (for any reason whatsoever other than a default by the Administrative Agent or the Lender claiming that loss, expense or reduction in yield) to take any Borrowing or convert a Borrowing that it has requested, or given notice for, under this Agreement, or (ii) the Borrower voluntarily or involuntarily prepays or pays any LIBOR Rate Borrowing or converts any LIBOR Rate Borrowing to a Borrowing of another Type, in each case, other than on the last day of the applicable Interest Period. The amount of any Funding Loss shall be determined by the relevant Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Borrowing had such event not occurred, at the LIBOR Rate, for the period from the date of such event to the last day of the then current Interest Period (or, in the case of a failure

to borrow, convert or continue, for the period that would have been the Interest Period for that Borrowing), over (B) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid (were it to bid), at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the London interbank market.

"GAAP" means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the FASB that are applicable from time to time.

"General Partner" means Texas Eastern or any other Person that serves as the general partner of the Borrower without causing the occurrence of a Potential Default or an Event of Default under Section 11.7(b).

"Governmental Authority" means any (a) local, state, territorial, federal or foreign judicial, executive, regulatory, administrative, legislative or governmental agency, board, bureau, commission, department or other instrumentality, (b) private arbitration board or panel or (c) central bank.

"Guarantor" means each Person delivering a Guaranty as required by Article 6.

"Guaranty" means a guaranty substantially in the form of Exhibit B.

"Hazardous Substance" means any substance that is designated, defined, classified or regulated as a hazardous waste, hazardous material, pollutant, contaminant, explosive, corrosive, flammable, infectious, carcinogenic, mutagenic, radioactive or toxic or hazardous substance under any Environmental Law, including, without limitation, any hazardous substance within the meaning of § 101(14) of CERCLA.

"Hedging Agreement" means any swap, cap or collar arrangement or any other derivative product customarily offered by banks or other institutions to their customers in order to manage the exposure of such customers to interest rate fluctuations or commodity price fluctuations.

"Interest Expense" means, for any Person and its consolidated Subsidiaries and for any period, all interest expense (including all amortization of debt discount and expenses and reported interest) on all Funded Debt of such Person and its consolidated Subsidiaries during such period.

"Interest Period" is defined in Section 3.9.

"Investment" means, in respect of any Person, any loan, advance, extension of credit or capital contribution to that Person, any other investment in that Person, or any purchase or commitment to purchase any Equity Interest or Debt issued by that Person or substantially all of the assets or a division or other business unit of that Person. The term "Investment", however, does not include any extension of trade debt in the ordinary course of business or, as a result of collection efforts, the receipt of any equity in or property of a Person.

"IRC" means the Internal Revenue Code of 1986.

"Jonah Gas" means the Jonah Gas Gathering Company, a Wyoming general partnership.

"LC Fee" is defined in Section 4.3.

"LC Issuing Bank" is defined in the preamble to this Agreement.

"LC Outstandings" means, on any date of determination, the sum of the undrawn stated amounts of all Letters of Credit that are outstanding on such date plus the aggregate principal amount of all unpaid reimbursement obligations of the Borrower on such date with respect to payments made by the LC Issuing Bank under Letters of Credit (excluding reimbursement obligations that have been repaid with the proceeds of any Borrowing).

"Legal Requirements" means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, opinions and interpretations of any Governmental Authority.

"Lender" means (a) each financial institution (including, without limitation, SunTrust, in its capacity as a Lender, in respect of its Commitment) initially named on Schedule 2, (b) each Assignee pursuant to Section 14.10(d) and (c) each Additional Lender.

"Letter of Credit" means letters of credit issued by the LC Issuing Bank pursuant to Section 2.5.

"LIBOR Rate" means, for a LIBOR Rate Borrowing and its Interest Period, the quotient of (a) the annual interest rate for deposits in United States dollars of amounts equal or comparable to the principal amount of that LIBOR Rate Borrowing offered for a term comparable to that Interest Period, which rate appears on the Telerate Page 3750 as of 11:00 a.m. (London, England time) two Business Days before the beginning of that Interest Period or, if no such offered rates appear on such page, then the rate used for that Interest Period shall be the arithmetic average (rounded upwards, if necessary, to the next higher 0.001%) of the rates offered to the Administrative Agent by not less than two major banks in New York, New York at approximately 10:00 a.m. (Atlanta, Georgia time) two Business Days before the beginning of that Interest Period for deposits in United States dollars in the London interbank market of the principal amount of that LIBOR Rate Borrowing offered for a term comparable to that Interest Period, divided by (b) a number equal to 1.00 minus the LIBOR Reserve Percentage. The rate so determined in accordance herewith shall be rounded upwards to the nearest multiple of 0.001%, and the term "Telerate Page 3750" means the display designated as "Page 3750" on the Dow Jones Markets Service, Inc. (or such other page as may replace Page 3750 on that service or another service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for United States dollars).

"LIBOR Rate Borrowing" means a Borrowing bearing interest at the sum of the LIBOR Rate plus the Applicable Margin.

"LIBOR Reserve Percentage" means, for any Interest Period with respect to a LIBOR Rate Borrowing, the reserve percentage applicable to that Interest Period (or, if more than one such percentage shall be so applicable, then the daily average of such percentages for those days in that Interest Period during which any such percentage shall be applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for the Lenders with respect to liabilities or assets consisting of or including "eurocurrency liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time) having a term equal to that Interest Period.

"Lien" means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement or encumbrance of any kind and any other arrangement for a creditor's claim to be satisfied from assets or proceeds prior to the claims of other creditors or the owners (other than title of the lessor under an operating lease).

"Litigation" means any action by or before any Governmental Authority.

"Margin Regulations" means Regulations T, U and X of the Board of Governors of the Federal Reserve System, as amended.

"Material Adverse Event" means any circumstance or event that, individually or collectively, is, or is reasonably expected to result in, any (a) material impairment of (i) the ability of the Borrower or any other Company to perform any of their respective payment or other material obligations under any Credit Document, or (ii) the ability of the Administrative Agent, the LC Issuing Bank or any Lender to enforce any of those obligations or any of their respective Rights under the Credit Documents (other than as a result of its own act or omission), (b) material and adverse effect on the financial condition of the Borrower and its Subsidiaries, taken as a whole, as represented to the Lenders in the Current Financials most recently delivered before the date of this Agreement, or (c) Event of Default or Potential Default.

"Maximum Amount" and ***"Maximum Rate"*** respectively mean, for any Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest that, under applicable Legal Requirement, that such Lender is permitted to contract for, charge, take, reserve or receive on the Obligations.

"Midstream" means TEPPCO Midstream Companies, L.P., a Delaware limited partnership.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" means a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the IRC to which any Company or any

ERISA Affiliate is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

"Net Cash Proceeds" means, with respect to any Equity Event (for purposes of this definition, a ***"transaction"***), the aggregate amount of cash received, as the case may be, by (x) the Borrower or (y) any Significant Subsidiary and legally available to be distributed to the Borrower in the form of dividends or distributions in connection with such transaction after, in each case, deducting therefrom customary transaction costs that are paid or reserved for payment (A) to a Person that is not an Affiliate of the Borrower or (B) to the Borrower or an Affiliate of the Borrower to reimburse such Person for payments made by such Person to another Person that is not the Borrower or an Affiliate of the Borrower in respect of such transaction costs.

"Net Income" means, for any Person and its consolidated Subsidiaries and for any period, the profit or loss of such Person and its consolidated Subsidiaries for such period after deducting all operating expenses, provision for Taxes and reserves (including reserves for deferred income Taxes), and all other deductions calculated, in each case, in accordance with GAAP, but excluding (a) extraordinary items, and (b) the profit or loss of any Subsidiary accrued before the date that (i) it becomes a Subsidiary of such Person, (ii) it is merged with such Person or any of its Subsidiaries, or (iii) its assets are acquired by such Person of any of its Subsidiaries.

"Non-Recourse" means, with respect to any Person as applied to any Funded Debt (or portion thereof), (a) that such Person is not directly or indirectly liable to make any payments with respect to such Funded Debt (or portion thereof), other than payments deemed made by or on behalf of such Person as a result of any realization on assets that were pledged to secure such Funded Debt and that consist of such Person's Equity Interests in the Person primarily incurring such Funded Debt (or any shareholder, partner, member or participant of such Person), (b) that such Funded Debt (or portion thereof) does not constitute Funded Debt of such Person other than to the extent of recourse to such Person's Equity Interests in the Person primarily incurring such Debt (or any shareholder, partner, member or participant of such Person) and that (c) such Funded Debt (or portion thereof) is not secured by a Lien on any asset of such Person other than such Person's Equity Interests in the Person primarily incurring such Funded Debt or any shareholder, partner, member, participant or other owner, directly or indirectly, of such Person or the Person the obligations of which were guaranteed.

"Note" means one of the promissory notes substantially in the form of Exhibit A.

"Obligations" means all present and future (a) Debts, liabilities and obligations of the Borrower to the Administrative Agent, the LC Issuing Bank or any Lender that arise under any Credit Document, whether for principal, interest, fees, costs, attorneys' fees or otherwise and (b) renewals, extensions and modifications of any of the foregoing.

"OSHA" means the Occupational Safety and Health Act of 1970, 29 U.S.C. § 651 et seq.

"Outstanding Credits" means, on any date of determination, an amount equal to the sum of (a) the aggregate principal amount of all Borrowings outstanding on such date plus (b) the LC Outstandings on such date.

"Participant" is defined in Section 14.10(c).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Debt" is defined in Section 9.1.

"Permitted Liens" is defined in Section 9.3.

"Permitted Non-Recourse Debt" means Funded Debt of any Person (other than the Borrower) that is Non-Recourse to any Company other than such Person and is used by such Person to acquire, construct, develop and/or operate assets not owned by any Company as of the date hereof.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a Governmental Authority.

"Potential Default" means any event, occurrence or circumstance, the existence of which upon any required notice, time lapse, or both, would become an Event of Default.

"Predecessor" means any Person for whose obligations and liabilities any Company is reasonably expected to be liable as the result of any merger, de facto merger, stock purchase, asset purchase or divestiture, combination, joint venture, investment, reclassification or other similar business transaction.

"Pro Forma EBITDA" means, for any fiscal period of the Borrower, the sum of Consolidated EBITDA for such period plus, to the extent not already reflected in Consolidated EBITDA for such period, EBITDA for such period of any other Person or all or substantially all of the business or assets of any other Person or operating division or business unit of any other Person acquired in an Acquisition during such period.

"Real Property" means any land, buildings, fixtures and other improvements to land now or in the future directly or indirectly owned by any Company, leased to or otherwise operated by any Company or subleased by any Company to any other Person.

"Reference Rating" means (i) the ratings assigned by S&P and Moody's to the senior unsecured non-credit enhanced long-term debt of the Borrower, or (ii) if S&P and Moody's have not assigned ratings to the senior unsecured non-credit enhanced long-term debt of the Borrower, the ratings that are one level below the ratings assigned by S&P and Moody's to the senior unsecured non-credit enhanced long-term debt of TE Products. For purposes of the foregoing, (x) if the ratings assigned by S&P and Moody's are not comparable (*i.e.*, a "split rating"), the higher of such two ratings shall control, unless the split in ratings is two or more ratings, in which case the level above the lower

of the two ratings shall control, and (y) for purposes of illustration an S&P rating of BBB will be considered to be "one level below" an S&P rating of BBB+.

"Release" means any "release" as defined under any Environmental Law.

"Representatives" means officers, directors, employees, accountants, attorneys and agents.

"Request for Issuance" shall mean a request made pursuant to Section 2.5 in the form of Exhibit C-3.

"Required Lenders" means any combination of the Lenders holding (directly or indirectly) more than (a) 50% of the total Commitments, if there are no Borrowings outstanding, (b) 50% of the sum of (i) the total unused Commitments plus (ii) the aggregate principal amount of all Outstanding Credits, if there are any Borrowings or Letters of Credit outstanding and the maturity of the Obligations has not been accelerated and the Commitments have not been terminated under Section 12.1(a) or (b), as the case may be, and (c) 50% of the aggregate principal amount of all Outstanding Credits if there are any Borrowings or Letters of Credit outstanding and the maturity of the Obligations has been accelerated or the Commitments have been terminated under Section 12.1(a) or (b), as the case may be.

"Responsible Officer" means the chairman, president, vice president, chief executive officer, chief financial officer, treasurer, managing member or manager of the General Partner or Person of comparable authority and responsibility.

"Rights" means rights, remedies, powers, privileges and benefits.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., or any successor thereto.

"Senior Notes" means (i) the 6.45% Senior Notes Due 2008 in the original aggregate principal amount of $180,000,000 and the 7.51% Senior Notes Due 2028 in the original aggregate principal amount of $210,000,000, in each case issued by TE Products under the Indenture dated as of January 27, 1998, between TE Products and The Bank of New York, Trustee, (ii) the 7.625% Senior Notes Due 2012 in the original aggregate principal amount of $500,000,000 issued by the Borrower under the Indenture dated as of February 20, 2002 (the "TPP Indenture"), among the Borrower, as issuer, TE Products, TCTM, Midstream and Jonah Gas, as subsidiary guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as Trustee, as amended by the First Supplemental Indenture thereto dated as of even date therewith among such parties and the Second Supplemental Indenture thereto, dated as of June 29, 2002, among such parties and Val Verde, and (iii) the 6.125% Senior Notes Due 2013 in the original aggregate principal amount of $200,000,000 issued by the Borrower under the TPP Indenture, as amended by the Third Supplemental Indenture thereto among the Borrower, as issuer, TE Products, TCTM, Midstream, Jonah Gas and Val Verde as subsidiary guarantors, and Wachovia Bank, National Association, as Trustee, dated as of January 30, 2003.

"Service Agreement" means the Service and Transportation Agreement, dated February 9, 1999, among TE Products, BASF Fina Petrochemicals Limited Partnership, BASF Corporation and FINA Oil and Chemical Company, as amended and in effect from time to time.

"Significant Subsidiary" means (a) each of TCTM, TE Products, Midstream, Jonah Gas and Val Verde, (b) each other Subsidiary of the Borrower solely during the period that it guarantees any Debt of the Borrower and (c) each other Person acquired by the Borrower or any of its Subsidiaries after the Closing Date, which, as of such acquisition date, (i) becomes a Subsidiary of the Borrower and (ii), in respect to the Borrower and its consolidated Subsidiaries, meets the conditions of a "significant subsidiary" (as such term is defined in Section 210.1-02(w) of Regulation S-X), however, substituting, in lieu of the 10% conditions referred to therein, 20% for each condition specified therein.

"Solvent" means, as to any Person, that (a) the aggregate fair market value of its assets exceeds its liabilities, (b) it is able to pay its debts as they mature, and (c) it does not have unreasonably small capital to conduct its businesses.

"Stated Termination Date" means June 30, 2006.

"Subsidiary" of any Person means any corporation, limited liability company, general or limited partnership or other entity of which more than 50% (in number of votes) of the Equity Interests is owned of record or beneficially, directly or indirectly, by that Person.

"SunTrust" is defined in the preamble to this Agreement.

"Taxes" means, for any Person, taxes, assessments or other governmental charges or levies imposed upon it, its income or any of its properties, franchises or assets.

"Tax Expense" means, for any Person and its consolidated Subsidiaries and for any period, income tax and franchise tax expense of that Person and its consolidated Subsidiaries accrued during that period.

"TCTM" means TCTM, L.P., a Delaware limited partnership.

"TE Products" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership.

"TEPPCO Crude" means TEPPCO Crude Oil, L.P., a Delaware limited partnership.

"TEPPCO Crude Pipeline" means TEPPCO Crude Pipeline, L.P., a Delaware limited partnership.

"TEPPCO GP" means TEPPCO GP, Inc., a Delaware corporation.

"Termination Date" means the earlier of (a) the Stated Termination Date and (b) the effective date on which the Commitments are fully canceled or terminated.

"Texas Eastern" means Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company.

"Type" means any type of Borrowing determined with respect to the applicable interest option.

"Val Verde" means Val Verde Gas Gathering Company, L.P., a Delaware limited partnership.

"Wholly-Owned Subsidiary" means any Subsidiary of a Person, all of the issued and outstanding Equity Interests of which are directly or indirectly owned by such Person, excluding (a) any general partner interests owned by the General Partner in any such Subsidiary that is a partnership and (b) any directors' qualifying shares or similar type of Equity Interests, as applicable.

SECTION 1.2. Time References.

Unless otherwise specified, in the Credit Documents: (a) time references (e.g., 10:00 a.m.) are to time in Atlanta, Georgia, on the applicable date, and (b) in calculating a period from one date to another, the word "from" means "from and including" and the word "to" or "until" means "to but excluding".

SECTION 1.3. Other References.

Unless otherwise specified, in the Credit Documents: (a) where appropriate, the singular includes the plural and vice versa , and words of any gender include each other gender, (b) where appropriate, words include their respective cognate expressions, (c) heading and caption references may not be construed in interpreting provisions, (d) monetary references are to currency of the United States of America, (e) section, paragraph, annex, schedule, exhibit and similar references are to the particular Credit Document in which they are used, (f) references to "telecopy", "facsimile", "fax" or similar terms are to facsimile or telecopy transmissions, (g) references to "including" (in its various forms) mean including without limiting the generality of any description preceding that word, (h) the rule of construction that references to general items that follow references to specific items are limited to the same type or character of those specific items is not applicable in the Credit Documents, (i) references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible, visible form, (j) references to any Person include that Person's heirs, personal representatives, successors, trustees, receivers and permitted assigns, (k) references to any Legal Requirement include every amendment or supplement to it, rule and regulation adopted under it and successor or replacement for it, (l) references to any Governmental Authority include any Person succeeding to its relevant function, (m) references to any Credit Document or other document include (to the extent not prohibited by the terms of the Credit Documents) every renewal and extension of it, amendment and supplement to it and replacement or substitution for it and (n) the terms "assets" or "property" in relation to any Person includes all asset, property and Equity Interests owned, used or acquired, or to be owned, used or acquired, by such Person, as the context may require.

SECTION 1.4. Accounting Principles.

Unless otherwise specified, in the Credit Documents: (a) GAAP determines all accounting and financial terms and compliance with financial covenants, (b) GAAP in effect on the date of this Agreement determines compliance with financial covenants, (c) otherwise, all accounting principles applied in a current period must be comparable in all material respects to those applied during the preceding comparable period and (d) all financial terms and compliance with reporting and financial covenants must be on a consolidated basis, as applicable.

ARTICLE II
THE COMMITMENTS

Each Lender severally but not jointly agrees to extend credit to the Borrower and the LC Issuing Bank agrees to issue Letters of Credit, in each case, in accordance with the following provisions and subject to the other terms and conditions of the Credit Documents.

SECTION 2.1. Revolving Facility.

Each Borrowing is subject to all of the provisions in the Credit Documents, including the following: (a) each Borrowing may occur only on a Business Day on or after the Closing Date and before the Termination Date and (b) the Outstanding Credits may never exceed the total Commitments at such time. Notwithstanding the foregoing, until such time as the Borrower delivers certified copies of resolutions of the Borrower's general partner authorizing Borrowings by the Borrower of at least $550,000,000 at any one time outstanding and an opinion of counsel to the Borrower with respect to such action, each in form and substance satisfactory to the Administrative Agent, the Outstanding Credits may not exceed $500,000,000 at any one time outstanding.

SECTION 2.2. Borrowing Procedure.

The following procedures apply to Borrowings:

(a) ***Borrowing Request.*** The Borrower may request a Borrowing by making or delivering a Borrowing Request to the Administrative Agent, which is irrevocable and binding on the Borrower, stating the Type, amount, and Interest Period for each Borrowing and which must be received by the Administrative Agent no later than (i) 10:00 a.m. on the third Business Day before the date on which funds are requested (the ***"Borrowing Date"***) for any LIBOR Rate Borrowing, or (ii) 11:00 a.m. on the Borrowing Date for any Base Rate Borrowing. The Administrative Agent shall promptly on the day received notify each Lender of any Borrowing Request. Each LIBOR Rate Borrowing must be in the amount of $5,000,000 or an integral multiple of $1,000,000 in excess of $5,000,000, and each Base Rate Borrowing must be in the amount of $1,000,000 or an integral multiple of $100,000 in excess of $1,000,000, or if less than $1,000,000, the total unused Commitments.

(b) ***Funding.*** Each Lender shall remit its Commitment Percentage of each requested Borrowing to the Administrative Agent's principal office in Atlanta, Georgia, in funds that are available for immediate use by the Administrative Agent by 2:00 p.m. on the applicable

Borrowing Date. Subject to receipt of those funds, the Administrative Agent shall (unless to its actual knowledge any of the applicable conditions precedent have not been satisfied by the Borrower or waived by the requisite Lenders) make those funds available to the Borrower by wiring the funds to or for the account of the Borrower.

(c) ***Funding Assumed.*** Absent contrary written notice from a Lender, the Administrative Agent may assume that each Lender has made its Commitment Percentage of the requested Borrowing available to the Administrative Agent on the applicable Borrowing Date, and the Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If a Lender fails to make its Commitment Percentage of any requested Borrowing available to the Administrative Agent on the applicable Borrowing Date, the Administrative Agent may recover the applicable amount on demand (i) from that Lender together with interest, commencing on the Borrowing Date and ending on (but excluding) the date the Administrative Agent recovers the amount from that Lender, at an annual interest rate equal to the Fed Funds Rate, or (ii) if that Lender fails to pay its amount upon demand, then from the Borrower, together with interest at the rate applicable to that Borrowing. No Lender is responsible for the failure of any other Lender to make its share of any Borrowing available as required by Section 2.2(b); however, failure of any Lender to make its share of any Borrowing so available does not excuse any other Lender from making its share of any Borrowing so available.

SECTION 2.3. Effect of Requests.

Each Borrowing Request and Request for Issuance constitutes a representation and warranty by the Borrower that as of the date of the requested Extension of Credit all of the applicable conditions precedent in Article 5 have been satisfied.

SECTION 2.4. Termination of the Commitments.

(a) ***Voluntary.*** The Borrower may, upon giving at least five Business Days prior written and irrevocable notice to the Administrative Agent, terminate all or part of the Commitments; *provided, however,* that any such termination may not result in the aggregate Commitments being reduced to an amount less than the LC Outstandings. Each partial termination under this subsection (a) must be in an amount of not less than $5,000,000 or a greater integral multiple of $1,000,000 and must be ratable in accordance with each Lender's Commitment Percentage.

(b) ***Mandatory.*** On the date of any prepayment of Borrowings (or cash collateralization of LC Outstandings) pursuant to Section 3.2(c)(ii), the Commitments shall automatically reduce by an amount equal to such prepayment (or cash collateralization).

(c) ***Miscellaneous.*** At the time of any termination of the Commitments under this Section 2.4, the Borrower shall pay to the Administrative Agent, for the account of each Lender, as applicable, all accrued and unpaid fees under this Agreement, the interest attributable to the amount of that reduction, and any related Funding Loss. Any part of the Commitments that is terminated may not be reinstated except as permitted under Section 2.6.

SECTION 2.5. Letters of Credit.

(a) Subject to the terms and conditions hereof, each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than three Business Days' prior notice thereof by delivery of a Request for Issuance to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the LC Issuing Bank. Each Request for Issuance shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall be no later than the eighth Business Day preceding the Stated Termination Date), (ii) the proposed stated amount of such Letter of Credit (which shall not be less than $1,000,000), (iii) the name and address of the beneficiary of such Letter of Credit and (iv) a statement of drawing conditions applicable to such Letter of Credit, and if such Request for Issuance relates to an amendment or modification of a Letter of Credit, it shall be accompanied by the consent of the beneficiary of the Letter of Credit thereto. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of issuance (or effectiveness) specified therein. Not later than 12:00 noon on the proposed date of issuance (or effectiveness) specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein, the LC Issuing Bank shall issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent, which shall promptly furnish copies thereof to the Lenders.

(b) No Letter of Credit shall be requested or issued hereunder if, after the issuance thereof, (i) the aggregate undrawn stated amounts of all Letters of Credit outstanding would exceed $20,000,000; or (ii) the Outstanding Credits would exceed the total Commitments.

(c) The Borrower hereby agrees to pay to the Administrative Agent for the account of the LC Issuing Bank and, if they shall have purchased participations in the reimbursement obligations of the Borrower pursuant to subsection (d) below, the Lenders, on demand made by the LC Issuing Bank to the Borrower, on and after each date on which the LC Issuing Bank shall pay any amount under any Letter of Credit issued by the LC Issuing Bank, a sum equal to the amount so paid plus interest on such amount from the date so paid by the LC Issuing Bank until repayment to the LC Issuing Bank in full at a fluctuating interest rate per annum equal to the interest rate applicable to Base Rate Borrowings plus, if any amount paid by the LC Issuing Bank under a Letter of Credit is not reimbursed by the Borrower within three Business Days, 2%.

(d) If the LC Issuing Bank shall not have been reimbursed in full for any payment made by the LC Issuing Bank under a Letter of Credit issued by the LC Issuing Bank on the date of such payment, the LC Issuing Bank shall give the Administrative Agent and each Lender prompt notice thereof (an ***"LC Payment Notice"***) no later than 12:00 noon on the Business Day immediately succeeding the date of such payment by the LC Issuing Bank. Each Lender severally agrees to purchase a participation in the reimbursement obligation of the Borrower to the LC Issuing Bank by paying to the Administrative Agent for the account of the LC Issuing Bank an amount equal to such Lender's Commitment Percentage of such unreimbursed amount paid by the LC Issuing Bank, plus interest on such amount at a rate per annum equal to the Fed Funds Rate from the date of the payment by the LC Issuing Bank to the date of payment to the

LC Issuing Bank by such Lender. Each such payment by a Lender shall be made not later than 3:00 P.M. on the later to occur of (i) the Business Day immediately following the date of such payment by the LC Issuing Bank and (ii) the Business Day on which Lender shall have received an LC Payment Notice from the LC Issuing Bank. Each Lender's obligation to make each such payment to the Administrative Agent for the account of the LC Issuing Bank shall be several and shall not be affected by the occurrence or continuance of a Potential Default or Event of Default or the failure of any other Lender to make any payment under this Section 2.5(d). Each Lender further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) The failure of any Lender to make any payment to the Administrative Agent for the account of the LC Issuing Bank in accordance with subsection (d) above shall not relieve any other Lender of its obligation to make payment, but no Lender shall be responsible for the failure of any other Lender. If any Lender (a ***"non-performing Lender"***) shall fail to make any payment to the Administrative Agent for the account of the LC Issuing Bank in accordance with subsection (d) above within five Business Days after the LC Payment Notice relating thereto, then, for so long as such failure shall continue, the LC Issuing Bank shall be deemed, for purposes of Section 14.8 and Article XII hereof, to be a Lender owed a Borrowing in an amount equal to the outstanding principal amount due and payable by such non-performing Lender to the Administrative Agent for the account of the LC Issuing Bank pursuant to subsection (d) above. Any non-performing Lender and the Borrower (without waiving any claim against such Lender for such Lender's failure to purchase a participation in the reimbursement obligations of the Borrower under subsection (d) above) severally agree to pay to the Administrative Agent for the account of the LC Issuing Bank forthwith on demand such amount, together with interest thereon for each day from the date such Lender would have purchased its participation had it complied with the requirements of subsection (d) above until the date such amount is paid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to Base Rate Borrowings and (ii) in the case of such Lender, the Fed Funds Rate.

(f) The payment obligations of each Lender under Section 2.5(d) and of the Borrower under this Agreement in respect of any payment under any Letter of Credit by the LC Issuing Bank shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement, any other Credit Document or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, the terms of this Agreement, any other Credit Document or such Letter of Credit;

(iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the LC Issuing Bank, or any other Person, whether in connection with this

Agreement, the transactions contemplated hereby, thereby or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by the LC Issuing Bank under the Letter of Credit issued by the LC Issuing Bank against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(g) The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither the LC Issuing Bank, the Lenders nor any of their respective officers, directors, employees, agents or Affiliates shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the LC Issuing Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit. Notwithstanding any provision to the contrary contained in any Credit Document, the Borrower and each Lender shall have the right to bring suit against the LC Issuing Bank, and the LC Issuing Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender which the Borrower or such Lender proves were caused by the LC Issuing Bank's willful misconduct or gross negligence, including, in the case of the Borrower, the LC Issuing Bank's willful failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) that strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, the LC Issuing Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by the LC Issuing Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and payment against such documents shall not constitute willful misconduct or gross negligence by the LC Issuing Bank. Notwithstanding the foregoing, no Lender shall be obligated to indemnify the Borrower for damages caused by the LC Issuing Bank's willful misconduct or gross negligence.

SECTION 2.6. Increase of Commitments; Additional Lenders.

(a) So long as no Potential Default or Event of Default has occurred and is continuing, Borrower may, from time to time, upon prior notice to the Administrative Agent (which shall promptly notify each Lender following its receipt thereof), propose to increase the total Commitments up to an amount in each instance not less than $50,000,000, but in no event

by more than an amount that would cause the total Commitments to exceed $700,000,000 (the amount of any such increase, the ***"Additional Commitment Amount"***). Each Lender shall have the right for a period of 15 days following receipt of such notice to elect by written notice to the Borrower and the Administrative Agent to increase its Commitment by a principal amount equal to its pro rata share of the Additional Commitment Amount. No Lender (or any successor thereto) shall have any obligation to increase its Commitment or its other obligations under this Agreement or the other Credit Documents, any decision by a Lender to increase its Commitment shall be made in its sole discretion independently from any other Lender and any Lender which does not respond within such 15 day period shall be deemed to have advised the Administrative Agent and the Borrower that it elected not to increase its Commitment.

(b) If any one or more Lenders shall elect not to increase its Commitment pursuant to subsection (a) of this Section (each a ***"Non-Consenting Lender"***), the Administrative Agent shall, promptly after the end of such 15-day period or promptly after the date the Administrative Agent shall have received all Lenders' related election, whichever shall occur first, notify all other Lenders (the ***"Consenting Lenders"***) of the amount of the Additional Commitment Amount that remains unsubscribed (the ***"Unsubscribed Amount"***). Each such Consenting Lender shall have the right for a period of 10 days following receipt of such notice to elect by written notice to the Borrower and the Administrative Agent to increase its Commitment by a principal amount up to the remaining Unsubscribed Amount. The sum of the increases in the Commitments of the Consenting Lenders pursuant to subsections (a) and (b) shall not in the aggregate exceed the Additional Commitment Amount; *provided, however,* that if accepted by the Borrower, and subject to the right of any Consenting Lender to promptly revoke its prior election to increase its Commitment in such event, such increases in the Commitments of the Consenting Lenders may exceed the Unsubscribed Amount (but shall in no event cause the total Commitments in effect to exceed $700,000,000). If the sum of the additional increases in the Commitments of the Consenting Lenders pursuant to this subsection (b) exceeds the Unsubscribed Amount, or any greater amount accepted by the Borrower as provided in the immediately preceding sentence, then the additional increases in Commitments pursuant to this subsection (b) shall be reduced pro-rata such that amount of the Consenting Lenders' Commitments increased pursuant to this subsection (b) shall not exceed the Unsubscribed Amount or such greater amount, as applicable.

(c) If the Consenting Lenders shall not increase their Commitments pursuant to subsection (a) and (b) of this Section in an amount equal to the Additional Commitment Amount, then not later than 10 days prior to the effective date of the increase in the Commitments the Borrower may designate in writing to the Administrative Agent other banks or financial institutions which at the time agree to become parties to this Agreement (each an ***"Additional Lender"***); provided, however, that any new bank or financial institution must be acceptable to the Administrative Agent. The sum of the increases in the Commitments of the Consenting Lenders pursuant to subsections (a) and (b), plus the Commitments of the Additional Lenders pursuant to this subsection (c), shall not in the aggregate exceed the Additional Commitment Amount.

(d) An increase in the aggregate amount of the Commitments pursuant to this Section 2.6 shall become effective upon the receipt by the Administrative Agent of (i) an agreement in form and substance satisfactory to the Administrative Agent signed by the Borrower, by each

Additional Lender and by each Consenting Lender, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof, together with such evidence of appropriate authorization on the part of the Borrower with respect to the increase in the Commitments and such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request, and (ii) Notes executed and delivered by the Borrower for each Consenting Lender and each Additional Lender, evidencing such Lenders' Commitments.

(e) Upon the acceptance of any such agreement by the Administrative Agent, the total Commitments shall automatically be increased by the amount of the Commitments added through such agreement and Schedule 2 shall automatically be deemed amended to reflect the Commitments of all Lenders after giving effect to such additional Commitments and Additional Lenders, as applicable.

(f) Upon any increase in the aggregate amount of the Commitments pursuant to this Section 2.6 that is not pro rata among all Lenders, (x) within five Business Days, in the case of any Base Rate Borrowings then outstanding, and at the end of the then current Interest Period with respect thereto, in the case of any Eurodollar Borrowings then outstanding, the Borrower shall prepay such Borrowings in their entirety and, to the extent the Borrower elects to do so and subject to the conditions specified in Article V, the Borrower shall reborrow Borrowings from the Lenders (including any Additional Lenders) in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Borrowings are held by the Lenders (including any Additional Lenders) in such proportion and (y) effective upon such increase, the amount of the participations held by the Lenders (including any Additional Lenders) in the LC Outstandings shall be adjusted such that, after giving effect to such adjustments, each Lender (including each Additional Lender) shall hold participations in each such LC Outstandings in the proportion its respective Commitment bears to the aggregate Commitments after giving effect to such increase.

ARTICLE III
PAYMENT TERMS

SECTION 3.1. Notes and Payments.

The Borrowings are evidenced by the Notes, one payable to each Lender in the amount of its Commitment. The Borrower must make each payment and prepayment on the Obligations to the Administrative Agent's principal office in Atlanta, Georgia, in immediately available funds by 1:00 p.m. on the day due; otherwise, but subject to Section 3.6, that portion of the Obligations in respect of which such payment or prepayment was made shall continue to accrue interest until the Business Day upon which such payment shall be received by the Administrative Agent at the time and in the manner specified above. The Administrative Agent shall promptly pay to each Lender the part of any payment or prepayment to which that Lender is entitled under this Agreement on the same day the Administrative Agent receives the funds from the Borrower. Unless the Administrative Agent has received notice from the Borrower before the date on which any payment is due under this Agreement that the Borrower will not make that payment in full,

then on the date that payment is due the Administrative Agent may assume that the Borrower has made the full payment due and the Administrative Agent may, in reliance upon that assumption, cause to be distributed to each Lender on that date the amount then due to each Lender. If and to the extent the Borrower does not make the full payment due to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand the amount distributed to that Lender by the Administrative Agent together with interest for each day from the date that Lender received payment from the Administrative Agent until the date that Lender repays the Administrative Agent (unless such repayment is made on the same day as such distribution), at an interest rate equal to the Fed Funds Rate.

SECTION 3.2. Interest and Principal Payments.

(a) ***Interest.*** Accrued interest on each LIBOR Rate Borrowing shall be due and payable on the last day of its Interest Period. If any Interest Period for a LIBOR Rate Borrowing is greater than three months, then accrued interest shall also be due and payable on the date three months after the commencement of the Interest Period. Accrued interest on the unpaid principal amount of each Base Rate Borrowing shall be due and payable in arrears on the last day of each March, June, September and December, commencing on the first such date that follows the Closing Date, and on the date such Borrowing becomes due and payable or is otherwise paid in full.

(b) ***Principal.*** The principal amount of all Borrowings shall be due and payable on the Termination Date.

(c) ***Prepayments.***

(i) The Borrower may, from time to time, by giving notice to the Administrative Agent no later than three Business Days before the date of the prepayment, prepay, without premium or penalty and in whole or part, the principal amount of any Borrowing so long as:

(A) the notice by the Borrower specifies the amount and Borrowing to be prepaid,

(B) each voluntary partial prepayment must be in a principal amount of not less than $1,000,000 or a greater integral multiple of $1,000,000, plus accrued interest on the amount prepaid to the date of such prepayment, and

(C) the Borrower shall pay the Funding Loss, if any, within 5 Business Days following an affected Lender’s demand and delivery to the Borrower of the certificate as provided in Section 3.18. Conversions on the last day of Interest Period pursuant to Section 3.10 are not prepayments.

(ii) Reserved.

(iii) If at any time, the sum of the aggregate principal amount of Borrowings outstanding plus LC Outstandings shall exceed the total Commitments, the Borrower shall forthwith prepay Borrowings, and, to the extent provided for by this Section

3.2(c)(iii), deposit funds in the Cash Collateral Account in respect of LC Outstandings pursuant to Section 12.1(d), in a principal amount equal to such excess, together with accrued interest to the date of such prepayment on the principal amount of Borrowings prepaid and any Funding Losses owing in connection therewith.

(iv) Prepayments of the Borrowings pursuant to this Section 3.2(c) shall be applied, first, to prepay Base Rate Borrowings, second, to prepay any LIBOR Rate Borrowing that has an Interest Period the last day of which is the same as the date of such requirement prepayment, and, third to prepay other LIBOR Rate Borrowings, as selected by the Borrower, or, at the Borrower's option, to cash collateralize such other LIBOR Rate Borrowings (which cash collateral will be applied on the last day of the Interest Period of each such LIBOR Rate Borrowing to prepay such LIBOR Rate Borrowings).

SECTION 3.3. Interest Options.

Except as otherwise provided in this Agreement, Borrowings shall bear interest at an annual rate equal to the lesser of (i) the Base Rate or the LIBOR Rate plus the Applicable Margin, in each case as designated or deemed designated by the Borrower, and (ii) the Maximum Rate; *provided* that the LIBOR Rate may not be selected when an Event of Default or Potential Default has occurred and is continuing.

SECTION 3.4. Quotation of Rates.

The Borrower may contact the Administrative Agent prior to delivering a Borrowing Request to receive an indication of the interest rates then in effect, but the indicated rates do not bind the Administrative Agent or the Lenders or affect the interest rate that is actually in effect when the Borrower makes a Borrowing Request or on the Borrowing Date.

SECTION 3.5. Default Rate.

To the extent lawful, any amount payable under any Credit Document that is not paid when due (including interest on any such unpaid amount) shall bear interest from the date due (stated or by acceleration) at the Default Rate until paid, regardless whether payment is made before or after entry of a judgment, payable on demand.

SECTION 3.6. Interest Recapture.

If the designated interest rate applicable to any amount exceeds the Maximum Rate, the interest rate on that amount is limited to the Maximum Rate, but any subsequent reductions in the designated rate shall not reduce the interest rate thereon below the Maximum Rate until the total amount of accrued interest equals the amount of interest that would have accrued if that designated rate had always been in effect. If at maturity (stated or by acceleration), or at final payment of the Notes, the total interest paid or accrued is less than the interest that would have accrued if the designated rates had always been in effect, then, at that time and to the extent lawful, the Borrower shall pay an amount equal to the difference between (a) the lesser of the amount of interest that would have accrued if the designated rates had always been in effect and the amount of interest that would have accrued if the Maximum Rate had always been in effect, and (b) the amount of interest actually paid or accrued on the Notes.

SECTION 3.7. Interest and Fee Calculations.

All computations of interest based on the prime lending rate of the Administrative Agent shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All computations of facility fees, the LC Fee and interest based on the LIBOR Rate or the Fed Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such facility fees, the LC Fee or interest are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

SECTION 3.8. Maximum Rate.

Regardless of any provision contained in any Credit Document, no Lender is entitled to contract for, charge, take, reserve, receive or apply, as interest on all or any part of the Obligations, any amount in excess of the Maximum Rate, and, if any Lender ever does so, then any excess shall be treated as a partial prepayment of principal (without regard to Section 3.9) and any remaining excess shall be refunded to the Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, the Borrower and the Lenders shall, to the maximum extent lawful, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and their effects, and (c) amortize, prorate, allocate and spread the total amount of interest throughout the entire contemplated term of the relevant Borrowings. However, if the Obligations are paid in full before the end of their full contemplated term, and if the interest received for the period that the Obligations were outstanding exceeds the Maximum Amount, then the Lenders shall refund any excess (and the Lenders may not, to the extent lawful, be subject to any penalties provided by any Legal Requirements for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Amount). If the Legal Requirements of the State of Texas are applicable for purposes of determining the "Maximum Rate" or the "Maximum Amount", then those terms mean the "indicated rate ceiling" from time to time in effect under Chapter 303 of the Texas Finance Code. The Borrower agrees that Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) does not apply to any Borrowings.

SECTION 3.9. Interest Periods.

When the Borrower requests a LIBOR Rate Borrowing, the Borrower may elect the applicable interest period (each an ***"Interest Period"***), which may be, at the Borrower's option, one, two, three or six months for LIBOR Rate Borrowings, subject to Section 14.1 and the following conditions: (a) the initial Interest Period for a LIBOR Rate Borrowing commences on the applicable Borrowing Date or conversion date, and each subsequent Interest Period applicable to any Borrowing commences on the day when the next preceding applicable Interest Period expires; (b) if any Interest Period for a LIBOR Rate Borrowing begins on a day for which no numerically corresponding Business Day in the calendar month at the end of the Interest Period exists, then the Interest Period ends on the last Business Day of that calendar month; (c) if the Borrower is required to pay any portion of a LIBOR Rate Borrowing before the end of its Interest Period in order to comply with the payment provisions of the Credit Documents, the

Borrower shall also pay any related Funding Loss; and (d) no more than six Interest Periods may be in effect at one time.

SECTION 3.10. Conversions.

The Borrower may in accordance with the procedures set forth below (a) convert a LIBOR Rate Borrowing on the last day of the applicable Interest Period to a Base Rate Borrowing, (b) convert a Base Rate Borrowing at any time to a LIBOR Rate Borrowing, and (c) elect a new Interest Period for a LIBOR Rate Borrowing to commence upon expiration of the then-current Interest Period; *provided* that the Borrower may not convert to or select a new Interest Period for a LIBOR Rate Borrowing at any time when an Event of Default or Potential Default has occurred and is continuing. Any such conversion or election may be made by telephonic request to the Administrative Agent no later than 10:00 a.m. on the third Business Day before the conversion date or the last day of the Interest Period, as the case may be (for conversion to a LIBOR Rate Borrowing or election of a new Interest Period), and no later than 11:00 a.m. on the last day of the Interest Period (for conversion to a Base Rate Borrowing). The Borrower shall provide a Conversion Notice to the Administrative Agent no later than two days after the date of the conversion or election. Absent the Borrower's telephonic request for conversion or election of a new Interest Period or if an Event of Default or Potential Default has occurred and is continuing, then, a LIBOR Rate Borrowing shall be deemed converted to a Base Rate Borrowing effective when the applicable Interest Period expires.

SECTION 3.11. Order of Application.

Each payment (including proceeds from the exercise of any Rights) of the Obligations shall be applied either (a) if no Event of Default or Potential Default has occurred and is continuing, then in the order and manner specified elsewhere herein, and if not so specified, then in the order and manner as the Borrower directs, or (b) if an Event of Default or Potential Default has occurred and is continuing or if the Borrower fails to give any direction required under clause (a) above, then in the following order: (i) to all fees, expenses, and indemnified amounts for which the Administrative Agent has not been paid or reimbursed in accordance with the Credit Documents and, except while an Event of Default under Section 11.1 has occurred and is continuing, as to which the Borrower has been invoiced and has failed to pay within ten Business Days of that invoice; (ii) to all fees, expenses and indemnified amounts for which the LC Issuing Bank has not been paid or reimbursed in accordance with the Credit Documents and, except while an Event of Default under Section 11.1 has occurred and is continuing, as to which the Borrower has been invoiced and has failed to pay within ten Business Days of that invoice; (iii) to all fees, expenses and indemnified amounts for which any Lender has not been paid or reimbursed in accordance with the Credit Documents (and if any payment is less than all unpaid or unreimbursed fees and expenses, then that payment shall be applied against unpaid and unreimbursed fees and expenses in the order of incurrence or due date) and, except while an Event of Default under Section 11.1 has occurred and is continuing, as to which the Borrower has been invoiced and has failed to pay within ten Business Days of that invoice; (iv) to accrued interest on the principal amount of the Borrower's reimbursement obligations outstanding in respect of Letters of Credit; (v) to the principal amount of the Borrower's reimbursement obligations outstanding in respect of Letters of Credit; (vi) to the cash collateralization of the Borrower's reimbursement obligations in respect of LC Outstandings not paid pursuant to clause

(v) by deposit of funds in the Cash Collateral Account; (vii) to accrued interest on the principal amount of the Borrowings outstanding; (viii) to the principal amount of the Borrowings outstanding in such order as the Required Lenders may elect (but the Lenders agree to apply proceeds in an order that will minimize any Funding Loss); and (ix) to the remaining Obligations in the order and manner the Required Lenders deem appropriate.

SECTION 3.12. Sharing of Payments, Etc.

Except as otherwise specifically provided, (a) principal and interest payments on Borrowings and, if the Lenders have purchased a participation in the Borrower's reimbursement obligations in respect of LC Outstandings, such reimbursement obligations, shall be shared by the Lenders in accordance with their respective Commitment Percentages and (b) each other payment on the Obligations shall be shared by the Lenders in the proportion that the Obligations are owed to the Lenders on the date of the payment. If any Lender obtains any payment or prepayment with respect to the Obligations (whether voluntary, involuntary or otherwise, including, without limitation, as a result of exercising its Rights under Section 3.13) that exceeds the part of that payment or prepayment that it is then entitled to receive under the Credit Documents, then that Lender shall purchase from the other Lenders participations that will cause the purchasing Lender to share the excess payment or prepayment ratably with each other Lender. If all or any portion of any excess payment or prepayment is subsequently recovered from the purchasing Lender, then the purchase shall be rescinded and the purchase price restored to the extent of the recovery. The Borrower agrees that any purchase of a participation in any Outstanding Credits from a Lender may, to the fullest extent lawful, exercise all of its Rights of payment (including the Right of offset) with respect to that participation as fully as if that purchaser were the direct creditor of the Borrower in the amount of that participation.

SECTION 3.13. Offset.

If an Event of Default has occurred and is continuing, each Lender is entitled to exercise (for the benefit of all the Lenders) the Rights of offset and banker's Lien against each and every account and other property, or any interest therein, that the Borrower or any Company, other than an Excluded Subsidiary, may now or hereafter have with, or which is now or hereafter in the possession of, that Lender to the extent of the full amount of the Obligations then matured and owed (directly or participated) to it.

SECTION 3.14. Booking Borrowings.

To the extent lawful, any Lender may make, carry or transfer its Borrowings at, to or for the account of any of its branch offices or the office or branch of any of its Affiliates. However, no Affiliate or branch is entitled to receive any greater payment under Section 3.16 than the transferor Lender would have been entitled to receive with respect to those Borrowings, and a transfer may not be made if, as a direct result of it, Section 3.16 or 3.17 would apply to any of the Obligations. If any of the conditions of Sections 3.16 or 3.17 ever apply to a Lender, that Lender shall, to the extent possible, carry or transfer its Borrowings at, to or for the account of any of its branch offices or the office or branch of any of its Affiliates so long as the transfer is consistent with the other provisions of this section, does not create any burden or adverse

circumstance for that Lender that would not otherwise exist, and eliminates or ameliorates the conditions of Section 3.16 or 3.17 as applicable.

SECTION 3.15. Basis Unavailable or Inadequate for LIBOR Rate.

If, on or before any date when a LIBOR Rate is to be determined for a Borrowing, the Administrative Agent reasonably determines that the basis for determining the applicable rate is not available or any Lender reasonably determines that the resulting rate does not accurately reflect the cost to that Lender of making or converting Borrowings at that rate for the applicable Interest Period, then the Administrative Agent shall promptly notify the Borrower and the Lenders of that determination (which is conclusive and binding on the Borrower absent manifest error) and the applicable Borrowing shall bear interest at the sum of the Base Rate plus the Applicable Margin. Until the Administrative Agent notifies the Borrower that those circumstances no longer exist, the Lenders' commitments under this Agreement to make, or to convert to, LIBOR Rate Borrowings, as the case may be, are suspended.

SECTION 3.16. Additional Costs.

(a) ***Reserves.*** With respect to any LIBOR Rate Borrowing (i) if any change in any present Legal Requirement, any change in the interpretation or application of any present Legal Requirement, or any future Legal Requirement imposes, modifies or deems applicable (or if compliance by any Lender with any requirement of any Governmental Authority results in) any requirement that any reserves (including, without limitation, any marginal, emergency, supplemental or special reserves) be maintained (other than any reserve included in the LIBOR Reserve Percentage), and (ii) if those reserves reduce any sums receivable by that Lender under this Agreement or increase the costs incurred by that Lender in advancing or maintaining any portion of any LIBOR Rate Borrowing, then (A) that Lender (through the Administrative Agent) shall deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it for its reduction or increase (which certificate is conclusive and binding absent manifest error), and (B) the Borrower shall pay that amount to that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this subsection (a) survive the satisfaction and payment of the Obligations and termination of this Agreement.

(b) ***Capital Adequacy.*** With respect to any Borrowing, if any change in any present Legal Requirement (whether or not having the force of law), any change in the interpretation or application of any present Legal Requirement (whether or not having the force of law), or any future Legal Requirement (whether or not having the force of law) regarding capital adequacy, or if compliance by any Lender with any request, directive or requirement imposed in the future by any Governmental Authority regarding capital adequacy, or if any change by any Lender, its holding company, or its applicable lending office in its written policies or in the risk category of this transaction, in any of the foregoing events or circumstances, reduces the rate of return on its capital as a consequence of its obligations under this Agreement to a level below that which it otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material (and it may, in determining the amount, utilize reasonable assumptions and allocations of costs and expenses and use any reasonable averaging or attribution method), then (unless the effect is already reflected in the rate of interest

then applicable under this Agreement) the Administrative Agent or that Lender (through the Administrative Agent) shall notify the Borrower and deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it (which certificate is conclusive and binding absent manifest error), and the Borrower shall pay that amount to the Administrative Agent or that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this subsection (b) shall survive the satisfaction and payment of the Obligations and termination of this Agreement.

(c) ***Taxes.*** Subject to Section 3.19, any Taxes payable by the Administrative Agent or any Lender or ruled (by a Governmental Authority) payable by the Administrative Agent or any Lender in respect of this Agreement or any other Credit Document shall, if permitted by Legal Requirement, be paid by the Borrower, together with interest and penalties, if any, except for Taxes payable on or measured by the overall net income or capital of the Administrative Agent or that Lender (or the Administrative Agent or that Lender, as the case may be, together with any other Person with whom the Administrative Agent or that Lender files a consolidated, combined, unitary or similar Tax return) and except for interest and penalties incurred as a result of the gross negligence or willful misconduct of the Administrative Agent or any Lender. The Administrative Agent or that Lender (through the Administrative Agent) shall notify the Borrower and deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount of payable Taxes, which certificate is conclusive and binding (absent manifest error), and the Borrower shall pay that amount to the Administrative Agent for its account or the account of that Lender, as the case may be within five Business Days after demand. If the Administrative Agent or that Lender subsequently receives a refund of the Taxes paid to it by the Borrower, then the recipient shall promptly pay the refund to the Borrower.

SECTION 3.17. Change in Legal Requirements.

If any Legal Requirement makes it unlawful for any Lender to make or maintain LIBOR Rate Borrowings, then that Lender shall promptly notify the Borrower and the Administrative Agent, and (a) as to undisbursed funds, that requested Borrowing shall be made as a Base Rate Borrowing, and (b) as to any outstanding Borrowing, (i) if maintaining the Borrowing until the last day of the applicable Interest Period is unlawful, then the Borrowing shall be converted to a Base Rate Borrowing as of the date of notice, in which event the Borrower will not be required to pay any related Funding Loss, or (ii) if not prohibited by Legal Requirement, then the Borrowing shall be converted to a Base Rate Borrowing as of the last day of the applicable Interest Period, or (iii) if any conversion will not resolve the unlawfulness, then the Borrower shall promptly prepay the Borrowing, without penalty but with related Funding Loss.

SECTION 3.18. Funding Loss.

The Borrower shall indemnify each Lender against, and pay to it within five Business Days following demand and delivery by such Lender to the Borrower of the certificate herein provided, any Funding Loss of that Lender. When any Lender demands that the Borrower pay any Funding Loss, that Lender shall deliver to the Borrower and the Administrative Agent a certificate setting forth in reasonable detail the basis for imposing Funding Loss and the calculation of the amount, which calculation is conclusive and binding absent manifest error.

The provisions of and undertakings and indemnification in this section survive the satisfaction and payment of the Obligations and termination of this Agreement.

SECTION 3.19. Foreign Lenders, Participants and Assignees.

Each Lender, Participant (by accepting a participation interest under this Agreement) and Assignee (by executing an Assignment) that is not organized under the Legal Requirements of the United States of America or one of its states (a) represents to the Administrative Agent and the Borrower that (i) no Taxes are required to be withheld by the Administrative Agent or the Borrower with respect to any payments to be made to it in respect of the Obligations and (ii) it has furnished to the Administrative Agent and the Borrower two duly completed copies of either U.S. Internal Revenue Service Form W-8BEN or W-8ECI or any other form acceptable to the Administrative Agent and the Borrower that entitles it to a complete exemption from U.S. federal withholding Tax on all interest or fee payments under the Credit Documents, and (b) covenants to (i) provide the Administrative Agent and the Borrower a new Form W-8BEN or W-8ECI or other form acceptable to the Administrative Agent and the Borrower upon the expiration or obsolescence according to Legal Requirement of any previously delivered form, duly executed and completed by it, entitling it to a complete exemption from U.S. federal withholding Tax on all interest and fee payments under the Credit Documents, and (ii) comply from time to time with all Legal Requirements with regard to the withholding Tax exemption. If any of the foregoing is not true at any time or the applicable forms are not provided, then the Borrower and the Administrative Agent (without duplication) may deduct and withhold from interest and fee payments under the Credit Documents any Tax at the maximum rate under the IRC or other applicable Legal Requirement, and amounts so deducted and withheld shall be treated as paid to that Lender, Participant or Assignee, as the case may be, for all purposes under the Credit Documents.

SECTION 3.20. Discharge and Reinstatement.

Each Company's obligations under the Credit Documents remain in full force and effect until no Lender has any commitment to extend credit under the Credit Documents and the Obligations are fully paid (except for provisions under the Credit Documents which by their terms expressly survive payment of the Obligations and termination of the Credit Documents). If any payment under any Credit Document is ever rescinded or must be restored or returned for any reason, then all Rights and obligations under the Credit Documents in respect of that payment are automatically reinstated as though the payment had not been made when due.

ARTICLE IV
FEES

SECTION 4.1. Treatment of Fees.

The fees described in this Section 4.1 (a) are not compensation for the use, detention or forbearance of money, (b) are in addition to, and not in lieu of, interest and expenses otherwise described in this Agreement, (c) are payable in accordance with Section 3.1, (d) are non-refundable and (e) to the fullest extent permitted by Legal Requirement, bear interest, if not paid when due, at the Default Rate.

SECTION 4.2. Facility Fee.

The Borrower shall pay to the Administrative Agent for the account of each Lender the Facility Fee from the date hereof until the Termination Date, payable on the last day of each March, June, September and December, commencing on the first such date that follows the Closing Date, and on the Termination Date.

SECTION 4.3. Letter of Credit Fees.

The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the ***"LC Fee"***) on the average daily amount of the sum of the undrawn stated amounts of all Letters of Credit outstanding on each such day, from the date hereof until the later to occur of the Termination Date and the date that no Letters of Credit are outstanding, payable on the last day of each March, June, September and December, commencing on the first such date that follows the date of this Agreement and such later date, at a rate equal at all times to the Applicable Margin in effect from time to time for LIBOR Rate Borrowings. In addition, the Borrower shall pay to the LC Issuing Bank such fees for the issuance and maintenance of Letters of Credit and for drawings thereunder as may be separately agreed between the Borrower and the LC Issuing Bank.

ARTICLE V
CONDITIONS PRECEDENT

This Agreement shall not be effective unless the Administrative Agent has received all of the items described in Schedule 5. In addition, no Lender is obligated to fund (as opposed to continue or convert) any Borrowing, and the LC Issuing Bank is not obligated to issue any Letter of Credit, unless on the date of the applicable Extension of Credit (and after giving effect to the requested Extension of Credit): (a) the Administrative Agent has timely received a properly completed and duly executed Borrowing Request or Request for Issuance, as applicable; (b) all of the representations and warranties of the Companies in the Credit Documents are true and correct in all material respects (unless they speak to a specific date or are based on facts which have changed by transactions contemplated or expressly permitted (including as an express exception to the restrictions set forth in Article IX hereof) by this Agreement); (c) no Material Adverse Event, Event of Default or Potential Default has occurred and is continuing; and (d) no limitation in Section 2.1 or 2.5 is or would be exceeded by the requested Extension of Credit. Each Borrowing Request and Request for Issuance, however delivered, constitutes the Borrower's representation and warranty that the conditions in subsections (b) through (d) above are satisfied. Upon the Administrative Agent's or any Lender's reasonable request, the Borrower shall deliver to the Administrative Agent or such Lender evidence substantiating any of the matters in the Credit Documents that are necessary to enable the Borrower to qualify for the requested Extension of Credit. Each condition precedent in this Agreement (including, without limitation, those on Schedule 5) is material to the transactions contemplated by this Agreement, and time is of the essence with respect to each condition precedent.

ARTICLE VI
GUARANTIES

The Borrower shall cause each Significant Subsidiary (other than any Excluded Subsidiary of the Borrower), whether now existing or in the future formed or acquired as permitted by the Credit Documents to unconditionally guarantee the full payment and performance of the Obligations by execution of a Guaranty. Any Guaranty delivered by a Guarantor after the Closing Date pursuant to this Article VI shall be accompanied by (a) an opinion of counsel to such Guarantor as to the enforceability of such Guaranty and such other matters as the Administrative Agent may reasonably request, (b) certified copies of the Constituent Documents of such Guarantor, (c) certified copies of all corporate or partnership (as the case may be) authorizations and approvals of Governmental Authorities required in connection with the execution, delivery and performance by such Guarantor of such Guaranty, and (d) such other certificates, documents and other information regarding such Guarantor as the Administrative Agent may reasonably request.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent, the LC Issuing Bank and the Lenders as follows:

SECTION 7.1. Purpose.

The Borrower will use the proceeds of the Extensions of Credit for (i) general purposes, including without limitation the making of Investments in Subsidiaries and Affiliates of the Borrower, (ii) acquisitions and (iii) capital expenditures. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of the Margin Regulations, and no part of the proceeds of any Borrowing will be used, directly or indirectly, for a purpose that violates any Legal Requirement, including the Margin Regulations.

SECTION 7.2. Subsidiaries and Significant Subsidiaries.

Schedule 7.2 describes the Borrower, all of its direct and indirect Subsidiaries and all of its Significant Subsidiaries as of the date hereof.

SECTION 7.3. Existence, Authority and Good Standing.

Each Company (other than any Excluded Subsidiary) is duly organized, validly existing and in good standing under the Legal Requirements of its jurisdiction of formation. Except where not a Material Adverse Event, each such Company is duly qualified to transact business and is in good standing in each jurisdiction where the nature and extent of its business and properties require due qualification and good standing (each of which jurisdictions is identified on Schedule 7.2). Each Company (other than any Excluded Subsidiary) possesses all requisite authority and power to conduct its business as is now being conducted and as proposed under the

Credit Documents to be conducted and to own and operate its assets as now owned and operated and as proposed to be owned and operated under the Credit Documents.

SECTION 7.4. Authorization and Contravention.

The execution and delivery by each Company of each Credit Document to which it is a party and the performance by it of its obligations under those Credit Documents (a) are within its corporate, partnership or comparable organizational powers, (b) have been duly authorized by all necessary corporate, partnership or comparable organizational action, (c) require no notice to, consents or approval of, action by or filing with, any Governmental Authority (except any action or filing that has been taken or made on or before the Closing Date), (d) do not violate any provision of any of its Constituent Documents, and (e) except violations that individually or collectively are not a Material Adverse Event, do not violate any provision of Legal Requirement applicable to it or any material agreement to which it is a party.

SECTION 7.5. Binding Effect.

Upon execution and delivery by all parties to it, each Credit Document will constitute a legal and binding obligation of each Company party to it, enforceable against it in accordance with that Credit Document's terms except as that enforceability may be limited by Debtor Laws and general principles of equity.

SECTION 7.6. Current Financials.

The Current Financials were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition, results of operations and cash flows of the Companies as of, and for the portion of the fiscal year ending on their dates (subject only to normal year-end adjustments for interim statements). Except for transactions contemplated or expressly permitted (including as an express exception to the restrictions set forth in Article IX hereof) by the Credit Documents, no material adverse changes have occurred in such consolidated financial condition from that shown in the Current Financials.

SECTION 7.7. Solvency.

Each of the Borrower and each Guarantor is Solvent.

SECTION 7.8. Litigation.

Except as disclosed on Schedule 7.8 and matters covered (subject to reasonable and customary deductible and retention) by insurance or indemnification agreements as to which the insurer or indemnifying party, as applicable, has acknowledged liability, (a) no Company is subject to, or aware of the threat of, any Litigation that is reasonably likely to be determined adversely to any Company and, if so adversely determined, would be a Material Adverse Event, and (b) no outstanding and unpaid judgments against any Company exist that would be a Material Adverse Event.

SECTION 7.9. Taxes.

Except where not a Material Adverse Event, (a) all Tax returns of each Company required to be filed have been filed (or extensions have been granted) before delinquency, and (b) all Taxes imposed upon each Company that are due and payable have been paid before delinquency except as being contested as permitted by Section 8.5.

SECTION 7.10. Compliance with Law and Environmental Matters.

Except as disclosed on Schedule 7.10, (a) no Company has received notice from any Governmental Authority that it has actual or potential Environmental Liability and no Company has knowledge that it has any Environmental Liability, which actual or potential Environmental Liability in either case constitutes a Material Adverse Event, and (b) no Company has received notice from any Governmental Authority that any Real Property is affected by, and no Company has knowledge that any Real Property is affected by, any Release of any Hazardous Substance which constitutes a Material Adverse Event. Further, except as otherwise provided in any Credit Document, each Company (other than any Excluded Subsidiary) is in compliance with clause (a) of Section 9.6.

SECTION 7.11. Employee Plans.

Except as disclosed on Schedule 7.11 or where not a Material Adverse Event, (a) no Employee Plan subject to ERISA has incurred an "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 512 of the IRC), (b) neither any Company nor any ERISA Affiliate has incurred liability, except for liabilities for premiums that have been paid or that are not past due, under ERISA to the PBGC in connection with any Employee Plan, (c) neither any Company nor any ERISA Affiliate has withdrawn in whole or in part from participation in a Multiemployer Plan in a manner that has given rise to a withdrawal liability under Title IV of ERISA, (d) neither the Borrower nor any ERISA Affiliate has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the IRC), (e) no "reportable event" (as defined in Section 4043 of ERISA) has occurred excluding events for which the notice requirement is waived under applicable PBGC regulations, (f) neither any Company nor any ERISA Affiliate has any liability, or is subject to any Lien, under ERISA or the IRC to or on account of any Employee Plan, (g) each Employee Plan subject to ERISA and the IRC complies in all material respects, both in form and operation, with ERISA and the IRC, and (h) no Multiemployer Plan subject to the IRC is in reorganization within the meaning of Section 418 of the IRC. None of the matters disclosed on Schedule 7.11 give rise to any other "reportable events", as defined above.

SECTION 7.12. Debt.

No Company has any Debt except as described on Schedule 7.12 or otherwise incurred after the date hereof in accordance with this Agreement.

SECTION 7.13. Properties; Liens.

Each Company (other than any Excluded Subsidiary) has good and indefeasible title to all of its property reflected on the Current Financials as being owned by it except for property

that is obsolete or that has been disposed of in the ordinary course of business between the date of the Current Financials and the date of this Agreement or, after the date of this Agreement, as permitted by Sections 9.8 and 9.9. No Lien exists on any property of any Company (other than any Excluded Subsidiary) except as described on Schedule 7.13 and other Permitted Liens. No Company (other than any Excluded Subsidiary) is party or subject to any agreement, instrument or order which in any way restricts any such Company's ability to allow Liens to exist upon any of its assets except relating to Permitted Liens.

SECTION 7.14. Governmental Regulations.

No Company is subject to regulation under the Investment Company Act of 1940 or the Public Utility Holding Company Act of 1935.

SECTION 7.15. Transactions with Affiliates.

Except as otherwise disclosed on Schedule 7.15 or permitted by Section 9.5, no Company is a party to a material transaction with any of its Affiliates.

SECTION 7.16. Leases.

Except where not a Material Adverse Event, (a) each Company enjoys peaceful and undisturbed possession under all leases necessary for the operation of its properties and assets, and (b) all material leases under which any Company is a lessee are in full force and effect.

SECTION 7.17. Labor Matters.

Except where not a Material Adverse Event, (a) no actual or threatened strikes, labor disputes, slow downs, walkouts, work stoppages or other concerted interruptions of operations that involve any employees employed at any time in connection with the business activities or operations at the Real Property exist, (b) hours worked by and payment made to the employees of any Company or any Predecessor have not been in violation of the Fair Labor Standards Act or any other applicable Legal Requirements pertaining to labor matters, (c) all payments due from any Company for employee health and welfare insurance, including, without limitation, workers compensation insurance, have been paid or accrued as a liability on its books, and (d) the business activities and operations of each Company are in compliance with OSHA and other applicable health and safety Legal Requirements.

SECTION 7.18. Intellectual Property.

Except where not a Material Adverse Event, (a) each Company owns or has the right to use all material licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications and trade names necessary to continue to conduct its businesses as presently conducted by it and proposed to be conducted by it immediately after the date of this Agreement, (b) each Company is conducting its business without infringement or claim of infringement of any license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property right of others and (c) no infringement or claim of infringement by others of any material license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property of any Company exists.

SECTION 7.19. Insurance.

All insurance required under Section 8.9 is in full force and effect.

SECTION 7.20. Restrictions on Distributions.

Except as disclosed on Schedule 7.20, no Subsidiary (other than any Excluded Subsidiary) of the Borrower is subject to any restriction on such Subsidiary's ability to directly or indirectly declare, make or pay Distributions to the Borrower.

SECTION 7.21. Full Disclosure.

Each fact or condition relating to any Company's financial condition, business or property that is a Material Adverse Event has been disclosed in writing to the Administrative Agent. All information previously furnished by any Company to the Administrative Agent in connection with the Credit Documents (the ***"Disclosed Information"***) was (and all information furnished in the future by any Company to the Administrative Agent will be) true and accurate in all material respects. As of the Closing Date, the Disclosed Information taken as a whole, was not misleading in any material respect and did not omit to disclose any matter the failure of which to be disclosed would result in any information contained in the Disclosed Information being misleading in any material respect.

ARTICLE VIII
AFFIRMATIVE COVENANTS

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent, the LC Issuing Bank and the Lenders that, without first obtaining the Required Lenders' written consent to the contrary:

SECTION 8.1. Certain Items Furnished.

The Borrower shall furnish or shall cause the following to be furnished to each Lender:

(a) ***Annual Financials of the Borrower.*** Promptly after preparation but no later than 90 days after the last day of each fiscal year of the Borrower, Financials showing the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as of, and for the year ended on, that last day setting forth in comparative form the figures for the previous fiscal year, accompanied by (i) the opinion, without material qualification, of KPMG LLP or other firm of nationally-recognized independent certified public accountants reasonably acceptable to the Required Lenders, based on an audit (other than in the case of consolidating Financials) using generally accepted auditing standards, that those Financials were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated and consolidating financial condition and results of operations of the Borrower and its Subsidiaries, and (ii) a related Compliance Certificate from a Responsible Officer, on behalf of the Borrower.

(b) ***Quarterly Reports.*** Promptly after preparation but no later than 45 days after the last day of each of the first three fiscal quarters of the Borrower and the Companies each year, Financials showing the consolidated financial condition and results of operations of the Borrower and its Subsidiaries for that fiscal quarter and for the period from the beginning of the current fiscal year to the last day of that fiscal quarter setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous fiscal year, accompanied, in each case, by a related Compliance Certificate, together with a completed copy of the schedule to that certificate, signed by a Responsible Officer, on behalf of the Borrower.

(c) ***Other Reports.*** Promptly after preparation and distribution, accurate and complete copies of all reports and other material communications about material financial matters or material corporate plans or projections by or for any Company for distribution to any Governmental Authority or any creditor, other than credit, trade and other reports prepared and distributed in the ordinary course of business and information otherwise furnished to the Administrative Agent and the Lenders under this Agreement.

(d) ***Employee Plans.*** As soon as possible and within 30 days after any Company knows that any event which would constitute a reportable event under Section 4043(b) of Title IV of ERISA with respect to any Employee Plan subject to ERISA has occurred, or that the PBGC has instituted or will institute proceedings under ERISA to terminate that plan, deliver a certificate of a Responsible Officer of the Borrower setting forth details as to that reportable event and the action that the Borrower or an ERISA Affiliate, as the case may be, proposes to take with respect to it, together with a copy of any notice of that reportable event which may be required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its intent to institute those proceedings or any notice to the PBGC that the plan is to be terminated, as the case may be. For all purposes of this section, each Company is deemed to have all knowledge of all facts attributable to the plan administrator under ERISA.

(e) ***Other Notices.*** Notice, promptly after the Borrower knows, of (i) the existence and status of any Litigation that is reasonably likely to be adversely determined and, if determined adversely to any Company, would be a Material Adverse Event, (ii) any change in any material fact or circumstance represented or warranted by any Company in any Credit Document and (iii) an Event of Default or Potential Default, specifying the nature thereof and what action the Companies have taken, are taking or propose to take with respect to such event.

(f) ***Other Information.*** Promptly when reasonably requested by the Administrative Agent, the LC Issuing Bank or any Lender, such reasonable information (not otherwise required to be furnished under this Agreement) about any Company's business affairs, assets and liabilities.

SECTION 8.2. Use of Credit.

The Borrower shall use the proceeds of Borrowings only for the purposes specified in this Agreement.

SECTION 8.3. Books and Records.

The Borrower shall, and shall cause each other Company to, maintain books, records, and accounts necessary to prepare Financials in accordance with GAAP.

SECTION 8.4. Inspections.

Upon reasonable request and subject to compliance with applicable safety standards, with contractual privilege and non-disclosure agreements, and with the same conditions applicable to any Company in respect of property of that Company on the premises of other Persons, the Borrower shall, and shall cause each other Company to, allow the Administrative Agent, the LC Issuing Bank or any Lender (or their respective Representatives) to inspect any of its properties, to review reports, files and other records and to make and take away copies thereof, to conduct reasonable tests or investigations, and to discuss any of its affairs, conditions and finances with its other creditors, directors, officers, employees or representatives from time to time, during reasonable business hours.

SECTION 8.5. Taxes.

The Borrower shall, and shall cause each other Company to, promptly pay when due any and all Taxes except Taxes that are being contested in good faith by lawful proceedings diligently conducted, against which reserve or other provision required by GAAP has been made, and in respect of which levy and execution of any Lien sufficient to be enforced has been and continues to be stayed.

SECTION 8.6. Payment of Material Obligations.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, promptly pay (or renew and extend) all of its material obligations as they become due (unless the obligations are being contested in good faith by, if required, appropriate proceedings).

SECTION 8.7. Expenses.

Within ten Business Days after demand accompanied by an invoice describing the costs, fees and expenses in reasonable detail (and subject to any limitations separately agreed to in writing by the Borrower and the Administrative Agent in respect of costs, fees and expenses of the Administrative Agent or any of its Representatives), the Borrower shall pay (a) all costs, fees and reasonable expenses paid or incurred by the Administrative Agent incident to any Credit Document (including the reasonable fees and expenses of the Administrative Agent's counsel in connection with the negotiation, preparation, delivery and execution of the Credit Documents and any related amendment, waiver or consent) and (b) all reasonable costs and expenses incurred by the Administrative Agent, the LC Issuing Bank or any Lender in connection with the enforcement of the obligations of any Company under the Credit Documents or the exercise of any Rights under the Credit Documents (including reasonable attorneys' fees and court costs), all of which are part of the Obligations, bearing interest (if not paid within ten Business Days after demand accompanied by an invoice describing the costs, fees and expenses in reasonable detail) on the portion thereof from time to time unpaid at the Default Rate until paid.

SECTION 8.8. Maintenance of Existence, Assets and Business.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, (a) except in connection with dispositions permitted under Section 9.8, mergers, consolidations and dissolutions permitted under Section 9.9 and statutory conversions to another form of entity as permitted by applicable Legal Requirements, maintain its existence and good standing in its state of formation, and (b) except where not a Material Adverse Event, (i) maintain its authority to transact business and good standing in all other states, (ii) maintain all licenses, permits and franchises (including Environmental Permits) necessary for its business, and (iii) keep all of its material assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs and replacements.

SECTION 8.9. Insurance.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, at its cost and expense, maintain with financially sound, responsible and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against casualties and contingencies and of types and in amounts (and with co-insurance and deductibles) as is customary in the case of similar businesses.

SECTION 8.10. Environmental Matters.

The Borrower shall, and shall cause each other Company to, (a) operate and manage its businesses and otherwise conduct its affairs in compliance with all Environmental Laws and Environmental Permits except to the extent noncompliance does not constitute a Material Adverse Event, (b) promptly deliver to the Administrative Agent a copy of any notice received from any Governmental Authority alleging that any such Company is not in compliance with any Environmental Law or Environmental Permit if the allegation constitutes a Material Adverse Event, and (c) promptly deliver to the Administrative Agent a copy of any notice received from any Governmental Authority alleging that any such Company has any potential Environmental Liability if the allegation constitutes a Material Adverse Event.

SECTION 8.11. Indemnification.

(a) AS USED IN THIS SECTION: (I) "INDEMNITEE" MEANS THE ADMINISTRATIVE AGENT, THE LC ISSUING BANK, EACH LENDER, EACH PRESENT AND FUTURE AFFILIATE (WITH WHICH ANY COMPANY HAS ENTERED INTO A WRITTEN CONTRACTUAL ARRANGEMENT) OF THE ADMINISTRATIVE AGENT, THE LC ISSUING BANK OR ANY LENDER, EACH PRESENT AND FUTURE REPRESENTATIVE OF THE ADMINISTRATIVE AGENT, THE LC ISSUING BANK, ANY LENDER OR ANY OF THOSE AFFILIATES AND EACH PRESENT AND FUTURE SUCCESSOR AND PERMITTED ASSIGN OF THE ADMINISTRATIVE AGENT, THE LC ISSUING BANK, ANY LENDER OR ANY OF THOSE AFFILIATES OR REPRESENTATIVES; AND (II) "INDEMNIFIED LIABILITIES" MEANS ALL KNOWN

AND UNKNOWN, FIXED AND CONTINGENT, ADMINISTRATIVE, INVESTIGATIVE, JUDICIAL AND OTHER CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, INVESTIGATIONS, SUITS, PROCEEDINGS, AMOUNTS PAID IN SETTLEMENT, DAMAGES, JUDGMENTS, PENALTIES, COURT COSTS, LIABILITIES AND OBLIGATIONS — AND ALL COSTS AND REASONABLE EXPENSES AND DISBURSEMENTS (INCLUDING ALL REASONABLE ATTORNEYS' FEES AND EXPENSES WHETHER OR NOT SUIT OR OTHER PROCEEDING EXISTS OR ANY INDEMNITEE IS PARTY TO ANY SUIT OR OTHER PROCEEDING) IN ANY WAY RELATED TO ANY OF THE FOREGOING — THAT MAY AT ANY TIME BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE AND IN ANY WAY ARISING OUT OF ANY (A) CREDIT DOCUMENT, TRANSACTION CONTEMPLATED BY ANY CREDIT DOCUMENT OR REAL PROPERTY, (B) ENVIRONMENTAL LIABILITY IN ANY WAY RELATED TO ANY COMPANY, PREDECESSOR, REAL PROPERTY OR ACT, OMISSION, STATUS, OWNERSHIP OR OTHER RELATIONSHIP, CONDITION OR CIRCUMSTANCE CONTEMPLATED BY, CREATED UNDER OR ARISING PURSUANT TO OR IN CONNECTION WITH ANY CREDIT DOCUMENT, OR (C) INDEMNITEE'S SOLE OR CONCURRENT ORDINARY NEGLIGENCE.

(b) THE BORROWER SHALL INDEMNIFY EACH INDEMNITEE FROM AND AGAINST, PROTECT AND DEFEND EACH INDEMNITEE FROM AND AGAINST, HOLD EACH INDEMNITEE HARMLESS FROM AND AGAINST, AND ON DEMAND PAY OR REIMBURSE EACH INDEMNITEE FOR, ALL INDEMNIFIED LIABILITIES.

(c) THE FOREGOING PROVISIONS (i) ARE NOT LIMITED IN AMOUNT EVEN IF THAT AMOUNT EXCEEDS THE OBLIGATIONS, (ii) INCLUDE, WITHOUT LIMITATION, REASONABLE FEES AND EXPENSES OF ATTORNEYS AND OTHER COSTS AND EXPENSES OF LITIGATION OR PREPARING FOR LITIGATION AND DAMAGES OR INJURY TO PERSONS, PROPERTY OR NATURAL RESOURCES ARISING UNDER ANY STATUTORY OR COMMON LEGAL REQUIREMENT, PUNITIVE DAMAGES, FINES AND OTHER PENALTIES, AND (iii) ARE NOT AFFECTED BY THE SOURCE OR ORIGIN OF ANY HAZARDOUS SUBSTANCE, AND (iv) ARE NOT AFFECTED BY ANY INDEMNITEE'S INVESTIGATION, ACTUAL OR CONSTRUCTIVE KNOWLEDGE, COURSE OF DEALING OR WAIVER.

(d) HOWEVER, NO INDEMNITEE IS ENTITLED TO BE INDEMNIFIED UNDER THE CREDIT DOCUMENTS FOR ITS OWN SOLE GROSS NEGLIGENCE OR SOLE WILLFUL MISCONDUCT.

SECTION 8.12. Post Closing Covenant. No later than July 3, 2003, the Borrower shall deliver to the Administrative Agent a supplemental opinion from counsel to Jonah Gas, addressed to the Administrative Agent and the Lenders, in form and substance reasonably satisfactory to the Administrative Agent, as to the matters that are the subject of the opinion from counsel to the other Guarantors delivered pursuant to Article V.

ARTICLE IX
NEGATIVE COVENANTS

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent, the LC Issuing Bank and the Lenders that, without first obtaining the Required Lenders' written consent to the contrary:

SECTION 9.1. Debt.

The Borrower will not cause or permit any other Company to create, incur, assume or suffer to exist any Debt except the following (the ***"Permitted Debt"***):

(a) ***Subsidiary Guaranties.*** Guaranties of any Debt of the Borrower.

(b) ***Permitted Non-Recourse Debt.*** Permitted Non-Recourse Debt.

(c) ***Centennial Guaranty.*** Debt arising under the Centennial Guaranty.

(d) ***Additional Debt.*** Additional Debt not described in clauses (a) through (c) above incurred by the Guarantors in an aggregate principal amount not to exceed $25,000,000 outstanding at any one time.

(e) ***Existing Debt.*** The Debt described on Schedule 7.12, together with all renewals, extensions, amendments, modifications and refinancings of (but not any principal increases to) any of such Debt.

SECTION 9.2. Prepayments.

The Borrower will not, and will not cause or permit any other Company, other than an Excluded Subsidiary, to, prepay or redeem or cause to be prepaid or redeemed any principal of, or any interest on, any of its Debt except (a) the Obligations and (b) any of its other Debt if (i) no Event of Default or Potential Default has occurred and is continuing immediately before, or will occur as a result of (or otherwise will occur immediately after), the prepayment or redemption, and (ii) in respect of any prepayment or redemption of the Senior Notes, the Borrower concurrently prepays to the Lenders Borrowings (and/or cash collateralizes LC Outstandings) in a principal amount that is in the same proportion to the total Outstanding Credits immediately before such prepayment as the amount of principal of the Senior Notes then being prepaid or redeemed bears to the total principal amount of the Senior Notes immediately before such prepayment or redemption in accordance with Section 3.2(c)(iv).

SECTION 9.3. Liens.

The Borrower will not, and will not cause or permit any other Company: (a) to create, incur or suffer or permit to be created or incurred or to exist any Lien upon any of its assets except Permitted Liens or (b) to enter into or permit to exist any arrangement or agreement that directly or indirectly prohibits any Company from creating or incurring any Lien on any of its assets except (i) the Credit Documents, (ii) any lease that places a Lien prohibition on only the property subject to that lease and (iii) arrangements and agreements that apply only to property subject to Permitted Liens. The following are ***"Permitted Liens"***:

(a) ***Existing Liens.*** The Liens existing on the date of this Agreement and described on Schedule 7.13 and any renewal, extension, amendment or modification of any of such Lien, *provided* that the total principal amount secured by any such Lien never exceeds the total principal amount secured by such Lien on the date of this Agreement.

(b) ***This Transaction.*** Liens, if any, ever granted to the Administrative Agent in favor of the LC Issuing Bank and the Lenders to secure all of any part of the Obligations.

(c) ***Bonds.*** Liens securing any industrial development, pollution control or similar revenue bonds that never exceed a total principal amount of $25,000,000.

(d) ***Foreclosed Properties.*** Liens existing on any property acquired by any Company in connection with the foreclosure or other exercise of its Lien on the property.

(e) ***Setoffs.*** Rights of set off or recoupment and banker's Liens, subject to any limitations imposed upon them in the Credit Documents.

(f) ***Insurance.*** Pledges or deposits made to secure payment of workers' compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions or other social security programs.

(g) ***Bids and Bonds.*** Good faith pledges or deposits (i) for 10% or less of the amounts due under (and made to secure) any Company's performance of bids, tenders, contracts (except for the repayment of borrowed money), (ii) in respect of any operating lease, that are for up to but not more than the greater of either 10% of the total rental obligations for the term of the lease or 50% of the total rental obligations payable during the first year of the lease, or (iii) made to secure statutory obligations, surety or appeal bonds, or indemnity, performance or other similar bonds benefiting any Company in the ordinary course of its business.

(h) ***Permits.*** Conditions in any permit, license or order issued by a Governmental Authority for the ownership and operation of a pipeline that do not materially impair the ownership or operation of such pipeline.

(i) ***Property Restrictions.*** Zoning and similar restrictions on the use of, and easements, restrictions, covenants, title defects and similar encumbrances on, any Real Property or pipeline right-of-way that, (i) do not materially impair the Company's use of the Real Property

or pipeline right-of-way and (ii) are not violated in any material respect by existing or proposed structures (including the pipeline) or land use.

(j) ***Eminent Domain.*** The Right reserved to, or vested in, any Governmental Authority (or granted by a Governmental Authority to another Person) by the terms of any Right, franchise, grant, license, permit or Legal Requirements to purchase or recapture, or to designate a purchaser of, any property.

(k) ***Inchoate Liens.*** If no Lien has been filed in any jurisdiction or agreed to, (i) claims and Liens for Taxes not yet due and payable or which are being contested in good faith and for which any reserves required by GAAP have been established, (ii) mechanic's Liens and materialman's Liens for services or materials and similar Liens incident to construction and maintenance of real property, in each case for which payment is not yet due and payable, or which are being contested in good faith and for which any reserves required by GAAP have been established, (iii) landlord 's Liens for rents or leases incurred in the ordinary course of business, in each case which are not yet due and payable or which are being contested in good faith and for which any reserves required by GAAP have been established, and (iv) Liens of warehousemen and carriers and similar Liens which were incurred in the ordinary course of business, in each case for which payment is not yet due and payable, or which are being contested in good faith and for which any reserves required by GAAP have been established.

(l) ***Permitted Non-Recourse Debt.*** Liens securing obligations in respect of Permitted Non-Recourse Debt of any Subsidiary of the Borrower.

(m) ***Miscellaneous.*** Any of the following to the extent that the validity or amount is being contested in good faith and by appropriate and lawful proceedings diligently conducted, reserve or other appropriate provision (if any) required by GAAP has been made, levy and execution has not issued or continues to be stayed, and they do not individually or collectively detract materially from the value of the property of the Company in question or materially impair the use of that property in the operation of its business: (i) claims and Liens for Taxes; (ii) claims and Liens upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process before adjudication of a dispute on the merits; (iii) claims and Liens of mechanics, materialmen, warehousemen, carriers, landlords or other similar Liens; (iv) Liens incident to construction and maintenance of real property; and (v) adverse judgments, attachments or orders on appeal for the payment of money.

SECTION 9.4. Employee Plans.

Except as disclosed on Schedule 7.11 or where not a Material Adverse Event, the Borrower will not, and will not cause or permit any other Company to, permit any of the events or circumstances described in Section 7.11 to exist or occur.

SECTION 9.5. Transactions with Affiliates.

The Borrower will not, and will not cause or permit any other Company to, enter into any material transaction with any of its Affiliates except (a) those described on Schedule 7.15, (b) transactions between the Borrower and a Guarantor, (c) transactions permitted under Section 9.1 or 9.7, (d) transactions in the ordinary course of business and upon fair and reasonable terms not

materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate, and (e) compensation arrangements in the ordinary course of business with directors and officers of the Companies.

SECTION 9.6. Compliance with Legal Requirements and Documents.

The Borrower will not, and will not cause or permit any other Company to: (a) violate the provisions of any Legal Requirements (including, without limitation, OSHA and Environmental Laws) applicable to it or of any material agreement to which it is a party if that violation alone, or when aggregated with all other violations of Legal Requirements or other material agreements, would be a Material Adverse Event, (b) violate in any material respect any provision of its Constituent Documents, or (c) repeal, replace or amend any provision of its Constituent Documents if that action would be a Material Adverse Event.

SECTION 9.7. Distributions.

The Borrower will not, and will not cause or permit any other Company to declare, make or pay any Distribution other than (a) Distributions from any Subsidiary of the Borrower to the Borrower and the other owners (if any) of Equity Interests in such Subsidiary, and (b) Distributions by the Borrower that (i) will not violate its Constituent Documents and (ii) do not exceed "Available Cash" as defined in the Borrower's Agreement of Limited Partnership, in each case, so long as no Event of Default or Potential Default has occurred and is continuing or will occur as a result of such Distribution.

SECTION 9.8. Disposition of Assets.

The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, sell, assign, lease, transfer or otherwise dispose of any of its assets (including equity interests in any other Company) other than (a) dispositions in the ordinary course of business for fair and adequate consideration, (b) dispositions for fair and adequate consideration having a Diluted Value of not more than $40,000,000 in the aggregate in any fiscal year and not more than $100,000,000 in the aggregate from the Closing Date through the Stated Termination Date (other than dispositions in the ordinary course of business, the proceeds of which are reinvested in other assets used by or useful to the Borrower or such Company in conducting its customary business if (i) a binding purchase, subscription or similar agreement relating to such reinvestment is entered into within 180 days after the receipt of all or substantially all of the cash proceeds from the disposition of such assets and (ii) the Net Cash Proceeds from such disposition are so reinvested within one year after the receipt of such cash proceeds), (c) dispositions to any other Company that is a Guarantor, (d) dispositions to any Excluded Subsidiary in connection with a transaction involving the issuance by such Excluded Subsidiary of Permitted Non-Recourse Debt for the purposes described in clause (ii) of the definition of "Permitted Non-Recourse Debt" and (e) dispositions of assets that are obsolete or are no longer in use and are not significant to the continuation of such Company's business

SECTION 9.9. Mergers, Consolidations and Dissolutions. The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, merge or consolidate with any other Person or dissolve, except (a) so long as no Event of Default or

Potential Default has occurred and is continuing or will occur as a result of such transaction, any merger or consolidation involving one or more Companies (so long as, if the Borrower is involved, it is the survivor), and (b) dissolution of any Company (other than the Borrower) if substantially all of its assets have been conveyed to any Company or disposed of as permitted in Section 9.8.

SECTION 9.10. Amendment of Constituent Documents.

The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, materially amend or modify its Constituent Documents.

SECTION 9.11. Assignment.

The Borrower will not, and will not cause or permit any other Company to, assign or transfer any of its Rights, duties or obligations under any of the Credit Documents.

SECTION 9.12. Fiscal Year and Accounting Methods.

The Borrower will not, and will not cause or permit any other Company to, change its fiscal year for accounting purposes or any material aspect of its method of accounting except to conform any new Subsidiary's accounting methods to the Borrower's accounting methods.

SECTION 9.13. New Business.

The Borrower will not, and will not cause or permit any other Company to, engage in any business except the businesses in which it is presently engaged and any other reasonably related business.

SECTION 9.14. Government Regulations.

The Borrower will not, and will not cause or permit any other Company to, conduct its business in a way that causes the Borrower or such Company to become regulated under the Investment Company Act of 1940 or the Public Utility Holding Company Act of 1935.

SECTION 9.15. Senior Notes.

The Borrower will not, and will not cause or permit any other Company to, (i) secure the obligations of any Company under the Senior Notes or the related Indentures relating to such Senior Notes, (ii) increase the principal amount of the Senior Notes, (iii) amend or modify any scheduled date of payment of principal under the Senior Notes or the related Indentures relating to such Senior Notes, or (iv) increase the stated rate of any interest applicable to the Senior Notes.

SECTION 9.16. Strict Compliance.

The Borrower will not, and will not cause or permit any other Company to, do indirectly anything that it may not do directly under any covenant in any Credit Document.

SECTION 9.17. Restrictive Agreements.

The Borrower will not, and will not cause or permit any other Company to, enter into any agreement, contract, arrangement or other obligation if the effect of such agreement, contract, arrangement or other obligation is (a) to impose any restriction, other than in connection with the issuance by any Subsidiary of the Borrower of Permitted Non-Recourse Debt, on the ability of any such Subsidiary to make or declare Distributions to the holders of its Equity Interests that is more restrictive than the restrictions that are in effect on the date of this Agreement and disclosed on Schedule 7.20 or (b) to restrict the ability of any Company to create or maintain Liens on its assets in favor of the Administrative Agent, the LC Issuing Bank and the Lenders to secure, in whole or part, the Obligations, except with respect to (i) agreements, contracts, arrangements or other obligations of any Subsidiary of the Borrower acquired by the Borrower or any Subsidiary of the Borrower after the date hereof to the extent that such acquired Subsidiary was a party to such agreements, contracts, arrangements or other obligations prior to its acquisition by the Borrower or any Subsidiary of the Borrower and (ii) the issuance by any Subsidiary of the Borrower of Permitted Non-Recourse Debt.

ARTICLE X
FINANCIAL COVENANTS

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent, the LC Issuing Bank and the Lenders that, without first obtaining the Required Lenders' consent to the contrary:

SECTION 10.1. Minimum Net Worth.

As of the last day of each fiscal quarter of the Borrower, Consolidated Net Worth will not be less than the sum of (a) 75% of Consolidated Net Worth as of December 31, 2002, plus (b) 50% of the Net Cash Proceeds of all Equity Events occurring after December 31, 2002.

SECTION 10.2. Consolidated Funded Debt to Pro Forma EBITDA.

As of the last day of each fiscal quarter of the Borrower, the ratio of Consolidated Funded Debt to Pro Forma EBITDA for the period consisting of four consecutive fiscal quarters taken as a single accounting period and ending on such day will be less than 4.75 to 1.00 (the ***"Required Threshold"***); *provided*, *however*, that if the Borrower consummates one or more Acquisitions not prohibited hereunder and as a result of such Acquisitions the ratio of Consolidated Funded Debt to Pro Forma EBITDA equals or exceeds 4.75 to 1.00, then the Required Threshold shall be increased to 5.00 to 1.00 for the first two full fiscal quarterly periods immediately following the consummation of each such Acquisition.

SECTION 10.3. Interest Coverage Ratio.

As of the last day of each fiscal quarter of the Borrower, the ratio of (a) EBITDA of the Borrower to (b) Interest Expense of the Borrower (x) for the four consecutive fiscal quarters

taken as a single accounting period and ending on such day and (y) excluding Interest Expense of any Excluded Subsidiary of the Borrower, will not be less than 3.00 to 1.00.

ARTICLE XI
EVENTS OF DEFAULT

The term ***"Event of Default"*** means the occurrence of any one or more of the following:

SECTION 11.1. Payment of Obligations.

The Borrower's failure or refusal to pay (a) principal of any Note on or before the date due or (b) any other part of the Obligations (including fees due under the Credit Documents) on or before three Business Days after the date due.

SECTION 11.2. Covenants.

Any Company's failure or refusal to punctually and properly perform, observe and comply with any covenant (other than covenants to pay the Obligations) applicable to it:

(a) In Article 9 or 10; or

(b) In Section 8.1, and such failure or refusal continues for ten days after the earlier of (i) any Company's obtaining knowledge of such failure or refusal and (ii) any Company's being notified of such failure or refusal by the Administrative Agent, the LC Issuing Bank or any Lender; or

(c) In any other provision of any Credit Document, and that failure or refusal continues for 30 days after the earlier of (i) any Company's obtaining knowledge of such failure or refusal and (ii) any Company's being notified of such failure or refusal by the Administrative Agent, the LC Issuing Bank or any Lender.

SECTION 11.3. Debtor Relief.

The Borrower or any Significant Subsidiary (a) is not Solvent, (b) fails to pay its Debts generally as they become due, (c) voluntarily seeks, consents to or acquiesces in the benefit of any Debtor Law, or (d) becomes a party to or is made the subject of any proceeding (except as a creditor or claimant) provided for by any Debtor Law (unless, if the proceeding is involuntary, the applicable petition is dismissed within 60 days after its filing).

SECTION 11.4. Judgments and Attachments.

Where the amounts in controversy or of any judgments, as the case may be, exceed (from and after the date hereof and individually or collectively) $25,000,000 for the Borrower or TE Products or $10,000,000 for any other Company, and such Person fails (a) to have discharged, within 60 days after its commencement, any attachment, sequestration or similar proceeding against any of its assets or (b) to pay any money judgment against it within ten days before the date on which any of its assets may be lawfully sold to satisfy that judgment.

SECTION 11.5. Government Action.

Either (a) a final non-appealable order is issued by any Governmental Authority (including the United States Justice Department) seeking to cause any Company (other than any Excluded Subsidiary) to divest a significant portion of its assets under any antitrust, restraint of trade, unfair competition, industry or similar Legal Requirements, or (b) any Governmental Authority condemns, seizes or otherwise appropriates or takes custody or control of all or any substantial portion of any Company's (other than any Excluded Subsidiary) assets and, in either case, such event constitutes a Material Adverse Event.

SECTION 11.6. Misrepresentation.

Any representation or warranty made by any Company in any Credit Document at any time proves to have been materially incorrect when made.

SECTION 11.7. Change of Control.

Any one or more of the following occurs or exists: (a) the Borrower ceases to own (i) at least 99.999% of the limited partner interests in TE Products, TCTM or Midstream; or (ii) directly or indirectly, 100% of the ownership interests of TEPPCO GP; or (b) Texas Eastern or any direct or indirect wholly owned Subsidiary of Duke Energy Field Services, LLC which has no other assets or businesses other than partnership interests of the Borrower ceases to be the sole general partner of the Borrower; or (c) TEPPCO GP or any direct or indirect wholly owned Subsidiary of the Borrower which has no other assets other than general partner interests of TE Products, TCTM, Midstream, Jonah Gas, or any other Subsidiary of the Borrower and has no businesses other than serving as a general partner in such entities ceases to be the sole general partner of TE Products, TCTM or Midstream; or (d) TEPPCO GP and Midstream or any one or more direct or indirect wholly owned Subsidiaries of the Borrower, each of which has no other assets other than general partner interests of TE Products, TCTM, Midstream or any other Subsidiary of the Borrower and has no businesses other than serving as a general partner in such entities cease to be the sole general partners of (or if Jonah Gas has only one general partner, the sole general partner of) Jonah Gas**;** or (e) Duke Energy Field Services, LLC ceases to own, directly or indirectly, 100% of the ownership interests of Texas Eastern; or (f) Midstream ceases to own (i) at least 99.999% of the limited partner interests in Val Verde, and (ii) 100% of the member interests in TEPPCO NGL Pipelines, LLC, the general partner of Val Verde.

SECTION 11.8. Other Debt.

In respect of the Senior Notes or any other Debt owed by any Company (other than the Obligations) individually or collectively of at least $10,000,000 (a) any Company fails to make any payment when due (inclusive of any grace, extension, forbearance or similar period), or (b) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to cause or to permit any holder of that Debt to cause (whether or not it elects to cause) any of that Debt to become due before its stated maturity or regularly scheduled payment dates, or (c) any of that Debt is declared to be due and payable or required to be prepaid by any Company before its stated maturity.

SECTION 11.9. Reserved.

SECTION 11.10. Validity and Enforceability.

Once executed, this Agreement, any Note or Guaranty ceases to be in full force and effect in any material respect or is declared to be null and void or its validity or enforceability is contested in writing by any Company party to it or any Company party to it denies in writing that it has any further liability or obligations under it except in accordance with that document's express provisions or as the appropriate parties under Section 14.8 below may otherwise agree in writing.

SECTION 11.11. Hedging Agreements.

In respect of any obligation under any Hedging Agreement entered into by any Company individually or collectively of at least $10,000,000 (a) any Company fails to make any payment when due (inclusive of any grace, extension, forbearance or similar period), the effect of which is to cause or permit the counterparty to cause (whether or not it elects to cause) any of the obligations under such Hedging Agreement to become due before its stated payment date, or (b) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to cause or permit the counterparty to cause (whether or not it elects to cause) any of the obligations under such Hedging Agreement to become due before its stated payment date or (c) any such obligation is declared to be due and payable or required to be prepaid by any Company before its stated payment date.

ARTICLE XII
RIGHTS AND REMEDIES

SECTION 12.1. Remedies Upon Event of Default.

(a) ***Debtor Relief.*** Upon the occurrence of an Event of Default under Section 11.3, the Commitments and the obligation of the LC Issuing Bank to issue Letters of Credit shall automatically terminate, and the entire outstanding principal amount of the Borrowings and all other accrued and unpaid portions of the Obligations shall automatically become due and payable without any action of any kind whatsoever.

(b) ***Other Events of Default.*** If any Event of Default has occurred and is continuing, subject to the terms of Section 13.5(b), the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, do any one or more of the following: (i) If the maturity of the Obligations has not already been accelerated under Section 12.1(a), declare the outstanding principal amount of the Borrowings and all other accrued and unpaid portion of the Obligations immediately due and payable, whereupon they shall be due and payable; (ii) terminate the Commitments and the obligation of the LC Issuing Bank to issue Letters of Credit; (iii) reduce any claim to judgment and (iv) exercise any and all other legal or equitable Rights afforded by the Credit Documents, by applicable Legal Requirements, or in equity.

(c) ***Cash Collateral Account.*** Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Article XII shall affect (i) the obligation of the LC Issuing Bank to make any payment under any Letter of Credit in accordance with the terms of such Letter of Credit or (ii) the obligations of each Lender in respect of each such Letter of Credit; *provided*, *however,* that if an Event of Default has occurred and is continuing, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash collateral account (the ***"Cash Collateral Account"***) described below equal to the LC Outstandings on such date. Such Cash Collateral Account shall at all times be free and clear of all rights or claims of third parties. The Cash Collateral Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Collateral Account shall bear interest at a rate equal to the rate generally offered by SunTrust for deposits equal to the amount deposited by the Borrower in the Cash Collateral Account, for a term to be determined by the Administrative Agent, in its sole discretion. The Borrower hereby grants to the Administrative Agent for the benefit of the LC Issuing Bank and the Lenders a Lien in and hereby assigns to the Administrative Agent for the benefit of LC Issuing Bank and the Lenders all of its right, title and interest in, the Cash Collateral Account and all funds from time to time on deposit therein to secure its reimbursement obligations in respect of Letters of Credit. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Collateral Account, in such priority as specified in Section 3.11, toward the payment in full of any of the Obligations as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay and reassign to the Borrower any cash then in the Cash Collateral Account and the Lien of the Administrative Agent on the Cash Collateral Account and the funds therein shall automatically terminate.

(d) In addition, if at any time the Borrower is required to make a prepayment under Section 3.2(c), no Borrowings are outstanding, the Borrower shall deposit in the Cash Collateral Account an amount equal to the LC Outstandings on such date. If, at any time no Event of Default has occurred and is continuing and the cash on deposit in the Cash Collateral Account shall exceed the LC Outstandings, then the Administrative Agent will repay and reassign to the Borrower cash in an amount equal to such excess, and the Lien of the Administrative Agent on such cash shall automatically terminate.

(e) ***Offset.*** If an Event of Default has occurred and is continuing, to the extent lawful, upon notice to the Borrower, each Lender may exercise the Rights of offset and banker's lien against each and every account and other property, or any interest therein, which the Borrower may now or hereafter have with, or which is now or hereafter in the possession of, such Lender to the extent of the full amount of the Obligations then matured and owed to that Lender.

SECTION 12.2. Company Waivers.

To the extent lawful, the Borrower waives all other presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration and notice of protest

and nonpayment and agrees that its liability with respect to all or any part of the Obligations is not affected by any renewal or extension in the time of payment of all or any part of the Obligations, by any indulgence, or by any release or change in any security for the payment of all or any part of the Obligations.

SECTION 12.3. Not in Control.

Nothing in any Credit Documents gives or may be deemed to give to the Administrative Agent, the LC Issuing Bank or any Lender the Right to exercise control over any Company's Real Property, other assets, affairs or management or to preclude or interfere with any Company's compliance with any Legal Requirement or require any act or omission by any Company that may be harmful to Persons or property. Any "Material Adverse Event" or other materiality or substantiality qualifier of any representation, warranty, covenant, agreement or other provision of any Credit Document is included for credit documentation purposes only and does not imply or be deemed to mean that the Administrative Agent, the LC Issuing Bank or any Lender acquiesces in any non-compliance by any Company with any Legal Requirement, document, or otherwise or does not expect the Companies to promptly, diligently and continuously carry out all appropriate removal, remediation, compliance, closure or other activities required or appropriate in accordance with all Environmental Laws. The Administrative Agent's, the LC Issuing Bank's and the Lenders' power is limited to the Rights provided in the Credit Documents. All of those Rights exist solely (and may be exercised in manner calculated by the Administrative Agent, the LC Issuing Bank or the Lenders in their respective good faith business judgment) to assure payment and performance of the Obligations.

SECTION 12.4. Course of Dealing.

The acceptance by the Administrative Agent, the LC Issuing Bank or the Lenders of any partial payment on the Obligations is not a waiver of any Event of Default then existing. No waiver by the Administrative Agent, the LC Issuing Bank, the Required Lenders or the Lenders of any Event of Default is a waiver of any other then-existing or subsequent Event of Default. No delay or omission by the Administrative Agent, the LC Issuing Bank, the Required Lenders or the Lenders in exercising any Right under the Credit Documents impairs that Right or is a waiver thereof or any acquiescence therein, nor will any single or partial exercise of any Right preclude other or further exercise thereof or the exercise of any other Right under the Credit Documents or otherwise.

SECTION 12.5. Cumulative Rights.

All Rights available to the Administrative Agent, the LC Issuing Bank, the Required Lenders and the Lenders under the Credit Documents are cumulative of and in addition to all other Rights granted to the Administrative Agent, the LC Issuing Bank, the Required Lenders and the Lenders at law or in equity, whether or not the Obligations are due and payable and whether or not the Administrative Agent, the LC Issuing Bank, the Required Lenders or the Lenders have instituted any suit for collection, foreclosure or other action in connection with the Credit Documents.

SECTION 12.6. Application of Proceeds.

Any and all proceeds ever received by the Administrative Agent or the Lenders from the exercise of any Rights pertaining to the Obligations shall be applied to the Obligations according to Section 3.11.

SECTION 12.7. Expenditures by Lenders.

Any costs and reasonable expenses spent or incurred by the Administrative Agent, the LC Issuing Bank or any Lender in the exercise of any Right under any Credit Document shall be payable by the Borrower to the Administrative Agent within ten Business Days after such Person made demand for payment of such amount from Borrower, accompanied by copies of supporting invoices or statements (if any), shall become part of the Obligations and shall bear interest at the Default Rate from the date spent until the date repaid.

SECTION 12.8. Limitation of Liability.

Neither the Administrative Agent, the LC Issuing Bank nor any Lender shall be liable to any Company for any amounts representing indirect, special or consequential damages suffered by any Company, except where such amounts are based substantially on willful misconduct by the Administrative Agent, the LC Issuing Bank or such Lender, but then only to the extent any damages resulting from such willful misconduct are covered by the Administrative Agent's or that the Lender's fidelity bond or other insurance.

ARTICLE XIII
ADMINISTRATIVE AGENT AND LENDERS

SECTION 13.1. The Administrative Agent.

(a) ***Appointment.*** Each of the LC Issuing Bank and each Lender appoints the Administrative Agent (including, without limitation, each successor Administrative Agent in accordance with this Section 13.1) as its nominee and agent to act in its name and on its behalf (and the Administrative Agent and each such successor accepts that appointment): (i) To act as its nominee and on its behalf in and under all Credit Documents; (ii) to arrange the means whereby its funds are to be made available to the Borrower under the Credit Documents; (iii) to take any action that it properly requests under the Credit Documents (subject to the concurrence of other Lenders as may be required under the Credit Documents); (iv) to receive all documents and items to be furnished to it under the Credit Documents; (v) to be the secured party, mortgagee, beneficiary, recipient and similar party in respect of the Cash Collateral Account and any other collateral for the benefit of the Lenders and the LC Issuing Bank (at any time an Event of Default or Potential Default has occurred and is continuing); (vi) to promptly distribute to it all material information, requests, documents and items received from any Company under the Credit Documents; (vii) to promptly distribute to it its ratable part of each payment or prepayment (whether voluntary, as proceeds of collateral upon or after foreclosure, as proceeds of insurance thereon or otherwise) in accordance with the terms of the Credit Documents; and (viii) to deliver to the appropriate Persons requests, demands, approvals and consents received from it. The Administrative Agent, however, may not be required to take any action that exposes

it to personal liability or that is contrary to any Credit Document or applicable Legal Requirement.

(b) ***Successor.*** The Administrative Agent may, subject (at any time no Event of Default or Potential Default has occurred and is continuing) to the Borrower's prior written consent that may not be unreasonably withheld, assign all of its Rights and obligations as the Administrative Agent under the Credit Documents to any of its Affiliates, which Affiliate shall then be the successor Administrative Agent under the Credit Documents. The Administrative Agent may also, upon 30 days' prior notice to the Borrower, voluntarily resign. If the initial or any successor Administrative Agent ever ceases to be a party to this Agreement or if the initial or any successor Administrative Agent ever resigns, then the Required Lenders shall (which, if no Event of Default or Potential Default has occurred and is continuing, is subject to the Borrower's approval that may not be unreasonably withheld) appoint the successor Administrative Agent from among the Lenders (other than the resigning Administrative Agent). If the Required Lenders fail to appoint a successor Administrative Agent within 30 days after the resigning Administrative Agent has given notice of resignation, then the resigning Administrative Agent may, on behalf of the Lenders, upon 30 days prior notice to the Borrower, appoint a successor Administrative Agent, subject (at any time no Event of Default or Potential Default has occurred and is continuing) to the Borrower's prior written consent that may not be unreasonably withheld, which must be a commercial bank having a combined capital and surplus of at least $1,000,000,000 (as shown on its most recently published statement of condition). Upon its acceptance of appointment as successor Administrative Agent, the successor Administrative Agent shall succeed to and become vested with all of the Rights of the prior Administrative Agent, and the prior Administrative Agent shall be discharged from its duties and obligations as Administrative Agent under the Credit Documents, and each Lender shall execute the documents that any Lender, the resigning Administrative Agent or the successor Administrative Agent reasonably requests to reflect the change. After any Administrative Agent's resignation as the Administrative Agent under the Credit Documents, the provisions of this section inure to its benefit as to any actions taken or not taken by it while it was the Administrative Agent under the Credit Documents.

(c) ***Rights as Lender.*** The Administrative Agent, in its capacity as a Lender, has the same Rights under the Credit Documents as any other Lender and may exercise those Rights as if it were not acting as the Administrative Agent. The Administrative Agent's resignation or removal does not impair or otherwise affect any Rights that it has or may have in its capacity as an individual Lender. Each Lender, the LC Issuing Bank and the Borrower agree that the Administrative Agent is not a fiduciary for the Lenders, the LC Issuing Bank or the Borrower but is simply acting in the capacity described in this Agreement to alleviate administrative burdens for the Borrower, the LC Issuing Bank and the Lenders, that the Administrative Agent has no duties or responsibilities to the Lenders, the LC Issuing Bank or the Borrower except those expressly set forth in the Credit Documents, and that the Administrative Agent in its capacity as a Lender has the same Rights as any other Lender.

(d) ***Other Activities.*** The Administrative Agent or any Lender may now or in the future be engaged in one or more loan, letter of credit, leasing or other financing transactions with the Borrower, act as trustee or depositary for the Borrower or otherwise be engaged in other transactions with the Borrower (collectively, the "other activities") not the subject of the Credit

Documents. Without limiting the Rights of the Lenders or the LC Issuing Bank specifically set forth in the Credit Documents, neither the Administrative Agent, the LC Issuing Bank nor any Lender is responsible to account to the other Lenders or the LC Issuing Bank for those other activities, and neither any Lender nor the LC Issuing Bank shall have any interest in any other Lender's or the LC Issuing Bank's activities, any present or future guaranties by or for the account of the Borrower that are not contemplated by or included in the Credit Documents, any present or future offset exercised by the Administrative Agent, the LC Issuing Bank or any Lender in respect of those other activities, any present or future property taken as security for any of those other activities or any property now or hereafter in the Administrative Agent's or any other Lender's possession or control that may be or become security for the obligations of the Borrower arising under the Credit Documents by reason of the general description of indebtedness secured or of property contained in any other agreements, documents or instruments related to any of those other activities (but, if any payments in respect of those guaranties or that property or the proceeds thereof is applied by the Administrative Agent, the LC Issuing Bank or any Lender to reduce the Obligations, then each of the LC Issuing Bank and each Lender is entitled to share in the application as provided in the Credit Documents).

SECTION 13.2. Expenses.

Each Lender shall pay its Commitment Percentage of any reasonable expenses (including court costs, reasonable attorneys' fees and other costs of collection) incurred by the Administrative Agent or in connection with any of the Credit Documents if the Administrative Agent is not reimbursed from other sources within 30 days after incurrence. Each Lender is entitled to receive its Commitment Percentage of any reimbursement that it makes to the Administrative Agent if the Administrative Agent is subsequently reimbursed from other sources.

SECTION 13.3. Proportionate Absorption of Losses.

Except as otherwise provided in the Credit Documents, nothing in the Credit Documents gives any Lender any advantage over any other Lender insofar as the Obligations are concerned or relieves any Lender from ratably absorbing any losses sustained with respect to the Obligations (except to the extent unilateral actions or inactions by any Lender result in the Borrower or any other obligor on the Obligations having any credit, allowance, setoff, defense or counterclaim solely with respect to all or any part of that Lender's part of the Obligations).

SECTION 13.4. Delegation of Duties; Reliance.

The Lenders may perform any of their duties or exercise any of their Rights under the Credit Documents by or through the Administrative Agent, and the Lenders, the LC Issuing Bank and the Administrative Agent may perform any of their duties or exercise any of their Rights under the Credit Documents by or through their respective Representatives. The Administrative Agent, the LC Issuing Bank, the Lenders and their respective Representatives (a) are entitled to rely upon (and shall be protected in relying upon) any written or oral statement believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by the Administrative Agent, the LC Issuing Bank or that Lender (but nothing in this clause (a) permits the

Administrative Agent to rely on (i) oral statements if a writing is required by this Agreement or (ii) any other writing if a specific writing is required by this Agreement), (b) are entitled to deem and treat each Lender as the owner and holder of its portion of the Obligations for all purposes until written notice of the assignment or transfer is given to and received by the Administrative Agent (and any request, authorization, consent or approval of any Lender is conclusive and binding on each subsequent holder, assignee or transferee of or Participant in that Lender's portion of the Obligations until that notice is given and received), (c) are not deemed to have notice of the occurrence of an Event of Default unless a responsible officer of the Administrative Agent, who handles matters associated with the Credit Documents and transactions thereunder, has actual knowledge or the Administrative Agent has been notified by a Lender, the LC Issuing Bank or the Borrower, and (d) are entitled to consult with legal counsel (including counsel for the Borrower), independent accountants, and other experts selected by the Administrative Agent and are not liable for any action taken or not taken in good faith by it in accordance with the advice of counsel, accountants or experts.

SECTION 13.5. Limitation of the Administrative Agent's Liability.

(a) ***Exculpation.*** Neither the Administrative Agent nor any of its Affiliates or Representatives will be liable to the LC Issuing Bank or any Lender for any action taken or omitted to be taken by it or them under the Credit Documents in good faith and believed by it to be within the discretion or power conferred upon it or them by the Credit Documents or be responsible for the consequences of any error of judgment (except for gross negligence or willful misconduct), and neither the Administrative Agent nor any of its Affiliates or Representatives has a fiduciary relationship with any Lender or the LC Issuing Bank by virtue of the Credit Documents (but nothing in this Agreement negates the obligation of the Administrative Agent to account for funds received by it for the account of any Lender).

(b) ***Indemnity.*** Unless indemnified to its satisfaction against loss, cost, liability and expense, the Administrative Agent may not be compelled to do any act under the Credit Documents or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Credit Documents. If the Administrative Agent requests instructions from the Lenders, the LC Issuing Bank or the Required Lenders, as the case may be, with respect to any act or action in connection with any Credit Document, the Administrative Agent is entitled to refrain (without incurring any liability to any Person by so refraining) from that act or action unless and until it has received instructions. In no event, however, may the Administrative Agent or any of its Representatives be required to take any action that it or they determine could incur for it or them criminal or onerous civil liability. Without limiting the generality of the foregoing, neither the LC Issuing Bank nor any Lender has any right of action against the Administrative Agent as a result of the Administrative Agent's acting or refraining from acting under this Agreement in accordance with instructions of the Required Lenders.

(c) ***Reliance.*** The Administrative Agent is not responsible to the LC Issuing Bank or any Lender or any Participant for, and each of the LC Issuing Bank and each Lender represents and warrants that it has not relied upon the Administrative Agent in respect of, (i) the creditworthiness of any Company and the risks involved to the LC Issuing Bank or such Lender, as the case may be, (ii) the effectiveness, enforceability, genuineness, validity or the due

execution of any Credit Document, (iii) any representation, warranty, document, certificate, report or statement made therein or furnished thereunder or in connection therewith, (iv) the adequacy of any collateral now or hereafter securing the Obligations or the existence, priority or perfection of any Lien now or hereafter granted or purported to be granted on the collateral under any Credit Document, or (v) observation of or compliance with any of the terms, covenants or conditions of any Credit Document on the part of the General Partner or any Company. **EACH LENDER AGREES TO INDEMNIFY THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES AND HOLD THEM HARMLESS FROM AND AGAINST (BUT LIMITED TO SUCH LENDER'S COMMITMENT PERCENTAGE OF) ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, REASONABLE EXPENSES AND REASONABLE DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER THAT MAY BE IMPOSED ON, ASSERTED AGAINST OR INCURRED BY THEM IN ANY WAY RELATING TO OR ARISING OUT OF THE CREDIT DOCUMENTS OR ANY ACTION TAKEN OR OMITTED BY THEM UNDER THE CREDIT DOCUMENTS IF THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES ARE NOT REIMBURSED FOR SUCH AMOUNTS BY ANY COMPANY. ALTHOUGH THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT BY THE LENDERS FOR ITS OR THEIR OWN ORDINARY NEGLIGENCE, THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES DO NOT HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT FOR ITS OR THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.**

SECTION 13.6. Event of Default.

If an Event of Default has occurred and is continuing, the Lenders agree to promptly confer in order that the Required Lenders or the Lenders, as the case may be, may agree upon a course of action for the enforcement of the Rights of the Lenders. The Administrative Agent is entitled to act or refrain from taking any action (without incurring any liability to any Person for so acting or refraining) unless and until it has received instructions from the Required Lenders. In actions with respect to any Company's property, the Administrative Agent is acting for the ratable benefit of each Lender.

SECTION 13.7. Limitation of Liability.

No Lender or any Participant will incur any liability to any other Lender or Participant except for acts or omissions in bad faith, and neither the Administrative Agent nor any Lender or Participant will incur any liability to any other Person for any act or omission of any other Lender or any Participant.

SECTION 13.8. Other Agents.

SunTrust Robinson Humphrey Capital Markets, a division of SunTrust Capital Markets, Inc., is named on the cover page as "Sole Lead Arranger" but does not, in such capacity, and nor do the entities listed as Co-Syndication Agents or Co-Documentation Agents, assume any responsibility or obligation under this Agreement for syndication, documentation, servicing,

enforcement or collection of any part of the Obligations, nor any other duties, as agent for the LC Issuing Bank or the Lenders.

SECTION 13.9. Relationship of Lenders.

The Credit Documents do not create a partnership or joint venture among the Administrative Agent, the LC Issuing Bank and the Lenders or among the Lenders.

SECTION 13.10. Benefits of Agreement.

None of the provisions of this Article XIII inure to the benefit of any Company or any other Person except the Administrative Agent, the LC Issuing Bank and the Lenders. Therefore, no Company or any other Person is responsible or liable for, entitled to rely upon or entitled to raise as a defense, in any manner whatsoever, the failure of the Administrative Agent, the LC Issuing Bank or any Lender to comply with these provisions.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1. Nonbusiness Days.

Any payment or action that is due under any Credit Document on a non-Business Day may be delayed until the next succeeding Business Day (but interest accrues on any payment until it is made). If, however, the payment concerns a LIBOR Rate Borrowing and if the next succeeding Business Day is in the next calendar month, then that payment must be made on the next preceding Business Day.

SECTION 14.2. Communications.

Unless otherwise specified, any communication from one party to another under any Credit Document must be in writing (which may be by fax) to be effective and will be deemed to have been given (a) if by fax, when transmitted to the appropriate fax number (which, without affecting the date when deemed given, must be promptly confirmed by telephone) or (b) if by any other means, when actually delivered; *provided*, *further*, that any such communication to a Company from any Person that is not a Company shall be deemed made to that Company only if it is sent to the Borrower or, if other than the Borrower, to such Company in care of the Borrower. Until changed by notice under this Agreement, the address, fax number and telephone number for the Borrower, the LC Issuing Bank and the Administrative Agent are stated beside their respective signatures to this Agreement and for each Lender are stated beside its name on Schedule 2.

SECTION 14.3. Form and Number.

The form, substance and number of counterparts of each writing to be furnished under this Agreement must be satisfactory to the Administrative Agent and the Borrower.

SECTION 14.4. Exceptions.

An exception to any Credit Document covenant or agreement does not permit violation of any other Credit Document covenant or agreement.

SECTION 14.5. Survival.

All Credit Document provisions survive all closings and are not affected by any investigation by any party.

SECTION 14.6. Governing Law.

Unless otherwise specified, each Credit Document shall be governed by, and construed in accordance with, the law of the State of New York and the United States of America.

SECTION 14.7. Invalid Provisions.

If any provision of a Credit Document is judicially determined to be unenforceable, then all other provisions of it remain enforceable. If the provision determined to be unenforceable is a material part of that Credit Document, then, to the extent lawful, it shall be replaced by a judicially-construed provision that is enforceable but otherwise as similar in substance and content to the original provision as the context of it reasonably allows.

SECTION 14.8. Amendments, Supplements, Waivers, Consents and Conflicts.

(a) ***All Lenders.*** Any amendment or supplement to, or waiver or consent under, any Credit Document that purports to accomplish any of the following must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by all the Lenders: (i) extends the due date for, decreases the amount or rate of calculation of or waives the late or non-payment of, any scheduled payment or mandatory prepayment of principal or interest of any of the Obligations or any fees payable ratably to the Lenders under the Credit Documents, except, in each case, any adjustments or reductions that are contemplated by any Credit Document; (ii) changes the definition of “Commitment”, “Commitment Percentage”, “Default Percentage” or “Required Lenders”, (iii) fully or partially releases or amends any Guaranty or cash collateral delivered pursuant to Section 12.1(c), except, in each case, as expressly provided by any Credit Document or as a result of a merger, consolidation or dissolution expressly permitted in the Credit Documents; (v) consents to any assignment by the Borrower under Section 14.10(a); or (vi) changes this clause (a) or any other matter specifically requiring the consent of all the Lenders under any Credit Document; *provided further,* that any amendment or supplement to, or waiver or consent under, any Credit Document that purports to increase or extend any part of any Lender’s Commitment must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by such Lender. Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender or the Administrative Agent if, upon giving effect to such amendment and restatement, such Lender or the Administrative Agent, as the case may be, shall no longer be a party to this Agreement (as so amended and restated) or have any Commitment or other obligation hereunder and shall have been paid in full all amounts payable hereunder to such lender or the Administrative Agent, as the case may be.

(b) ***The Administrative Agent.*** Any amendment or supplement to, or waiver or consent under, any Credit Document that purports to accomplish any of the following must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by the Administrative Agent: (i) extends the due date for, decreases the amount or rate of calculation of, or waives the late or non-payment of, any fees payable to the Administrative Agent under any Credit Document, except, in each case, any adjustments or reductions that are contemplated by any Credit Document; (ii) increases the Administrative Agent's obligations beyond its agreements under any Credit Document; or (iii) changes this clause (b) or any other matter specifically requiring the consent of the Administrative Agent under any Credit Document.

(c) ***The LC Issuing Bank.*** Any amendment or supplement to, or waiver or consent under, any Credit Document that purports to accomplish any of the following must be in writing executed by the Borrower and executed (or approved in writing, as the case may be) by the LC Issuing Bank: (i) extends the due date for, decreases the amount or rate of calculation of, or waives the late or non-payment of, any reimbursement obligation or fees payable to the LC Issuing Bank under or in connection with any Credit Document, except, in each case, any adjustments or reductions that are contemplated by any Credit Document; (ii) increases the LC Issuing Bank's obligations beyond its agreements under any Credit Document; or (iii) changes this clause (c) or any other matter specifically requiring the consent of the LC Issuing Bank under any Credit Document.

(d) ***The Required Lenders.*** Except as specified above (i) the provisions of this Agreement may be amended and supplemented, and waivers and consents under it may be given, in writing executed by the Borrower, the Required Lenders and the Administrative Agent, if applicable, and otherwise supplemented only by documents delivered in accordance with the express terms of this Agreement, and (ii) each other Credit Document may only be amended and supplemented, and waivers and consents under it may be given, in a writing executed by the parties to that Credit Document that is also executed or approved by the Required Lenders and the Administrative Agent, if applicable, and otherwise supplemented only by documents delivered in accordance with the express terms of that other Credit Document.

(e) ***Waivers.*** No course of dealing or any failure or delay by the Administrative Agent, the LC Issuing Bank, any Lender or any of their respective Representatives with respect to exercising any Right of the Administrative Agent, the LC Issuing Bank or any Lender under any Credit Document operates as a waiver of that Right. A waiver must be in writing and signed by the parties otherwise required by this Section 14.8 to be effective and will be effective only in the specific instance and for the specific purpose for which it is given.

(f) ***Conflicts.*** Although this Agreement and other Credit Documents may contain additional and different terms and provisions, any conflict or ambiguity between the express terms and provisions of this Agreement and express terms and provisions in any other Credit Document is controlled by the express terms and provisions of this Agreement.

SECTION 14.9. Counterparts.

Any Credit Document may be executed in a number of identical counterparts (including, at the Administrative Agent's discretion, counterparts or signature pages executed and transmitted by fax) with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. Certain parties to this Agreement may execute multiple signature pages to this Agreement as well as one or more complete counterparts of it, and the Borrower, the LC Issuing Bank and the Administrative Agent are authorized to execute, where applicable, those separate signature pages and insert them, along with signature pages of other parties to this Agreement, into one or more complete counterparts of this Agreement that contain signatures of all parties to it.

SECTION 14.10. Parties.

(a) ***Parties and Beneficiaries.*** Each Credit Document binds and inures to the parties to it and each of their respective successors and permitted assigns. Only those Persons may rely upon or raise any defense about this Agreement. No Company may assign or transfer any Rights or obligations under any Credit Document without first obtaining the consent of all the Lenders and the LC Issuing Bank, and any purported assignment or transfer without the consent of all the Lenders and the LC Issuing Bank is void.

(b) ***Relationship of Parties.*** The relationship between (x) each of the LC Issuing Bank and each Lender and (y) each Company is that of creditor/secured party and obligor, respectively. Financial covenant and reporting provisions in the Credit Documents are intended solely for the benefit of each of the LC Issuing Bank and each Lender to protect its interest as a creditor/secured party. Nothing in the Credit Documents may be construed as (i) permitting or obligating the LC Issuing Bank or any Lender to act as a financial or business advisor or consultant to any Company, (ii) permitting or obligating the LC Issuing Bank or any Lender to control any Company or conduct its operations, (iii) creating any fiduciary obligation of the LC Issuing Bank or any Lender to any Company, or (iv) creating any joint venture, agency or other relationship between the parties except as expressly specified in the Credit Documents.

(c) ***Participations.*** Any Lender may (subject to the provisions of this section, in accordance with applicable Legal Requirement, in the ordinary course of its business, at any time, and with notice to the Borrower) sell to one or more Persons (each a ***"Participant"***) participating interests in its portion of the Obligations so long as the minimum amount of such participating interest is $5,000,000. The selling Lender remains a "Lender" under the Credit Documents, the Participant does not become a "Lender" under the Credit Documents, and the selling Lender's obligations under the Credit Documents remain unchanged. The selling Lender remains solely responsible for the performance of its obligations and remains the holder of its share of the Borrowings for all purposes under the Credit Documents. The Borrower, the LC Issuing Bank and the Administrative Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's Rights and obligations under the Credit Documents, and each Lender must retain the sole right and responsibility to enforce due obligations of the Companies. Participants have no Rights under the Credit Documents except as provided in the except clause of the last sentence of this Section 14.10(c). Subject to the following, each Lender may obtain (on behalf of its Participants) the benefits of Article 3 with

respect to all participations in its part of the Obligations outstanding from time to time so long as the Borrower is not obligated to pay any amount in excess of the amount that would be due to that Lender under Article 3 calculated as though no participations have been made. No Lender may sell any participating interest under which the Participant has any Rights to approve any amendment, modification or waiver of any Credit Document except as to matters in Section 14.8(a)(i) and (ii).

(d) ***Assignments.*** Each Lender may make assignments to any Federal Reserve Bank, *provided* that any related costs, fees and expenses incurred by such Lender in connection with such assignment or the re-assignment back to it free of any interests of the Federal Reserve Bank, shall be for the sole account of Lender. Each Lender may also assign to one or more assignees (each an ***"Assignee"***) all or any part of its Rights and obligations under the Credit Documents so long as (i) the assignor Lender and Assignee execute and deliver to the Administrative Agent, the LC Issuing Bank and the Borrower for their consent and acceptance (that may not be unreasonably withheld in any instance and is not required by the Borrower if an Event of Default has occurred and is continuing) an assignment and assumption agreement in substantially the form of Exhibit E (an ***"Assignment"***) and pay to the Administrative Agent a processing fee of $1,000 (which payment obligation is the sole liability, joint and several, of that Lender and Assignee), (ii) the assignment must be for a minimum total Commitment of $5,000,000, and, if the assignor Lender retains any Commitment, it must be a minimum total Commitment of $10,000,000, and (iii) the conditions for that assignment set forth in the applicable Assignment are satisfied. The Effective Date in each Assignment must (unless a shorter period is agreed to by the Borrower and the Administrative Agent) be at least five Business Days after it is executed and delivered by the assignor Lender and the Assignee to the Administrative Agent and the Borrower for acceptance. Once such Assignment is accepted by the Administrative Agent, the LC Issuing Bank and the Borrower, and subject to all of the following occurring, then, on and after the Effective Date stated in it (A) the Assignee automatically shall become a party to this Agreement and, to the extent provided in that Assignment, shall have the Rights and obligations of a Lender under the Credit Documents, (B) in the case of an Assignment covering all of the remaining portion of the assignor Lender's Rights and obligations under the Credit Documents, the assignor Lender shall cease to be a party to the Credit Documents, (C) the Borrower shall execute and deliver to the assignor Lender and the Assignee the appropriate Notes in accordance with this Agreement following the transfer, (D) upon delivery of the Notes under clause (C) the assignor Lender shall return to the Borrower all Notes previously delivered to that Lender under this Agreement, and (E) Schedule 2 shall be automatically amended to reflect the name, address, telecopy number and Commitment of the Assignee and the remaining Commitment (if any) of the assignor Lender, and the Administrative Agent shall prepare and circulate to the Borrower, the LC Issuing Bank and the Lenders an amended Schedule 2 reflecting those changes. Notwithstanding the foregoing, no Assignee may be recognized as a party to the Credit Documents (and the assignor Lender shall continue to be treated for all purposes as the party to the Credit Documents) with respect to the Rights and obligations assigned to that Assignee until the actions described in clauses (C) and (D) have occurred. The Obligation is registered on the books of the Borrower as to both principal and any stated interest, and transfers of (as opposed to participations in) principal of and interest on the Obligations may be made only in accordance with this Section.

SECTION 14.11. Venue, Service of Process and Jury Trial.

THE BORROWER IN EACH CASE FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN NEW YORK, (B) WAIVES, TO THE FULLEST EXTENT LAWFUL, ANY OBJECTION THAT IT MAY NOW OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH ANY CREDIT DOCUMENT AND THE OBLIGATIONS BROUGHT IN ANY STATE COURT IN THE CITY OF NEW YORK, NEW YORK OR IN ANY UNITED STATES DISTRICT COURT IN THE STATE OF NEW YORK, (C) WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE FOREGOING COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (D) CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THOSE COURTS IN ANY LITIGATION BY THE MAILING OF COPIES OF THAT PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, BY HAND DELIVERY OR BY DELIVERY BY A NATIONALLY-RECOGNIZED COURIER SERVICE, AND SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY OF THE LEGAL PROCESS AT ITS ADDRESS FOR PURPOSES OF THIS AGREEMENT, (E) AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY CREDIT DOCUMENT ARISING OUT OF OR IN CONNECTION WITH THE CREDIT DOCUMENTS OR THE OBLIGATIONS MAY BE BROUGHT IN ONE OF THE FOREGOING COURTS, AND (F) IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY CREDIT DOCUMENT. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims and all other common law and statutory claims. **THE BORROWER ACKNOWLEDGES THAT THESE WAIVERS ARE A MATERIAL INDUCEMENT TO THE ADMINISTRATIVE AGENT'S, THE LC ISSUING BANK'S AND EACH LENDER'S AGREEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT THE ADMINISTRATIVE AGENT AND EACH LENDER HAS ALREADY RELIED ON THESE WAIVERS IN ENTERING INTO THIS AGREEMENT, AND THAT ADMINISTRATIVE AGENT, THE LC ISSUING BANK AND EACH LENDER WILL CONTINUE TO RELY ON EACH OF THESE WAIVERS IN RELATED FUTURE DEALINGS. THE BORROWER FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THESE WAIVERS WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY AGREES TO EACH WAIVER FOLLOWING CONSULTATION WITH LEGAL COUNSEL.** The waivers in this section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications or replacements in respect of the applicable Credit Document. In connection with any Litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 14.12. Non-Recourse to the General Partner.

Neither the General Partner nor any director, officer, employee, stockholder, member, manager or agent of the General Partner shall have any liability for any obligations of the Borrower or any other Company under this Agreement or any other Credit Document or for any claim based on, in respect of or by reason of, such obligations or their creation, including any liability based upon or arising by operation of law as a result of, the status or capacity of the General Partner as the "general partner" of the Borrower or any other Company. By executing this Agreement, the Administrative Agent, the LC Issuing Bank and each Lender expressly waives and releases all such liability.

SECTION 14.13. Confidentiality.

The Administrative Agent, the LC Issuing Bank and each Lender agrees (on behalf of itself and each of its Affiliates, and its and each of their respective Representatives) to keep and maintain any non-public information supplied to it by or on behalf of any Company which is identified as being confidential and shall not use any such information for any purpose other than in connection with the administration or enforcement of this transaction. However, nothing herein shall limit the disclosure of any such information (a) to the extent required by Legal Requirement, (b) to counsel of the Administrative Agent, the LC Issuing Bank or any Lender in connection with the transactions provided for in this Agreement, (c) to bank examiners, auditors and accountants, or (d) any Assignee or Participant (or prospective Assignee or Participant) so long as such Assignee or Participant (or prospective Assignee or Participant) first enters into a confidentiality agreement with the Administrative Agent or such Lender. Notwithstanding anything contained herein to the contrary, the parties agree that this Agreement does not limit the ability of any party hereto (or any employee, representative, or other agent of such party) to disclose to any Person, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such tax treatment and tax structure; *provided, however,* the foregoing is not intended to waive the attorney-client privilege or any other privileges, including the tax advisor privilege under Section 7525 of the Internal Revenue Code of 1986, as amended from time to time.

SECTION 14.14. Entirety.

THE CREDIT DOCUMENTS AND THE FEE LETTER REPRESENT THE FINAL AGREEMENT AMONG THE BORROWER, THE LENDERS, THE LC ISSUING BANK AND THE ADMINISTRATIVE AGENT WITH RESPECT TO SUBJECT MATTER SET FORTH THEREIN AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first stated in this Credit Agreement.

TEPPCO Partners, L.P.
America Tower Bldg.
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Attn:

Phone: 713-759-3636
Fax: 713-759-3957

TEPPCO PARTNERS, L.P., as Borrower

By: TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President & Chief Financial Officer

SunTrust Bank
303 Peachtree Street, N.E., 10th Floor
Atlanta, GA 30308
Attn:

Phone: 404-588-7824
Fax: 404-827-6270

SUNTRUST BANK, as Administrative Agent and Lender

By: /s/ JAMES M. WARREN

Name: James M. Warren
Title: Director

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent

By: /s/ RUSSELL CLINGMAN

Name: Russell Clingman
Title: Director

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

BANK ONE, NA, as Co-Syndication Agent

By: /s/ JOSEPH GIAMPETRONI

Name: Joseph Giampetroni
Title: Director

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

KEY BANK, N.A., as Co-Documentation Agent

By: /s/ KEVIN D. SMITH

Name: Kevin D. Smith
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

BNP PARIBAS, as Co-Documentation Agent

By: /s/ J. ONISCHUK

Name: J. Onischuk
Title: Director

By: /s/ GREG SMOTHERS

Name: Greg Smothers
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ KEVIN J. HOWARD

Name: Kevin J. Howard
Title: Managing Director

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

THE BANK OF NEW YORK

By: /s/ PETER W. KELLER

Name: Peter W. Keller
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ PHILLIPPE SOUSTRA

Name: Phillippe Soustra
Title: Executive Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

UBS AG, CAYMAN ISLANDS BRANCH

By: /s/ PATRICIA O'KICKI

Name: Patricia O'Kicki
Title: Director

By: /s/ WILFRED V. SAINT

Name: Wilfred V. Saint
Title: Associate Director
Banking Products Services US

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

ROYAL BANK OF CANADA

By: /s/ J. OBERAIGNER

Name: J. Oberaigner
Title: Senior Manager

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

NATIONAL AUSTRALIA BANK, LTD.

By: /s/ MIKE LORUSSO

Name: Mike Lorusso
Title: SVP

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

WELLS FARGO BANK TEXAS, NA

By: /s/ RICHARD A. GOULD

Name: Richard A. Gould
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

KBC BANK N.V.

By: /s/ ROBERT SNAUFFER

Name: Robert Snauffer
Title: First Vice President

By: /s/ ERIC RASKIN

Name: Eric Raskin
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

BANK OF COMMUNICATIONS, NEW YORK BRANCH

By: /s/ DE CAI LI

Name: De Cai Li
Title: General Manager

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

COMMERCE BANK

By: /s/ EDWARD P. TIETJEN

Name: Edward P. Tietjen
Title: Senior Vice President

By: /s/ WAYNE MILLER

Name: Wayne Miller
Title: Vice President

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

BANK HAPOALIM B.M.

By: /s/ HELEN H. GATESON

Name: Helen H. Gateson
Title: Vice President

By: /s/ LAURA ANNE RAFFA

Name: Laura Anne Raffa
Title: Senior Vice President and Corporate Manager

[SIGNATURE PAGE TO TEPPCO PARTNERS, L.P. CREDIT AGREEMENT]

SCHEDULE 2

LENDERS AND COMMITMENTS

Lender	Commitment
SunTrust Bank 303 Peachtree St. N.E. 10th Floor Atlanta, GA 30308 Attn: Phone: 404- Fax: 404-	60,000,000.00
Wachovia Bank, N.A. 1001 Fannin Street Suite 2255 Houston, TX 77002 Attn: Russell Clingman Phone: 713-346-2716 Fax: 713-650-1071	55,000,000.00
Bank One, NA Mail Code IL1-0362 1 Bank One Plaza Chicago, IL 60670 Attn: Joseph Giampetroni Vice President Phone: 312-732-1489 Fax: 312-732-3055	55,000,000.00
Key Bank, N.A. Mail Code WA-31-18-0512 601 108th Avenue NE, 5th Floor Bellevue, WA 98004 Attn: Keven D. Smith Vice President Phone: 425-709-4579 Fax: 425-709-4587	55,000,000.00

Lender	Commitment
BNP Paribas 1200 Smith Street, Suite 3100 Houston, TX 77002 Attn: Leah E. Hughes Assistant Vice President Phone: 713-982-1126 Fax: 713-659-5305	55,000,000.00
The Royal Bank of Scotland plc New York Branch 65 East 55th Street, 21st Floor New York, NY 10022 Attn: Sheila Shaw Phone: 212-401-1406 Fax: 212-401-1494	55,000,000.00
The Bank of New York Oil & Gas Division One Wall Street New York, NY 10286 Attn: Peter W. Keller Vice President Phone: 212-635-7861 Fax: 212-635-7923	40,000,000.00
Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, NY 10019-6022 Attn: Philippe Soustra Executive Vice President Phone: 212-261-7000 Fax: 212-459-3170	40,000,000.00

Lender	Commitment
UBS AG, Cayman Islands Branch 677 Washington Boulevard Stamford, CT 06901 Attn: Christopher M. Aitkin Phone: 203-719-3845 Fax: 203-719-3888	20,000,000.00
Royal Bank of Canada (Royal Bank Financial Group) Global Bank - Debt Products 2800 Post Oak Blvd. Houston, TX 77056 Attn: David McCluskey Manager Phone: 713-403-5666 Fax: 713-403-5624	20,000,000.00
National Australia Bank Ltd. 200 Park Avenue, 34th Floor New York, NY 10166 Attn: Mike Lorusso Phone: 212-916-9602 Fax: 212-983-7360	20,000,000.00
Wells Fargo Bank Texas, NA 1000 Louisiana Street, 3rd Floor Houston, TX 77002 Attn: Richard Gould Relationship Manager Phone: 713-319-1343 Fax: 713-739-1087	20,000,000.00
KBC Bank N.V. New York Branch 125 West 55th Street New York, NY 10019 Attn: Patrick A. Janssens Vice President Phone: 212-541-0714 212-541-0784	15,000,000.00

Lender	Commitment
Bank of Communications, New York Branch One Exchange Plaza 55 Broadway, 31st Floor New York, NY 10006 Attn: Anders Lai Senior Vice President & Senior Manager Phone: 212-376-8030 ext. 120 Fax: 212-376-8089	15,000,000.00
Commerce Bank 1600 Smith Street, Suite 4025 Houston, TX 77002 Attn: Lance Ramesh Phone: 713-571-8010 Fax: 713-571-7080	15,000,000.00
Bank Hapoalim B.M. 1177 Avenue of the Americas New York, NY 10036 Attn: Helen Gateson Assistant Vice President Phone: 212-782-2161 Fax: 212-782-2382	10,000,000.00
Total Commitments	**$550,000,000.00**

SCHEDULE 5

CLOSING DOCUMENTS

Unless otherwise specified, all documents are dated either June 27, 2003 (the ***"Closing Date"***), or

a date no earlier than 30 days before the Closing Date (a ***"Current Date"***).

1. CREDIT AGREEMENT (the ***"Credit Agreement"***), dated as of June 27, 2003, among **TEPPCO PARTNERS, L.P.,** a Delaware limited partnership (the ***"Borrower"***), certain Lenders, **SUNTRUST BANK,** as the Administrative Agent and the LC Issuing Bank, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents (the defined terms in which have the same meanings when used in this schedule), accompanied by:

Schedule 2	—	Lenders and Commitments
Schedule 5	—	Closing Documents
Schedule 7.2	—	List of Companies and Significant Subsidiaries
Schedule 7.8	—	Litigation
Schedule 7.10	—	Environmental Matters
Schedule 7.11	—	Employee Plan Matters
Schedule 7.12	—	Existing Debt
Schedule 7.13	—	Existing Liens
Schedule 7.15	—	Affiliate Transactions
Schedule 7.20	—	Restrictions on Distributions
Exhibit A	—	Form of Note
Exhibit B	—	Form of Guaranty
Exhibit C-1	—	Form of Borrowing Request
Exhibit C-2	—	Form of Notice of Conversion
Exhibit C-3	—	Form of Request for Issuance
Exhibit C-4	—	Form of Compliance Certificate (Borrower)
Exhibit D	—	Form of Opinion of Counsel
Exhibit E	—	Form of Assignment and Assumption Agreement

2. NOTES, dated the Closing Date, executed by the Borrower, substantially in the form of Exhibit A to the Credit Agreement, one payable to each Lender in the amount stated beside its name below:

Lender	Amount
SunTrust	$60,000,000.00
Wachovia Bank, N.A.	55,000,000.00
Bank One, NA	55,000,000.00
Key Bank, N.A.	55,000,000.00
BNP Paribas	55,000,000.00
Royal Bank of Scotland plc	55,000,000.00
The Bank of New York	40,000,000.00
Credit Lyonnais, New York Branch	40,000,000.00
UBS AG, Cayman Islands Branch	20,000,000.00
Royal Bank of Canada	20,000,000.00
National Australia Bank Ltd.	20,000,000.00
Wells Fargo Bank Texas, N.A.	20,000,000.00
KBC Bank N.V.	15,000,000.00
Bank of Communications	15,000,000.00
Commerce Bank	15,000,000.00
Bank Hapoalim B.M.	10,000,000.00

3. GUARANTY, executed by each of TCTM, TE Products, Midstream, Jonah Gas and Val Verde, each dated as of the Closing Date, each in substantially the form of ***Exhibit B*** to the Credit Agreement.

4. COMPLIANCE CERTIFICATE, dated and prepared as of the initial Extension of Credit (the ***"Funding Date"***), executed by a Responsible Officer on behalf of the Borrower in substantially the form of Exhibit C-4 to the Credit Agreement.

5. INSURANCE POLICIES OR BINDERS dated as of Current Dates and reflecting the insurance coverage required by Section 8.9 of the Credit Agreement.

6. PAYMENT OF ALL FEES payable to the Administrative Agent, its Affiliates, the LC Issuing Bank and the Lenders pursuant to Section 4 of the Credit Agreement and each Credit Document, on or before the Funding Date.

7. PAYMENT OF LEGAL FEES and expenses incurred by counsel to Administrative Agent through the Funding Date.

8. CONSTITUENT DOCUMENTS of the Borrower and each Guarantor as of the Closing Date certified by a Responsible Officer of the Borrower.

9. CERTIFICATES OF APPROPRIATE GOVERNMENTAL AUTHORITIES of the following jurisdictions, dated as of Current Dates, with respect to the existence, authority to transact business and good standing of the following Persons:

Person	Jurisdiction(s)
TCTM	Delaware
	Texas
Midstream	Colorado
	Delaware
	Texas
	Wyoming
TE Products	Arkansas
	Delaware
	Illinois
	Indiana
	Kentucky
	Louisiana
	Missouri
	New York
	Ohio
	Pennsylvania

Person	Jurisdiction(s)
	Rhode Island
	Texas
	West Virginia
TEPPCO GP	Arkansas
	Delaware
	Illinois
	Indiana
	Kentucky
	Louisiana
	Missouri
	New York
	Pennsylvania
	Rhode Island
	Texas
	West Virginia
	Wyoming
Borrower	Delaware
	Texas
Texas Eastern	Delaware
Val Verde	Delaware

10. OFFICERS' CERTIFICATE dated as of the Closing Date, executed by the President or a Vice President and by the Secretary of an Assistant Secretary of Texas Eastern certifying (a) resolutions adopted by Texas Eastern's directors authorizing the executing and delivery of the Credit Documents on behalf of Texas Eastern and the Borrower, as the case may be, and (b) the incumbency and signatures of officers of Texas Eastern authorized to execute and deliver any Credit Document.

Annex A	—	Resolutions of Texas Eastern's's Directors
Annex B	—	Certificate of Formation of Texas Eastern
Annex C	—	Limited Liability Company Agreement of Texas Eastern
Annex D	—	Agreement of Limited Partnership of the Borrower

11. OFFICERS' CERTIFICATE executed by the President or a Vice President and by the Secretary or an Assistant Secretary of TEPPCO GP certifying (a) resolutions adopted by TEPPCO GP's directors authorizing the executing and delivery of the Credit Documents on behalf of TEPPCO GP and each Guarantor, and (b) the incumbency and signatures of officers of TEPPCO GP authorized to execute and deliver any Credit Document.

Annex A	—	Resolutions of TEPPCO GP's Directors
Annex B	—	Certificate of Organization/Formation of TEPPCO GP, TE Products, Midstream, TCTM, TEPPCO NGL Pipeline, LLC and Val Verde
Annex C	—	Partnership Agreement of each Guarantor
Annex D		Limited Liability Company Agreement of TEPPCO NGL Pipeline, LLC

12. OPINION dated the Funding Date, of Fulbright & Jaworski L.L.P., as counsel to Texas Eastern, the Borrower, TEPPCO GP and the Guarantors (other than Jonah Gas), addressed to the Administrative Agent and the Lenders, and in substantially the form of Exhibit D to the Credit Agreement.

13. COPIES of the Current Financials.

14. EVIDENCE that the Existing Credit Agreement shall have been terminated and all amounts thereunder shall have been paid in full.

15. Such other documents and items as the Administrative Agent may reasonably request.

SCHEDULE 7.2

COMPANIES AND NAMES

Company	Jurisdiction of Formation	Qualified to do Business	Other Names Used in Past 5 Years	Name Change in Last 4 Months	Owned By

SCHEDULE 7.8

LITIGATION

SCHEDULE 7.10

ENVIRONMENTAL MATTERS

SCHEDULE 7.11

EMPLOYEE PLAN MATTERS

SCHEDULE 7.12

EXISTING DEBT

SCHEDULE 7.13

EXISTING LIENS

SCHEDULE 7.15

AFFILIATE TRANSACTIONS

EXHIBIT A

FORM OF NOTE

$ [Date]

FOR VALUE RECEIVED, **TEPPCO PARTNERS, L.P.,** a Delaware limited partnership (the ***"Maker"***), promises to pay to the order of (the ***"Payee"***), the principal amount of $, together with interest on the unpaid amounts thereof from time to time outstanding.

This note is a "Note" under the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented or restated, the ***"Credit Agreement"***), among the Maker, the Payee, certain other Lenders from time to time, SunTrust Bank, as the Administrative Agent for the Lenders and as the LC Issuing Bank, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents. All of the terms defined in the Credit Agreement have the same meanings when used, unless otherwise defined, in this note.

This note incorporates by reference the principal and interest payment terms in the Credit Agreement for this note, including, without limitation, the final maturity date for this note, which is the Stated Termination Date. Principal and interest are payable to the holder of this note by payment to the Administrative Agent at its offices at 303 Peachtree Street, N.E., 10th Floor, Atlanta, Georgia 30308 or at any other address of which the Administrative Agent may notify the Maker in writing.

This note also incorporates by reference all other provisions in the Credit Agreement applicable to this note including provisions for disbursement of principal, applicable interest rates before and after certain Events of Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorney's fees, courts costs and other costs of collection, certain waivers by the Maker and other obligors, assurances and security, choice of New York and United States federal law, usury savings and other matters applicable to the Credit Documents under the Credit Agreement.

TEPPCO PARTNERS, L.P., as the Maker

By TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By _____

Name:
Title:

EXHIBIT B

FORM OF GUARANTY

THIS GUARANTY (this ***"Guaranty"***) is executed as of [ ], by [NAME OF GUARANTOR], a (the ***"Guarantor"***) and a subsidiary of **TEPPCO PARTNERS, L.P.,** a Delaware limited partnership (the ***"Borrower"***), for the benefit of **SUNTRUST BANK** (in its capacity as the Administrative Agent for the lenders (the ***"Lenders"***) now or in the future party to the Credit Agreement described below, the ***"Administrative Agent"***), the LC Issuing Bank (as defined in the Credit Agreement) and the Lenders.

The Borrower, the Administrative Agent, the LC Issuing Bank, the Lenders, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents have executed the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented or restated, the ***"Credit Agreement"***). The execution and delivery of this Guaranty are conditions precedent to the obligations of the Lenders and the LC Issuing Bank to make Extensions of Credit under the Credit Agreement. All of the terms defined in the Credit Agreement have the same meanings when used, unless otherwise defined, in this Guaranty.

ACCORDINGLY, for adequate and sufficient consideration, and in order to induce the Lenders and the LC Issuing Bank to make Extensions of Credit under the Credit Agreement, the Guarantor hereby agrees as follows:

1. ***Guaranty***.

(a) The Guarantor hereby guarantees (jointly and severally with any other "Guarantor" under the Credit Agreement) to the Administrative Agent, the LC Issuing Bank and the Lenders (collectively, the ***"Finance Parties"***) the full and punctual payment when due (whether at maturity, by acceleration or otherwise), and in manner specified under the Credit Documents, of all of the Obligations, including without limitation, Obligations arising from any increase in the Commitments as may be effected from time to time pursuant to the Credit Agreement. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and not of their collectibility only and is in no way conditioned upon any other means of obtaining their payment. Should the Borrower default in the payment of any of the Obligations, the obligations of the Guarantor hereunder shall become immediately due and payable to the Finance Parties. The obligations of the Guarantor under this Guaranty (the ***"Guarantor Obligations"***) are independent of the Obligations, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or any other guarantor of the Obligations or whether the Borrower or any such guarantor is joined in any such action or actions.

(b) The Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Finance Parties, on demand, all costs and expenses (including court

costs and reasonable legal expenses) incurred or expended by the Finance Parties in connection with the enforcement of this Guaranty.

(c) The Guarantor hereby agrees to indemnify each Finance Party on demand against any loss or liability suffered by such Finance Party if any of the Obligations is or becomes, unenforceable, invalid or illegal.

2. ***Cumulative Rights.*** If the Guarantor becomes liable for any indebtedness owing by the Borrower to any Finance Party, other than under this Guaranty, that liability may not be in any manner impaired or affected by this Guaranty. The Rights of the Finance Parties under this Guaranty are cumulative of any and all other Rights that any Finance Party may ever have against the Guarantor. The exercise by Bank of any Right under this Guaranty or otherwise does not preclude the concurrent or subsequent exercise of any other Right.

3. ***Limitation on Liability.*** Anything in this Guaranty to the contrary notwithstanding, the obligations of the Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render the Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the ***"fraudulent transfer laws"***), in each case after giving effect to all other liabilities of the Guarantor, contingent or otherwise, that are relevant under the fraudulent transfer laws (specifically excluding, however, any liabilities of the Guarantor (i) in respect of intercompany indebtedness to the Borrower or Affiliates of the Borrower to the extent that such indebtedness would be discharged in an amount equal to the amount paid by the Guarantor hereunder and (ii) under any guaranty of senior unsecured indebtedness or Debt subordinated in right of payment of the Obligations, which guaranty shall contain a limitation as to maximum amount similar to that set forth in this Section, pursuant to which the liability of the Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the fraudulent transfer laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of the Guarantor pursuant to (A) applicable law or (B) any agreement providing for an equitable allocation among the Guarantor and other Affiliates of the Borrower of obligations arising under guarantees by such parties.

4. ***Subordination.*** All principal of and interest on all indebtedness, liabilities and obligations of the Companies to the Guarantor (the ***"Subordinated Debt"***), whether direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, now or in the future existing, due or to become due to the Guarantor, or held or to be held by the Guarantor, whether created directly or acquired by assignment or otherwise, and whether evidenced by written instrument or not, is expressly subordinated to the full and final payment of the Guarantor Obligations (and the Guarantor agrees not to accept any payment of any Subordinated Debt from the Companies) during any period when any Event of Default or Potential Default has occurred and is continuing. If the Guarantor receives any payment of any Subordinated Debt in violation of the preceding subordination provision, then the Guarantor shall hold that payment in trust for the Finance Parties and promptly turn it over to the Administrative Agent, in the form received (with any necessary endorsements), to be applied to the Guarantor Obligations.

5. ***Subrogation and Contribution.*** Until the Commitments have been terminated and the Guarantor Obligations have been fully paid and performed (a) the Guarantor may not assert, enforce or otherwise exercise any Right of subrogation to any of the Rights or Liens of any Finance Party or any other beneficiary against the Borrower or any other obligor on the Obligations or any collateral or other security or any Right of recourse, reimbursement, subrogation, contribution, indemnification, or similar Right against the Borrower or any other obligor on the Obligations or any guarantor thereof, (b) the Guarantor defers all of the foregoing Rights (whether they arise in equity, under contract, by statute, under common law or otherwise), and (c) the Guarantor defers the benefit of, and any Right to participate in, any collateral or other security given to any Finance Party or to any other beneficiary to secure payment of any part of the Obligations.

6. ***No Release.*** The Guarantor's obligations under this Guaranty shall not be released, diminished, or impaired by the occurrence of any one or more of the following events: (a) Any taking or accepting of any other security or assurance for the Obligations; (b) any release, surrender, exchange, subordination, impairment, or loss of any collateral securing the Obligations; (c) any full or partial release of the liability of any other obligor on the Obligations (other than as the result of payment on the Obligations); (d) the modification of, or waiver of compliance with, any terms of any other Credit Document; (e) any present or future insolvency, bankruptcy, or lack of corporate, partnership or limited liability company power of any other obligor at any time liable for the Obligations; (f) any increase of the Obligations and any renewal, extension or rearrangement of the Obligations or any adjustment, indulgence, forbearance or compromise that may be granted or given by any Finance Party to any other obligor on the Obligations; (g) any neglect, delay, omission, failure or refusal of any Finance Party to take or prosecute any action in connection with the Obligations; (h) any failure of any Finance Party to notify the Guarantor of any renewal, extension or assignment of any part of the Obligations, or the release of any security or of any other action taken or refrained from being taken by any Finance Party against the Borrower, or any new agreement among the Finance Parties and the Borrower, it being understood that no Finance Party is required to give the Guarantor notice of any kind under any circumstances whatsoever with respect to or in connection with any part of the Obligations, other than any notice specifically required to be given to the Guarantor by applicable Legal Requirements or elsewhere in this Guaranty; (i) the unenforceability of the Obligations against any other obligor because they exceed the amount permitted by applicable Legal Requirements, the act of creating the Obligations is ultra vires, the officers creating the Obligations exceeded their authority or violated their fiduciary duties in connection with the Obligations, or otherwise; or (j) any payment of any part of the Obligations to any Finance Party is held to constitute a preference under any Debtor Law or for any other reason any Finance Party is required to refund that payment or make payment to someone else (and in each such instance this Guaranty shall be reinstated in an amount equal to that payment).

7. ***Waivers.*** The Guarantor waives (to the extent lawful and until full payment of the Guarantor Obligations) all defenses to the enforcement of this Guaranty (and Rights that may be asserted as defenses to the enforcement of this Guaranty) including, but not limited to (i) any Right to revoke this Guaranty with respect to future indebtedness arising under the Credit Agreement; (ii) any Right to require any Finance Party to do any of the following before the Guarantor is obligated to pay any part of the Guarantor Obligations or before any Finance Party may proceed against the Guarantor: (A) sue or exhaust remedies against the Borrower and other

guarantors or obligors in respect of the Obligations, (B) sue on an accrued right of action in respect of the Obligations or bring any other action, exercise any other right or exhaust all other remedies, or (C) enforce rights against the Borrower's assets or the collateral pledged by the Borrower to secure any part of the Obligations; (iii) any right relating to the timing, manner or conduct of any Finance Party's enforcement of rights against the Borrower's assets or the collateral pledged by the Borrower to secure any part of the Obligations; (iv) if the Guarantor and the Borrower (or a third party) have each pledged assets to secure any part of the Obligations or the Guaranteed Obligations or the Guaranteed Obligations, any right to require any Finance Party to proceed first against the other collateral before proceeding against collateral pledged by the Guarantor; (v) notice that this Guaranty has been accepted by any Finance Party and notice of any indebtedness to which this Guaranty may apply; (vi) any right of the Guarantor to receive notice from any Finance Party of changes that affect the creditworthiness of the Borrower; and (vii) except for any notice specifically required by this Guaranty, presentation, presentment, demand for payment, protest, notice of protest, notice of dishonor or nonpayment of any indebtedness, notice of intent to accelerate, notice of acceleration, notice of any suit or other action by any Finance Party against the Borrower, the Guarantor or any other Person and any notice to any party liable for the obligation that is the subject of the suit or action.

8. ***Credit Agreement Provisions.*** The Guarantor acknowledges that (a) the Borrower has made certain representations and warranties in the Credit Agreement with respect to the Guarantor and confirms that each such representation and warranty is true and correct, with the same effect as set forth herein, and (b) the Borrower has made certain covenants and agreements in the Credit Agreement with respect to the Guarantor and agrees to promptly and properly comply with or be bound by each of them, with the same effect as if set forth herein.

9. ***Reliance and Duty to Remain Informed.*** The Guarantor confirms that it has executed and delivered this Guaranty after reviewing the terms and conditions of the Credit Documents and all other information as it has deemed appropriate in order to make its own credit analysis and decision to execute and deliver this Guaranty. The Guarantor confirms that it has made its own independent investigation with respect to the Borrower's creditworthiness and is not executing and delivering this Guaranty in reliance on any representation or warranty by any Finance Party as to that creditworthiness. The Guarantor expressly assumes all responsibilities to remain informed of the financial condition of the Borrower and any circumstances affecting the Borrower's ability to perform under the Credit Documents to which it is a party or any collateral securing the Obligations.

10. ***No Reduction.*** Subject to Section 3 of this Guaranty, the Guarantor Obligations may not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense (except for the defense of complete and final payment of the Guarantor Obligations) of the Borrower or any other obligor against any Finance Party or against payment of the Guarantor Obligations, whether that offset, claim or defense arises in connection with the Guarantor Obligations or otherwise. Those claims and defenses include, without limitation, failure of consideration, breach of warranty, fraud, bankruptcy, incapacity/infancy, statute of limitations, lender liability, accord and satisfaction, usury, forged signatures, mistake, impossibility, frustration of purpose and unconscionability.

11. ***Communications*.** For purposes of Section 14.2 of the Credit Agreement, the Guarantor's address and fax number are the same as the Borrower.

12. ***Amendments, Etc*.** No amendment, waiver or discharge to or under this Guaranty is valid unless it is in writing and is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of Section 14.8 of the Credit Agreement.

13. ***ENTIRETY*. THIS GUARANTY AND ANY OTHER CREDIT DOCUMENT TO WHICH THE GUARANTOR IS A PARTY REPRESENT THE FINAL AGREEMENT AMONG THE GUARANTOR, THE ADMINISTRATIVE AGENT, THE LENDERS AND THE LC ISSUING BANK WITH RESPECT TO THE SUBJECT MATTER OF THIS GUARANTY AND ANY SUCH OTHER CREDIT DOCUMENT AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

14. ***Administrative Agent and the Lenders and LC Issuing Bank*.** The Administrative Agent may, without the joinder of any other Finance Party, exercise any Rights in any Finance Party's favor under or in connection with this Guaranty. The Administrative Agent's and other Finance Party's Rights and obligations vis-a-vis each other may be subject to one or more separate agreements between those parties. However, the Guarantor is not required to inquire about any such agreement or is subject to any terms of it unless the Guarantor specifically joins it. Therefore neither the Guarantor nor its successors or assigns is entitled to any benefits or provisions of any such separate agreement or is entitled to rely upon or raise as a defense any party's failure or refusal to comply with the provisions of it.

15. ***Parties.*** This Guaranty benefits the Finance Parties and their respective successors and permitted assigns and binds the Guarantor and their successors and assigns. Upon appointment of any successor Administrative Agent under, and pursuant to the terms of, the Credit Agreement, all of the Rights of the Administrative Agent under this Guaranty automatically vest in such successor Administrative Agent without any further act, deed, conveyance or other formality other than that appointment. The Rights of the Administrative Agent, the Lenders and the LC Issuing Bank under this Guaranty may be transferred with any permitted assignment of the Obligations. The Credit Agreement contains provisions governing assignments of the Obligations and of Rights and obligations under this Guaranty.

16. ***Venue, Service of Process, and Jury Trial.*** **THE GUARANTOR, FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN NEW YORK, (B) WAIVES, TO THE FULLEST EXTENT LAWFUL, ANY OBJECTION THAT IT MAY NOW OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY AND THE GUARANTEED OBLIGATION BROUGHT IN THE DISTRICT COURTS OF NEW YORK COUNTY, NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, (C) WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE FOREGOING**

COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (D) CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THOSE COURTS IN ANY LITIGATION BY THE MAILING OF COPIES OF THAT PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, BY HAND DELIVERY, OR BY DELIVERY BY A NATIONALLY-RECOGNIZED COURIER SERVICE, AND SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY OF THE LEGAL PROCESS AT ITS ADDRESS FOR PURPOSES OF THIS AGREEMENT, (E) AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY CREDIT DOCUMENT ARISING OUT OF OR IN CONNECTION WITH THE CREDIT DOCUMENTS OR THE OBLIGATION MAY BE BROUGHT IN ONE OF THE FOREGOING COURTS, AND (F) IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY CREDIT DOCUMENT. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. **THE GUARANTOR ACKNOWLEDGES THAT THESE WAIVERS ARE A MATERIAL INDUCEMENT TO EACH FINANCE PARTY'S AGREEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH FINANCE PARTY HAS ALREADY RELIED ON THESE WAIVERS IN ENTERING INTO THE CREDIT AGREEMENT AND THAT EACH FINANCE PARTY WILL CONTINUE TO RELY ON EACH OF THESE WAIVERS IN RELATED FUTURE DEALINGS. THE GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THESE WAIVERS WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY AGREES TO EACH WAIVER FOLLOWING CONSULTATION WITH LEGAL COUNSEL.** The waivers in this paragraph are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of this Guaranty. In connection with any Litigation, this Guaranty may be filed as a written consent to a trial by the court.

17. ***Governing Law.*** This Guaranty shall be governed by, and construed in accordance with, the law of the State of New York and the United States of America.

EXECUTED as of the date first stated in this Guaranty.

[NAME OF GUARANTOR]

By _____

Name:
Title:

EXECUTED by the Administrative Agent solely in acknowledgment of Paragraph 15 above.

SUNTRUST BANK, as Administrative Agent

By _____

Name:
Title:

EXHIBIT C-1

FORM OF BORROWING REQUEST

AGENT: SunTrust Bank ***DATE:*** ,

BORROWER: TEPPCO PARTNERS, L.P.

This notice is delivered under Article 2 of the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented and restated, the ***"Credit Agreement"***), among the Borrower, the Administrative Agent, the LC Issuing Bank, certain lenders, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents. Terms defined in the Credit Agreement have the same meanings when used (unless otherwise defined) in this request.

The Borrower requests a Borrowing under the Credit Agreement as follows:

Borrowing Date[1] _____

Amount of Borrowing[2] $ _____

Type of Borrowing[3] _____

LIBOR Rate Borrowing, the Interest Period[4] _____ months

The Borrower certifies that on the date of this request and on the above Borrowing Date (after giving effect to the requested Borrowing) (a) all of the representations and warranties in the Credit Documents are and will be true and correct in all material respects (unless they speak to a specific date or the facts on which they are based have been changed by transactions contemplated or expressly permitted (including as an express exception to the restrictions set forth in Article IX of the Credit Agreement) by the Credit Agreement), (b) no Material Adverse Event, Event of Default or Potential Default has or will have occurred and is or will be continuing, and (c) the amount of the Borrowing will not cause any of the limitations in Section 2.1 or 2.5 to be exceeded.

TEPPCO PARTNERS, L.P., the Borrower

By TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By _____

Name:
Title[5]:

1 Business Day of request for Base Rate Borrowing or at least second Business Day after request for LIBOR Rate Borrowing.

2 Not less than $1,000,000 or a $100,000 greater multiple for a Base Rate Borrowing and not less than $10,000,000 or a $1,000,000 greater multiple for a LIBOR Rate Borrowing.

3 LIBOR Rate Borrowing or Base Rate Borrowing.

4 1, 2, 3 or 6 months.

5 Must be a Responsible Officer.

EXHIBIT C-2

FORM OF NOTICE OF CONVERSION

AGENT: SunTrust Bank ***DATE:*** ,

BORROWER: TEPPCO PARTNERS, L.P.

This notice is delivered under Section 3.10 of the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented and restated, the ***"Credit Agreement"***), among the Borrower, the Administrative Agent, the LC Issuing Bank, certain lenders, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents. Terms defined in the Credit Agreement have the same meanings when used (unless otherwise defined) in this notice.

The Borrower presently has a [6] Borrowing (the ***"Existing Borrowing"***) in the amount of $, which, if a LIBOR Rate Borrowing, has an Interest Period of [7] ending on . On (the ***"Conversion Date"***), the Borrower shall partially pay, continue in full or part as the same Type of Borrowing, or convert in full or part to another Type of Borrowing and (if applicable) with the Interest Period(s) designated below *[check applicable boxes]*:

- o Amount to be paid, if any, $.
- o Balance to be in the following Types of Borrowings with (if applicable) the following Interest Period(s):

Type	Amount	Interest Period
	$	
	$	
	$	
	$	

The Borrower certifies that on the date of this notice and on the Conversion Date (and after giving effect to the above actions) (a) all of the representations and warranties in the Credit Documents will be true and correct in all material respects (unless they speak to a specific date or the facts on which they are based have been changed by transactions contemplated or expressly permitted (including as an express exception to the restrictions set forth in Article IX of the Credit Agreement) by the Credit Agreement) and (b) no Material Adverse Event, Default or Potential Default has or will have occurred and is or will be continuing.

---

1 Base Rate or LIBOR Rate.

2 1, 2, 3 or 6 months.

TEPPCO PARTNERS, L.P., as Borrower

By TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By _____

Name:

Title[8]:

8 Must be a Responsible Officer.

EXHIBIT C-3

FORM OF REQUEST FOR ISSUANCE

AGENT: SunTrust Bank ***DATE:*** ,

BORROWER: TEPPCO PARTNERS, L.P.

This notice is delivered under Section 2.5(a) of the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented and restated, the ***"Credit Agreement"***), among the Borrower, the Administrative Agent, the LC Issuing Bank, certain lenders, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents. Terms defined in the Credit Agreement have the same meanings when used (unless otherwise defined) in this request.

The Borrower requests the [issuance][extension][modification][amendment] of a Letter of Credit under the Credit Agreement as follows:

Date of [issuance][extension][modification][amendment] _____

Stated amount $ _____

Name and Address of the beneficiary _____

_____

_____

Drawing conditions _____

_____

Stated Expiry Date _____

The Borrower certifies that on the date of this request and on the date of the Extension of Credit proposed above (after giving effect to the requested Extension of Credit) (a) all of the representations and warranties in the Credit Documents are and will be true and correct in all material respects (unless they speak to a specific date or the facts on which they are based have been changed by transactions contemplated or expressly permitted (including as an express exception to the restrictions set forth in Article IX of the Credit Agreement) by the Credit Agreement), (b) no Material Adverse Event, Event of Default or Potential Default has or will have occurred and is or will be continuing, and (c) the amount of the Letter of Credit will not cause any of the limitations in Section 2.1 or 2.5 to be exceeded.

TEPPCO PARTNERS, L.P., as Borrower

By TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By _____

Name:
Title[9]:

9 Must be a Responsible Officer.

EXHIBIT C-4

FORM OF COMPLIANCE CERTIFICATE

(Borrower)

FOR THE FISCAL QUARTER/YEAR ENDED (the ***"Subject Period"***)

AGENT: SunTrust Bank ***DATE:*** ,

BORROWER: TEPPCO PARTNERS, L.P.

This notice is delivered under Section 8.1 of the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented or restated the ***"Credit Agreement"***), among the Borrower, the Administrative Agent, the LC Issuing Bank, certain lenders, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents. Terms defined in the Credit Agreement have the same meanings when used (unless otherwise defined) in this certificate.

In my capacity as a Responsible Officer, and on behalf of the Borrower, I certify to the Administrative Agent, the LC Issuing Bank and each Lender on the date of this certificate that (a) I am a Responsible Officer, (b) the Borrower's Financial Statements attached to this certificate were prepared in accordance with GAAP and present fairly its consolidated and (if annual Financials) consolidating financial condition and results of operation as of, and for the fiscal quarter or year, as the case may be, ended on, the last day of the Subject Period, (c) a review of the activities of the Companies during the Subject Period has been made under my supervision with a view to determining whether, during the Subject Period, the Companies performed and complied with all of their obligations under the Credit Documents, and, during the Subject Period, to my knowledge (i) the Companies performed, and complied with all of their obligations under the Credit Documents (except for the deviations, if any, described on a schedule attached to this certificate) in all material respects and (ii) no Event of Default (nor any Potential Default) has occurred which has not been cured or waived (except the Events of Default or Potential Defaults, if any, described on the schedule attached to this certificate), and (d) to my knowledge, the status of compliance by the Companies with Article 10 of the Credit Agreement at the end of the Subject Period is as described on the schedule attached to this certificate.

By _____

Name:
Title [10]:

[COMPLIANCE CERTIFICATE NOT EFFECTIVE WITHOUT COMPLETED

SCHEDULE ATTACHED]

10 Must be a Responsible Officer.

SCHEDULE TO COMPLIANCE CERTIFICATE

(For Fiscal Quarter/Year Ended)

A. Describe deviations from performance or compliance with covenants, if any, pursuant to clause (c)(i) of the attached certificate. If none, so state.

B. Describe Potential Defaults and Events of Default, if any, pursuant to clause (c)(ii) of the attached certificate. If none, so state.

C. Reflect compliance with Article 10 at the end of the subject period on a consolidated basis pursuant to clause (d) of the attached certificate. The following table is a short-hand reflection of that compliance and must be completed fully in accordance with the express language of the Credit Agreement.

	Covenant		At End of Subject Period
§ 10.1	**Minimum Consolidated Net Worth**		
a.	The Consolidated Net Worth of the Borrower as of the last day of the subject period		$
b.	75% of the Consolidated Net Worth of the Borrower as of December 31, 2002	$	
c.	50% of the Net Cash Proceeds of all Equity Events occurring after December 31, 2002	$	
d.	**Minimum** --- Sum of Line (b) and Line (c)		$
§10.2	**Maximum Consolidated Funded Debt/Pro Forma EBITDA Ratio**		
a.	Consolidated Funded Debt as of the last day of subject period		$
b.	Pro Forma EBITDA for the four consecutive fiscal quarters ending with last day of subject period	$	
c.	Ratio of Line (a) to Line (b)		to 1.00
d.	**Maximum** --		4.75 to 1.00*
§10.3	**Interest Coverage Ratio**		

SCHEDULE TO COMPLIANCE CERTIFICATE (p. 2)

	Covenant	At End of Subject Period
a.	EBITDA of the Borrower as of the last day of Subject Period	$
b.	Interest Expense for the four consecutive fiscal quarters ending with last day of Subject Period (excluding Interest Expense of Excluded Subsidiaries)	$
c.	Ratio of Line (a) to Line (b)	to 1.00
d.	Minimum	3.00 to 1.00

* 5.00 to 1.00 for two full fiscal quarterly periods immediately following the consummation of each permitted Acquisition.

EXHIBIT D

OPINION OF COUNSEL

[TO BE COMPLETED ONCE FORM IS AGREED UPON]

EXHIBIT E

ASSIGNMENT AGREEMENT

THIS AGREEMENT (the ***"Agreement"***) is entered into as of , between (the ***"Assignor"***) and (the ***"Assignee"***).

TEPPCO PARTNERS, L.P., a Delaware limited partnership (the ***"Borrower"***), the Lenders, **SUNTRUST BANK,** as the Administrative Agent for the Lenders and as the LC Issuing Bank, Wachovia Bank, National Association and Bank One, NA as Co-Syndication Agents and BNP Paribas and Key Bank, N.A. as Co-Documentation Agents, are parties to the Credit Agreement, dated as of June 27, 2003 (as renewed, extended, amended, supplemented or restated, the ***"Credit Agreement"***), all of the defined terms in which have the same meanings when used, unless otherwise defined, in this Agreement. This Agreement is entered into as required by Section 14.10(d) of the Credit Agreement and is not effective (unless otherwise provided in that Section) until consented to by the Borrower, the Administrative Agent and the LC Issuing Bank, which consents may not under the Credit Agreement be unreasonably withheld.

ACCORDINGLY, for adequate and sufficient consideration, the Assignor and the Assignee agree as follows:

1. ***Assignment.*** By this agreement, and effective as of (which must be at least five Business Days after the execution and delivery of this agreement to both the Administrative Agent and, if required, the Borrower, for consent, the ***"Effective Date"***), the Assignor sells and assigns to the Assignee (without recourse to the Assignor), and the Assignee purchases and assumes from the Assignor [a % interest of the Assignor's Commitment] [and] [a % interest in the Assignor's Borrowings] as of the Effective Date, and all related rights and obligations under the Credit Agreement (the ***"Assigned Interest"***), which, if not equal to 100%, must be a percentage, when computed as an aggregate dollar amount, that is at least $5,000,000.

2. ***Assignor Provisions.*** The Assignor (a) represents and warrants to the Assignee that, as of the Effective Date, the Assignor is the legal and beneficial owner of the Assigned Interest, which is free and clear of any adverse claim, and (b) makes no representation or warranty to the Assignee and assumes no responsibility to the Assignee with respect to (i) any statements, warranties, or representations made in or in connection with any Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, or value of any Credit Document, or (iii) the financial condition of the Borrower or any Company or the performance or observance by any Company of any of its obligations under any Credit Document.

3. ***Assignee Provisions.*** The Assignee (a) represents and warrants to the Assignor, the Borrower, the Administrative Agent and the LC Issuing Bank that the Assignee is legally authorized to enter into this Agreement, (b) confirms that it has received a copy of the Credit

Agreement, copies of the Current Financials, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Agreement, (c) agrees with Assignor, the Borrower, the Administrative Agent and the LC Issuing Bank that the Assignee shall (independently and without reliance upon the Administrative Agent, the Assignor, or any other Lender and based on such documents and information as the Assignee deems appropriate at the time) continue to make its own credit decisions in taking or not taking action under the Credit Documents, (d) appoints and authorizes the Administrative Agent to take such action as the Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms of the Credit Documents and all other reasonably-incidental powers, and (e) agrees with the Assignor, the Borrower and the Administrative Agent that the Assignee shall perform and comply with all provisions of the Credit Documents applicable to the Lenders in accordance with their respective terms. If the Assignee is not organized under the laws of the United States of America or one of its states, it (i) represents and warrants to Assignor, the Administrative Agent, and the Borrower that no Taxes are required to be withheld by Assignor, the Administrative Agent, or the Borrower with respect to any payments to be made to it in respect of the Obligation, and it has furnished to the Administrative Agent and the Borrower two duly completed copies of either U.S. Internal Revenue Service W-8BEN or W-8ECI or any other form acceptable to the Administrative Agent that entitles the Assignee to exemption from U.S. federal withholding Tax on all interest payments under the Credit Documents, (ii) covenants to provide the Administrative Agent and the Borrower a new Form W-8BEN or W-8ECI or other form acceptable to the Administrative Agent upon the expiration or obsolescence of any previously delivered form according to law, duly executed and completed by it, and to comply from time to time with all laws with regard to the withholding Tax exemption, and (iii) agrees with the Administrative Agent and the Borrower that, if any of the foregoing is not true or the applicable forms are not provided, then the Administrative Agent and the Borrower (without duplication) may deduct and withhold from interest payments under the Credit Documents any United States federal-income Tax at the full rate applicable under the IRC.

4. ***Credit Agreement and Commitments.*** From and after the Effective Date (a) the Assignee shall be a party to the Credit Agreement and (to the extent provided in this Agreement) shall have the Rights and obligations of a Lender under the Credit Documents and (b) the Assignor shall (to the extent provided in this agreement) relinquish its Rights and be released from its obligations under the Credit Documents. On the Effective Date, after giving effect to this Agreement, but without giving effect to any other assignments or reductions in the Commitments by the Borrower that have not yet become effective, the Assignor's total Commitment (which must be at least $10,000,000), and the Assignee's total Commitment will be $ and $, respectively.

5. ***Notes*.** The Assignor and the Assignee request the Borrower to issue new Notes to the Assignor and the Assignee in the amounts of their respective Commitments under Paragraph 4 above and otherwise issued in accordance with the Credit Agreement. Upon

delivery of those Notes, the Assignor shall return to the Borrower all Notes previously delivered to the Assignor under the Credit Agreement.

6. ***Payments and Adjustments.*** From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments in payments for periods before the Effective Date by the Administrative Agent or with respect to the making of this assignment directly between themselves.

7. ***Conditions Precedent.*** Paragraphs 1 through 6 above are not effective until (a) counterparts of this agreement are executed and delivered by the Assignor and the Assignee to (and are executed in the spaces below by) the Borrower and the Administrative Agent and (b) the Administrative Agent receives from Assignor a $1,000 processing fee.

8. ***Communications.*** For purposes of Section 14.2 of the Credit Agreement, the Assignee's address, telephone number and telecopy number (until changed under that Section) are beside its signature below.

9. ***Amendments, Etc.*** No amendment, waiver or discharge to or under this Agreement is valid unless in a writing that is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of the Credit Agreement.

10. ***ENTIRETY.*** **THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE ASSIGNOR AND THE ASSIGNEE ABOUT ITS SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE ASSIGNOR AND THE ASSIGNEE. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE ASSIGNOR AND THE ASSIGNEE.**

11. ***Parties.*** This agreement binds and benefits the Assignor, the Assignee and their respective successors and assigns that are permitted under the Credit Agreement.

EXECUTED as of the date first stated in this Agreement.

[ASSIGNOR]

By _____

Name:
Title:

[ASSIGNEE]

By _____

Name:
Title:

Address _____

_____

_____

Phone _____

Fax _____

As of the Effective Date, the Borrower, the Administrative Agent and the LC Issuing Bank consent to this Agreement and the transactions contemplated in it.

TEPPCO PARTNERS, L.P., as Borrower

By TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, as General Partner

By _____

Name:
Title:

SUNTRUST BANK, as Administrative Agent

By _____

Name:
Title:

By _____

Name:
Title:

SUNTRUST BANK, as LC Issuing Bank

By _____

Name:
Title:

Exhibit 12.1
Statement of Computation of Ratio of Earnings to Fixed Charges

	Years Ended December 31,					Six Months Ended June 30, 2003
	1998	1999	2000	2001	2002	
			(in thousands)			
Earnings						
Income From Continuing Operations *	53,885	72,856	65,951	92,533	105,882	55,909
Fixed Charges	30,915	34,305	55,621	72,217	77,726	48,563
Distributed Income of Equity Investment	—	—	—	40,800	30,938	10,470
Capitalized Interest	(795)	(2,133)	(4,559)	(4,000)	(4,345)	(1,559)
Total Earnings	84,005	105,028	117,013	201,550	210,201	113,383
Fixed Charges						
Interest Expense	29,784	31,563	48,982	66,057	70,537	45,420
Capitalized Interest	795	2,133	4,559	4,000	4,345	1,559
Rental Interest Factor	336	609	2,080	2,160	2,844	1,584
Total Fixed Charges	30,915	34,305	55,621	72,217	77,726	48,563
Ratio: Earnings / Fixed Charges	2.72	3.06	2.10	2.79	2.70	2.33

* Excludes minority interest, extraordinary loss, gain on sale of assets and undistributed equity earnings.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, BARRY R. PEARL, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TEPPCO Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2003

/s/ BARRY R. PEARL

Barry R. Pearl
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, CHARLES H. LEONARD, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TEPPCO Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2003

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

July 30, 2003

_____

Date

/s/ BARRY R. PEARL

_____

Barry R. Pearl
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC, General Partner

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

July 30, 2003

_____

Date

/s/ CHARLES H. LEONARD

_____

Charles H. Leonard
Senior Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC, General Partner